

SCHEDULE A

ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT

* * * * *

UNIVERSAL HEALTH SERVICES, INC.

as Buyer

AND

VISTA HOSPITAL SYSTEMS, INC. and
FRENCH HOSPITAL MEDICAL CENTER

as Seller

Dated: April 3, 2003

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT ("Agreement") is made and entered into as of April 3, 2003, by and between VISTA HOSPITAL SYSTEMS, INC. ("Vista") and FRENCH HOSPITAL MEDICAL CENTER ("French"), each a California nonprofit public benefit corporation (together referred to as "Seller", and all references to Seller hereunder shall include both Vista and French, jointly and severally with respect to any representations, warranties, obligations, or covenants of Seller contained herein), UNIVERSAL HEALTH SERVICES, INC., a Delaware corporation ("UHS") and UHS-Corona, Inc., a Delaware corporation and wholly-owned subsidiary of UHS ("Buyer"), with reference to the following facts.

A. Seller owns that certain licensed and operational: (a) 228 bed general acute-care hospital which is commonly known as Corona Regional Medical Center (the "Corona Hospital" and together with all medical office buildings and any other activity or business related thereto, the "Corona Hospital Business"), (b) 65 bed general acute-care hospital which is commonly known as Arroyo Grande Community Hospital (the "Arroyo Hospital", and together with all medical office buildings and any other activity or business related thereto the "Arroyo Hospital Business"), and (c) 112 bed general acute-care hospital which is commonly known as French Hospital Medical Center (the "French Hospital" and together with all medical office buildings and any other activity or business related thereto the "French Hospital Business"). The Corona Hospital Business, the Arroyo Hospital Business and the French Hospital Business shall collectively be referred to as the "System Hospitals," and the medical office buildings and any other activity or business related thereto shall collectively, together with the System Hospitals, be referred to as the "System Hospital Businesses", all of which are identified by name and location on Schedule A.

B. Vista and French are members of the "Obligated Group" established under the Amended and Restated Master Indenture of Trust, dated as of February 15, 1996 (as supplemented and amended, the "Master Indenture") by and among the Obligated Group and U.S. Bank Trust National Association, as successor master trustee (the "Master Trustee"). Approximately \$180,000,000 in aggregate obligations ("Bonds") have been executed and delivered for the benefit of the Obligated Group and Vista Medical Foundation, Inc. (the "Foundation"), a former member of the Obligated Group, and are presently outstanding. Seller has experienced financial difficulties, which difficulties have materially and adversely affected their ability, as members of the Obligated Group, to make the required purchase payments under the obligations, which amounts are used to pay debt service. Commencing on March 16, 2000, Seller has been operating under a series of Forbearance Agreements with the holders of the Bonds ("Holders"), whereby the Holders have agreed to forbear (and instruct the Master Trustee and the Trustee to forbear) from exercising their respective rights and remedies under the Master Indenture, the Trust Agreements, the Installment Sale Agreements, and the Installment Purchase Agreements related to the Bonds.

C. Seller intends to file a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Central District of California; and to propose a plan of reorganization. In connection therewith, Seller intends to obtain a commitment for exit financing on or before the Financing Date sufficient to enable Seller to restructure the Arroyo Hospital Business and the French Hospital Business, such exit financing to be consummated on or before confirmation of the Bankruptcy Plan and to be in an amount that, combined with the consideration received by Seller for the sale of the Corona Hospital Businesses hereunder, will (1) provide Seller with adequate working capital for its remaining businesses and (2) result in aggregate funds of no less than \$120,600,000 (net of adjustments to the Purchase Price set forth in Paragraphs 2.1(a)(i)-(v) hereof) paid to the estates (the "Exit Financing").

D. Buyer desires to purchase from Seller, and Seller desires to sell to Buyer, the System Hospital Businesses, and all of the equipment, fixtures and other real and personal property which are directly or indirectly related to, used in, necessary for or contribute to the operation of the System Hospital Businesses, on the terms and conditions set forth in this Agreement; provided, however, that if Seller has (i) obtained a written commitment from a third party for the Exit Financing on or before the Financing Date, (ii) consummated a transaction with such third party pursuant to which Seller has obtained the Exit Financing on or before the Closing Date, and (iii) reduced the Purchase Price in an amount acceptable to Buyer, then Buyer intends to Purchase from Seller, and Seller intends to sell to Buyer, only the Corona Hospital Business, and all of the equipment, fixtures and other real and personal property which are directly or indirectly related to, used in, necessary for or contribute to the operation of the Corona Hospital Business.

E. The transactions described in this Agreement contemplate a sale of all or part of certain of Seller's assets as part of a plan of reorganization in accordance with Section 1123(a)(5)(d) of the United States Bankruptcy Code and the assumption by Seller and assignment to Buyer of certain executory contracts and unexpired leases pursuant to Section 365 of the Bankruptcy Code; and

F. Seller believes that the sale of the Hospital Businesses in a single transaction through the plan confirmation process will enable Buyer to achieve and maintain certain operating and financial efficiencies so as to provide high-quality health care services in the most cost-effective manner possible.

NOW, THEREFORE, in consideration of the foregoing recitals, and the representations, warranties and covenants herein contained, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows.

1. Transfer of Assets
 - 1.1 Transferred Assets

At the Closing (as hereinafter defined in Paragraph 11), for the consideration hereinafter provided and in reliance upon the representations and warranties of the

parties set forth herein, Seller shall sell, transfer, convey and assign to Buyer, and Buyer shall purchase from Seller, all of the assets and businesses which directly or indirectly are related to, used in, necessary for or contribute to the ownership and/or operation of the Hospital Businesses (whether within, adjacent to or completely outside and removed from the Hospitals) (the "Transferred Assets"), free and clear of all Liens, claims, security interests, charges, privileges, pledges, mortgages, deeds of trust and encumbrances, as set forth in Paragraph 6.20(b), and pursuant to 11 U.S.C. §§ 105(a) and 363(f), including, without limiting the generality of the foregoing, all right, title and interest of Seller in and to the following assets (but excluding all Excepted Assets):

(a) The real property other than the Leased Real Property, upon which the Hospitals or any other Hospital Businesses are situated, or that is otherwise used in connection with the Hospital Businesses which real property is identified on Schedule 1.1(a), together with all land improvements, construction work-in-progress, all buildings, fixtures and other improvements thereon, and all rights, privileges and easements appurtenant thereto (the "Owned Real Property"). The right, title and interest of Seller and any parent, affiliate or subsidiary of Seller, as tenant, subtenant, licensee, or occupant with respect to all sublease agreements leases, licenses and occupancy agreements (the "Real Property Leases") with respect to the Hospitals, the real property upon which the Hospitals or any other Hospital Businesses are situated and the other buildings and improvements and fixtures thereon (whether owned or leased), which real property and the Real Property Leases are identified on Schedule 1.1(b), together with all construction work-in-progress in respect of the same and all rights, privileges and easements appurtenant thereto (the "Leased Real Property") (the Owned Real Property and Leased Real Property being sometimes hereinafter collectively and severally referred to as the "Real Property").

(b) All equipment and other tangible personal property used in the operation of the Hospital Businesses (the "Tangible Personal Property") (other than items of tangible personal property that are consumed, disposed of, held for sale or inventoried in the ordinary course of business) including, without limitation, all fixtures, furniture, machinery, office furnishings and vehicles, the current list of which for each of the Hospitals is set forth on Schedule 1.1(c).

(c) All inventories of janitorial, maintenance, shop, office and other supplies, drugs, food, and other disposables which are part of the Hospital Businesses and are existing as of the Closing Date, and which: (i) are not obsolete; (ii) for drugs and other supplies intended for patient consumption, and have expiration dates more than 30 days after the Closing Date; (iii) for perishable food, are fresh; and (iv) are not otherwise designated by Buyer in writing to be excluded (the "Inventory").

(d) All of Seller's interest in all written contracts, agreements, leases, obligations, commitments, or covenants relating to the Hospital Businesses (other than the Real Property Leases and those pertaining to the Excepted Assets or Excluded Liabilities) to which Seller is a party at the Closing Date and that are not subject to cancellation on 30 days' notice or less: (i) that are set forth on Schedule 1.1(e); (ii) which constitute routine supply or service contracts pursuant to which Seller paid or received less than \$15,000 during each of its last two fiscal years and pursuant to which it expects less than \$15,000 to be paid or received during its

current fiscal year, whether or not listed on Schedule 1.1(e); or (iii) contracts which are entered into after the date hereof in the ordinary course of business, and that are disclosed to and not objected to by Buyer (all such contracts, agreements, obligations, commitments or covenants are collectively referred to as the "Contracts"). Schedule 1.1(e) shall include an alphabetical listing of all Contracts by the Hospitals and shall list the Contracts by appropriate categories (such as personal property leases, service agreements, affiliation agreements, non-physician provider agreements, and agreements with physicians). Notwithstanding the foregoing, the Contracts shall not include any contract which Buyer reasonably determines to be in violation of any Law or safe-harbor therein contained. As set forth in Paragraph 6.23, the Buyer may, in its sole discretion and no less than 15 days prior to the Confirmation Hearing, exclude or reject, as may be appropriate, any Contract or Assumed Contract.

(e) To the extent lawfully transferable, all accreditations, registrations, certificates, franchises, licenses, permits and other governmental consents or approvals necessary to or intended for the operation of the Hospital Businesses as presently conducted by Seller, and ownership and operation of the Real Property (collectively the "Licenses and Permits"). All Licenses and Permits are set forth on Schedule 1.1(f) hereto.

(f) All of Seller's right, title and interest in and to any and all business names, marks and logos now or ever used by Seller in connection with the Hospital Businesses, and any and all names and logos under which Seller has conducted the Hospital Businesses or offered programs in connection therewith, together with all abbreviations and variations thereof, including, without limitation, the business names and logos set forth in Schedule 1.1(g), and all goodwill associated therewith.

(g) All Accounts Receivable of Seller relating to the Hospital Businesses that are existing as of the Closing Date.

(h) Subject to Paragraph 1.2(c), all amounts that are or may become due and payable to Seller under the Medicare program or from any other Payor relating to patient receivables for inpatient and outpatient services rendered by Seller in connection with the Hospital Businesses, billed and unbilled, accrued and existing in respect of services relating to periods prior to the Closing Date that are receivable from the beneficiary or from the applicable Payor, fiscal intermediary or agent on or after the Closing Date.

(i) All unexpired warranties and covenants received from third parties with respect to the Transferred Assets which are transferable to Buyer at no cost to Seller including, without limitation, such warranties and covenants as are set forth in any construction agreement, lease agreement, equipment purchase agreement, agreement for architectural and engineering services or purchase and sale agreement.

(j) All available original or true and correct copies of all documents, books, records, forms and files relating to the Transferred Assets, including, without limitation, the following items with respect to the Hospital Businesses: (i) All Hospital Records, including those that are maintained at the Hospitals in the ordinary course of business, (ii) patient and medical records and all other medical and financial information regarding patients of the Hospitals, (iii) patient lists, (iv) employment and personnel records relating to Retained

Employees, (v) personnel policies and manuals, electronic data processing materials, books of account, accounting books, financial records, cost reports, journals and ledgers, (vi) all available material, documents, and information relating to the Real Property, the Tangible Personal Property, and the Contracts, including, without limitation, the originals of all of the Real Property Leases, the participation agreements, and Contracts, and copies of all title information (including but not limited to all title insurance policies, commitments, acts of sale, covenants, conditions, restrictions, leases, Office Leases, licenses, occupancy agreements, easements, servitudes, and other items of record), all environmental studies, reports and information, all property use and operational material, plans and specifications, contracts, site plans, plats, surveys, zoning material, correspondence, and governmental material (i.e., Licenses and Permits, notices, and other matters with respect to governmental authorities), information and notices and known claims (whether or not filed) with respect thereto, and (vii) all licenses or other rights to use patents, trademarks, service marks, trade names or copyrights necessary to conduct or to continue the Hospital Businesses as heretofore conducted.

(k) All proprietary materials, documents, information, media, methods and processes related to the Hospital Businesses, and all rights to use the same to the extent transferable to Buyer. Such proprietary assets shall include but not be limited to: telephone numbers and website addresses; intangible assets of an intellectual property nature; computer software; clinical and policy and procedure manuals; and promotional, marketing and recruiting materials.

(l) All rights respecting computer and data processing hardware that is proprietary to Seller and used in connection with the Hospital Businesses, and all computer and data processing hardware that is part of a computer system used by the Hospital Businesses, whether or not such computer and data processing equipment, or the central processing unit for such computer system, is located at any of the Hospitals or on the premises of the Hospital Businesses.

(m) All right, title and interest of Seller in and to any and all joint ventures, partnerships, limited liability companies or other Persons (the "Joint Venture Entities") relating to the Hospital Businesses (whether such interest is a stock, partnership, membership or other ownership interest or is as a creditor), the current list of which is set forth on Schedule 1.1(I), together with all of Seller's right, title and interest in and to any joint venture, partnership or operating agreements relating thereto (which also shall be listed in Schedule 1.1(e)), and all distributions and allocations which Seller is entitled to receive as of the Closing. The parties acknowledge that Seller's right to transfer its interest in any Joint Venture Entities may be subject to a right of first refusal held by the other owners in any such Joint Venture Entities, or other or similar restrictions on transfer. In the event that one or more of such owners exercise the right of first refusal to purchase Seller's interest therein at the price Buyer offers therefor, then Buyer shall receive a credit to the Purchase Price in an amount equal to such offer.

(n) All other assets, activities and businesses of the Hospital Businesses reflected in whole or in part on the Financial Statements.

1.2 Excepted Assets

At the Closing, Seller shall retain only the following assets (the "Excepted Assets").

(a) Except for the Inventory, Accounts Receivable and the Prepaids in connection with the Hospital Businesses (as set forth on the Seller's Closing Date Financial Statements), all assets constituting working capital, whether cash, cash equivalents, or marketable securities.

(b) All assets set forth on the Closing Date Financial Statements which are: (1) held in trust or which are limited as to use pursuant to any note, bond, mortgage or indenture set forth on **Schedule 1.2(b)**, the current amounts of which are set forth on **Schedule 1.2(b)**, and (2) Deferred Financing Costs, Deposits and Goodwill as set forth on the Closing Date Financial Statements.

(c) All amounts due to Seller arising from Medicare or other Payors with respect to the cost reports and other filings referred to in Paragraph 13.9.

(d) All right, title and interest of Seller in and to the pending litigation brought by Seller against Tenet Healthcare, including but not limited to Case No. BC272850 in the Los Angeles Superior Court, and all claims of Seller against insurers related to professional, general or workers' compensation insurance programs of Seller in effect prior to the Closing Date.

(e) All right, title and interest of Seller in and to the pending class action litigation relating to Medi-Cal outpatient rates prior to the Closing Date, in Case No. C753710 in the Los Angeles Superior Court, Case No. 530182 in the Sacramento Superior Court, and Case Nos. CV 90 4209 SVW, CV 94 4764 SVW and CV 94 4825 SVW in the United States District Court for the Central District of California.

(f) Such other assets, if any, which Buyer, in its sole discretion, determines not to purchase, or are otherwise specifically described in **Schedule 1.2(f)**.

Buyer acknowledges and agrees that Seller shall have the right to remove, and may remove at any time prior to or within 15 days following the Closing Date (at Seller's expense, but without charge by Buyer for storage), all or any part of the tangible Excepted Assets; provided, however, that such removal by Seller shall take place during normal business hours and with reasonable prior written notice to Buyer of the time (which time shall be reasonably acceptable to Buyer) when such removal shall take place. Seller's employees, representatives and agents shall conduct themselves during such removal process in such a manner so that Buyer's normal business activities shall not be unduly or unnecessarily disrupted thereby. Any such Excepted Assets which were located at any of the Hospital Businesses on the Closing Date and which are not removed by Seller prior to the expiration of such 15 day period shall, at Buyer's option, (i) be deemed abandoned and become Transferred Assets and the sole and exclusive property of Buyer, or (ii) be disposed by Buyer, at Seller's sole cost and expense. Seller shall indemnify, defend and hold Buyer harmless from and against claims incurred or

asserted against and all Losses incurred by Buyer arising out of or in connection with the Excepted Assets. The provisions of this Paragraph 1.2 shall survive the Closing.

2. Purchase Price

2.1 Amount

(a) Based upon audited financial statements for 12 months ended December 31, 2001 and unaudited financial statements for 5 months ended May 31, 2002, and assuming no material change from those financial statements, the purchase price (the "Purchase Price") to be paid by Buyer to Seller for the Transferred Assets shall be \$120,600,000 less: (i) the amount of Capital Lease obligations that are being assumed by Buyer pursuant to Paragraph 3.1(a) hereof, (ii) an amount equal to 30% of the obligation assumed by Buyer for the long-term sick leave bank of Hired Employees not otherwise reflected on Seller's Financial Statements, (iii) the amount of proceeds received by Seller from the sale of its Hospice division, (iv) the Capital Expenditure Deficiency Amount pursuant to Paragraph 6.1(l) hereof and (v) the amount of Real Property Taxes (including, without limitation, all fines, penalties and interest thereon) due and payable on or prior to the Closing Date.

(b) In the event that Seller obtains Exit Financing on or before the Financing Date and such Exit Financing closes on or before confirmation of the Bankruptcy Plan, the Purchase Price may be reduced in an amount agreed to by Buyer, in the Buyer's sole discretion, to reflect the value of the retention of the Arroyo Hospital Business and the French Hospital Business, provided, however, that such reduced Purchase Price, in conjunction with the Exit Financing, shall (i) provide Seller with adequate working capital for its remaining businesses, and (ii) result in aggregate available funds of no less than \$120,600,000 (net of adjustments to the Purchase Price set forth in Paragraphs 2.1(a)(i)-(v) hereof) paid to Seller's estates. In this event, the Hospital Businesses shall consist solely of the Corona Hospital Business. The Purchase Price, as reduced in accordance with the above sentence, is further subject to adjustment as set forth in Paragraph 2.1(c) below.

(c) The Purchase Price shall be reduced by the amount (if any) by which the Net Current Asset Value (as defined below) reflected in the Estimated Closing Statement, computed in accordance with generally accepted accounting principles ("GAAP") and prepared on a basis consistent with the balance sheet of May 31, 2002 (excluding items not assumed by Buyer), is less than the Net Current Asset Value reflected on the May 31, 2002 balance sheet, and shall be increased by the amount (if any) by which the Net Current Asset Value reflected in the Estimated Closing Statement is greater than the Net Current Asset Value reflected in the May 31, 2002 balance sheet. For purposes of this Paragraph 2.1, Net Current Asset Value shall mean (i) Patient Receivables, Inventories, Prepaid Expenses and Other Accounts Receivable, (collectively the "Current Assets") less (ii) Accrued Payroll and Benefits, (collectively the "Current Liabilities"), each with respect to the Hospital Businesses and as set forth on Seller's balance sheet.

2.2 Payment of Purchase Price

No less than five business days prior to the Closing, Seller shall prepare and deliver to Buyer an estimate of the Closing Statement (the "Estimated Closing Statement") based upon (and if determined by Seller and Buyer to be reasonably practicable, updated or estimated from) the books and records of Seller with respect to the Hospital Businesses for the most recent month ending prior to the Closing for which data is available. All determinations made with respect to the Estimated Closing Statement shall be based upon the internal records of, and the valuations customarily used by, Seller and shall be consistent with GAAP used by Seller with respect to the recording and accruing of the types of assets and liabilities included. Under no circumstances shall a physical inventory or audit be required in connection with the Estimated Closing Statement. The Purchase Price determined by reference to the Estimated Closing Statement, and as adjusted pursuant to Paragraph 2.1 above, shall be paid to Seller by Buyer at the Closing.

(a) Purchase Price Paid at Closing. At the Closing, the Purchase Price shall be paid as follows:

(i) Buyer shall wire transfer immediately available funds to one or more accounts designated by Seller prior to the Closing in an amount equal to the Purchase Price; and

(ii) Buyer shall assume Seller's liability under the Assumed Obligations by delivering to Seller an assumption and undertaking of the Assumed Obligations substantially in the form and substance of Schedule 2.2(a)(ii).

(b) Post-Closing Purchase Price Adjustment. Within five business days of the final determination of the amount of the Purchase Price as provided in Paragraph 2.3, Buyer shall pay to Seller in immediately available funds, the amount, if any, by which the Net Current Asset Value as reflected in the Estimated Closing Statement is greater than the Net Current Asset Value as reflected in the Closing Statement (as defined below), and Seller shall pay to Buyer in immediately available funds, the amount, if any, by which the Net Current Asset Value as reflected in the Estimated Closing Statement is less than the Net Current Asset Value as reflected in the Closing Statement (as defined below). The pendency of a dispute shall not affect the payment obligation hereunder of either Buyer or Seller to the extent such payment is not disputed.

2.3 Closing Statement and Determination of Purchase Price

(a) Delivery of Closing Statement. As soon as practicable, but in no event later than 90 days after the Closing Date, Seller shall cause a statement (the "Closing Statement") to be prepared and delivered to Buyer which shall include unaudited balance sheets of the Hospital Businesses, including the Net Current Asset Value, and related Transferred Assets as of the Closing Date and the related statement of income for the period then ended (such balance sheet and statement of income are referred to herein as the "Closing Date Financial Statements"). By delivering the Closing Date Financial Statements, Seller shall be deemed to

have made as of the Closing Date, and Buyer shall be deemed to have relied upon, the same representations and warranties as are set forth in **Paragraph 5.3** with respect thereto.

(b) Acceptance or Dispute of Closing Statement. If the Closing Statement as submitted by Seller is challenged by Buyer, then, unless otherwise resolved by agreement of the parties within 30 days from the date of Buyer's challenge or such later date as the parties may mutually agree, the Closing Statement shall be deemed in dispute, which dispute shall be resolved by the independent certified public accountants of Buyer, on the one hand, and the independent certified public accountants of Seller, on the other hand. If such accountants cannot resolve the dispute within 30 days of such submission, or such later date as the parties may mutually agree upon, such dispute shall be mutually submitted by the parties to one of the so-called "big four" accounting firms (other than the parties' respective independent certified public accountants) to be selected by the mutual agreement of such parties' independent certified public accountants. The determination of the selected accounting firm shall be final and binding and shall be rendered within 30 days of the date on which the matter is submitted to such firm. The selected accounting firm shall determine the issues in dispute after following such procedures, consistent with the language of this Agreement, as it deems appropriate to the circumstances and with reference to the amounts at issue. No particular procedures are intended to be imposed upon the selected accounting firm, it being the desire of the parties that any such dispute shall be resolved as expeditiously and inexpensively as reasonably practicable. All costs incurred in connection with the services of the selected accounting firm as described in this **Paragraph 2.3(b)** shall be borne 50% by Seller and 50% by Buyer. If Buyer does not give written notice to Seller of its challenge of the Closing Statement within 30 days following Buyer's receipt of the Closing Statement, Buyer shall be deemed to have accepted the same. The Closing Statement, either as accepted by Buyer or as resolved in the manner herein provided, shall establish the final Purchase Price. The pendency of a dispute shall not affect the payment obligation hereunder of either Buyer or Seller to the extent such payment is not disputed.

3. Assumption of Obligations of Seller

3.1. Obligations Assumed

Buyer shall assume, effective as of the Closing and as part of the Purchase Price, and shall pay, discharge and perform as and when due, only each of the following obligations of Seller with respect to the Hospital Businesses (the "**Assumed Obligations**").

(a) All obligations and liabilities of Seller: which (i) arise under the Contracts, the Capital Leases (as defined in the Financial Statements), the Real Property Leases and the Licenses and Permits which pertain to or are to be performed during any period commencing on or after the Closing Date; (ii) under those open purchase orders which were entered into by Seller in the ordinary course of business with respect to the Hospital Businesses before the Closing Date and which provide for the routine delivery of goods or services subsequent to the Closing Date, but which were not required to be listed on Schedule 1.1(e) or (iii) under Seller's Capital Leases related to the Hospital Businesses, but only to the extent that the Purchase Price is reduced pursuant to **Paragraph 2.1(a)(i)** hereof (collectively, the "**Assumed Contracts**"), which Assumed Contracts are to be assumed by Seller and assigned to

Buyer in accordance with Section 365 of the Bankruptcy Code, as provided in Paragraph 6.23 hereof.

(b) All obligations and liabilities to the Hired Employees (as hereinafter defined in Paragraph 13.10(b)) for paid time off (including vacation pay and "paid days leave") and sick pay (to the extent recorded on the Closing Statements) through the Closing Date ("Paid Time Off"), together with all payroll taxes or other Taxes attributable or otherwise payable with respect thereto (the amount of which Taxes shall be determined as if the Paid Time Off were payable as of the Closing Date), to the extent the foregoing have been recorded on the Closing Statement of Seller, and all other obligations and liabilities concerning employee matters to be assumed by Buyer pursuant to Paragraph 13.10 or 13.11 (if applicable). Schedule 3.1(b) is a listing of accrued Paid Time Off as of the date indicated thereon with respect to all current employees of the Hospital Businesses, which schedule includes all Paid Time Off earned by such employees as of such date. Schedule 3.1(b) also contains a description or summary of all of the sick pay benefits made available by Seller to its employees and the policies of Seller regarding the recordation of such sick pay benefits on the Financial Statements. In addition, Buyer will assume the unaccrued medical leave banks for the employees of Seller, but only to the extent that the Purchase Price is reduced pursuant to Paragraph 2.1(a)(ii) hereof.

(c) Salaries and other payroll costs respecting Hired Employees accrued in accordance with normal accounting practices of Seller (but not including bonuses or other incentive compensation or accrued benefits with respect to Plans that are not assumed by Buyer), but only to the extent of the amount of each such liability recorded on the Closing Statement. The foregoing current liabilities, together with the liabilities and obligations for Paid Time Off and related Taxes assumed under Paragraph 3.1(b), each with respect to the Hospital Businesses, are collectively referred to as the "Accrued Operating Expenses". The categories and current amounts of the Accrued Operating Expenses (exclusive of the amounts set forth in Schedule 3.1(b)) are set forth on Schedule 3.1(c).

3.2 Obligations Not Assumed

Except for the Assumed Obligations, Buyer shall not assume or become obligated with respect to any other obligation or liability of Seller or any of its Affiliates of any nature whatsoever (whether express or implied, fixed or contingent, liquidated or unliquidated, known or unknown, due or to become due) (the "Excluded Liabilities"), including, without limiting the generality of the foregoing, the following:

(a) Obligations or liabilities arising from the breach or default (or any act or omission by Seller which, with or without notice or lapse of time or both, would constitute a breach or default) by Seller or any Affiliate on or prior to the Closing of any term, covenant or provision of any of the Assumed Contracts.

(b) Obligations or liabilities of Seller or its Affiliates now existing or which may hereafter exist by reason of, or in connection with, any alleged negligence, or willful misconduct on or prior to the Closing.

(c) Obligations or liabilities of Seller or its Affiliates now existing or which may hereafter exist by reason of any liability to refund any payment or reimbursement received by Seller from any Payor which is attributable to any period of time ending on or prior to the Closing (including, but not limited to, any liability to Medicare or any other Payor seeking, by reason of the sale of the Transferred Assets by Seller to Buyer hereunder, to recapture any costs reimbursed or reimbursable to Seller, including any gain from sale liability) or any Medicare fines, assessments, penalties, judgments, awards, charges, and the like in connection with the settlement of cost reports of Seller

(d) Obligations or liabilities of Seller to any Affiliate or other Person arising from or in connection with any Intercompany Transaction.

(e) Obligations or liabilities of Seller or its Affiliates (including, without limitation, fines, penalties and interest) now existing or which may hereafter exist by reason of any violation or alleged violation of Law by Seller or any of its Affiliates (or by any employee, agent or independent contractor of any of the foregoing), relating to the ownership, use or operation of the Transferred Assets, or to any event or circumstance occurring or existing, on or prior to the Closing Date.

(f) Any liability of Seller to cure any default of Seller under any Assumed Contracts as a condition to the assumption and assignment of such Assumed Contracts under Section 365 of the Bankruptcy Code.

(g) All rights and remedies claimed by third parties under any of the Assumed Contracts or Assumed Obligations which broaden the rights and remedies such third parties would have against Seller if the sale and purchase of the Transferred Assets had not occurred.

(h) Obligations or liabilities of Seller or its Affiliates arising from or in connection with any litigation described in Paragraph 5.8 or any claims for personal injury (including sickness, trauma, disease, pain and suffering, loss of future earnings, punitive damages and the like), property damage and any other damage or injury in existence or arising out of an event or circumstance which occurred or existed at or prior to the Closing Date, whether or not any claim has been made or litigation has been instituted with respect thereto, and whether or not any such claim is covered partially or fully by insurance.

(i) Accounts Payable, Accrued Expenses, Current Installments on Long-Term Debt, Accrued Interest, Accrued Interest Payable, Other Accrued Liabilities, Due to Third Party Payors, Long-term debt, including Certificates of Participation, Malpractice Insurance, Notes Payable and Deferred Revenue (as all such terms are used in the Financial Statements) or any environmental liabilities arising from the release of Hazardous Materials on, at or underlying any of the Real Property, or any other environmental liabilities of the Seller.

(j) Obligations or liabilities of Seller or its Affiliates representing indebtedness for money borrowed or the deferred portion of the purchase price for any Transferred Asset.

(k) Obligations or liabilities of Seller or its Affiliates arising under or in connection with any Benefit Plan or Employee Retirement Income Plan or the Employee Retirement Income Security Act of 1974, as amended ("ERISA") for bonuses, other incentive compensation and benefits under any Benefit Plans, or any other liability to any Person whatsoever arising out of or in connection with any Benefit Plan or in connection with the employment by Seller of any Seller Employees.

(l) Except for the Accrued Operating Expenses assumed by Buyer pursuant to Paragraph 3.1(c), all accrued and unpaid liabilities of Seller which are or should have been reflected on the Closing Date Financial Statements.

(m) Self Insurance liability.

(n) All liability for utilities, rents and other payments due in connection with the Real Property, in each case relating to periods prior to the Closing Date.

(o) All liabilities for Taxes whether or not accrued, assessed or currently due and payable (i) of the Seller, whether or not it relates to the Hospital Businesses, or (ii) relating to the operation or ownership of the Hospital Businesses or the Transferred Assets for any Tax period (or portion thereof) ending on or prior to the Closing Date. All real property Taxes, personal property Taxes and similar ad valorem obligations (collectively, "Real Property Taxes") levied with respect to the Transferred Assets for a Tax period that includes (but does not end on) the Closing Date shall be apportioned between Buyer and Seller based on the number of days of such period included in the Tax period prior to the Closing Date and the number of days of such Tax period after the Closing Date (which period shall include the Closing Date), and the Purchase Price shall be appropriately adjusted.

(p) Any obligation of Seller to Cambio Health Solutions LLC.

(q) Any obligation of Seller not arising out of or related to the Hospital Businesses.

The Excluded Liabilities shall remain the sole responsibility of Seller. If an obligation or liability of Seller or any Affiliate is described in this Paragraph 3.2, such obligation or liability shall be an Excluded Liability notwithstanding that such liability or obligation is also described in any one or more of the subparagraphs of Paragraph 3.1.

4. Disclosure document

Seller has delivered to Buyer a disclosure document (the "Disclosure Document") which includes the schedules described in the List of Schedules attached hereto as Annex I (other than any schedules intended to be provided by Buyer) and such other schedules as may be attached to the Disclosure Document and which includes the exhibits to this Agreement described in the List of Exhibits attached hereto as Annex II.

Prior to the Closing Date, Seller may, solely in order to disclose or correct information of which Seller had no Knowledge prior to the date Seller delivered the Disclosure Document to Buyer, amend any one or more of the schedules included in the Disclosure

Document by the delivery of one or more supplemental disclosure documents (the "Supplemental Disclosure Documents") to Buyer. Seller shall deliver to Buyer a Supplemental Disclosure Document as soon as practicable upon acquiring Knowledge of any fact, event or condition that causes the information contained in any previously delivered Disclosure Document to be incorrect or misleading. Buyer and Seller agree that Seller's representations and warranties set forth in this Agreement shall be deemed modified by the information contained in any such Supplemental Disclosure Documents when delivered in accordance herewith. Upon receipt of a Supplemental Disclosure Document, Buyer shall have a period of fifteen business days either to approve the Supplemental Disclosure Document or to notify Seller that it disapproves the Supplemental Disclosure Document and thereby elects, subject to the provisions of Paragraph 13.6, to terminate this Agreement. If such fifteen-day period would expire after the date for the Closing specified in Paragraph 11 or the date for termination specified in Paragraph 16.1(c), then each such date shall be extended to coincide with the date on which such fifteen-day period expires. If Buyer shall notify Seller within the time periods herein specified that it disapproves a Supplemental Disclosure Document, subject to the provisions of Paragraph 13.6, including any obligation of Seller to cure contained therein, this Agreement shall terminate without liability to Buyer or Seller and shall be of no further force or effect, except as otherwise expressly provided herein. If Buyer shall fail to give notice to Seller within the time periods herein specified that it disapproves a Supplemental Disclosure Document, then Buyer shall be deemed to have approved the applicable Supplemental Disclosure Document.

5. Representations and Warranties of Seller

Seller has delivered or otherwise made available, or will deliver or otherwise make available prior to Closing, to Purchaser true, correct and current copies of all of the Contracts. At Buyer's request, Seller has prepared and delivered to Buyer summaries of certain terms of the Contracts. The summaries of terms of the Contracts contained in the Schedules attached hereto are provided only for reference purposes, and are not representations of Seller as to any of the terms of the underlying documents, all of which have been previously delivered to Buyer, provided that Seller does represent and warrant that the summaries accurately reflect the contracts that require consents of third parties (Paragraph 5.5) and the contracts that have been entered into by Seller subsequent to the Prior Year's Financial Statements (Paragraph 5.18).

Seller represents and warrants to Buyer as follows.

5.1 Organization of Seller

Each of the constituent corporations of Seller is a nonprofit public benefit corporation duly incorporated and validly existing under the laws of, and is authorized to exercise its corporate powers, rights and privileges and is in good standing in, the State of California and has full corporate power to carry on its business as presently conducted and as will be conducted through the Closing, and to own or lease and operate its properties and assets now owned or leased and operated by it.

5.2 Authority

Subject to Bankruptcy Court approval as contemplated by Paragraph 6.20 hereto with respect to the Bankruptcy Case and Bankruptcy Plan, Seller has the full power and the authority without the consent of any other Person or governmental entity (except as disclosed in Schedules 5.5 and 5.6 hereto) to execute, deliver and perform the obligations and covenants set forth in this Agreement and all Related Agreements to which it is a party and to carry out the transactions contemplated hereby and thereby. The execution delivery and performance of this Agreement and any Related Agreements by Seller and the consummation of the transactions contemplated hereby or thereby have been duly authorized by all necessary corporate action on the part of Seller. Subject to Bankruptcy Court approval as contemplated by Paragraph 6.20 hereto with respect to the Bankruptcy Case and Bankruptcy Plan, this Agreement and all such Related Agreements are valid and binding upon and enforceable against Seller in accordance with their terms, except that the remedy of specific performance and injunctive and other forms of equitable relief may not be available. Except as set forth in the Disclosure Document, the execution, delivery and performance of this Agreement and all such Related Agreements and the consummation of the transactions contemplated hereby or thereby will not: (a) violate any Law applicable to Seller; (b) violate or conflict with, or result in a breach of, or constitute a default (or an event which, with or without notice or lapse of time or both, would constitute a default) under, or result in the creation of, or permit the acceleration of, any indebtedness, mortgage, lien, restriction, charge, security interest, claim, right of another, or other encumbrance upon any of the Transferred Assets whatsoever, under any of the terms, conditions, or provisions of any note, bond, mortgage, indenture, lease, license, franchise, agreement or other instrument or obligation to which Seller is a party or by which any of the Transferred Assets are or will be bound; (c) violate or conflict with any provision of the Articles of incorporation or Bylaws of Seller; or (d) result in any suspension, revocation, impairment, forfeiture or non-renewal of any License or Permit.

5.3 Financial Statements

(a) Financial Statements. Schedule 5.3(a) contains: (i) the audited consolidated balance sheets of Seller with respect to the Transferred Assets as of December 31, 2000 and 2001 and the related consolidated statements of income for each fiscal year then ended (the "**Prior Year's Statements**"); and (ii) the unaudited consolidated balance sheet of Seller with respect to the Transferred Assets as of December 31, 2002 and the related unaudited consolidated statements of income for year then ended (the "**Interim Statements**"). The Prior Year's Statements, the Interim Statements and the Monthly Statements are collectively referred to as the "**Financial Statements**". The Financial Statements are true, complete and correct in all Material respects, have been prepared from, and are in accordance with, the books and records of Seller and present fairly and accurately the financial position and results of operations of Seller with respect to the Transferred Assets as of the dates and for the periods indicated, in each case in conformity with GAAP consistently applied by Seller throughout the periods indicated. There are no reasons or events whatsoever for which adequate reserves appearing in the Financial Statements have not been established. The Financial Statements fairly and accurately reflect in all Material respects the operating expenses and direct costs for the periods indicated. The description and summary of the sick pay benefits and accounting policies therefor set forth on Schedule 3.1(b) is true, correct and complete in all respects and the amount recorded on the

Financial Statements for such sick pay benefits is consistent with the policies described in Schedule 3.1(b).

(b) Qualifications to Unaudited Statements. Notwithstanding the foregoing, the unaudited Financial Statements do not reflect all inter-company eliminations, adjustments and accruals, do not contain footnotes or other explanatory materials associated with financial statements prepared in accordance with GAAP and do not contain normal and recurring year-end adjustments (provided such adjustments do not have a Material Adverse Effect on the financial position or results of operation of the Hospital Businesses). The Financial Statements are to be read in conjunction with, and are subject to, all notes and other explanatory materials set forth therein.

(c) Accounts Receivable. The Financial Statements and underlying schedules and other records provided by Seller to Buyer regarding Seller's accounts receivable, accurately reflect the amount due to Seller with respect to the Hospital Businesses as of the date indicated on such schedules and records, with reasonable reserves and allowances based on Seller's historical practices. All outstanding accounts receivable arose in the ordinary course of business. To Seller's Knowledge, such accounts receivable are not subject to counterclaim or set-off, except to the extent that reserves for doubtful accounts have been established by Seller and which reserves have been adequately reflected on, and are consistent with presentation in, the Financial Statements.

5.4 Title to Transferred Assets

(a) Seller has good and marketable: (i) title in fee simple to the Owned Real Property; (ii) leasehold interests in the Leased Real Property and the Offices Leases; and (iii) title to the remaining Transferred Assets, in each case free and clear of all liens, charges, claims, privileges, pledges, security interests, mortgages, deeds of trust, leases, subleases, licenses, occupancies, rights of first refusal, options, easements, rights, restrictions, defects in title of any nature and encumbrances, whether absolute, accrued, contingent, unasserted or asserted or otherwise (collectively the "Liens"), except Liens set forth on Schedule 5.4 which do not individually, or in the aggregate, adversely impact the use or value of the Transferred Assets or adversely affect Buyer's ability to operate and own the Transferred Assets in the same manner as currently operated by Seller. The parties agree that Schedule 5.4 shall be modified to reflect Liens on Owned Real Property as soon as Buyer has received preliminary title reports for all such property.

(b) There are no purchase contracts, options or other agreements of any kind whereby any person or entity will have acquired or will have any basis to assert any right, title or interest in, or right to the possession, use, enjoyment or proceeds of any part or all of the Real Property, except the Real Property Leases.

5.5 Third Party Rights

Except for the governmental consents referred to in Paragraph 5.6 and except as otherwise disclosed on Schedule 5.5 or Schedule 5.9, as of the Closing, Seller (a) may transfer and assign to Buyer all of its right, title and interest in and to the Transferred Assets and

(b) execute, deliver and perform its obligations under this Agreement and the Related Agreements without obtaining the consent, permit, waiver, approval or other action of any other Person or party.

5.6 Governmental Consents

Except as disclosed on **Schedule 5.6**, no consent, approval, authorization or order of, and no exemption by or filing with, any court or governmental agency is required on behalf of Seller in connection with (a) the transfer of the Transferred Assets to Buyer or (b) the execution and delivery of this Agreement or any Related Agreement, or the consummation and fulfillment by Seller of the transactions contemplated hereby or thereby, or the performance by Seller of its obligations hereunder or thereunder.

5.7 Hazardous Materials

Schedule 5.7 contains a list of all surveys or reports obtained by or otherwise in the possession of Seller which relate to the environmental condition of the Hospital Businesses (including the Hospitals or the Real Property), and Seller has provided or will provide to Buyer copies of all such reports and surveys. Except as disclosed by the Environmental Survey or otherwise on **Schedule 5.7**, to Seller's Knowledge (a) there is not present on or about the Real Property and there has been no use, generation, transportation, manufacture, storage, Release, threatened Release, treatment or disposal by Seller or, by any agent or representative of Seller or, to Seller's Knowledge, by any other Person of any Hazardous Materials on, about or from the Real Property, or any migration of Hazardous Materials to or from the Real Property; (b) Seller's operation and use of the Real Property and the Hospital Businesses are not now, nor ever was, in violation of any Environmental Regulations; (c) neither Seller nor, to Seller's Knowledge, any other Person has caused any condition on the Real Property which constitutes or causes a health, safety or environmental hazard on, under or about the Real Property, or requires remediation at the behest of any governmental agency; (d) there are no violations or, to Seller's Knowledge, alleged violations of any standard or guideline of any federal, state or local governmental body, agency or subdivision relating to Hazardous Materials, including, without limitation, those standards or guidelines establishing or regulating or both, the levels of permissible human exposure to asbestos and airborne asbestos fibers; (e) there is no Environmental Claim or other proceeding or action pending or, to Seller's Knowledge, threatened by any Person or governmental agency regarding the environmental condition of any of the Hospital Businesses or the Real Property; (f) no Hazardous Materials have been transported from the Real Property to an off-site location which is or ever was subject to an administrative order or other Environmental Claim or which has been, or is proposed to be, placed on any federal or state clean up list; (g) Seller has not received any written notice that any of the Real Property is the subject of a Material deed restriction, Material title-transfer restriction, other Material land-use restriction, or Material Lien arising in each case under any Environmental Regulation; and (h) Seller has not improperly disturbed or encroached upon any flood plain areas, waters or wetlands associated with any of the Real Property in violation of any Environmental Regulations.

5.8 Litigation

Except as set forth on **Schedule 5.8**, there are no actions, suits, claims, proceedings, inquiries, or enforcement actions pending or, to Seller's Knowledge, threatened against, affecting or relating to the Hospital Businesses, Seller or the Transferred Assets or relating to the operations of the Hospital Businesses, at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, agency or instrumentality. Seller has not received notice of any investigation, threatened or contemplated, by any federal or state governmental authority or agency, that remains unresolved, involving the Transferred Assets or operation of Seller or the Hospitals. Except as otherwise specified in **Schedule 5.8**, all litigation listed on **Schedule 5.8** relating to general and professional liability is covered by Seller's insurance. No circumstances exist involving loss of life, OSHA, or accreditation related safety issues of Seller or the Hospitals that would cause any obligation to report to any state, local or federal governmental authority or agency. None of the litigation listed on **Schedule 5.8** has created a Lien, privilege, or a claim therefor against the Transferred Assets

5.9 Licenses and Permits

(a) Seller possesses all licenses, permits, and other governmental consents and approvals (the "Permits") necessary for the operation of the Hospital Businesses at the locations and in the manner presently operated, and for the completion of all capital projects of Seller in process as of the date hereof. Except as otherwise disclosed on **Schedule 5.9**, the Hospitals: (i) are fully accredited by the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO"); (ii) are certified for participation in the Medicare program; (iii) have an inpatient services provider contract with Medi-Cal; (iv) are parties to valid participation agreements for payment by Medicare, Medi-Cal and TRICARE (CHAMPUS), which are in full force and effect, and (v) are in compliance with the conditions of participation in each such program, and are in compliance with the terms and conditions of each such contract or agreement, including the participation agreements, related thereto. **Schedule 5.9** contains a list of all Permits held or applied for by Seller which have an effect on the operation of any of the Hospital Businesses and indicates thereon the number and types of beds each of the Hospitals is permitted to operate and whether any such beds are in suspense. Except as set forth on **Schedule 5.9**, Seller has complied in all Material respects with the terms and conditions of all such Permits, accreditations and participations, and all such Permits, accreditations and participations are unconditionally in full force and effect, and to the best of Seller's Knowledge, there has occurred no event nor is any event, action, investigation or proceeding pending or threatened which could cause or permit revocation or suspension of or otherwise adversely affect the maintenance of any such Permits, accreditations or participations. Seller has previously delivered to Buyer true and complete copies of: (a) true, complete and correct copies of the most recent JCAHO accreditation survey report and deficiency list, if any; (b) the most recent state licensing report and list of deficiencies, if any; (c) the most recent Medicare and Medi-Cal certification reports and lists of deficiencies, if any; and (d) the most recent fire marshal's survey and deficiency list, if any. Seller also previously has delivered to Buyer the most recent plans of correction relating to each of the deficiency lists referred to in subparts (a) through (d) above, and all correspondence relating to such reports, surveys, deficiencies, and/or plans of correction. Seller has taken or is in the process of taking all reasonable steps to correct all Material

deficiencies noted in such reports, surveys and deficiency lists, and a description of any Material uncorrected deficiency is listed in Schedule 5.9. There are no provisions in, or other agreements to which Seller is a party relating to, any Permits which would preclude or limit Buyer from operating the Transferred Assets substantially as they are now operated and using the beds of the Hospital substantially as they are currently classified. For the purposes of this Paragraph 5.9, "Material" shall mean a financial impact of \$100,000 in the aggregate.

(b) To Seller's Knowledge, Schedule 5.9 sets forth an accurate, complete and current list of all participation agreements with health maintenance organizations, insurance programs, and any other third party payors and all agreements with preferred provider organizations related to the Hospital Businesses to which Seller is a party. Seller has previously made available to Buyer true and correct copies of all such agreements listed in Schedule 5.9.

(c) Seller has timely filed or caused to be timely filed all cost reports and other reports of every kind whatsoever required by law or by written contracts to have been filed or made with respect to the purchase of services of Seller and/or the Hospitals by third party payors.

5.10 Employee Relations

Except as disclosed on Schedule 5.10: (a) neither Seller nor any of the Hospital Businesses is a party to any agreement with any union, trade association or other employee organization with respect to the employees of the Hospital Businesses; (b) no demand has been made for recognition by a labor organization with respect to any employees of the Hospital Businesses; (c) to Seller's Knowledge, no union organizing activities by or with respect to any such employees are taking place; (d) there are currently no work stoppages, strikes, investigations, arbitrations, claims, disputes, grievances, charges, complaints or proceedings or other labor relations problems pending or, to the Knowledge of the Seller, threatened, involving the employees of the Hospital Businesses, nor have any discharges, terminations or other incidents occurred that, to Seller's Knowledge, would form the basis for any claim of discrimination against Seller; (e) the Hospital Businesses have not suffered any strikes (including wildcat strikes), slowdowns, walkouts, or lockouts or any other interruptions or disruptions of operations as a result of labor disturbances with respect to employees of the Hospital Businesses; (f) to Seller's Knowledge, as of the date of this Agreement, the employee relations of Seller with the employees of the Hospital Businesses are good; (g) to Seller's Knowledge, no union representation question exists with respect to any employees of the Hospital Businesses; and (h) no collective bargaining agreement is currently being negotiated by Seller with respect to the employees of the Hospital Businesses.

5.11 Personnel and Benefit Plans

(a) Schedule 5.11(a) contains a list of all current employees (by employee number) of the Hospital Businesses (the "Seller Employees"), along with current hourly wage, annual compensation job title and hire date for all such employees. Schedule 5.11(a) also contains the written employment policy of Seller and any mission statement or standard of conduct policies governing employee ethics and conduct and a description of any education programs related to compliance with Laws and business ethics. Except as designated

on or provided in Schedule 5.11(a), Seller has no employment, severance or similar agreement with any of the employees or independent contractor agreement with any Person with respect to the Hospital Businesses, and all current employees are employed pursuant to an "at-will" policy and do not regularly perform any of their duties within, and are not located on a regular basis within, the office of any physician referring patients to any of the Hospital Businesses.

(b) Except as set forth in Schedule 5.11(b), as of the Closing Date, all vacation pay, holiday pay, accrued sick leave, short or long-term disability, reimbursement of expenses, commissions, compensation for absences due to jury duty and funeral leave, Paid Time Off, wages, salaries, bonuses, extended sick leave, insurance benefits, or other employee benefits or reimbursements with regard to any current or former Seller Employee or other personnel will have been paid by Seller. Schedule 5.11(b) lists the name of each Seller Employee who is not actively at work for any reason and the date on which such employees are expected to return to active status.

(c) Schedule 5.11(c) sets forth a listing of each of Seller's and its Affiliates' pension and retirement plans (except for Social Security), medical, hospitalization, vision, dental, life, disability and other similar benefit plans (including all employee benefit plans, as defined in Section 3(3) of ERISA, whether or not subject to ERISA), deferred compensation plan, other similar plan, severance plan, program or policy, and each other similar performance, bonus, incentive or benefit plan, trust, fund, arrangement, policy, agreement or understanding relating to the Hospital Businesses (collectively, the "Benefits Plans"). Except as set forth on Schedule 5.11(c) hereto, Seller is not in default under any Benefit Plan, and each has been administered in accordance with its terms and applicable law.

(d) No hospital executive of any of the Seller constituent corporations nor any group of Seller Employees has given notice of intent to terminate his, her or its employment with Seller. Seller has not given notice of intent to terminate, and does not intend to terminate the employment by Seller of any Seller Employee or group of Seller Employees.

(e) Seller has materially complied with and is currently complying in all material respects with, and Seller has not received any notice of noncompliance with, any and all applicable laws relating to the employment of personnel including, without limitation, those laws relating to wages, hours, equal employment, occupational safety and health, workers' compensation, unemployment insurance, collective bargaining, affirmative action and the payment and withholding of social security and other taxes, except as set forth in Schedule 5.11(e). Except as set forth in Schedule 5.11(e), Seller has withheld all amounts required by law or agreement to be withheld from the wages or salaries of Seller Employees, and Seller is not liable for any material arrears of any tax or penalties for failure to comply with the foregoing. Seller has, as of the Closing Date, made all filings required under the foregoing laws with respect to Seller Employees.

(f) Seller has fulfilled or as of Closing will have fulfilled all of its obligations under the minimum funding standards of ERISA and the Code, with respect to each Employee Pension Benefit Plan (as defined in Section 3(2) of ERISA) maintained by Seller and is in compliance in all material respects with the presently applicable provisions of ERISA and the Code with respect thereto

(g) No event or circumstance has been identified or claim asserted under which Seller or its Affiliates has incurred or may incur any liability (direct or indirect) under Title IV of ERISA or Section 4980B of the Code that could become a liability of Buyer or that could result in the imposition of a Lien upon any of the Transferred Assets other than Buyer's obligation, if any, to provide COBRA continuation coverage.

(h) Each of the Seller's Employees is, and as of the Closing Date, each of the Retained Employees will be, legally permitted to work in the United States and the State of California, and Seller has verified that each Seller Employee for whom a Form I-9 was required on his or her date of hire has on file at the Hospitals a valid Form I-9 and a copy of each such Retained Employee's Form I-9 will be part of the records transferred to Buyer on the Closing Date

5.12 Assumed Contracts

Seller has provided Buyer with complete and correct copies of all Contracts. Except for the Contracts listed in Schedule 1.1(e) hereto, the Real Property Leases listed in Schedule 1.1(b), the participation agreements described in Paragraph 5.9 and the purchase orders described in Paragraph 3.1(a), to Seller's Knowledge, there are no other contracts or other arrangements to which Seller is a party or under which goods, equipment or services are provided, leased or rendered to the Hospital Businesses (or any part thereof) or the Transferred Assets. Except as set forth on **Schedule 5.12**: none of the Assumed Contracts has been pledged or assigned and (a) there is no default by Seller, or to the Knowledge of the Seller, any other Person under any Assumed Contract; (b) Seller has not received written or other notice that any Person intends to cancel or terminate any Assumed Contract or exercise or not exercise any right, remedy or other option thereunder; (c) all of the Assumed Contracts are legally valid, binding and enforceable in accordance with their respective terms and are in full force and effect without amendment or modification; (d) the consummation of the transactions contemplated by this Agreement and the Related Agreements will not constitute and to Seller's Knowledge no condition or event exists or has occurred which, with or without the passage of time or the giving of notice, would constitute a breach or default by any party to any Assumed Contract or would cause the acceleration of any obligation of any party thereto or the creation of any Lien upon any Transferred Asset; (e) Seller has not waived any right under any Assumed Contract; and (f) Seller has not received notice of default, counterclaim, offset or defense under any Assumed Contract.

5.13 Brokerage and Finder's Fees

Except as set forth in **Schedule 5.13**, none of Seller, its Affiliates, or any of their officers or directors, has employed, contracted for the services of, or authorized any broker, finder or investment banker with respect to the negotiations leading up to the execution of this Agreement or the consummation of the transactions contemplated hereby, and Seller shall be solely responsible for any fees or commissions payable to any such broker, finder or investment banker by reason of the actions (or alleged actions) of Seller, its Affiliates or any of their officers or directors.

5.14 U.S. Persons

Seller is not a "foreign person" for purposes of Section 1445 of the Internal Revenue Code of 1986, as amended (the "Code"), or any other Laws requiring withholding of amounts paid to foreign Persons.

5.15 Assets Used In the Operation of the Facilities

The Transferred Assets include, without limitation, all of the real (immovable) and personal (movable) property, intangible (incorporeal) property, rights and other assets of every kind and nature whatsoever owned, leased or used by Seller for the conduct of the Hospital Businesses as currently conducted and as conducted during the past eighteen (18) months, excluding the Excepted Assets. Seller is the legal and beneficial owner or lessee, as the case may be, of the Transferred Assets free and clear of all Liens other than the those set forth on Schedule 5.4 hereto, and Seller has full right, power and authority to sell, transfer, assign, convey and deliver all of the Transferred Assets to be sold by it hereunder and delivery thereof will convey to Buyer good and marketable title to said Transferred Assets, free and clear of any Liens other than those set forth on Schedule on Schedule 6.3 hereto. Except as set forth in Schedule 5.15, the Transferred Assets include all assets and properties that are properly recordable on the Financial Statements, other than assets and properties disposed of by the Seller in the ordinary course of business since the date of the Interim Financial Statements and without violation of this Agreement or any Related Agreement.

5.16 Real Property

(a) All improvements on any of the Owned Real Property constructed by Seller have been, and all other such improvements, to the Knowledge of Seller, have been constructed substantially in accordance with the plans and specifications submitted to any governmental authorities, free and clear of defects in materials and workmanship, and substantially in accordance with any zoning change applications and any applications for building permits related thereto. All such improvements constructed (or in the process of being constructed) by Seller and all other such improvements, to the Knowledge of Seller, currently satisfy all Laws (including, but not limited to, those relating to the environment, safety, building, fire, land use, parking or access). Certificates of occupancy have been issued for all such improvements permitting such improvements to be used and occupied for the uses for which they are currently being used, and Seller has no Knowledge of facts which would prevent Seller from receiving certificates of occupancy upon completion of construction of those improvements Seller is in the process of constructing. The Real Property and the current use and operation of the Hospital Businesses and other improvements (including those in the process of being constructed) on the Real Property are, under existing zoning and other land use (including parking) Laws applicable to such Real Property and the operation of the Hospital Businesses and such other improvements, zoned to permit the operation of the Hospital Businesses and such other improvements as presently operated upon the Real Property and Seller has not received any notice and has no Knowledge of any proceeding or action pending to change the zoning of, or other land use (including parking) restrictions affecting, such Real Property. There is no proceeding pending, and to Seller's Knowledge, there is no study or investigation pending or threatened or any proceeding threatened by or before any governmental agency or authority,

administrative or otherwise, or any non-governmental entity, which, in any way, if commenced or concluded, might or could have a Material Adverse Effect on the Hospital Businesses or the continued use of the Hospital as a general acute-care hospital or the composition of its licensed beds. Schedule 5.16 contains any qualifications or other exceptions of Seller to the statements contained in this Paragraph 5.16, such as but not limited to conditional use permits or zoning variances.

(b) Schedule 1.1(b) sets forth an accurate and complete list of all Real Property Leases. Schedule 1.1(b) includes the rent and security deposit, if any, for each Real Property Lease. Seller has provided Buyer with complete and correct copies of all Real Property Leases, together with all amendments and modifications.

(c) No Real Property Lease or any right granted in connection therewith is subordinate to any mortgage, Lien, privilege, or other material encumbrance; and Seller has received no notice of any condition of any space leased by Seller under the Real Property Leases that would have a Material Adverse Effect on the use of such leased space for its current use. Except as set forth on Schedule 5.16(c), the assignment of the Real Property Leases does not require the consent of any of the landlords under the Real Property Leases.

(d) Neither the whole nor any portion of the Real Property has been condemned, requisitioned or otherwise taken by any public authority (a "Public Taking"), and no notice of any Public Taking has been received by Seller with regard to the Real Property. To the Knowledge of Seller, no such Public Taking is threatened or contemplated with respect to the Real Property. Seller has no Knowledge of any public improvements that have been ordered to be made and/or that have not heretofore been assessed, or of any special, general or other assessments pending, threatened against or affecting the Real Property. Seller has received no notice of the foregoing with respect to any Leased Real Property.

(e) There are no conditions that would have a Material Adverse Effect on the ownership, possession, use or occupancy of the Real Property relating to the physical condition of the Real Property or any portion thereof, including, without limitation, soil conditions, sinkholes or geologic faults.

(f) All materials, documents, and information delivered by or on behalf of Seller relating or pertaining in any way to the Real Property are accurate and complete copies of such information and documents.

(g) All buildings, structures, improvements, facilities, all material components of all buildings, structures and other improvements included within the Real Property are in reasonable operating condition and repair, subject to normal wear and maintenance given their relative ages. To the Knowledge of Seller, there are no conditions that would adversely affect Buyer's ability to use the Real Property for their current use. There are no unsatisfied requests for repairs, restorations, or improvements to the Real Property from any governmental or quasi-governmental authority or agency or insurance company or provider. To the Knowledge of Seller, no portion of the Real Property has suffered any damage by fire or other casualty that heretofore has not been repaired and restored

(h) Seller has submitted a plan and compliance schedule ("Plan") for each of the Hospitals to the California Office of Statewide Health Planning and Development ("OSHPD"). Each Plan complies with applicable legal requirements for such plans and accurately and completely represents Seller's evaluation of the seismic condition of the Hospital for which such Plan was submitted, and Seller's plan to bring such Hospital into substantial compliance with the regulations and standards developed by OSHPD pursuant to the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended, including by SB 1953 in 1994 (the "Alquist Act"). Seller's estimate of the cost for each of the Hospitals to comply with such regulations and standards, as previously provided to Buyer, was made in good faith and based upon assumptions Seller believes to be reasonable. Except as set forth in Schedule 5.16(h), Seller has filed no requests for extensions with OSHPD.

5.17 Insurance

The properties and operations of Seller relating to the Hospital Businesses, including the Transferred Assets, that are of an insurable nature and are of a character usually insured by similar businesses, have been continuously insured by Seller since the date of their acquisition by Seller, with the types and amounts of insurance that are adequate to protect Seller, the Transferred Assets and their respective financial conditions against the risks involved in Seller's ownership of the Transferred Assets, either through the purchase of insurance from a third party insurance company or through a self-insurance trust established by Seller. Schedule 5.17 attached hereto sets forth a complete and accurate list and brief description of all insurance policies currently held by Seller with respect to the Transferred Assets and any self-insurance trust. The description of the insurance policies provided in Schedule 5.17 shall include a statement specifying the name of the insurer, the amount of coverage, the type of insurance, the policy numbers, and the expiration date of such policies. Except as set forth on Schedule 5.17, such insurance policies are in full force and effect and the insurers have no rights to terminate or reduce the coverage thereunder. Seller is not delinquent with respect to any premium payments thereon nor is Seller in default or breach with respect to any material provision contained in any such insurance policies. Seller has not received, and Seller has not received and has no Knowledge of any notice or request, formal or informal, from any insurance company identifying any defects in the Transferred Assets that would have a Material Adverse Effect on the insurability of the Assets. Seller has not been refused any insurance, nor has its coverage been limited by an insurance carrier to which it has applied for insurance.

5.18 Changes Since Interim and Prior Year's Statements

Since the date of the Prior Year's Statements, other than as contemplated or permitted by this Agreement, Seller has conducted the Hospital Businesses only in the ordinary course of business, and except as shown on Schedule 5.18, none of the following has occurred:

(a) Any entry into or termination by Seller of any Material commitment, contract, agreement or transaction related to the Transferred Assets.

(b) Any condemnation, casualty, physical damage, destruction or physical loss respecting, or change in the physical condition of, the Real Property or the tangible

personal property described in Paragraph 1.1(c) that has had an adverse effect on the financial condition or results of operation of the Hospital Businesses.

(c) Any transfer of, or rights granted under, any contract which would have been an Assumed Contract on the date of the Interim Statements.

(d) Any sale or other disposition of any asset included in the Interim Statements having a net book value in excess of \$10,000 unless such asset is replaced with an equivalent asset of equal value.

(e) Any sale or other disposition of Inventory included in the Interim Statements other than in the ordinary course of business.

(f) Any change in the method of accounting with respect to the Hospital Businesses.

(g) Any Material amendment (other than general amendments which the carrier makes for a category of policy) or termination of any Insurance Policy or failure to renew any Insurance Policy covering or relating to the Hospital Businesses or the Transferred Assets.

(h) Any default or breach by Seller under any contract that would have been an Assumed Contract on the date of the Interim Statements.

(i) Any Material Adverse Change in the condition of the Real Property or the Tangible Personal Property or the business, financial condition, or results of operations of the Hospital Businesses and Seller has no Knowledge of any fact, circumstance, event, occurrence, contingency or condition that might reasonably be expected to result in a Material Adverse Change, whether or not in the ordinary course of business and whether or not covered by insurance, in the working capital, financial condition, assets, liabilities, reserves, business, or operations of Seller.

(j) Other than in the ordinary course of business, any increase made in the compensation levels or severance benefits of the chief executive officer or chief financial officer of the Hospital Businesses, or any general increase made in the compensation levels or severance benefits of the other employees of the Hospital Businesses.

5.19 Cost Reports, Third Party Receivables and Conditions of Participation

Notices of Program Reimbursement or similar notices of settlement have been issued with respect to the cost reports of the Hospital Businesses for Medicare and Medical through the periods set forth in Schedule 5.19. Except as disclosed on Schedule 5.19: (a) all necessary cost reports of the Hospital Businesses were filed when due; (b) Seller has not received notice of any dispute by the applicable Payor regarding such cost reports related to the Hospital Businesses for the periods subsequent to the period specified in Schedule 5.19; and (c) there are not pending or, to Seller's Knowledge, threatened any claims (including potential penalties) by any of such programs against the Hospital Businesses. Schedule 5.19 contains a description of Seller's policies and procedures for reporting bad debts to Medicare and each

other Payor, and for the collection and waiver of co-payments and deductibles of Medicare and each other Payor. Schedule 5.19 also contains the Medicare net book value of each of the Transferred Assets (or, if more convenient and reasonably acceptable to Buyer, category of Transferred Assets) as of the date of the Prior Year's Statements.

5.20 Medical Staff

Seller has previously delivered to Buyer, with respect to the Hospital Businesses: (a) a true and correct copy of the blank forms generally used with respect to medical staff privilege and membership application or delineation of privilege; (b) all current medical staff bylaws, rules and regulations and amendments thereto respecting the Hospital Businesses; and (c) all written contracts and a description of all oral contracts with physicians, physician groups, or other members of the medical staff of the Hospital Businesses; and (d) except as disclosed in Schedule 5.20, there are no pending or, to the Knowledge of Seller, threatened disciplinary or corrective actions or appeals therefrom, or disputes of any kind whatsoever, involving physician applicants, active medical staff members or affiliated health professionals of the Hospital Businesses, whether initiated by Seller or any other Person, for misconduct, violation of any Law or any other reason whatsoever. Schedule 5.20 also identifies any such physician or health professional associated with the Hospital Businesses who has been so disciplined within the last two years. Schedule 5.20 also sets forth a complete and accurate list and description of the name and specialty, if any, of each member of the medical staff of the Hospital Businesses as of the date shown on Schedule 5.20.

5.21 Accuracy of Documents; Delivery and Inspection

Seller has furnished to Buyer true and complete copies of all agreements, documents and other items listed on the Disclosure Document and requested by Buyer. All documents delivered to Buyer for Buyer's review pursuant to the terms of this Agreement and any Related Agreement are true and complete copies of all such documents. All of the contract files, correspondence files and other records are in all Material respects correct and complete.

5.22 No Negotiations with Third Parties

Neither Seller nor any of its Affiliates has entered into any negotiations, letters of intent, or understandings which are presently in effect, with any other Person with respect to the sale or other disposition of any of the Transferred Assets (other than Inventory in the ordinary course of business). Neither Seller nor any of its Affiliates is a party to any presently effective executory agreement with any Person (other than Buyer) with respect to any such sale or disposition.

5.23 Office Leases

Schedule 5.23 is a schedule of all leases, subleases and licenses (the "Office Leases") under which Seller is licensor, lessor or sublessor and a party is granted the right to use and occupy a portion of the Real Property. Schedule 5.23 shows with respect to each medical or commercial office building constituting a part of the Real Property (collectively the "Office Buildings"): (a) the identification of each office suite in the Office Building, whether leased or vacant; (b) the name of each tenant, subtenant or licensee of (and all other Persons

otherwise occupying) each suite; (c) the term of each Office Lease (including options to renew); (d) the monthly rent payable; (e) the unapplied amount of any security deposits held; (f) any delinquencies in rent; and (g) any other special terms and conditions (including rent holidays or improvement or relocation allowances). Except as set forth in Schedule 5.23 (a) there are no leases or tenancies with respect to, and no Person has any right to possess (or is in possession of) all or any portion of, the Office Buildings; (b) no tenant has any option or other right to lease or purchase all or any part of the Office Buildings; (c) each tenant is in possession of the office suite described in its lease and has not delivered written notice to Seller that such tenant intends to cancel, terminate or not renew its lease; (d) no tenant is entitled to any rebate, concession, allowance or other benefits; (e) no rent has been paid in advance except for the current month; (f) no matured claim exists for any security or other deposit; (g) no tenant has any defense or offset to rent; (h) with respect to all tenant improvements specified in any Office Lease to be the responsibility of lessor thereunder which have been constructed by or on behalf of Seller, such tenant improvements have been fully completed in accordance with all Laws and the plans and specifications therefor, free of defects in materials and workmanship and all allowances, work-letters and other amounts payable by Seller under the Real Property Leases have been paid in full; and (i) the lessor of such leases is entitled to the ownership and possession of all tenant improvements upon the expiration of the lease term without payment of any consideration therefor to any tenant; and (j) no event or condition has occurred that with the passage of time or the giving of notice (or both) would constitute a default or breach of any material terms of the Office Leases.

5.24 Business and Transactions with Affiliates.

Except for those Assumed Contracts providing for payment for services rendered by employees or physicians or physician groups and to which such employee, physician or physician group is the sole other party, none of the Assumed Contracts pursuant to which Seller paid more than \$5,000 during its last two fiscal years is with a party who is either the Chief Executive Officer, Chief Financial Officer or Medical Director of the Hospital Businesses or either a physician or a physician group or member of a physician group practicing at the Hospital Businesses (or an Immediate Family Member of any such physician) or in which any such persons (or an Immediate Family Member of any such physician) has any ownership interest. Further, to Seller's Knowledge, except as described in Schedule 5.24 attached to this Agreement, no Affiliate of Seller, directly or indirectly:

(a) Provides any services to the Seller or the Hospitals, or is a lessor, lessee or supplier to the Hospital Businesses;

(b) Has any cause of action or other claim whatsoever against or owes any amount to, or is owed any amount by, the Seller or the Hospital Businesses;

(c) Has any interest in or owns property or rights used in the operation of the Seller or the Hospital Businesses;

(d) Is a party to any Contract, lease or other agreement, arrangement or commitment relating to the Transferred Assets or the operation of the Hospital Businesses;

(e) Received from or furnished to the Seller or the Hospital Businesses any goods or services without adequate consideration.

5.25 No Untrue or Inaccurate Representations or Warranties.

The representations and warranties of Seller contained in this Agreement and the Related Agreements, and each exhibit, schedule, certificate or other written statement delivered pursuant to this Agreement and the Related Agreements, or in connection with the transactions contemplated herein or thereby, are accurate, correct and complete, and do not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements and information contained therein not misleading. There is no fact that has a Material Adverse Effect on Seller's business or the ability of Seller fully to perform this Agreement, the Related Agreements and the transactions contemplated thereby, that has not been set forth and described in this Agreement, the Related Agreements, the Disclosure Document or in a certificate, exhibit or other written statement furnished to Buyer pursuant to this Agreement or the Related Agreements.

5.26 Hill-Burton Obligations.

Seller has not received any loans, grants or loan guarantees pursuant to the Hospital Survey and Construction Act of 1946 (the "Hill- Burton Act") or any similar statute or program, and the transactions contemplated hereby will not result in any obligation on Buyer to repay any such loans, grants or loan guarantees or provide uncompensated care in consideration thereof.

5.27 Compliance with Law

(a) Neither Seller nor any of the Hospital Businesses has used funds or other assets, or made any promise or undertaking in such regard, for (a) illegal contributions, gifts, entertainment or other expenses relating to political activity; (b) illegal payments to or for the benefit of any governmental official or government employee, whether domestic or foreign; or (c) the establishment or maintenance of a secret or unrecorded fund; and there have been no false or fictitious entries made in the books or records of Seller or the Hospital Businesses.

(b) The Hospital Businesses are being, and have been, conducted in compliance with all applicable Laws, except for such non-compliance that would not individually, or in the aggregate have a Material Adverse Effect. No governmental entity has indicated to Seller an intention to conduct, nor, to the Knowledge of Seller, is there threatened or pending any investigation or review by any governmental entity with respect to the Seller or the Hospital Businesses.

(c) No action is pending or, to the Knowledge of Seller, threatened or recommended by any governmental entity to terminate or decertify any participation of the Hospital Businesses or Seller in the Medicare, Medi-Cal or CHAMPUS or any other Payor programs nor has there been any decision not to renew any provider agreement related to the Hospital Businesses. With the exception of deficiencies which are currently the subject of a waiver and those which are the subject of a plan of correction (all of which are set forth on Schedule 5.27(c) hereto), there are no outstanding written notices of deficiencies or written

notices of work orders of a material nature of any governmental entity having jurisdiction over the Hospital Businesses requiring conformity to any applicable Law pertaining to the Hospital Businesses, including the Medicare and CHAMPUS programs.

(d) Except as set forth on **Schedule 5.27(d)** hereto, all cost reports required to be filed by the Seller with respect to the Hospital Businesses under Titles XVIII and XIX of the Social Security Act, or any other applicable Law or requirements of Payors have been prepared and filed in accordance with all such applicable Laws.

5.28 Intentionally Omitted

5.29 Bulk Sales

The bulk sales laws of the jurisdiction in which the Seller conducts Hospital Businesses are not applicable to the transactions contemplated hereby.

5.30 Suppliers and Providers of Services.

(a) **Schedule 5.30** hereto lists all suppliers of goods to, and providers of services to, the Hospital Businesses (collectively, "**Suppliers**") to which Seller or the Hospital Businesses made payments during the fiscal year ended December 31, 2002, in excess in the case of each Supplier of five percent (5%) of Seller's operating expenses as reflected on its statement of operations for such year.

(b) Seller has no information that might reasonably indicate that any of the Suppliers intends to cease selling or rendering services to, or dealing with, the Hospital Businesses, nor has any information been brought to Seller's attention that might lead it to believe that any such Supplier intends to alter in any respect the amount of sales or service or the extent of dealings with Buyer or would alter in any respect its sales or service or dealings in the event of the consummation of the transactions contemplated hereby.

5.31 Taxes.

(a) Except as set forth in **Schedule 5.31** attached hereto, all federal, state, county and other Tax Returns and payments (including unpaid property returns) required to be filed or paid by or on behalf of, or with respect to Seller and the Transferred Assets have been duly and timely filed and paid. All such Tax Returns were correct and complete in all respects. All Taxes owed by Seller (whether or not shown on any Tax Return) have been paid. Except as set forth in **Schedule 5.31(a)**, Seller is not currently the beneficiary of any extension of time within which to file any Tax Return. There are no Tax Liens on any of the Transferred Assets and no basis exists for the imposition of any such Liens. No claim has ever been made by an authority in a jurisdiction where Seller does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. Any accrual for Taxes reflected in the Closing Statement is in the aggregate adequate to cover any and all federal, state, local or foreign Tax liabilities (whether or not disputed) of Seller for the period ended on the date thereof and all prior periods. Except as set forth in **Schedule 5.31** attached hereto, Seller has not had, and does not currently have, any dispute with any taxing authority as to Taxes of any nature that affects the subject matter of this

Agreement. There are no security interests on any of the assets of Seller that arose in connection with any failure (or alleged failure) to pay any Tax.

(b) Seller has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, or other third party.

(c) No director or officer (or employee responsible for Tax matters) of the Seller expects any authority to assess any additional Taxes for any period for which Tax Returns have been filed. There is no dispute or claim concerning any Tax liability of the Seller either (A) claimed or raised by an authority in writing or (B) as to which any of the directors or officers (or employees responsible for Tax matters) of the Seller has knowledge based upon personal contact with any agent of such authority. Schedule 5.31(c) lists all federal, state, local and foreign income Tax Returns filed with respect to the Seller for taxable periods ending on or after June 30, 1998, indicates those Tax Returns that have been audited, and indicates those Tax Returns that currently are the subject of audit. Seller has delivered to Buyer correct and complete copies of all federal income Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by the Seller since June 30, 1998.

(d) Except as set forth on Schedule 5.31(d), Seller has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency. Seller has disclosed on its federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of federal income tax within the meaning of Section 6662 of the Code. Seller is not a party to any Tax allocation or sharing agreement.

6. Obligations and Covenants of Seller

Seller covenants and agrees as follows.

6.1 Conduct of Business

From and after the date hereof, Seller agrees that, with respect to the Hospital Businesses, unless Buyer otherwise consents in writing, and except for actions taken pursuant to Assumed Contracts in effect on the date hereof or which arise from or are related to the anticipated transfer of the Transferred Assets or as otherwise contemplated by this Agreement, including but not limited to the filing of a voluntary petition for relief under Chapter 11 of the Bankruptcy Code, Seller shall do or comply with each of the following.

(a) Subject to the limitations set forth in this Paragraph 6.1, operate the Hospital Businesses as presently operated and only in the ordinary course of business and, consistent with such operation, comply in all Material respects with all applicable legal and contractual obligations and make all repairs, replacements and restorations and maintenance as is necessary to maintain the Transferred Assets in as good a condition as they were as of the date of their inspection by Buyer, reasonable wear and tear excepted.

(b) Use its reasonable commercial efforts to preserve the business organization of the Hospital Businesses intact and to preserve the Hospital Businesses' goodwill

and relationships with physicians, patients, Payors, suppliers and others having business relations with the Hospital Businesses.

(c) Maintain in force and effect the Insurance Policies or, for any Insurance Policy which expires or is canceled or otherwise terminated, maintain in force and effect a replacement insurance policy with the same coverage protections and limits as the policy replaced.

(d) Not materially amend the Articles of Incorporation or Bylaws of either Vista or French, except with prior notice to Buyer and as may be necessary to effect the transactions contemplated hereby.

(e) Not enter into any Material contract, or, except as required by their terms, not amend, terminate, fail to renew or renegotiate any Contract or any Real Property Lease or License or Permit, as of the date hereof, except in the ordinary course of business consistent with past practices and on commercially reasonable terms, such terms to include for all Contracts other than those with third party payors the ability to terminate any such Contract, Real Property Lease or License or Permit upon ninety (90) days notice to any counterparty thereto, or default (or take or omit to take any action that, with or without the giving of notice or passage of time, would constitute a default) in any of its obligations under any such contracts that would be an Assumed Contract as of the date hereof.

(f) Not enter or extend beyond ninety days any agreement for employment in the Hospital Businesses with any Seller Employee or grant any increase in the rates of pay or benefits to any Seller Employee (or a class thereof) or consultant of the Hospital Businesses (other than such increases in the ordinary course of business that do not cause the compensation to any Seller Employee or consultant of the Hospital Business to exceed the market rates) or an increase in salary or benefits for any chief executive or financial officer of the Hospital Businesses.

(g) Maintain the Seller's employment practices and policies with respect to the Seller Employees (including employee termination policies and procedures in the ordinary course of business) consistent with past practice;

(h) Not agree, whether in writing or otherwise, to do any of the foregoing actions specified in items (d) through (g) above;

(i) Not change in any material respect any operating policies or procedures relating to the Hospital Businesses, including those policies and procedures regarding uncompensated care;

(j) Not enter into any commitment to borrow money, except for the Exit Financing, or to mortgage, pledge, or subject to Lien, any of the Transferred Assets except in the ordinary course of business;

(k) Perform all material obligations under the Licenses and Permits, Real Estate Leases, Office Leases, Contracts and other documents relating to or affecting the conduct of the Hospital Businesses, all in the same manner as heretofore performed;

(l) Carry out capital expenditures for improvements to the Hospitals or the Hospital Businesses in the aggregate amount of either: (i) Four Million Dollars (\$4,000,000) in the event that the Hospital Businesses consist of all of the System Hospital Businesses, or (ii) \$1,333,333.00 in the event that the Hospital Businesses consist solely of the Corona Hospital Business (any portion of such amount pursuant to either (i) or (ii) above, as applicable that is not so expended after November 15, 2002 but prior to the Closing Date (the "Capital Expenditure Deficiency Amount") shall be reduced from the Purchase Price pursuant to Paragraph 2.1 hereof);

(m) Not authorize or commit to make capital expenditures in an aggregate amount in excess of the current budget for capital expenditures for the Hospital Businesses; and

(n) Maintain the books and records of the Hospital Businesses in a manner consistent with past business practices.

(o) Not take any actions which would cause any of Seller's representations and warranties set forth in Paragraph 5 to be false as of the Closing.

(p) Seller shall timely file, with the assistance of Buyer, all cost reports and other reports due after the Closing Date of every kind whatsoever required by law or by written contracts to have been filed or made with respect to the purchase of services of Seller and/or the Hospitals by third party payors.

Nothing in this Paragraph 6.1 shall, without the mutual written agreement of Buyer and Seller, obligate Seller to make expenditures other than in the ordinary course of business or to make any commitment on behalf of or which would be binding upon Buyer.

6.2 Access and Information

Subject to the restrictions set forth in Paragraph 13.5 and provided that Buyer has complied with each and every provision thereof, Seller shall afford Buyer, and the counsel, accountants and other representatives of Buyer, reasonable access to and arrange interviews with, throughout the period from the date hereof to the Closing, the Transferred Assets and the employees, personnel and medical staff of the Hospital Businesses and all the properties, books, contracts, commitments, cost reports and records of the Hospital Businesses (regardless of where such information may be located), including, without limitation, the right to conduct an Environmental Survey (as such term is defined in Paragraph 8.1). Such access shall be afforded after no less than 24 hours prior notice to Jim Braley (800-233-0567 ext. 2040 or 770-262-3601), during normal business hours on weekdays and only in such manner so as not to disturb patient care or to interfere with the normal operations of the Hospital Businesses. Seller also shall furnish to Buyer all such information concerning the affairs of the Hospital Businesses as is in the possession or control of Seller and as Buyer may reasonably request, including the right to have copies and/or extracts of pertinent records, documents and contracts; except that Seller shall have no obligation to give Buyer any pricing information with respect to any contracts with Payors. In addition, Seller shall provide such written consents and authorizations as may be necessary for Buyer to have access to materials on file with governmental agencies.

Nothing in this Agreement to the contrary shall in any manner restrict the ability of Buyer to discuss the business and affairs of the Hospital Businesses with any governmental agency having jurisdiction over the Hospital Businesses and/or this transaction or the fiscal intermediaries administering the Hospital Businesses' Payor programs; provided, however, that Buyer shall not enter into any discussions which Buyer initiated with the Attorney General or any Assistant Attorney General of the State of California, without first giving Seller written notice that Buyer intends to enter into such discussions, and giving Seller an opportunity to participate in such discussions. Seller's covenants under this Paragraph are made with the understanding that Buyer and any other Person provided with access to information under this Paragraph shall use all such information in compliance with all Laws. Neither Buyer nor any other Person shall have access to employee records, Patient Records or any other records to the extent that the disclosure of such records would be prohibited by any Law, accreditation standards, or rule or agreement (express or implied) of confidentiality. If requested by Buyer, Seller will cooperate and cause its independent accountants to cooperate in the preparation of an audit of Seller's financial statements and with filing such financial statements with Buyer's filings with the Securities and Exchange Commission if requested by Buyer.

6.3 Encumbrances

(a) Seller shall cause all Liens on the Transferred Assets to be extinguished or removed prior to Closing, other than those Liens set forth on Schedule 6.3 hereto.

(b) From the date hereof and until the Closing, Seller shall not permit any new Lien to attach upon any of the Transferred Assets, except for statutory liens for Taxes not yet delinquent and except for any new Lien(s) required by the lender(s) furnishing debtor in possession financing, provided that such Lien(s) are extinguished at or prior to the Closing. The provisions of this Paragraph shall not apply to any Liens resulting from acts or omissions of Buyer.

6.4 Consent of Others

(a) As soon as reasonably practicable after the date hereof, and in any event prior to the Closing, Buyer shall use its Reasonable Commercial Efforts to obtain the consents required to be obtained hereunder of all necessary regulatory approvals and governmental agencies having jurisdiction over this transaction to the consummation of the transactions contemplated hereunder. It shall be the responsibility of Buyer to use its Reasonable Commercial Efforts to obtain any consents required in connection with the Permits referred to in Paragraph 9.4 (including Buyer's licensing requirements), other than the consent of the Attorney General of the State of California, which is addressed in Paragraph 6.9 hereof, and Seller shall cooperate with Buyer in obtaining all such consents so long as such cooperation is at no Material cost to Seller.

(b) Notwithstanding the terms of Paragraph 6.4(a), Seller shall obtain consents to the assignment of the Assumed Contracts and the Real Property Leases from all third parties to the Contracts and the Real Property Leases in which consent is required in connection

with the consummation of the transactions contemplated by this Agreement and by the Related Agreements.

6.5 No Transfer of Assets

Seller shall not, without the prior written consent of Buyer (a) offer for sale or other disposition, or sell or otherwise dispose of (whether by lease, merger or otherwise) all or a Material portion of the Transferred Assets (other than inventory or minor equipment in the ordinary course of business) or any ownership interest in any entity owning any of the Transferred Assets; (b) solicit offers or consider unsolicited offers to acquire (whether by lease, merger or otherwise) the Transferred Assets (or any Material portion thereof) or any ownership interest in any entity owning any of the Transferred Assets; (c) hold discussions with, or furnish any information to, any Person (other than Buyer) looking toward such an offer or solicitation or looking toward a merger or consolidation of any entity owning any of the Transferred Assets; (d) enter into any agreement (including, but not limited to, any confidentiality or similar agreement, letter of intent, memorandum or letter of understanding, or definitive agreement) with any Person (other than Buyer) with respect to the sale or other disposition (whether by lease, merger or otherwise) of the Transferred Assets (or any Material portion thereof) or any ownership interest in any entity owning any of the Transferred Assets or with respect to any merger, consolidation, or similar transaction involving any entity owning any of the Transferred Assets; (e) negotiate with any other corporation, business or Person regarding any inquiries, proposals or offers relating to the acquisition of assets of, merger or consolidation with any other corporation, business or Person; or (f) merge or consolidate with or acquire (except in the ordinary course of business) any of the assets of any other corporation, business or Person. Seller shall deliver to Buyer copies of any inquiries or proposals, or information concerning any oral inquiries or proposals, received by Seller or its Affiliates concerning the System Hospital Businesses within five business days after such receipt by Seller or its Affiliates.

6.6 Seller's Efforts to Close

Seller shall use its Reasonable Commercial Efforts to satisfy all the conditions precedent set forth in Paragraphs 9 and 10 to its or Buyer's obligations under this Agreement to the extent that Seller's action or inaction can control or influence the satisfaction of such conditions.

6.7 Monthly Statements

From the date hereof to the Closing, Seller shall deliver to Buyer within 30 days after the end of each calendar month copies of the unaudited balance sheet of the System Hospital Businesses and the related statement of income for the immediately preceding calendar month and, concurrently with the execution of this Agreement, shall deliver to Buyer such balance sheets and statements of income for the months of June 2002 through February 2003 (all such balance sheets and statements of income shall collectively be referred to as the "Monthly Statements").

6.8 Notice of Developments

From the date hereof and until the Closing: (a) as soon as reasonably possible after becoming aware thereof, Seller shall notify Buyer in writing of any fact, circumstance, event, occurrence, contingency or condition that might reasonably be expected to result in a Material problem or development with respect to the business, or operations of the System Hospital Businesses or the condition of the Transferred Assets; (b) any governmental complaints, investigations or hearings to which Seller and/or any of the System Hospital Businesses are a party; (c) any Material pending court actions to which Seller or any of the System Hospital Businesses are a party; and (d) as promptly as it becomes aware thereof, Seller shall give detailed written notice to Buyer of the occurrence of, or the threatened occurrence of, any event which would cause or constitute a breach, or would have caused or constituted a breach, had Seller had Knowledge prior to the date of this Agreement that such event had occurred, of any of its covenants, agreements, representations, or warranties contained or referred to in this Agreement or in any Related Agreement; provided, however, that no such notice shall be deemed to cure or waive any breach unless Buyer specifically agrees thereto in writing. For purposes of this subsection (d), in determining whether the occurrence of any event would constitute a breach of any of Seller's covenants, agreements, representations, or warranties contained or referred to in this Agreement or in any Related Agreement, Seller shall assume that the Hospital Businesses consist of all the System Hospital Businesses.

6.9 Notice to Attorney General

Seller shall deliver to the Attorney General of the State of California (the "Attorney General") written notice of the transactions described herein in the form and manner required by Law as soon as practicable after the date hereof but in no event earlier than April 15, 2003. Prior to delivering such notice to the Attorney General, but in no event later than April 30, 2003, Seller shall deliver a copy of such notice to Buyer and shall not deliver such notice to the Attorney General without giving Buyer no less than ten days to review such notice and without thereafter consulting with Buyer as to any comments, questions or suggestions Buyer may have with respect to such notice and considering in good faith all of the same. Seller shall use its best efforts to diligently pursue and obtain the approval of the Attorney General. Seller shall keep Buyer timely informed as to Seller's progress in obtaining such approval of the Attorney General and as to the substance of each meeting with the Attorney General. Seller shall notify Buyer (as far in advance as Seller is reasonably able to do) of any meeting Seller may have with the Attorney General and shall use its best efforts to permit Buyer or its representatives to attend any such meeting, and Seller hereby consents to Buyer's participation in such meetings. Seller shall deliver to Buyer copies of all analyses, presentations, memoranda, correspondence, opinions and proposals, together with any and all attachments, exhibits or schedules thereto, that Seller proposes to submit to the Attorney General, and Seller shall not deliver the same to the Attorney General without giving Buyer no less than ten days to review the same and without thereafter consulting with Buyer as to any comments, questions or suggestions Buyer may have with respect thereto and considering in good faith all of the same.

6.10 Termination Cost Reports

Seller shall file all Medicare, Medi-Cal and any other termination cost reports required to be filed as a result of the consummation of (i) the transfer of the Transferred Assets to Buyer and (ii) the transactions contemplated by this Agreement and the Related Agreements. All such termination cost reports shall be submitted to Buyer simultaneously with filing and shall be filed by Seller in a manner that is materially consistent with (i) prior cost reports filed by Seller with respect to Seller, and (ii) current Laws, rules and regulations.

6.11 Reserved

6.12 Additional Insurance

Prior to the Closing Date, Seller shall purchase "tail" insurance in a sufficient amount to cover professional and general liability so that the professional and general liability coverages of Seller and related parties described in Schedule 5.17 shall be extended for reporting periods after the Closing Date or effectively be converted into occurrence coverage, to the reasonable satisfaction of Buyer. In addition, prior to the Closing Date, Seller shall ensure that all of its hospital-based, contracted physicians carry medical malpractice insurance coverage in an amount of at least \$1,000,000 per single occurrence and \$3,000,000 in the aggregate.

6.13 Third Party Reimbursement/Recoveries.

(a) Seller shall be responsible for every liability of every kind or nature, known or unknown, under the Medicare program arising from or relating to the settlement of cost reports for periods prior to the Closing Date, including the termination cost reports described in Paragraph 6.10 hereof. Seller shall have the sole right to control appeals or defense regarding any such cost report settlement, and Buyer shall not compromise or settle any such appeal or defense without the consent of Seller.

(b) Seller shall promptly pay over to Buyer all cash receipts, if any, received by Seller from Medicare, Medi-Cal or other federal, state or private health care programs with respect to services performed by Buyer after the Closing Date.

6.14 Access Codes and Combinations.

Immediately following the Closing Date, Seller shall cooperate with and notify Buyer with regard to all source and access codes to computers that are in the possession of Seller, used in the operation of the Hospital Businesses, and that Seller is licensed and authorized to divulge, combinations to safe(s) and the location of keys to safe deposit boxes, and vehicles, if any, concerning the Hospital Businesses.

6.15 Representations and Warranties True on the Closing Date

All representations and warranties of Seller and Buyer set forth in this Agreement will also be true and correct in all material respects as of the Closing Date as if made on that date unless they are stated as of a specific date; provided, however, that those representations and warranties of Seller and Buyer that are qualified by materiality shall be true

and correct in full accordance with their terms as of the Closing Date as if made on that date unless they are stated as of a specific date.

6.16 Tax Returns

Seller shall prepare and file on a timely basis (or seek appropriate extensions as permitted) all Tax Returns relating to the Transferred Assets with respect to all periods through and to the Closing Date and all Tax Returns required to be filed by Seller as a result of the transfer of the Transferred Assets to Buyer (including, but not limited to, Tax Returns required to be filed with respect to any applicable bulk sale notification provisions). Seller shall pay or cause to be paid when due all Taxes relating to the Transferred Assets with respect to all periods through and to the Closing Date (including, but not limited to, any sales, use, transfer or other tax or recording cost imposed upon the sale or transfer of the Transferred Assets), except as otherwise assumed by Buyer pursuant to this Agreement. Seller shall not consent, without the prior written consent of Buyer, to any change in the treatment of any item that would affect the Tax liability of Buyer for a period subsequent to the Closing Date.

6.17 FIRPTA Affidavits.

On the Closing Date, Seller shall execute and deliver to Buyer affidavits complying in all respects with Section 1445(b)(2) of the Code and Buyer agrees that, except as otherwise provided in Section 1445(b)(7) of the Code and the Treasury Regulations promulgated pursuant thereto, upon the execution and delivery of such affidavits to the Buyer, no deduction shall be made or claimed against the Purchase Price of the Transferred Assets by reason of the requirements of Section 1445 of the Code.

6.18 Payment, Redemption or Defeasance of Certain Debt

Prior to or at the Closing, Seller shall pay, redeem or defease all outstanding tax exempt debt issued in connection with the Transferred Assets or otherwise encumbering the Transferred Assets or the revenues of the Hospital Businesses, or otherwise cancel or cause to be cancelled or released all instruments and securities evidencing tax-exempt debt for which the Seller is liable or by which the Transferred Assets are secured.

6.19 Compliance by Operating Staff

Seller shall use its best efforts to ensure that the appropriate employees of Seller generally responsible for carrying out, on behalf of Seller, any functions, tasks or duties on a regular basis to which any of the covenants or obligations of Seller contained in this Agreement relate, or that are otherwise in a position to assist Seller in satisfying such covenants or obligations, are aware of the appropriate covenants and obligations contained herein, and to use its best efforts to provide such employees with the necessary information and resources necessary to assist the Seller in satisfying such covenants and obligations.

6.20 Bankruptcy Court Approval.

(a) On or before sixty days from the execution of this Agreement by Buyer, the Seller shall commence the Bankruptcy Case in the Bankruptcy Court by the filing of

the appropriate petitions and schedules and other necessary and appropriate pleadings ("Filing Date"). On the Filing Date, the Buyer shall file the Bankruptcy Plan and the Disclosure Statement in form and substance reasonably acceptable to the Buyer. The Seller shall seek to obtain entry of the Confirmation Order as expeditiously as possible.

(b) On the Filing Date, and as part of the Seller's customary first day motions and applications, Seller shall file with the Bankruptcy Court and serve upon all appropriate parties-in-interest, a motion or motions seeking (i) entry of the Break-Up Fee Payment Order, and (ii) entry of the Disclosure Statement Order and an Order which may be the Disclosure Statement Order, providing for the solicitation of acceptances and rejections of the Bankruptcy Plan scheduling a date by which all ballots in favor or against the Bankruptcy Plan must be received, and scheduling a hearing to consider the confirmation of the Bankruptcy Plan, and the entry of the Confirmation Order which shall, pursuant to 11 U.S.C. §§ 105(a) and 363(f), transfer the Transferred Assets from Seller to Buyer free and clear of any and all interests, including but not limited to, any Liens, Claims, security interests, charges, privileges, pledges, mortgages, and deeds of trust, and encumbrances except those listed on Schedule 6.3 hereto and described therein as not being satisfied prior to Closing, and the assumption and assignment of the Assumed Contracts pursuant to 11 U.S.C. §§ 105(a) and 365, and which shall contain findings that the Buyer is a good faith purchaser entitled to the protections of 11 U.S.C. § 363(m).

(c) Seller shall promptly make any filings, take all actions, and use commercially reasonable efforts to obtain any and all other approvals and orders necessary or appropriate for consummation of the transactions contemplated hereby, subject to their obligations to comply with any order of the Bankruptcy Court.

(d) In the event an appeal is taken, or a stay pending appeal is requested, from either the Break-Up Fee Payment Order or the Confirmation Order, Seller shall immediately notify Buyer of such appeal or stay request and shall provide to Buyer promptly a copy of the related notice of appeal or order of stay. Seller shall also provide Buyer with written notice of any motion or application filed in connection with any appeal from either of such orders.

(e) From and after the date hereof, Seller shall not take any action which is intended, or fail to take any action the intent of which failure to act would be, (i) to prevent or materially impede the vesting, upon the Closing Date, of the Transferred Assets in Buyer free and clear of all Liens (other than those listed on Schedule 6.3 hereto) and Claims and interests of all creditors, claimants and interest holders having Claims against or interests in Seller, or (ii) result in the reversal, voiding, modification or staying of the Confirmation Order or the Executory Contract Assumption or Assignment Order.

6.21 Bankruptcy Filings.

From and after the Effective Date until the Closing Date, Seller shall deliver to Buyer (a) copies of all pleadings, motions, notices, statements, schedules, applications, reports and other papers that are filed in the Bankruptcy Case within a reasonable time after filing, but with respect to any such papers that Seller may file that relate, in whole or in part, to

this Agreement, the Transaction, or Buyer, its constituent members or its or their agents or representatives, Seller shall use all its reasonable efforts to provide such prior notice as may be reasonable under the circumstances before the filing of such papers and (b) copies of all pleadings, motions, notices, statements, schedules, applications, reports and other papers filed in the Bankruptcy Case.

6.22 Expense Reimbursement and Break-Up Fee.

(a) During the period beginning on the execution of this Agreement and ending on the Filing Date, if Buyer elects to terminate this Agreement pursuant to Paragraph 16.2 hereof, provided that Buyer is not in default under this Agreement, Seller shall pay to Buyer or Buyer's designee, as the case may be, the Expense Reimbursement Fee by wire transfer of immediately available funds to an account designated by Buyer or such designee on the business day following the date that Buyer elects to so terminate this Agreement.

(b) Following the Filing Date, if Buyer elects to terminate this Agreement pursuant to Paragraph 16.1(c) and is not in breach hereof, Seller shall pay to Buyer or Buyer's designee, as the case may be, the Expense Reimbursement Fee by wire transfer of immediately available funds to an account designated by Buyer or such designee on the business day following the date that Buyer elects to so terminate this Agreement.

(c) Following the Filing Date, if Buyer has not elected to terminate this Agreement pursuant to Paragraph 16.1(c) and is not in breach hereof, and the Hospital Businesses are sold, assigned or otherwise transferred to a purchaser that is not the Buyer or an affiliate of the Buyer, the Seller shall pay to Buyer or Buyer's designee, as the case may be, the Break-Up Fee equal to the amount by which the sale price is greater than the Purchase Price, but not to exceed \$ 5 million. If any portion of the consideration received by Seller from a purchaser that is not the Buyer or an affiliate of the Buyer for the Hospital Businesses (or part thereof) is in a form other than cash, an equal percentage of the Break-Up Fee equal to the portion of the consideration received by the Seller that is non-cash consideration shall be payable to Buyer in such other non-cash consideration.

(d) Following the Filing Date, if the Hospital Business is not sold to the Buyer or an affiliate of the Buyer due to a failure to obtain regulatory or Bankruptcy Court approval of this Agreement, notwithstanding the reasonable best efforts of the Seller to obtain such approval, the Seller shall pay the Buyer, or the Buyer's designee, as the case may be, the Expense Reimbursement Fee by wire transfer of immediately available funds to an account designated by Buyer or such designee on the business day following the date that Buyer elects to so terminate this Agreement. If, on the other hand, the Seller fails to undertake its reasonable best efforts to obtain regulatory and Bankruptcy Court approval of this Agreement, and the Hospital Businesses are subsequently sold, assigned or otherwise transferred to a purchaser that is not the Buyer or an affiliate of the Buyer, then the Seller shall pay to Buyer or Buyer's designee, as the case may be, the Break-Up Fee equal to the amount by which the sale price is greater than the Purchase Price, but not to exceed \$ 5 million. If any portion of the consideration received by Seller from a purchaser that is not the Buyer or an affiliate of the Buyer for the Hospital Businesses (or part thereof) is in a form other than cash, an equal percentage of the Break-Up Fee equal to the

portion of the consideration received by the Seller that is non-cash consideration shall be payable to Buyer in such other non-cash consideration.

6.23 Assumed Contracts.

(a) The Buyer may, in its sole discretion and no less than 15 days prior to the Confirmation Hearing, exclude from assumption or reject, as may be appropriate, any Assumed Contract. Assumed Contracts shall be assumed by Seller and assigned to Buyer on the Closing Date under Section 365 of the Bankruptcy Code. With the consent of the Court or the approval of the Seller, on or before five (5) business days prior to the Confirmation Hearing, Buyer shall have the right to amend or supplement the Assumed Contracts. Thereafter Buyer may, as permitted by the Court and with the consent of the Seller, designate additional Contracts as Assumed Contracts and/or eliminate some or all of the Contracts as Assumed Contracts. With respect to the Assumed Contracts, Seller shall cure any past defaults in order to assume and assign to Buyer (or Buyer's designee) the Assumed Contracts in accordance with Section 365 of the Bankruptcy Code. Buyer (or Buyer's designee) shall assume all rights and obligations of Seller arising on or after the Closing Date under the Assumed Contracts. Any Assumed Contracts designated by Buyer shall be assigned to and assumed by Buyer (or Buyer's designee) at Closing to the extent permitted by law. Subject to the following right of Seller to reject any Contract, the final determination of which Contracts Seller will assume and assign to Buyer shall be within the sole discretion of Buyer.

(b) Contracts that are not Assumed Contracts shall be rejected by Seller as of the Closing Date, unless Buyer otherwise consents in the case of one or more individual Contracts, which consents shall not be unreasonably withheld; provided, however, that the Assumed Contracts, shall not be rejected by the Seller, without the consent of Buyer, prior to the date set forth on such Schedule 1.1(e) (the "Delayed Rejection Date"). From the Closing Date through the Delayed Rejection Date, Buyer shall make all payments for goods or services provided during said period under the Contracts whose rejection has been delayed by the provisions hereof. Upon request of Buyer, Seller shall cooperate with the provide reasonable assistance to Buyer in Buyer's efforts to negotiate acceptable terms and conditions of post-Closing Contracts with the parties to any rejected Contract. Subsequent to the Court's approval of this Agreement and prior to the Closing Date, Seller shall consult with Buyer about any Contract Seller seeks to reject and consider in good faith Buyer's opinions on any such rejection, in recognition of Buyer's bona fide interest preserving to the maximum extent possible the Contracts which Buyer believes are reasonably necessary to the continued operation and financial viability of the Hospital Businesses after the Closing Date, but Seller shall have the right in its discretion to reject any Contract which in their judgment Seller believes must be rejected to maintain the viability of the Hospital Businesses prior to the Closing Date or to comply with any order of the Bankruptcy Court.

6.24 Transfer Taxes.

In accordance with Section 1146(c) of the Bankruptcy Code, the making or delivery of any instrument of transfer, including the filing of any deed or other document of transfer to evidence, effectuate or perfect the rights, transfers and interest contemplated by this Agreement, shall be pursuant to and in contemplation of a plan or plans of reorganization to be

confirmed in Seller's bankruptcy cases, and as such shall be free and clear of any and all transfer Tax, stamp Tax or similar Taxes. The instruments transferring the Assets to Buyer shall contain the following endorsement:

"Because this [instrument] has been authorized pursuant to or in contemplation of Order of the United States Bankruptcy Court for the Central District of California, relating to a plan of reorganization of the Grantor, it is exempt from transfer taxes, stamp taxes or similar taxes pursuant to 11 U.S.C. § 1146(c), and is further exempt pursuant to [insert applicable State and municipal statutes] as a document which the State, the City and the County are prohibited from taxing under the Constitution and statutes of the United States."

6.25 Landlord Estoppels.

Seller shall, at its expense, deliver to Buyer a certificate from each landlord of a Real Property Lease confirming (i) the date of the lease and all amendments to the lease, (ii) the lease expiration date, (iii) remaining renewal options, (iv) annual base rent and the date paid through, (v) purchase options, (vi) security deposit amounts, (vii) that the lease is in full force and effect, (viii) that no default exists under the lease and that no event exists which, with the giving of notice or the passage of time, or both, would constitute a default by landlord or tenant under the lease and (ix) as to such other matters as Buyer may request.

7. Representations and Warranties of Buyer

Buyer hereby represents and warrants the following.

7.1 Organization and Good Standing

Buyer is a corporation duly incorporated and validly existing under the laws of Delaware, and is authorized to exercise its corporate powers, rights and privileges and is in good standing in, the State of Delaware and the State of California, and has full corporate power to carry on its business as presently conducted and to own or lease and operate its properties and assets now owned or leased and operated by it.

7.2 Authority

Buyer has the full corporate power and the authority to execute, deliver and perform the obligations and covenants set forth in this Agreement and all Related Agreements to which it is a party and to carry out the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and any Related Agreements by Buyer and the consummation of the transactions contemplated hereby or thereby have been duly, authorized by all necessary corporate action on the part of Buyer. This Agreement and all such Related Agreements are valid and binding upon and enforceable against Buyer in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to creditors' rights generally and except that the remedy of specific performance and injunctive and other forms of equitable relief may not be available. The execution, delivery and performance of this Agreement and all such Related Agreements and the consummation of the

transactions contemplated hereby or thereby will not: (a) violate any Law applicable to Buyer, or (b) violate or conflict with any provision of the Articles of Incorporation or Bylaws of Buyer.

7.3 Brokerage and Finder's Fees

None of Buyer, its Affiliates nor any of their officers or directors has employed, contracted for the services of or authorized any broker, finder or investment banker with respect to the negotiations leading to the execution of this Agreement or the consummation of the transactions contemplated hereby, and Buyer shall be solely responsible for any fees or commissions payable to any such broker, finder or investment banker by reason of the actions (or alleged actions) of Buyer, its Affiliates or any of their officers or directors.

8. Obligations and Covenants of Buyer

Buyer hereby covenants and agrees as follows

8.1 Inspection

Buyer has commenced or will promptly commence its due diligence investigation and inspection of the Transferred Assets (structural, operational, environmental, title or otherwise) and of the business and affairs of the Transferred Assets and the Hospital Businesses (the "**Inspection**"). All costs and expenses incurred in connection with the Inspection shall be borne by Buyer. As part of the Inspection: (a) Buyer has obtained or will obtain (i) preliminary title reports (the "**Preliminary Title Reports**") issued by First American Title Insurance Company of New York (the "**Title Company**") with respect to the Real Property, together with true, correct and legible copies of all instruments referred to therein as conditions or exceptions to title, and (ii) ALTA surveys complying with the Minimum Standard Detail Requirements for ALTA/ASCM Land Title Surveys (the "**Title Surveys**") for the Real Property; and (b) Buyer has obtained or will obtain from an environmental consulting firm (the "**Consultant**") a written environmental survey of the Real Property (the "**Environmental Survey**") and, within five business days of Buyer's receipt of the final Environmental Survey, Buyer shall deliver the same to Seller as Confidential Information subject to Seller's covenant of confidentiality as set forth in Paragraph 13.5. Buyer and Seller acknowledge and agree that any Environmental Survey prepared prior to the date of this Agreement is only an initial environmental site assessment (the "**Phase I Assessment**"), but will include, if subsequently determined by Buyer and the Consultant to be necessary or prudent, any further environmental investigation (including all remediation reports with respect thereto, the "**Phase II Investigation**") of the Real Property and that thereafter all references in this Agreement to the Environmental Survey shall mean both the Phase I Assessment and all Phase II Investigations. The right of access granted to Buyer for the Inspection shall include the right to inspect, sample, test or perform any other service or procedure reasonably necessary for the preparation of the Environmental Survey. Buyer shall give Seller no less than 24 hours' notice to Jim Braley [800-233-0567 ext. 2040 or 770-262-3601] before the Consultant enters onto the Real Property to conduct the Environmental Survey, which shall be conducted so as not to interfere with the normal operation of the Hospital Businesses. Seller shall be permitted to have one of its employees present during all inspections of and sample gatherings (including borings) from the soil or any floor tile, insulation or other internal component of the Real Property.

8.2 Buyer's Efforts to Close

Buyer shall use its Reasonable Commercial Efforts to satisfy all the conditions precedent set forth in Paragraphs 9 and 10 to its or Seller's obligations under this Agreement to the extent that Buyer's action or inaction can control or influence the satisfaction of such conditions.

8.3 Third Party Reimbursements/Recoveries

(a) Buyer shall be responsible for every liability of every kind or nature, known or unknown, under the Medicare, Medi-Cal and CHAMPUS programs arising from or relating to the settlement of cost reports relating to the Hospital Businesses for periods subsequent to the Closing Date.

(b) Buyer shall promptly pay over to Seller all cash receipts, if any, received by Buyer from Medicare, Medi-Cal or other federal, state or private health care programs with respect to the settlement of cost reports relating to the Hospital Businesses for periods prior to the Closing Date.

9. Conditions Precedent to Obligations of Buyer

The obligations of Buyer under this Agreement are subject to the satisfaction or Buyer's waiver in writing, at or prior to the Closing, of each of the following additional conditions; provided, however, that no such waiver of a condition shall constitute a waiver by Buyer of any of its other rights or remedies, at law or in equity, if Seller is in default of any of the representations, warranties, or covenants contained in this Agreement, except to the extent that such defaults are expressly waived.

9.1 Accuracy of Warranties and Representations

Each of the representations and warranties of Seller set forth in this Agreement and in the Disclosure Document or any Supplemental Disclosure Document delivered pursuant hereto shall be true and correct in all respects as of the Closing Date.

9.2 Performance of Obligations

Seller shall have performed substantially all agreements and covenants required by this Agreement to be performed by it on or prior to the Closing.

9.3 Third Party Consents

Buyer shall have received all necessary consents, approvals and authorizations of third parties with respect to the completion of the transactions contemplated by this Agreement and the assignment to Buyer of all Real Property Leases, Assumed Contracts and other Transferred Assets, each in a form reasonably acceptable to Buyer.

9.4 Permits and Program Participation

Buyer shall have obtained (or received reasonable assurances reasonably satisfactory to Buyer, that it shall obtain within a reasonable time after the Closing) all Permits and accreditations required for the operation of each of the Hospital Businesses by Buyer following the Closing in substantially the same manner as currently operated, and Buyer shall have obtained (or received reasonable assurances that it shall obtain within a reasonable period of time after the Closing) new provider numbers for Medicare certification of each of the Hospital Businesses now certified by Medicare, and the participation by each of the Hospital Businesses in Medi-Cal, and the program of any other Payor reasonably determined by Buyer, each of which will be effective as of the Closing, so that within a reasonable period of time after the Closing and in accordance with applicable law, each of the Hospital Businesses may participate in or receive reimbursement from all such programs effective as of the Closing.

9.5 Pre-Closing Confirmations

Seller shall have obtained documentation or other evidence reasonably satisfactory to Buyer that the Confirmation Order and all other orders related to the Transaction have been entered by the Bankruptcy Court and have become Final Orders, unless Buyer, in its sole discretion, waives the requirement that any of the foregoing orders be a Final Order:

9.6 Tax Matters

Seller shall have delivered to Buyer a duly executed certificate of non-foreign status in the form required by Code § 1445 in accordance with Paragraph 6.17 hereto.

9.7 Title Insurance

At the Closing, Buyer shall have received either: (a) an ALTA extended coverage owner's policies of title insurance issued by the Title Company to Buyer insuring title to the Real Property in an amount equal to the portion of the Purchase Price allocated to the Real Property pursuant to Paragraph 13.4 containing such endorsements as Buyer may reasonably request and showing good and indefeasible title to the Real Property vested in Buyer free and clear of all Liens except (i) statutory liens for real property taxes and assessments not yet due and payable, (ii) the Assumed Obligations, and (iii) any other matter approved, in writing, by Buyer (collectively the "Title Policy"); or (b) the written commitments or binders of the Title Company to issue the Title Policy in the aforementioned condition within a reasonable time after the Closing Date. Buyer shall also have received surveys of the Real Property made by a registered land surveyor bearing a certificate addressed to Buyer and the title insurance company, signed by the surveyor, certifying that the survey was actually made on the ground and that there are no encroachments except as shown, and complying with the minimum detail requirements for ATLA/ACSM and land title surveys as adopted by the American Land Title Association and the American Congress on Surveying and Mapping, 1992, and providing sufficient detail to enable the title company to issue the title policies without the general exceptions for survey matters.

9.8 Instruments of Transfer

At the Closing, Seller shall have delivered to Buyer or Escrow Agent (as hereinafter defined in Paragraph 11.2), as the case may be, such grant deeds, bills of sale and assignments of the Assumed Contracts and other good and sufficient instruments of transfer, conveyance and assignment as are reasonably requested by Buyer and reasonably satisfactory to counsel for Buyer and Seller and which shall be effective to vest in Buyer title to the Transferred Assets. The bills of sale and assignments of the Assumed Contracts shall be substantially in the form and substance of Schedule 2.2(a)(ii).

9.9 Officer's Certificate

Seller shall have delivered to Buyer: (a) a certificate, dated as of the Closing Date, executed by its President or any Vice President, on behalf of Seller, stating that as of the Closing Date (i) each of the representations and warranties made by Seller is true and correct in all material respects (ii) Seller has duly performed all obligations and covenants to be performed by it hereunder prior to the Closing Date, and (b) a good standing certificate for Seller from the California Secretary of State dated as of a date not earlier than ten business days prior to the Closing Date.

9.10 Certified Resolutions

Copies of the following shall have been delivered to Buyer: (a) the resolutions of the Board of Directors of each of the constituent corporations of Seller authorizing the execution of this Agreement and the performance of the transactions contemplated hereby which shall be certified as true, correct and effective as of the Closing Date by the Secretary or Assistant Secretary of Seller; and (b) an incumbency certificate from Seller which shall be certified as true, correct and effective as of the Closing Date by the Secretary or Assistant Secretary of Seller.

9.11 Hart-Scott-Rodino Act

Seller shall have complied with the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (15 U.S.C. § 18a) and the rules promulgated thereunder (said statute and rules are collectively referred to hereinafter as the "**Premerger Rules**"). The applicable waiting period or extension thereof required under the Premerger Rules shall have expired or early termination notice shall have been received from the Federal Trade Commission or the Department of Justice Antitrust Division.

9.12 Adverse Action

No action or proceeding shall be pending against Buyer, either of the Hospital Businesses or Seller wherein an unfavorable judgment, decree or order would, in the reasonable opinion of Buyer, prevent or make significantly unfavorable the carrying out of this Agreement, or have a Material Adverse Effect upon the operation of the Hospital Businesses or prevent or make unlawful the carrying out of the transactions contemplated by this Agreement or would compel Buyer's divestiture of all or any part of Buyer's assets or the Transferred Assets or otherwise restrict Buyer's operation of the Transferred Assets; and no governmental agency shall

have notified either Buyer or Seller that the consummation of the transactions contemplated by this Agreement would constitute a violation of Laws of any jurisdiction or would compel Buyer's divestiture of all or any part of Buyer's assets or the Transferred Assets or otherwise restrict Buyer's operation of the Transferred Assets or that it has commenced or intends to commence proceedings to restrain the consummation of the transactions contemplated hereunder and such agency has not withdrawn such notice.

9.13 Attorney General Approval

Buyer shall have received and approved all conditions, requirements or directives, if any, contained in any approval or response from the Attorney General which would, or in the opinion of Buyer could have a Material Adverse Effect on the business or operations of the Hospital Businesses.

9.14 Intentionally Omitted

9.15 Tail Insurance

Seller shall have obtained adequate tail insurance as set forth in Paragraph 6.13. Seller shall have furnished certificates of insurance to Buyer.

9.16 Opinions of Counsel

Buyer shall have received the favorable opinion of Seller's transaction counsel dated the Closing Date, in substantially the form attached hereto as **Exhibit 9**.

9.17 Disclosure Documents

If Seller shall have supplemented or amended in any material respect any Disclosure Documents to this Agreement pursuant to its obligations set forth in Paragraph 4 hereof, Buyer shall not have given notice to Seller that, as a result of information provided to Buyer in connection with any or all of such amendments or supplements, such Disclosure Document(s) is not acceptable to Buyer.

9.18 No Material Adverse Change

There shall have been no Material Adverse Change since May 31, 2002.

9.19 Physical Inventory

Seller shall conduct a physical inventory of the Inventory, which inventory shall be current as of no more than 10 days prior to the Closing Date, and shall promptly deliver the results of said inventory to Buyer.

9.20 Payment, Redemption or Defeasance of Certain Debt

Seller shall have paid, redeemed or defeased all outstanding tax exempt debt issued in connection with the Transferred Assets or otherwise encumbering the Transferred

Assets or the revenues of the Hospital Businesses, or otherwise canceled or caused to be cancelled or released all instruments and securities evidencing tax-exempt debt for which the Seller is liable or by which the Transferred Assets are secured.

10. Conditions Precedent to Obligations of Seller

The obligations of Seller under this Agreement are subject to the satisfaction or Seller's waiver in writing, at or prior to the Closing, of each of the following additional conditions; provided, however, that no such waiver of a condition shall constitute a waiver by Seller of any of its other rights or remedies, at law or in equity, if Buyer is in default of any of the representations, warranties, or covenants contained in this Agreement, except to the extent that such defaults are expressly waived.

10.1 Accuracy of Warranties and Representations

Each of the representations and warranties of Buyer set forth in this Agreement shall be true and correct in all Material respects as of the date of this Agreement and as of the Closing Date with the same force and effect as though such representations and warranties had been made as of the Closing Date, except as to changes occurring in the ordinary course of business of Buyer after the date of this Agreement without violating any covenant of Buyer herein and not Materially affecting the business, properties or financial condition of Buyer.

10.2 Performance of Obligations

Buyer shall have performed all agreements and covenants required by this Agreement to be performed by it on or prior to the Closing.

10.3 Payment of Purchase Price

Buyer shall have delivered, or caused to be delivered, to Seller at the Closing: (a) the immediately available funds described in Paragraph 2.2(a)(i); (b) the assumption and undertaking of Assumed Obligations referred to in Paragraph 2.2(a)(ii); and (c) immediately available funds in an amount equal to the costs, if any, to be reimbursed to Seller by Buyer pursuant to Paragraph 18.9.

10.4 Officer's Certificate

Buyer shall have delivered to Seller: (a) a certificate, dated as of the Closing Date, executed by its President or any Vice President, on behalf of Buyer, stating that as of the Closing Date: (i) each of the representations and warranties made by Buyer is true and correct in all material respects, and (ii) Buyer has duly performed all obligations and covenants to be performed by it hereunder prior to the Closing Date, and (b) a good standing certificate for Buyer from the California Secretary of State dated as of a date not earlier than ten business days prior to the Closing Date [and (c) a clearance certificate relating to bulk sales tax].

10.5 Certified Resolutions

Copies of the following shall have been delivered to Seller: (a) the resolutions of the Board of Directors of Buyer authorizing the execution of this Agreement and the performance of the transactions contemplated hereby which shall be certified as true, correct and effective as of the Closing Date by the Secretary or Assistant Secretary of Buyer, and (b) an incumbency certificate of Buyer which shall be certified as true, correct and effective as of the Closing Date by the Secretary or Assistant Secretary of Buyer.

10.6 Hart-Scott-Rodino Act

Buyer shall have complied with the Premerger Rules. The applicable waiting period required under the Premerger Rules or extension thereof shall have expired or early termination notice shall have been received from the Federal Trade Commission or the Department of Justice Antitrust Division.

10.7 Adverse Action

No bona fide action or proceeding shall be pending against either Buyer or Seller wherein an unfavorable judgment, decree or order would prevent or make unlawful the carrying out of the transactions contemplated by this Agreement or would compel Buyer's divestiture of all or any part of the Transferred Assets or otherwise restrict Buyer's operation of the Transferred Assets; and no governmental agency shall have notified either Buyer or Seller that the consummation of the transactions contemplated by this Agreement would constitute a violation of Laws of any jurisdiction or would compel Buyer's divestiture of all or any part of the Transferred Assets or otherwise restrict Buyer's operation of the Transferred Assets or that it has commenced or intends to commence proceedings to restrain the consummation of the transactions contemplated hereunder and such agency has not withdrawn such notice.

10.8 Attorney General Approval

Seller shall have received and approved all conditions, requirements or directives, if any, contained in any approval or response from the Attorney General and the approval of the Attorney General of its operating plan to be implemented after the Closing.

10.9 Payment, Redemption or Defeasance of Certain Debt

Seller shall have paid, redeemed or defeased all outstanding tax exempt debt issued in connection with the Transferred Assets or otherwise encumbering the Transferred Assets or the revenues of the Hospital Businesses, or otherwise canceled or caused to be cancelled or released all instruments and securities evidencing tax-exempt debt for which the Seller is liable or by which the Transferred Assets are secured.

11. Closing

The Closing shall take place on the later of two business days after the approval of the Attorney General of the State of California or the date on which the Confirmation Order becomes a Final Order, at the offices of Foley & Lardner located at 2029 Century Park East, 35th

Floor, Los Angeles, California, or sooner upon five business days' prior notice by Buyer to Seller provided all conditions precedent to the parties' obligations set forth in Paragraphs 9 and 10 shall have been satisfied, waived or are capable of being performed as of such date or, subject to the limitations set forth in Paragraph 16.1(c), such later date as all such conditions precedent shall have been satisfied, waived or are capable of being performed as of such date. The date on which the Closing actually occurs shall be referred to herein as the "Closing Date". The Closing shall be effective for all purposes as of 12:01 a.m. PDT on the day immediately following the Closing. The term "Closing" as used in this Agreement shall mean the meeting of Buyer and Seller at which, and the actions of Escrow Agent by which, the documents and instruments referred to in Paragraph 11.3(a) are delivered to Buyer, the documents and funds referred to in Paragraph 11.3(b) are delivered to Seller, and the other actions required to be taken hereunder shall have been taken.

11.1 Pre-Closing

A pre-closing of the transactions contemplated hereunder shall be held on the day preceding the Closing Date, at the same location as the Closing, at a time mutually agreed to by the parties.

11.2 Escrow

The transfer of the Owned Real Property and the payment, redemption or defeasance of the Bonds shall be consummated, and the indemnification escrow shall be established, through an escrow which shall be opened with (and the escrow agent shall be) a title company acceptable to Buyer (such title company shall be referred to as the "Escrow Agent"). The parties shall deposit with Escrow Agent such escrow instructions as the parties agree are necessary to consummate such transactions, and as Escrow Agent shall require in order to clarify the duties and responsibilities of Escrow Agent. The escrow instructions shall be consistent with the terms of this Agreement and the Escrow Agreement, and in the event of any conflict between the escrow instructions or the Escrow Agreement and this Agreement, this Agreement shall prevail. On the Closing Date, Escrow Agent shall: (a) cause the grant deeds for the Real Property and any other documents which the parties mutually designate, to be recorded in the official records of the appropriate county; (b) issue and deliver to Buyer the Title Policy; or the binding commitment of the Title Company to issue the Title Policy; (c) deliver to Seller by wire transfer of immediately available funds to the account or accounts designated by Seller the amount which is the sum of (i) the Purchase Price referred to in Paragraph 2.2(a)(i) and (ii) the costs to be reimbursed to Seller by Buyer pursuant to Paragraph 18.9; and (d) deliver to Buyer and Seller such other agreements, documents and instruments as the parties instruct in the escrow instructions.

11.3 Deliveries at Closing

At the Closing, Buyer shall cause the Purchase Price referred to in Paragraph 2.2(a)(i) and the costs to be reimbursed to Seller by Buyer pursuant to Paragraph 18.9 to be wired to the account or accounts designated by Seller and, upon written confirmation from the sending bank that said wire transfer has commenced (which written confirmation shall include the confirmation number of such wire transfer), the parties shall take the actions set forth

below; provided, however, that if the Purchase Price is to be paid through Escrow Agent, then on or prior to the Closing Date, Buyer shall cause such funds to be wired to the Escrow Agent and upon Escrow Agent's confirmation of its receipt of such funds, the parties shall undertake the actions set forth below.

(a) Seller. Seller shall deliver to Buyer the deeds and other instruments of transfer, conveyance and assignment as described in Paragraph 9.8, and the other agreements, documents and instruments referred to in Paragraph 9, all as listed, and in the manner shown, on **Schedule 11.3(a)** hereto. Seller also shall deliver such items to Buyer as listed on Schedule 11.3(a), including but not limited to a list of the source or access codes to computers, the combinations to any safes and the location of any safe deposit boxes, together with the keys to any of the foregoing.

(b) Buyer. Buyer shall deliver to Seller the agreements, certificates, documents and instruments referred to in Paragraph 10, all as listed, and in the manner shown, on **Schedule 11.3(b)** hereto.

12. Casualty and Condemnation

12.1 Casualty.

If any part of the Transferred Assets are damaged, lost or destroyed (whether by fire, theft, vandalism or other casualty) in whole or in part prior to the Closing Date, Seller shall notify Buyer as soon as possible of the same. If the fair market value of such damage or destruction does not (according to Buyer's and Seller's reasonable estimate) exceed the lesser of (A) \$5,000,000, (or in the event that the Hospital Businesses consist solely of the Corona Hospital Business, \$1,666,666), or (B) 10% of the allocated portion of the Purchase Price for such Transferred Assets set forth in **Schedule 13.4**, Seller shall, at Buyer's option, either: (a) reduce the Purchase Price by the fair market value of the assets destroyed as reasonably determined by Buyer and Seller, such value to be determined as of the day immediately prior to such destruction or, as the case may be, by the estimated cost to restore the damaged assets; (b) provided that the insurance proceeds are obtainable without delay and are, in Buyer's and Seller's reasonable judgment, sufficient to fully restore the damaged assets, upon the Closing, transfer the insurance proceeds or the rights to insurance proceeds of applicable insurance to Buyer and Buyer may restore the improvements; or (c) repair or restore such damages or destroyed improvements. If any part of the Transferred Assets is damaged, lost or destroyed (whether by fire, theft, vandalism or other cause or casualty) in whole or in part prior to the Closing and the fair market value of such damages exceeds (according to Buyer's and Seller's reasonable estimate) the lesser of the amount indicated in A above or 10% of such allocated portion of the Purchase Price, Buyer may elect either to: (d) require Seller to transfer the proceeds (or the right to the proceeds) of applicable insurance to Buyer and Buyer may restore the improvements; or (e) terminate this Agreement.

12.2 Condemnation.

(a) From the date hereof and until the Closing, in the event that any portion of the Transferred Assets (including access thereto or parking therefor) is taken, reduced

or restricted by any pending, threatened or contemplated condemnation or eminent domain proceeding or otherwise, then Buyer, at its sole option, may elect to terminate this Agreement. If Buyer does not so terminate this Agreement, Buyer shall accept the Transferred Assets subject to such proceeding or without the portion of the Transferred Assets taken, and Buyer shall retain all of the right, title and interest of Seller, as owner of the Transferred Assets, in and to such proceeding and the proceeds of the award to be made in such proceeding, and Seller shall promptly turn over to Buyer the proceeds of any award (or payment made pending the making of the award) already received by Seller.

13. Additional Covenants

The following provisions shall apply, and the following actions shall be taken, prior to or subsequent to the Closing.

13.1 Further Documentation or Action

(a) From time to time, at the request of either party, whether on or after the Closing, without further consideration, either party, at its expense and within a reasonable amount of time after request hereunder is made, shall execute and deliver such further instruments of assignment and transfer and take such other action as may be reasonably required to more effectively assign and transfer the Transferred Assets to Buyer, deliver or make the payment of the Purchase Price to Seller or any amounts due from one party to the other pursuant to the terms of this Agreement, confirm Seller's ownership of the Excepted Assets, or otherwise carry out the purposes of any provision of this Agreement. Notwithstanding anything contained in this Agreement to the contrary, this Agreement shall not constitute an agreement to assign any Transferred Asset, or assume any Assumed Obligation, if the attempted assignment or assumption of the same, as a result of the absence of a consent or authorization of a third party, would constitute a breach or default under any lease, agreement or commitment or would in any way adversely affect the rights, or increase, the obligations, of Buyer or Seller with respect, thereto; provided, however, that the assignment of any contract, including, without limitation, Medicare, Medi-Cal and similar provider agreements, which may lawfully be made subject to customary conditions subsequent (such as need surveys, evaluations of Buyer or other determinations by the counter parties to such agreements) shall be deemed not to constitute a default under, or in any way adversely affect the rights or increase the obligations of Buyer with respect to, such lease, agreement or commitment, unless the counter party indicates prior to the Closing that such condition or conditions subsequent are not likely to be met. If any such consent or authorization is not obtained, or if an attempted assignment or assumption would be ineffective or would adversely affect the rights or increase the obligations of Seller or Buyer with respect to any such lease, agreement or commitment, so that Buyer would not, in fact, receive all such rights, or assume the obligations, of Seller with respect thereto as they exist prior to such attempted assignment or assumption, then Seller and Buyer shall enter into such reasonable cooperative arrangements as may be reasonably acceptable to both Buyer and Seller (including, without limitation, sublease, agency, indemnity or payment arrangements and enforcement at the cost of Seller but for the benefit of Buyer of any and all rights of Seller against an involved third party) to provide for Buyer the benefits of such Transferred Asset or to relieve Seller from the obligations of such Assumed Obligation, and any transfer or assignment to Buyer by Seller of any such Transferred Asset, or any assumption by Buyer of any such Assumed Obligation, which

shall require such consent or authorization of a third party that is not obtained shall be made subject to such consent or authorization being obtained.

(b) Seller, effective at the Closing Date, hereby constitutes and appoints Buyer, its successors and assigns, the true and lawful attorney of Seller, in the name of either Buyer or Seller (as Buyer shall determine in its sole discretion) but for the benefit of Buyer: (a) to institute and prosecute all proceedings which Buyer may deem proper in order to collect, assert or enforce any claim, right or title of any kind in or to the Transferred Assets (but excluding the Excepted Assets) as provided for in this Agreement; (b) to defend or compromise any and all actions, suits or proceedings in respect of any of the Transferred Assets (but excluding the Excepted Assets), and to do all such acts and things in relation thereto as Buyer shall deem advisable; and (c) to take all action which Buyer, its successors or assigns may reasonably deem proper in order to provide for Buyer, its successors or assigns, the benefits under any of the Transferred Assets (but excluding the Excepted Assets) where any required consent of another party to the sale or assignment thereof to Buyer pursuant to this Agreement shall not have been obtained. Seller acknowledges that the foregoing powers are coupled with an interest and shall be irrevocable. Buyer shall be entitled to retain for its own account any amounts collected pursuant to the foregoing powers, including any amounts payable as interest in respect thereof. Buyer agrees to act in good faith in seeking to collect, assert or enforce any claim against any third party in accordance with this Paragraph 13.1. Notwithstanding anything herein to the contrary, Buyer may exercise this power of attorney only upon prior notice to and approval by Seller, which approval shall not be unreasonably withheld.

13.2 Preservation of and Access to Records

(a) Owner of Hospital Records. The term “**Hospital Records**” shall mean all records created and/or maintained in connection with the operation of the Hospital Businesses for periods ending on or prior to the Closing Date which are of the types and categories listed in the “Recommended Record Retention Schedule” (“**CHA Retention Schedule**”) of the Records Retention Guide (“**CHA Guide**”) published by the California Healthcare Association, including without limitation all records, documents and other materials which are not confidential nor subject to the attorney-client privilege, whether in the possession of Seller, Seller’s accountants, Seller’s attorneys or other professionals. The CHA Retention Schedule is set forth on **Schedule 13.2(a)**. As set forth in Paragraph 1.1, the Hospital Records are Transferred Assets. Upon the Closing, Seller shall be deemed to have assigned and transferred to Buyer, or if necessary waived and released solely in favor of Buyer, all of the Hospital Records and any and all privileges with respect thereto, and Seller shall be deemed to have consented to Buyer’s access thereto. Notwithstanding the foregoing, the parties shall cooperate in providing copies and access to the Hospital Records as set forth below.

(b) Document Retention. Buyer shall retain the Hospital Records at the Hospital, or at such other locations in Riverside and San Luis Obispo Counties as Buyer, in its sole discretion, shall determine from time to time, at Buyer’s cost, until the expiration, for each type and category of record, of the recommended retention period set forth in the CHA Retention Schedule, as the CHA Retention Schedule may be amended from time to time; provided, however, that if at the expiration of any such period, any tax or Payor audit or judicial proceeding or any appeal therefrom is in process or the applicable statute of limitations has been

extended, all or any portion of the Hospital Records affected by such audit, proceeding or extension shall be retained until the audit is completed, a final judgement is entered in such proceeding, or the relevant statute of limitations has expired, as the case may be (the “**Document Retention Period**”).

(c) Seller Access. After the Closing, Buyer shall grant, and Seller shall have, access to the Hospital Records as needed for any lawful purpose approved by Buyer, which approval shall not be unreasonably withheld, delayed or conditioned and which approval is hereby given for: (i) filing or contesting audits or settlements of cost reports; and (ii) defending any third party claim; provided, however, that Seller shall not have access to any Hospital Record the disclosure of which would be prohibited by any Law, accreditation standard, or rule or agreement (express or implied) of confidentiality. Any Hospital Records delivered to or made available to Seller and its representatives pursuant to this or any other paragraph of this Agreement; (iii) shall be treated as strictly confidential by Seller and its representatives; (iv) shall not be directly or indirectly divulged, disclosed or communicated to any other Person other than Seller and its representatives who are reasonably required to have access to such information (unless Seller is compelled to disclose the same by judicial or administrative process); (v) shall be returned to Buyer when Seller’s use therefor has terminated; and (vi) shall not be used by Seller or its representatives in any unlawful manner or in violation of any express or implied rule or agreement of confidentiality which results in any harm to Buyer, nor in any manner which is detrimental to Buyer or Buyer’s operation of the Hospital Businesses. Buyer shall instruct its appropriate employees to cooperate in providing access to such records to Seller and its authorized representatives as contemplated herein. Access to such records shall be, wherever reasonably possible, during normal business hours, with reasonable prior written notice to Buyer of the time when such access shall be needed. Seller’s employees, representatives and agents shall conduct themselves in such a manner so that Buyer’s normal business activities shall not be unduly or unnecessarily disrupted.

(d) Destruction Notice and Destruction. After the expiration of the applicable aforementioned Document Retention Period, Buyer shall not, without 90 days prior written notification to Seller (the “**Destruction Notice**”), destroy all or any portion of the Hospital Records in its possession. Within 80 days after its receipt of the Destruction Notice, Seller shall have the right, at its own expense, to require Buyer to deliver any such records to Seller and Buyer shall thereupon deliver the same to Seller. Buyer shall be solely responsible for ensuring the proper destruction of any Hospital Records not requested by Seller, and Buyer shall be solely responsible for any liability resulting from the improper destruction thereof. Seller shall be solely responsible for ensuring the proper destruction of any Hospital Records delivered to Seller, and Seller shall be solely responsible for any liability resulting from: (i) any breach of confidentiality or privilege arising from any disclosure thereof; or (ii) any subsequent destruction thereof.

13.3 Litigation Cooperation

After the Closing, upon prior reasonable written request, each party shall cooperate with the other, at the requesting party’s expense (but including only out-of-pocket expenses to third parties and not the costs incurred by any party for the wages or other benefits paid to its officers, directors or employees), in furnishing information, testimony and other

assistance in connection with any actions, tax or cost report audits, proceedings, arrangements or disputes involving either of the parties hereto (other than in connection with disputes between the parties hereto) and based upon contracts, arrangements or acts of Seller or any of its Affiliates which were in effect or occurred on or prior to the Closing and which related to the Transferred Assets, including, without limitation, arranging discussions with, and the calling as witnesses of officers; directors, employees, agents and representatives of Buyer.

13.4 Allocation of Purchase Price

The Purchase Price shall be allocated among each of the Transferred Assets (or, where more practical, each category of Transferred Assets) in accordance with **Schedule 13.4**. Except as otherwise required by Law, Seller and Buyer hereby agree to allocate the Purchase Price in accordance with Schedule 13.4, to be bound by such allocations for all purposes, to account for, and report the purchase and sale of the Transferred Assets contemplated hereby for all purposes (including, without limitation, financial, accounting, and federal and state tax purposes) in accordance with such allocations, and not to take any position (whether in financial statements, tax returns, tax audits, or otherwise), which is inconsistent with such allocations without the prior written consent of the other party.

In allocating the Purchase Price, Buyer and Seller will: (1) make every effort to minimize Medicare recapture liability; and (2) assist each other to minimize federal and state tax liabilities.

13.5 Confidentiality

The parties hereto recognize and agree that all information, instruments, documents and details concerning the business of Buyer and Seller are strictly confidential, and Seller and Buyer expressly covenant and agree with each other that they will not, nor will they allow any of their respective officers, directors, employees or agents (including professional advisors) to, reproduce, distribute or disclose any matters relating to: (a) the business of the other; (b) this Agreement, its negotiation, terms, provisions or conditions, including the Purchase Price; or (c) the contents of the Environmental Surveys or Title Surveys delivered by Buyer to Seller (collectively, the "**Confidential Information**"), except for disclosure to their respective professional advisors (who shall agree not to reproduce, distribute or disclose the same) or to the Bankruptcy Court which is reasonably necessary to effectuate the transactions contemplated hereby and in a manner consistent with the provisions of this Agreement. Notwithstanding the foregoing, nothing contained in this Paragraph shall prohibit Buyer from disclosing, and Seller hereby consents to Buyer's disclosure of the existence and nature of the transactions contemplated by this Agreement to governmental or other regulatory or accrediting agencies to the extent reasonably necessary to obtain the Permits, participations and accreditations contemplated by Paragraph 9.4 and to other Persons in connection with the Inspection. Without limiting the generality of the foregoing, except as specifically permitted by this Paragraph, no public announcement or other disclosure of the proposed sale or acquisition of the Transferred Assets or of this Agreement or its contents shall be made by or on behalf of either party without the prior written consent of the other party and such other party's prior approval of the form and content of the same, which consent and approval shall not be unreasonably withheld, conditioned or delayed.

Except as specifically permitted by this Paragraph, each party shall keep all Confidential Information obtained from the other either before or after the date of this Agreement confidential, and neither party shall reveal such information to, nor produce copies of any written information for, any Person outside its management group or its professional advisors without the prior written consent of the other party, unless such party is compelled to disclose such information by judicial or administrative process or by any other requirements of Law. In addition, at all times following the Closing, Seller shall keep all information pertaining to the Transferred Assets and the Hospital Businesses confidential, shall not use such information, directly or indirectly, to the detriment of Buyer and shall not reveal such information to any Person outside Seller's management group (including its Board of Directors) or professional advisors who are reasonably required to have such information, unless Seller is compelled to disclose such information by judicial or administrative process or by any other requirements of Law. Without the written consent of Seller, Buyer shall not discuss any aspect of the proposed transaction with any person affiliated with Seller, including any physician, board member, employee, community leader, officer or public official, until consummation of the transaction. If the sale contemplated by this Agreement should fail to close for any reason, each party shall return to the other as soon as possible all originals and copies of written information provided to such party by or on behalf of the other party, and each party shall return to the other or destroy all written reports relating to and summaries of such written information, and all copies and computer recordings of such reports and summaries, and none of such information shall be used by either party, or their employees, agents or representatives in the business operations of any Person. Notwithstanding the foregoing, each party's obligations under this Paragraph shall not apply to any information or document which is or becomes available to the public other than as a result of a disclosure by the other party in violation of this Agreement or other obligation of confidentiality under which such information may be held or becomes available to the party on a non-confidential basis from a source other than the other party or its officers, directors, employees or agents. The parties' obligations under this Paragraph shall survive the termination of this Agreement or the Closing.

13.6 Cure of Disapproved Items

(a) General Rule. If Buyer disapproves the Disclosure Document or any Supplemental Disclosure Document within the time periods applicable thereto (a "**Disapproved Item**"), and the cost to Seller of curing such Disapproved item would be less than \$4,000,000, then Seller shall be obligated to cure such Disapproved Item prior to the Closing; provided, however, that if the cost to Seller of curing such Disapproved Item would be greater than \$4,000,000, then Seller shall have the right, but not the obligation, within ten days following its receipt of notice of Buyer's disapproval, to elect to cure such Disapproved Item by the delivery of an appropriate written notice to Buyer. . If Buyer disapproves any Supplemental Disclosure document within the time periods applicable thereto (a "**Supplemental Disapproved Item**"), and the cost to Seller of curing all such Supplemental Disapproved Items would in the aggregate be less than \$4,000,000, then Seller shall be obligated to cure such Supplemental Disapproved Item(s) prior to the Closing. Seller's notice shall set forth its proposed manner of cure of the Disapproved Item or the Supplemental Disapproved Item, which shall be subject to the prior approval of Buyer, and the anticipated period of time necessary to complete the cure. Buyer shall have five days after receipt to approve or disapprove Seller's notice to cure. If Buyer fails to disapprove Seller's notice to cure within said five day period, Buyer shall be deemed to

have approved Seller's notice to cure. If Seller elects to cure a Disapproved Item or a Supplemental Disapproved Item, Seller shall commence the cure promptly following the delivery of its written notice to Buyer (and Buyer's approval or deemed approval of the proposed manner of cure) and thereafter shall diligently pursue the cure to completion, provided, however, in all events any cure by Seller of a Disapproved Item or a Supplemental Disapproved Item must be completed prior to the Closing. If Seller completes the cure of the Disapproved Item or Supplemental Disapproved Item within the time period herein specified and in the manner approved or deemed approved by Buyer, then Buyer shall have no right to terminate this Agreement as a rest of the Disapproved Item or Supplemental Disapproved Item and, provided the Disapproved Item or Supplemental Disapproved Item remains cured, Buyer also shall have no right to assert a claim for indemnification against Seller pursuant to Paragraph 15.1 with respect to such Disapproved Item or Supplemental Disapproved Item. If Seller fails to give notice to Buyer within the time period herein specified that it elects to cure a Disapproved Item or Supplemental Disapproved Item that Seller is not otherwise required to cure under the terms of this Paragraph 13.6(a), then, at Buyer's election, the parties shall negotiate in good faith the resolution of the Disapproved Items or Supplemental Disapproved Items (including Seller's cure of all or some of the same). If such Disapproved Items or Supplemental Disapproved Items cannot be so resolved within 30 days from the date Buyer's election and if Buyer does not within five days thereafter withdraw its notice of disapproval of the Disclosure Document or any Supplemental Disclosure Document or if, notwithstanding Seller's election to cure a Disapproved Item that it is not otherwise required to cure under this Paragraph 13.6, Seller fails to complete the cure within the time period herein specified or Buyer timely disapproves Seller's notice to cure, this Agreement shall terminate without liability to Buyer or Seller and shall be of no further force or effect except as otherwise expressly provided herein; provided, however, that if Seller fails to complete the cure before the Closing, Buyer, at its discretion, may elect to proceed with the Closing and Seller shall promptly reimburse Buyer for, and indemnify and hold Buyer harmless from and against, all Losses incurred by Buyer after the Closing with respect to the cure of the Disapproved Items.

(b) Environmental Remediation. With respect to any matter disclosed by the Environmental Survey or disclosed on Schedule 5.7 that would constitute a breach of Seller's representations and warranties set forth in Paragraph 5.7 but for the qualifications to such representations and warranties based on Seller's Knowledge or disclosures in the Environment Survey or on Schedule 5.7, Seller shall at Buyer's election either (i) clean-up or otherwise remediate such matters in a reasonable manner prior to the Closing Date at Seller's expense; or (ii) agree in writing prior to the Closing Date to reimburse Buyer for the costs specified in a written agreement of such reasonable clean-up or remediation incurred by Buyer after the Closing Date and to promptly reimburse Buyer after Buyer incurred such expenses subsequent to the Closing Date. If Seller's obligations under the preceding sentence exceed \$2,000,000, then Seller shall have the option to terminate this Agreement. Notwithstanding the foregoing to the contrary, however, nothing in this Paragraph shall obligate Seller to remove or otherwise remediate (or bear the cost of same) any Hazardous Materials used as construction materials in structure, improvements or fixtures constituting the Hospital, or in equipment contained therein, unless in the reasonable determination of the Consultant the current condition of such Hazardous Materials has resulted in either noncompliance with any Environmental Regulations or a hazard to human health, human safety or the environment.

13.7 Excluded Assets and Receivables

(a) General Rule. Any asset (including all mail and other communications) that is determined by this Agreement or pursuant to the dispute resolution mechanisms provided herein, to be or otherwise relate to an Excepted Asset and that is or comes into the possession, custody or control of Buyer or any of its Affiliates shall forthwith be transferred, assigned or conveyed by Buyer or such Affiliate to Seller, and until such transfer, assignment or conveyance, Buyer and its Affiliates shall not have any right, title or interest in such asset but instead shall hold such asset in trust for the benefit of Seller. Any asset (including all remittances and mail and other communications) that is determined by this Agreement or pursuant to the dispute resolution mechanisms provided herein, to be or otherwise relate to a Transferred Asset and that is or comes into the possession, custody or control of Seller or any of its Affiliates (including its or their successors in interest or assigns) shall forthwith be transferred, assigned or conveyed by Seller or such Affiliate to Buyer and until such transfer, assignment and conveyance, Seller and its Affiliates shall not have any right, title or interest in such asset, but instead shall hold such asset in trust for the benefit of Buyer.

(b) Other Receivables from Government or Managed Care Programs. All periodic interim payments which are received by Buyer after the Closing Date which, pursuant to the remittance advice which accompanies such payment or otherwise, are attributable to a period on or before the Closing Date shall constitute an Excepted Asset and shall be paid to Seller by Buyer within 45 days of Buyer's receipt thereof. Any periodic interim payment received by Buyer after the Closing Date which, pursuant to the remittance advice which accompanies such payment or otherwise, is attributable partially to a period ending on or before the Closing Date and partially to a period after the Closing Date shall be prorated to reflect the number of days included within such periodic interim payment which occurred on or before the Closing Date, and such prorated amount shall be included within the foregoing sentence.

13.8 Cost Report Audits and Contests

After the Closing and for the period of time necessary to conclude any pending or potential audit, administrative or judicial appeal or contest of any cost reports for Medicare, Medi-Cal or any other Payor, with respect to the Hospitals concerning periods ending on or before the Closing Date, Buyer shall within thirty days of Buyer's receipt of the same, forward to Seller all information received from Payors relating to periods prior to and as of the Closing Date, including, without limitation, cost report settlements, notices of program reimbursements, demand letters for payment, proposed audit adjustments and any other related correspondence. Upon the reasonable request of Seller, Buyer shall assist Seller (including by providing the reasonable support of its employees at no cost to Seller) in obtaining information deemed by Seller to be necessary or convenient in connection with any audit, any administrative or judicial appeal, or any contest of such reports. Buyer's services hereunder shall be purely ministerial in nature and under no circumstances shall Buyer perform any services which will cause Buyer to become an agent or other fiduciary of Seller with respect to such audits or contests. If Buyer believes, in its reasonable judgment, that such services provided hereunder will cause it to become such an agent or fiduciary, Buyer may terminate such services; provided however, that such termination of Buyer's services shall not terminate nor in any way alter nor interfere with Seller's right to access Hospital Records pursuant to Paragraph 13.2 of this

Agreement in connection with such audit, appeal or contest. Seller hereby releases and discharges Buyer from all liability in connection with such audits, administrative or judicial appeals and contests.

13.9 Filing Cost Reports; Amounts Due To or From Third Party Payors

Seller shall prepare and timely file all cost reports (including, without limitation, the terminating cost report) and all other filings which are required to be filed with Medicare, Medi-Cal, any other Payors or any governmental agency with respect to the operations of the Hospital Businesses for any and all periods ending on or prior to the Closing Date. Such cost reports and filings shall be prepared by Seller in a manner consistent with the principles applied and practices followed by Seller in the preparation of such cost reports and filings which were filed prior to the date of this Agreement. Upon the reasonable request and instruction of Seller, Buyer shall assist Seller in the preparation of such cost reports and other filings by providing the reasonable support of its employees at no cost to Seller in obtaining financial information or data deemed by Seller to be necessary for the preparation of such cost reports and other filings. Within a reasonable period of time after filing such cost reports and other filings (but in no event later than ten days following each such filing), Seller shall provide Buyer a copy of such filed cost report and other filings. Buyer's services hereunder shall be purely ministerial in nature and under no circumstances shall Buyer perform any services which will cause Buyer to become an agent or other fiduciary of Seller with respect to such cost reports and other filings. If Buyer believes, in its reasonable judgment, that any such services provided hereunder shall cause it to become such an agent or fiduciary, Buyer may terminate such services; provided however, that such termination of Buyer's services shall not terminate nor in any way alter nor interfere with Buyer's right to access Hospital Records pursuant to Paragraph 13.2 of this Agreement in connection with such cost reports and other filings. Seller hereby releases and discharges Buyer from, and indemnifies and holds Buyer harmless from and against, all liability in connection with such cost reports and other filings.

Seller shall retain all rights to any amounts receivable from and remain obligated for all amounts due to Medicare, Medi-Cal, or such other Payors with respect to such filed cost reports or filings (as reflected thereon or as finally determined by the audit, administrative or judicial appeal, contest or other adjustment of such reports or filings) and the parties hereby acknowledge and agree that Buyer is not hereby being assigned or assuming any of the same. Buyer shall promptly notify Seller of such amounts due to Medicare, Medi-Cal or other Payors from Seller or any amounts due from Medicare, Medi-Cal, or other Payors to Buyer which are being withheld by Medicare, Medi-Cal, or such other Payors by reason of Seller's breach of its obligations under this Paragraph or by reason of any other event or occurrence taking place or otherwise attributable to the operations of the Hospital Businesses and the Transferred Assets on or prior to the Closing Date (including, without limitation, any periodic interim payments governed by the provisions of Paragraph 13.7(b)). On receipt of such notice, together with written evidence from Medicare, Medi-Cal, or such other Payors in support thereof, if any exist in Buyer's possession, Seller shall remit all such amounts or comply with its obligations hereunder within sufficient time to avoid the imposition of any interest charges or the withholding of any payment due from Medicare, Medi-Cal, or other Payors to Buyer, provided, however, that if any such withholding has occurred, for whatever reason, Seller shall reimburse Buyer for the full amount of all payments so withheld within three business days of Buyer's

written notice to Seller of the same. Seller's rights shall include, without limitation, the right to dispute or to appeal any determinations relating to such reports.

13.10 Employee Matters

(a) Retained Employees. Subject to the consummation of the transactions contemplated by this Agreement, Buyer or its Affiliates shall offer to hire at the Closing each of the then active employees (other than the executive officers) of the Hospital Businesses who are in good standing, on such terms and conditions as are substantially similar to the terms and conditions offered to employees at the other California hospitals owned and operated by Buyer. For purposes of this Agreement, active employees in good standing are those employees who are actually providing services to the Hospital Businesses (including those employees who are temporarily absent due to vacation or other routine matter in compliance with Law or Seller's policies pertaining to employee matters), but shall exclude any employee whose employment status has been restricted, suspended or otherwise affected as a result of disciplinary, corrective or other action. Seller has identified on Schedule 5.10 only those active employees (other than executive officers) of the Hospital Businesses that are in good standing as of the date indicated thereon that Buyer shall be obligated to offer to employ hereunder in compliance with the requirements of the second preceding sentence (the "**Retained Employees**"). The list of the Retained Employees shall be adjusted by Seller as of the Closing Date to reflect changes in the Retained Employees, including the deletion of individuals no longer employed by Seller, and Buyer shall offer to hire the Persons identified by Seller on such adjusted list of Retained Employees. Neither Seller nor its Affiliates shall have the right to continue in the employ or offer to employ any Retained Employee.

(b) Hiring of Retained Employees by Buyer. Seller agrees to (i) terminate all Seller Employees as of the Closing Date, and (ii) provide to all Seller Employees written notice of such termination, which notice shall be reasonably acceptable to Buyer. Buyer or its Affiliates shall hire at the Closing the Retained Employees, who elect to accept employment with Buyer (the "**Hired Employees**"), provided that Buyer and its Affiliates shall have no obligation to hire any Retained Employee who does not report to work for active duty with Buyer or its Affiliates within ten (10) business days of the Closing.

(c) WARN Act Obligations. Buyer assumes any and all responsibilities, obligations and liabilities which are owed by the "employer" as that term is defined in the Worker Adjustment and Retraining Notification Act (the "**WARN Act**"), 29 United States Code, Section 2101, et seq.

(d) No Employment Contract. The understandings set forth in this Paragraph 13.10 are solely for the purpose of defining the obligations between Buyer and Seller with respect to the individuals employed in the operation of the Hospital Businesses as of the Closing Date and shall not be construed as creating any employment contract or other contract between either Buyer or Seller, on the one hand, and any such employee, on the other, nor to create or modify any Plan. All such employees shall remain terminable at will by Buyer or Seller, as the case may be, except to the extent otherwise required by Law or any preexisting employment or other contracts which have been specifically assumed by Buyer hereunder.

(e) Collective Bargaining. Buyer shall fulfill any and all legal obligations that may arise to collectively bargain with any labor organization.

13.11 Employee Benefits

(a) Termination of Certain of Seller's Plans. Seller: (i) shall terminate as of the Closing Date the active participation of all Hired Employees in all of its Benefit Plans covering such employees ("**Terminated Plans**") and Buyer and its Affiliates shall not assume sponsorship of, or any liabilities under, any of the Terminated Plans; (ii) shall cause the Terminated Plans to make timely appropriate distributions, to the extent required, to the Hired Employees in accordance with, and to the extent permitted by, the terms and conditions of such Terminated Plans; and (iii) in connection with the termination of the active participation of all Hired Employees in such Terminated Plans, shall comply, and shall cause each such Terminated Plan to comply, with all applicable Laws (including, but not limited to, COBRA). Not less than ten business days prior to the Closing, Seller shall have delivered to Buyer, for Buyer's prior approval, forms of any letters or other communications which Seller shall distribute to the employees of the Hospital Businesses notifying such employees of their rights with respect to their cessation of active participation in the Terminated Plans, which rights shall include, among others, such employees rights under COBRA for which Seller may be responsible.

(b) From and after the Closing, Seller will maintain one or more group health plans sufficient to provide COBRA continuation coverage to any individual who, as a result of the transactions contemplated by this Agreement, is an "M & A qualified beneficiary" within the meaning of US Treasury Regulation Section 54.4980B-9A-4 and will continue to provide long-term and short-term disability benefits, in accordance with Seller's disability plans and programs as in effect on the date hereof, to those Seller Employees who are disabled and receiving such benefits, or entitled to receive such benefits, as of the Closing Date. Seller will indemnify Buyer for and hold it harmless from and against any costs or expenses incurred by Buyer as a result of any failure by Seller to maintain and provide such COBRA continuation or disability coverage. Buyer will be responsible for providing COBRA continuation coverage, if any, that may be required in connection with qualifying events occurring after the Closing with respect to Hired Employees and their covered dependents who are not "M & A qualified beneficiaries."

(c) From and after the Closing Date, Seller shall remain solely responsible for all liabilities relating to or arising in connection with any claim for workers' compensation benefits (1) incurred by or in respect of any employee who is not a Hired Employee on, prior to or after the Closing Date, and (2) incurred by or in respect of any Hired Employee on or before the Closing Date. For purposes of this Paragraph, a claim for workers' compensation benefits shall be deemed to be incurred when the first event giving rise to the claim occurs.

(d) No provision of this Agreement shall create any third party beneficiary or other rights in any employee or former employee (including any beneficiary or dependent thereof) of Seller or of any of its Affiliates in respect of continued employment (or resumed employment) with either Buyer or any affiliate of Buyer, and no provision of this Agreement shall create any such rights in any such employee or former employee (or their

respective dependents and beneficiaries) in respect of any benefits that may be provided, directly or indirectly, under any employee benefit plan or arrangement of Buyer or any of Buyer's affiliates. No provision of this Agreement shall constitute a limitation on the rights of Buyer and its affiliates to amend, modify or terminate after the Closing Date any employee benefit plans or arrangements. Seller will cooperate with Buyer in order to facilitate the process of Buyer's offering post-Closing employment to Retained Employees. Seller will not take any action that is intended or reasonably likely to interfere with that process. Nothing contained herein shall be construed to prevent Buyer from terminating the employment of any Hired Employee at any time after the Closing Date for any reason (or no reason). Seller shall deliver to Buyer as of the Closing Date all personnel files relating to Hired Employees.

13.12 Covenant Not to Compete

For the five (5) year period commencing on the Closing Date, Seller hereby covenants and agrees as follows:

(a) Without the written consent of Buyer, neither Seller nor either of the constituent corporations of Seller shall build, invest in, assist in the development of, or have any management role in another healthcare facility within 50 miles of any of the Hospitals. The covenants of Seller under this Paragraph 13.12 shall be limited to cover competition within a 50 mile radius of each of the Hospitals. Anything to the contrary in this Paragraph 13.12 notwithstanding, none of the following shall constitute a violation of this Paragraph 13.12: (i) in the event that the Hospital Businesses consist solely of the Corona Hospital Business, the Seller's ownership, management and operation of the Arroyo Hospital and the French Hospital, (ii) the ownership of not more than 1% of the capital stock of any corporation whose common stock is listed on an established domestic securities market; and (iii) any grants by Seller or operations conducted by Seller in compliance with the conditions, requirements or directives contained in the Attorney General's approval of the consummation of the transactions contemplated hereby and Seller's Plan for Use of Sale Proceeds to be implemented after the Closing, if applicable.

(b) Seller acknowledges and agrees that its covenants herein set forth form part of the consideration hereunder and is one of the inducements for Buyer entering into and consummating this Agreement, that the provisions of this Paragraph 13.12 are necessary to protect the interests of Buyer and the continued goodwill of the business and operations of the Hospital Businesses, an interest in which the Buyer is hereby acquiring, that the restrictive covenants set forth herein are reasonable in scope and duration and that the provisions of this Paragraph 13.12 are for the benefit of, and may be enforced by, Buyer and its Affiliates and their successors and assigns.

(c) Seller hereby agrees that a breach of the covenants contained in this Paragraph 13.12 will result in irreparable harm and damages to Buyer which cannot be adequately compensated for by a monetary award and that in addition to all other remedies available in law or in equity Buyer and its Affiliates and their successors and assigns shall be entitled to the remedy of a temporary restraining order, preliminary injunction or such other form or injunctive or equitable relief as may be issued by a court of competent jurisdiction to restrain

or enjoin Seller and any Affiliates of Seller from breaching the provisions of this Paragraph 13.12 or otherwise to specifically enforce the provisions of this Paragraph 13.12.

(d) Seller agrees that if any restriction contained in this Paragraph 13.12 is held by any court of competent jurisdiction to be unenforceable or unreasonable, a lesser restriction as determined by such court to be enforceable shall be severable therefrom and enforced in its place, and the remaining restrictions contained herein shall be enforceable independently of each other.

13.13 Antitrust Laws Compliance

The parties acknowledge that the transaction contemplated by this Agreement is subject to the provisions of the Premerger Rules and other Laws concerning antitrust and fair trade. Accordingly, the following provisions shall apply.

(a) Initial Filings. Buyer and Seller shall promptly prepare and file with the Federal Trade Commission (“**FTC**”) and with the United States Department of Justice (“**Justice Department**”) the notification and report forms required under the provisions of the Premerger Rules and shall promptly make all filings with any other governmental agencies as are required by any other Laws pertaining to antitrust and fair trade. Each such filing shall not, to the Knowledge of the filing party, fail to conform to the requirements of the Premerger Rules or such other Laws. The filing fee required with respect to each such filing shall be paid by the party filing the same.

(b) Additional Filings. Buyer and Seller shall each promptly notify the other of any request by the FTC, Justice Department or such other governmental agencies for additional information with respect to such filings. The party who receives such request shall promptly respond thereto and the other party shall cooperate in supplying any information required to enable the responding party to so comply. Each such filing shall not, to the Knowledge of the filing party, fail to conform to the requirements of the Premerger Rules or such other Laws.

(c) Cooperation. All analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted on behalf of either party hereto in connection with the proceedings under or relating to the Premerger Rules or any Law pertaining to antitrust or fair trade shall be subject to the joint approval or disapproval and the joint control of Buyer and Seller, acting with the advice of their respective counsel, it being the intent of the foregoing that the parties hereto will consult and cooperate with one another, and consider in good faith the views of one another, in connection with any such analysis, presentation, memorandum, brief, argument, opinion or proposal. Nothing herein shall prevent either party or their respective Affiliates from making or submitting any such analysis, appearance, presentation, memorandum, brief argument, opinion or proposal in response to a subpoena or other legal process or as otherwise required by Law or submitting factual information to the Justice Department, FTC, any other governmental agency or any court or administrative law judge in response to requests therefor or as otherwise required by Law. In the event that either the FTC or Justice Department issues a Request for Additional Information (“**Second Request**”), Seller and Buyer shall direct their counsel to formally agree to a Joint Defense

Agreement in order to preserve confidentiality of communication among counsel and the attorney-client privileges of Buyer and Seller during the compliance period of the Second Request.

13.14 Governance and Management

Consistent with its practices at its other hospitals, Buyer shall establish a local governing board of the Hospital Businesses (the “**Local Governing Board**”) to advise Buyer as to the operations of the Hospital Businesses. Consistent with such practices, the Local Governing Board shall include local community leaders and members of the medical staff or other physicians in the community and shall in all respects be subject to the control of Buyer and its Affiliates whose decisions with respect to the Hospital Businesses and the continued existence of the Local Governing Board shall be final. The Local Governing Board shall, in all instances, operate in a manner consistent with Buyer’s Bylaws and existing practices at other hospital facilities of Buyer and all applicable Laws (including, without limitation, those Laws concerning the treatment and care of patients who present themselves at the Hospital regardless of their ability to pay). The Local Governing Board Shall, subject to the ultimate decision and control of Buyer, be responsible for setting the overall operational policy of the Hospital Businesses with respect to the following matters: (a) review and approval of the Chief Executive Officer of the Hospital Businesses; (b) maintenance of JCAHO accreditations and licensure requirements of the Hospital Businesses; (c) review and provide recommendations to Buyer with respect to capital and operating budgets of the Hospital Businesses; and (d) review and approval of medical staff appointments and the quality of medical services provided at the Hospital Businesses.

Notwithstanding the foregoing to the contrary, the corporate board of directors of Buyer will nevertheless retain ultimate decision-making power, control and authority over the operations of the Hospital Businesses, including without limiting the generality of the foregoing reserve power sufficient to oversee the conduct of the day-to-day operations of the Hospital Businesses and to maintain ultimate responsibility for the performance of the executives, management and employees of the Hospital Businesses and ultimate responsibility and authority to determine the capital needs and actual operating and capital budgets of the Hospital Businesses.

13.15 Maintenance of Charity and Indigent Care Policies

After the Closing Date, Buyer agrees to use its best efforts to provide charity and indigent care at a level that is equivalent, in the aggregate, to the level of such charity and indigent care that was previously provided by Seller through the Hospital Businesses.

13.16 Continuous Operations

For so long as Buyer or an Affiliate of Buyer owns any of the Hospitals, Buyer shall continue to operate such Hospital(s) as a general acute care hospital and, for a period of at least five years from the Closing Date, provided there is not a substantial reduction in the level of reimbursements such Hospital(s) currently receive from Medicare, Medi-Cal, or other Payors, Buyer shall maintain the following services at such Hospital(s): (a) basic emergency medical services; and (b) an obstetrical/prenatal unit at the Corona Hospital.

14. Survival of Representations

Notwithstanding any investigation made by Seller or Buyer, any distribution in liquidation or dissolution, or any voluntary or involuntary act of Seller or Buyer, the representations, warranties, covenants, agreements and indemnifications made by the parties shall survive the Closing, and shall be deemed to be Material and to have been relied upon by Buyer and Seller. If a party elects to close hereunder notwithstanding Knowledge of any default or breach of the foregoing, the Closing shall not constitute a waiver of any rights or remedies which such party may have with respect thereto. All statements contained in the Estimated Closing Statement, the Closing Statement or any certificate or other instrument delivered pursuant hereto by or on behalf of Seller, or by or on behalf of Buyer, shall be deemed to be representations and warranties made pursuant to this Agreement by the delivering party.

15. Indemnification

15.1 Indemnification of Buyer By Seller

Seller shall indemnify and hold Buyer harmless from and against claims incurred or asserted against and all losses, liabilities, damages, costs and expenses, including reasonable attorneys' and other professionals' fees (all such claims, losses, liabilities, damages, costs and expenses shall collectively be referred to as "**Losses**"), actually incurred, paid or required (including those required under penalty of Law) to be paid by Buyer, resulting in whole or in part from: (a) any breach of any representation, warranty, covenant or agreement made herein by Seller; or (b) if the Closing occurs, any obligation, liability or claim relating to (i) the Excluded Liabilities, (ii) the Excepted Assets, (iii) any Assumed Obligation that either does not appear on the Closing Statement or that is properly set forth on the Closing Statement but that is in excess of the amount set forth thereon or (iv) any obligation, liability or claim which is (directly or indirectly, in whole or in part) based upon any acts or omissions occurring, or any event or circumstance existing, on or before the Closing Date and is not an Assumed Obligation, including, without limitation, any Environmental Claim based in whole or in part upon any event or circumstance occurring or existing on or prior to the Closing Date.

15.2 Indemnification of Seller By Buyer

Buyer shall indemnify and hold Seller harmless from and against claims incurred or asserted against and all Losses, actually incurred, paid or required (including those required under penalty of Law) to be paid by Seller, resulting in whole or in part from: (a) any breach of any representation, warranty, covenant or agreement made herein by Buyer; (b) the activities of Buyer or its agents which arise in connection with the Inspection and which cause personal injury or property damage; or (c) if the Closing occurs, any obligation, liability or claim relating to (i) the Assumed Obligations (and, with respect to those Assumed Obligations set forth on the Closing Statement, only up to the amount set forth thereon) or (ii) the Transferred Assets or the operations of the Hospital Businesses to the extent such obligation, liability or claim is based upon acts or omissions occurring, or any event or circumstance existing, after the Closing Date (and not associated with or related to any act, omission, event or circumstance occurring or existing on or prior to the Closing Date) and is not an Excluded Liability or an Excepted Asset (including, without limitation, any Environmental Claim based upon any event or circumstance

occurring after the Closing Date and not associated with or related to any event or circumstance occurring or existing on or prior to the Closing Date).

15.3 Notification and Settlement of Claims

The party seeking indemnification (the “**Indemnitee**”) shall promptly give notice (“**Indemnification Notice**”) to the other party (the “**Indemnitor**”) in the event that any claim or proceeding is made against or any damages have been incurred by the Indemnitee for which the Indemnitor has agreed to indemnify the Indemnitee as set forth in this Agreement, and the Indemnitor shall thereupon undertake to defend promptly and hold the Indemnitee free and harmless therefrom. The Indemnitee’s failure to give prompt Indemnification Notice or to provide copies of documents or to furnish relevant data shall not constitute a defense (in whole or in part) to any claim by the Indemnitee against Indemnitor with respect to the Indemnitor’s obligations under this Paragraph 15, except and only to the extent that such failure shall have caused or increased the Indemnitor’s liability or affected the ability of the Indemnitor to defend against or reduce its liability. If the Indemnitor notifies the Indemnitee in writing within ten days after an Indemnification Notice is given to the Indemnitor that the Indemnitee is entitled to indemnification hereunder or defense with respect to such claim (subject, however, to any reservation of rights the Indemnitor may have to contest the Indemnitee’s right to indemnification hereunder), then the Indemnitor shall have the right by notice given to the Indemnitee within 15 days after the date of the Indemnification Notice to assume and control the defense thereof, including the employment of counsel selected by the Indemnitor, and the Indemnitor shall pay all expenses of such defense. The Indemnitee shall have the right to employ separate counsel in any such proceeding and to participate in (but not control) the defense of such claim, but the fees and expenses of such counsel shall be borne by the Indemnitee unless the employment thereof has been specifically authorized by the Indemnitor in writing; provided, however, that if the named parties to any such proceeding (including any impleaded parties) include both the Indemnitee and the Indemnitor, and if the Indemnitor requires that the same counsel represent both the Indemnitee and the Indemnitor and if representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them, then the Indemnitee shall have the right to retain its own counsel at the cost and expense of the Indemnitor. If the Indemnitor shall have failed to assume the defense of any claim in accordance with the provisions of this Paragraph 15.3, then the Indemnitee shall have the absolute right to control the defense of such claim and, the fees and expenses of the Indemnitee’s counsel shall be borne by the Indemnitor and paid by Indemnitor to Indemnitee within five business days of written demand therefor, but the Indemnitor shall be entitled, at its own expense, to participate in (but not control) such defense. Where the Indemnitor has assumed control of the defense as provided above, the Indemnitor shall have the right to settle or compromise any such claim in its sole and absolute discretion and without consultation with the Indemnitee so long as such settlement or compromise does not impose any obligations on the Indemnitee (except with respect to providing releases of the third party). The Indemnitee shall not settle or compromise the claim without satisfying one of the following conditions (otherwise the Indemnitor shall be released from all indemnification obligations hereunder to the Indemnitee with respect to such claim): (a) the Indemnitee shall first obtain the written consent of the Indemnitor; or (b) the Indemnitor shall have failed, after written notice to it of such suit, to take action to defend the same within the 15-day period described above.

15.4 Calculation of Losses

In computing Losses, such amount shall be computed net of any related recoveries which the Indemnitee actually received under insurance policies or from any other Person and net of any tax benefits actually received by the Indemnitee, taking into account the income tax treatment of the receipt of indemnification.

15.5 Limitations on Indemnification Obligations

(a) Threshold. Notwithstanding anything to the contrary contained in this Paragraph 15, no claim for indemnification by reason of a breach of a representation or warranty of Indemnitor hereunder shall be made by the Indemnitee against the Indemnitor until the aggregate amount of Losses resulting from such claims by the Indemnitee against the Indemnitor shall exceed either (i) \$300,000 in the event that the Hospital Businesses consist of all of the System Hospital Businesses, or (ii) \$100,000 in the event that the Hospital Businesses consist solely of the Corona Hospital Businesses; provided, however, that individual claims of less than \$10,000 shall not be aggregated for purposes of the foregoing limitation; provided, further, however, that before Buyer may assert a claim for indemnification against Seller with respect to a breach of the representations and warranties set forth in clause (a) of Paragraph 5.4 concerning the status of Seller's title to the Real Property, Buyer must first use its Reasonable Commercial Efforts to pursue remedies against the Title Company. Seller agrees that it shall not assert as a defense against any such claims for indemnification the expiration of the statute of limitations applicable to such claims and agrees that such statute of limitations shall be extended for the same amount of time during which Buyer is pursuing the Title Company or during which Buyer is accumulating claims in satisfaction of such threshold amount. Notwithstanding the foregoing, Buyer shall not be required hereunder to pursue the Title Company if the Title Company is insolvent, is not otherwise financially capable of meeting its obligations as reasonably determined by Buyer or is under the protection from its creditors under bankruptcy, insolvency, reorganization, moratorium or other similar Laws. Once the threshold amount has been satisfied, all such claims, including those aggregated for purposes of satisfying the threshold, may be asserted notwithstanding the expiration of any time limits set forth in Paragraph 15.5(b). The provisions of this Paragraph 15.5 shall not apply to any other claim for indemnification including, without limitation, any claim for indemnification by Buyer with respect to any Excluded Liability.

(b) Time Limits. Except for a breach of those representations or warranties contained in Paragraphs 5.7, 5.11 and 5.31 hereto, Seller shall not be liable to Buyer for any breach of any representation or warranty made by Seller under or in connection with this Agreement unless Buyer shall have given written notice to Seller of the basis of its claim within two years of the Closing with respect to those representations and warranties set forth in Paragraph 5. Except as otherwise set forth in Paragraph 15.5(a), all other claims for indemnification under Paragraph 15.1 or 15.2 must be asserted prior to the expiration of the applicable statutory period of limitations for the commencement of actions with respect to such claims.

(c) Miscellaneous. If the amount of Loss is uncertain at the time any indemnity claim is submitted to the Indemnitor, such claim need not include a specific dollar

claim so long as the nature and basis of the claim is described with reasonable specificity within the prescribed limitations period set forth above.

15.6 Indemnitee Coordination of Insurance Coverage

Notwithstanding anything in this Paragraph 15 to the contrary, the Indemnitor shall have no obligation to indemnify or defend the Indemnitee to the extent a policy of insurance provides coverage for Losses and the insurer under such policy of insurance accepts in writing the defense and indemnity of the Indemnitee ("**Covered Losses**"). With respect to Covered Losses, the Indemnitor shall pay for any and all applicable deductibles, retentions, co-insurance or any other sum(s) the payment of which is a condition to coverage or required under the applicable policy of insurance. In case the limits of liability under the policy of insurance are insufficient to satisfy 100% of the amount of the Covered Losses, the Indemnitor shall pay for and indemnify the Indemnitee for the amount of the deficiency pursuant to the terms of this Paragraph 15.

16. Termination

16.1 Termination Upon Certain Events

Either Buyer or Seller may, at or prior to the time set for Closing, terminate this Agreement under any one of the following circumstances.

(a) If at the time for Closing: (i) a bona fide action or proceeding shall be pending against any party wherein an unfavorable judgment, decree or order would prevent or make unlawful the carrying out of the transactions contemplated by this Agreement; or (ii) any governmental agency shall have notified any party to this Agreement that the consummation of the transactions contemplated by this Agreement would constitute a violation of the Laws of any jurisdiction and that it has commenced or intends to commence proceedings to restrain the consummation of the transactions contemplated hereunder, and such agency has not withdrawn such notice prior to such termination; provided, however, that, notwithstanding Paragraph 16.1(c) to the contrary, the Closing shall be extended so long as either party hereto is diligently attempting to obtain the dismissal of such action or proceeding or cause such notice to be withdrawn.

(b) If the conditions of this Agreement to be complied with or performed by the other party at or before the Closing shall not have been complied with or performed on or before the date specified for the Closing in Paragraph 11 or, subject to Paragraph 16.1(c) below, such later date upon which the parties shall mutually agree, and such noncompliance or nonperformance shall not have been waived by the party giving notice of termination.

(c) If for any reason the Closing shall not have occurred on or before December 31, 2003.

(d) In accordance with Paragraphs 12 or 13.6 hereof.

16.2 Termination by Buyer

Buyer shall have the right to terminate this Agreement if, thirty days after the date hereof, the Holders have not (i) delivered to Buyer their written approval of, and consent to, this Agreement, including the terms and conditions contained herein and (ii) entered into a binding voting agreement, in form and substance satisfactory to Buyer, obligating Holders to vote in favor of the Bankruptcy Plan approving this Agreement and containing terms and conditions acceptable to Buyer.

16.3 Effect of Termination

If there has been a termination under this Paragraph 16, then this Agreement shall be deemed terminated, and all further obligations of the parties hereunder shall terminate except that those obligations set forth in Paragraphs 6.22, 13.5, 15, and 17 shall survive.

Any termination under this Paragraph 16 shall be without liability to the parties hereto, except that such termination shall be without prejudice to the rights and remedies which any party seeking to terminate this Agreement may have if: (a) a default shall be made by the other party in the observance or in the due and timely performance by such party of any of the covenants herein contained; or (b) there shall have been a breach by the other party of any of the warranties and representations herein contained, and except for fraudulent acts by a party, the remedies for which shall not be limited by the provisions of this Agreement. Notwithstanding the foregoing to the contrary, if Seller shall have made such default or breach, then Buyer need not terminate this Agreement but may seek to specifically enforce Seller's obligations hereunder.

17. GUARANTY BY UHS

17.1 Guaranty of Buyer's Obligations.

UHS hereby unconditionally guarantees, for the benefit of Seller, all agreements and covenants of Buyer with or to Seller under this Agreement. UHS's guaranty is an absolute, present and continuing guaranty of performance and is in no way conditioned or contingent upon any attempt to first seek remedies from Buyer for the guaranteed obligations. UHS's guaranty of Buyer's obligations shall not be affected, modified or impaired upon the happening from time to time of any of the following, whether or not with notice to or the consent of UHS:

- (a) the failure to give notice to UHS of the occurrence of a default by Buyer under the terms and provisions of this Agreement;
- (b) the waiver or the payment, performance or observance by Seller of any of the obligations, covenants, or agreements of Buyer contained in this Agreement;
- (c) the extension of the time for performance of any obligations, covenants or agreements under or arising out of this Agreement;

(d) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in this Agreement;

(e) the taking or the omission of any of the actions referred to in this Agreement; or

(f) any failure, omission, delay or lack on the part of Seller to enforce, assert or exercise any right, power or remedy conferred on Seller in this Agreement, or any other act or acts on the part of Seller.

Notwithstanding the foregoing, the obligation of UHS hereunder is subject to the right of UHS to assert any defense available to Buyer other than the bankruptcy, insolvency or dissolution of Buyer but shall not be affected or released by the merger or consolidation of Buyer or UHS into or with any other corporation or by any action, failure or omission on the part of Seller to enforce any right or remedy that it may have hereunder or by an indulgence or extension to, or waiver or acquiescence in any default by, Buyer or any successor to it or any Person that shall have assumed the obligations of Buyer under this Agreement, or by any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or similar proceedings by Buyer.

17.2 Guaranty Binding Upon Successors.

The guaranty of UHS pursuant to this Article 17 shall bind the successors and assigns of UHS, including any corporation with or into which UHS may be consolidated or merged or any corporation or entity to which it may convey or otherwise transfer substantially all of its assets and interests (provided that no such conveyance or transfer shall have the effect of releasing UHS), and shall inure to the benefit of Seller, its successors and assigns.

18. General Provisions

18.1 Notices

All notices, requests, demands, waivers, consents and other communications hereunder shall be in writing, shall be delivered either in person, by telegraphic, facsimile or other electronic means, by overnight air courier or by mail, and shall be deemed to have been duly given and to have become effective: (a) upon receipt if delivered in person or by telegraphic, facsimile or other electronic means calculated to arrive on any business day prior to 6:00 p.m. local time at the address of the addressee, or on the next succeeding business day if delivered on a non-business day or after 6:00 p.m. local time; (b) one business day after having been delivered to an air courier for overnight delivery; or (c) three business days after having been deposited in the mails as certified or registered mail, return receipt requested, all fees prepaid, directed to the parties or their assignees at the following addresses (or at such other address as shall be given in writing by a party hereto).

If to Buyer, addressed to:

Universal Health Services, Inc.
367 Gulph Road
King of Prussia, Pennsylvania 19406
Attn: President
Facsimile: (610) 769-3336

with a simultaneous copy to counsel for Buyer:

Universal Health Services, Inc.
367 Gulph Road
King of Prussia, Pennsylvania 19406
Attn: General Counsel
Facsimile: (610) 769-3336

and

Fulbright & Jaworski L.L.P.
666 Fifth Avenue
New York, NY 10103
Attn: Warren Nimetz, Esq.
Facsimile: (212)-318-3400

If to Seller, addressed to:

Vista Hospital Systems, Inc.
French Hospital Medical Center
17158 Burbank Boulevard
Encino, CA 91316
Attn: Bert Rosenthal, M.D., President
Facsimile: (818) 995-6109

with a simultaneous copy to counsel to:

Cambio Health Solutions LLC
105 Continental Place
Brentwood, Tennessee 37027
Attn: Tom Singleton, President
Facsimile: (615) 371-4642

with a simultaneous copy to counsel for Seller:

Robert Zimmerman and Ed Green
Foley & Lardner
One IBM Plaza, Suite 3300
330 North Wabash Avenue
Chicago, Illinois 60611-3608
Facsimile: (312) 755-1925

And

Richard Seiden, Esq.
Foley & Lardner
2029 Century Park East, 35th Floor
Los Angeles, CA 90067-3271
Facsimile: (310) 557-8475

18.2 Form of Instruments

To the extent that a form of any document to be delivered hereunder is not included within the Disclosure Document, such document shall be in form and substance, and shall be executed and delivered in a manner, reasonably satisfactory to the recipient thereof and consistent with the provisions of this Agreement.

18.3 Attorneys' Fees

In any litigation or other proceeding relating to this Agreement or any Related Agreement, or any transactions contemplated herein or therein, the prevailing party shall be entitled to recover its costs and reasonable attorneys' fees.

18.4 Remedies Not Exclusive

Except as otherwise expressly set forth in this Agreement or a Related Agreement, no remedy conferred by any of the specific provisions of this Agreement or such Related Agreement is intended to be exclusive of any other remedy, and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise. The election of any one or more remedies by a party shall not, except as otherwise expressly provided for herein, constitute a waiver of the right to pursue other available remedies.

18.5 Successors and Assigns

(a) Buyer's Right to Assign to a Subsidiary. Prior to the Closing Date, Buyer, in its sole discretion, may assign any or all of its rights and obligations with respect to the Transferred Assets and the Assumed Obligations to one or more corporations, partnerships, limited liability companies or any other Persons which are not individuals in each of which Buyer and its Affiliates hold at least 51% of the voting stock, partnership interests, membership interests or other ownership interests (collectively "**Buyer's Subsidiary**"), provided that no such

assignment shall relieve Buyer of any obligation or liability to Seller hereunder, and provided further that the following shall apply.

(i) Buyer shall provide Seller with prompt written notice of any such assignment.

(ii) No such assignment shall be effected if the making of the assignment will result in Buyer's inability to obtain, or Buyer's increased difficulty in obtaining, any consent, approval or authorization required by Paragraph 9.3 or any Permit required by Paragraph 9.4.

(iii) Buyer's Subsidiary shall irrevocably appoint Buyer as its sole and exclusive representative and agent authorized to act for and to receive notices and payments on its behalf in all matters arising from or related to this Agreement and shall expressly assume all of Buyer's obligations arising under this Agreement.

(iv) Buyer shall remain jointly and severally liable to Seller and to third parties with respect to any Assumed Obligations transferred to Buyer's Subsidiary.

(v) The performance of all obligations of such Buyer's Subsidiary shall be guaranteed by Buyer.

(b) Subject to the requirements of Paragraph 18.5(a) above, Buyer shall have the right in its sole discretion to assign its rights to acquire Arroyo Grande Community Hospital and French Hospital Medical Center to one or more parties. Seller shall cooperate with Buyer and Buyer's assignees in such assignment.

(c) No Third Party Rights. Subject to the provisions of Paragraph 18.5(a), the rights under this Agreement shall not be assignable nor the duties delegable by any party without the written consent of the other and nothing contained in this Agreement, express or implied, is intended to confer upon any Person or entity, other than the parties hereto and their permitted successors-in-interest and permitted assignees, any rights or remedies under or by reason of this Agreement unless so stated to the contrary.

18.6 Counterparts

This Agreement and each of the Related Agreements may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

18.7 Captions and Paragraph Headings

Captions and paragraph headings used herein or in any Related Agreement are for convenience only and are not a part of this Agreement or such Related Agreement and shall not be used in construing it.

18.8 Entirety of Agreement; Amendments

This Agreement (including the Schedules hereto) and the Related Agreements and other documents and instruments specifically provided for in this Agreement contain the entire understanding between the parties concerning the subject matter of this Agreement and such other documents and instruments and, except as expressly provided for herein, supersede all prior understandings and agreements, whether oral or written, between them with respect to the subject matter hereof and thereof. There are no representations, warranties, agreements, arrangements or understandings, oral or written, between the parties hereto relating to the subject matter of this Agreement and such other documents and instruments which are not fully expressed herein or therein. This Agreement and each of the Related Agreements may be amended or modified only by an agreement in writing signed by all of the parties hereto.

18.9 Expenses and Prorations

Each party shall bear and pay its own costs and expenses (including but not limited to legal and accounting fees) relating to the transactions contemplated by, or the performance of or compliance with any condition or covenant set forth in, this Agreement, whether or not the Transaction is consummated. In determining the costs and expenses of each party hereunder, the following rules shall apply: (a) all costs of the Preliminary Title Reports, and the Title Policy shall be paid by Seller; (b) all costs of the Title Surveys shall be borne by Buyer; (c) all costs of the Phase I Assessment shall be borne by Buyer and all costs of the Phase II Investigation, together with any related remediation costs, shall be borne by Buyer; (d) all documentary transfer taxes, recording fees, and other transfer taxes shall be paid by Seller; (e) all filing fees incurred with respect to the filings referred to in Paragraph 13.13(a) and all fees, charges and costs of economists and other experts, if any, jointly retained by Buyer and Seller in connection with the submissions made to any governmental agency referred to in Paragraph 13.13 and advice in connection therewith respecting the approval of the transactions contemplated hereby under the Premerger Rules and other Laws concerning antitrust and fair trade shall be borne one-half by Seller and one-half by Buyer; (f) all cost reimbursements requested by the Attorney General and all fees, charges and costs of professionals, experts or other consultants retained by Seller in connection with its submissions to the Attorney General pursuant to Paragraph 6.9 and advice in connection therewith shall be borne by Seller; (g) all escrow charges and related fees shall be borne one-half by Seller and one-half by Buyer; (h) if not properly reflected as an Accrued Operating Expense as of the Closing Date, all real and personal property taxes (including all special assessments and any installment payments thereof shall be prorated between Seller and Buyer as of the Closing Date based on the assessed valuations of such property for the taxable year in which the Closing occurs and the property tax rates for such taxable year of all applicable taxing jurisdictions; and (i) all other costs, charges and expenses shall, except as otherwise provided in this Agreement, be allocated between Buyer and Seller in accordance with the customs of the county in which each of the parcels of the Real Property is located.

18.10 Construction

This Agreement, the Related Agreements, and any documents or instruments delivered pursuant hereto, shall be construed without regard to the identity of the

Person who drafted the various provisions of the same. Each and every provision of this Agreement, the Related Agreements, and such other documents and instruments shall be construed as though the parties participated equally in the drafting of the same. Consequently, the parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting party shall not be applicable to this Agreement, the Related Agreements, or such other documents and instruments.

18.11 Waiver

The failure of any party to insist, in any one or more instances, on performance of any of the terms, covenants and conditions of this Agreement or any Related Agreement shall not be construed as a waiver or relinquishment of any rights granted hereunder or thereunder or of the future performance of any such term, covenant or condition, but the obligations of the parties with respect thereto shall continue in full force and effect. No waiver of any provision or condition of this Agreement or any Related Agreement by any party shall be valid unless in writing and signed by such party or operational by the terms of this Agreement or such Related Agreement. A waiver by one party of the performance of any covenant, condition, representation or warranty of the other party shall not invalidate this Agreement, nor shall such waiver be construed as a waiver of any other covenant, condition, representation or warranty. A waiver by any party of the time for performing any act shall not constitute a waiver of the time for performing any other act or the time for performing an identical act required to be performed at a later time.

18.12 Severability

The provisions of this Agreement and each Related Agreement are severable, and if any one or more provisions may be determined to be judicially unenforceable, in whole or in part, the remaining provisions and any partially unenforceable provisions, to the extent enforceable, shall nevertheless be binding upon and enforceable against the parties hereto.

18.13 Certain Definitions

(a) Newly Defined Terms. For purposes of this Agreement, and the Related Agreements except as may otherwise be expressly stated therein, the following terms shall have the following meanings:

“**Affiliate**” of a specified Person shall mean any corporation, partnership, sole proprietorship or other Person or entity which directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with the Person specified. The term “**control**” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person or entity.

“**Bankruptcy Case**” shall mean the bankruptcy cases of the Seller to be filed in the Bankruptcy Court.

“**Bankruptcy Code**” shall mean 11 U.S.C. 101 *et seq.*, and applicable federal rules of bankruptcy procedure thereunder.

“Bankruptcy Court” shall mean the United States District Court for the Central District of California, Santa Barbara Division, which shall have jurisdiction over Seller’s bankruptcy cases when filed, to the extent of any reference under Section 157 of title 28 of the United States Code, the unit of such District Court constituted under Section 151, title 28 of the United States Code, or such other court to which Seller’s bankruptcy cases may be transferred, or such other bankruptcy court as the Seller may file petitions for relief under the Bankruptcy Code.

“Bankruptcy Plan” shall mean the pre-negotiated plan to be prepared and in substance which must be in a form acceptable to the Buyer.

“Break-Up Fee” shall mean a fee which shall be paid by Seller to Buyer in the amount and under the circumstances set forth in Paragraph 6.22(b).

“Break-Up Fee Payment Order” shall mean an Order of the Bankruptcy Court, in form and substance acceptable to Buyer that (a) approves the provisions of Paragraph 6.22(b) hereof, (b) conforms to the description of Paragraph 6.20 hereof, and (c) authorizes and directs Seller to observe and perform its obligations under Paragraph 6.22(b) hereof.

“Claim” shall have the meaning set forth in Section 101(5) of the Bankruptcy Code.

“COBRA” shall mean ERISA §§ 601 through 609 and Code § 4980B.

“Confirmation Hearing” shall mean the hearing held by the Bankruptcy Court to consider entry of the Confirmation Order.

“Confirmation Order” means an Order of the Bankruptcy Court, which must be in form and substance acceptable to Buyer, which, among other things, (i) confirms the Bankruptcy Plan pursuant to Section 1129 of the Bankruptcy Code and provides for the transfer of the Transferred Assets, (ii) authorizes and directs Seller to consummate the Transaction, (iii) determines that the Bankruptcy Plan and this Agreement were proposed by Seller and Buyer in good faith, (iv) determines that Buyer is a good faith purchase under Sections 1123(a)5(d) and 363(m) of the Bankruptcy Code and that the provisions of Section 363(n) of the Bankruptcy Code have not been violated, (v) authorizes and directs Seller to assume this Agreement and sell the Assets to Buyer pursuant to this Agreement and Sections 1123(a)5(D), 363 and 365 of the Bankruptcy Code, free and clear of all Liens, Claims, interests, liabilities and encumbrances (including any and “interests” in the Assets within the meaning of Section 363(f) of the Bankruptcy Code), other than the Assumed Obligations and any encumbrances specifically permitted hereunder, such that Buyer shall not incur any liability as a successor to the Hospital Businesses or the Seller, (vi) authorizes and directs Seller to execute, deliver, perform under, consummate and implement, this Agreement, together with all additional instruments and documents, including the Escrow Agreement, that may be reasonably necessary or desirable to implement the foregoing, (vii) determines that Buyer is not a successor to Seller or otherwise liable for any Excluded Liability and permanently enjoins each and every holder of an Excluded Liability from commencing, continuing or otherwise pursuing or enforcing any remedy, claim or cause of action against Buyer relative to such Excluded Liability and any pre-petition Claim.

“Delayed Rejection Date” is defined in Paragraph 6. 23(b).

“Disclosure Statement” shall mean the disclosure document to be prepared in accordance with Section 1125 of the Bankruptcy Code filed in connection with the Bankruptcy Plan in the Bankruptcy Code.

“Disclosure Statements Order” shall mean the Order of the Bankruptcy Court which determines that the Disclosure Statement contains adequate information and which authorizes solicitation acceptances pursuant to Section 1125 of the Bankruptcy Code.

“Environmental Claim” shall mean any claim, action or cause of action, suit, Lien, judgement, demand or other written communication by any Person (including the parties hereto and their respective Affiliates) alleging or asserting potential liability (including, without limitation, potential liability for investigatory costs, clean-up costs, governmental response costs, natural resources damages, property damages, personal injuries, fees or penalties) arising out of, based on or resulting from, in whole or in part, (a) the presence or Release into the environment of any Hazardous Materials or (b) circumstances forming the basis of any violation or alleged violation of any Environmental Regulation.

“Environmental Regulations” shall mean all Laws and all policies and guidelines relating to the use, handling, treatment, storage, transportation, or Releases of Hazardous Materials or otherwise relating to the protection of the environment or industrial hygiene (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata).

“Executory Contract Assumption and Assignment Order” shall mean an Order of the Bankruptcy Court, which may be the Confirmation Order and must be in form and substance acceptable to Buyer, which (a) approves the provisions of **Paragraph 6.23**, (b) authorizes and directs Seller, pursuant to Section 365 of the Bankruptcy Code, to assume and to assign the Assumed Contracts to Buyer and to cure any and all pre-petition and post-petition defaults related thereto, and (c) determines that Buyer has provided adequate assurance of future performance relative to the Assumed Contracts.

“Expense Reimbursement Fee” shall mean an amount equal to the greater of One Million Dollars (\$1,000,000) or the aggregate amount of expenses incurred by Buyer in connection with the transaction described in this Agreement, which shall be paid by Seller to Buyer under the circumstances set forth in Paragraph 6.22(a)

“Final Order” shall mean an order of the Bankruptcy Court, the operation or effect of which has not been stayed, and which is not subject to any pending appeal, request for leave to appeal or request for reconsideration and as to which the time for any such appeal, request for leave to appeal or request for reconsideration has expired.

“Financing Date” shall mean the date that is sixty (60) days from the date hereof.

“Hazardous Materials” shall mean any substance, material or waste which is now or any time in the future listed, identified or defined in or pursuant to any Environmental Regulation as “hazardous substances”, “hazardous waste”, “toxic substances”, “toxic pollutant”, “infectious waste” or similarly identified substances, materials or mixtures

(including, without limitation, medical wastes, asbestos in any form, formaldehyde, radon, radioactive substance, hydrocarbons, petroleum, gasoline, crude oil or any products, by-products or fractions thereof, polychlorinated biphenyls, industrial solvents, flammables, or explosives) or which is either now or anytime in the future: (i) potentially injurious to the public health, safety or welfare of to the environment, (ii) potentially injurious to, or may impair the value or beneficial use of, the Real Property (or any improvements thereon), (iii) regulated or monitored by, or required to be remediated at the behest of, any governmental agency, or (iv) a basis for a claim or liability of any owner or operator of the Real Property to any governmental agency or Person under any applicable Law (including the Environmental Regulations).

“Hospitals” shall mean either: (i) the Corona Hospital, if Seller has (A) reduced the Purchase Price by an amount acceptable to Buyer, (B) obtained a written commitment from a third party for the Exit Financing on or before the Financing Date in an amount such that the sum of the Exit Financing and the Purchase Price, as reduced pursuant to (A) above, shall provide Seller with adequate working capital for its remaining businesses and result in aggregate available funds of no less than \$120,600,000 (less adjustments provided for in Paragraphs 2.1(a)(i)-(v) hereof) for distribution to Seller’s creditors pursuant to the Bankruptcy Plan and (C) consummated a transaction with such third party pursuant to which Seller has obtained the Exit Financing on or before the confirmation of the Bankruptcy Plan; or (ii) the System Hospitals, if Seller has not met each of the conditions set forth in (i) above.

“Hospital Business” shall mean either: (i) the Corona Hospital Business, if Seller has (A) reduced the Purchase Price by an amount acceptable to Buyer, (B) obtained a written commitment from a third party for the Exit Financing on or before the Financing Date in an amount such that the sum of the Exit Financing and the Purchase Price, as reduced pursuant to (A) above, shall provide Seller with adequate working capital for its remaining businesses and result in aggregate available funds of no less than \$120,600,000 (less adjustments provided for in Paragraphs 2.1(a)(i)-(v) hereof) for distribution to Seller’s creditors pursuant to the Bankruptcy Plan and (C) consummated a transaction with such third party pursuant to which Seller has obtained the Exit Financing on or before the confirmation of the Bankruptcy Plan; or (ii) the System Hospital Businesses, if Seller has not met each of the conditions set forth in (i) above.

“Intercompany Transactions” shall mean any transactions between Seller and an Affiliate, whether or not any such transactions relate to the provision of goods and services, payment arrangements, intercompany charges or balances, or the like.

“Knowledge of Seller” shall mean the actual knowledge of each of the Persons who currently serve as one of the following duly elected officers of Seller or in one of the following capacities on behalf of Seller: (I) members of the Office of the Chief Executive, (II) James Braley and the Chief Financial Officer of Vista, (III) each of the Hospital administrators, (IV) each of the Hospital chief financial officers, and (V) the Chief Nursing Officer at each of the hospitals.

“Laws” shall mean the common law and all statutes, rules, regulations, ordinances, orders, codes, permits, licenses, policies, guidelines, protocols, and agreements with or of federal, state, local and foreign governmental and regulatory authorities (including, without limiting the generality of the foregoing, any of the same which terminates, disqualifies, or

otherwise adversely affects a Person's (including any party hereto) reimbursement or right to payment from, or participation with, any Payor, including without limitation the Stark Law (42 U.S.C. §§ 1395nn and 1396b), the Medicare and Medicaid Anti-Kickback Statute (42 U.S.C. § 1320a-7b(b)), the False Claim Act (including 31 U.S.C. §§ 3729 *et seq.* and 18 U.S.C. §§ 2, 371, 666, 3013, and 3571), California's Physicians Ownership and Referral Act of 1993 (Bus. & Prof. Code §§ 650.01 *et seq.*) and prohibitions against fee splitting, together with all amendments thereto) or any applicable accreditation agencies (including, but not limited to, JCAHO) and any order, writ, injunction or decree issued by any court, arbitrator or governmental agency or in connection with any judicial, administrative or other non-judicial proceeding (including, without limitation, arbitration or reference). Laws shall include those Laws now or hereafter in effect.

“Material” “Materially” or “Materiality” shall mean a financial impact of \$100,000 or more per single item or \$300,000 in the aggregate.

“Material Adverse Change” shall mean, with respect to Buyer, the Hospital Business or Seller, that the Buyer, the Hospital Business or Seller have: (a) undergone a Material adverse change with respect to its assets, cash flows, business, financial condition, or operations; (b) breached or defaulted under a Material agreement or Material commitment to which it is a party or by which any of its assets are bound; (c) become a party to any action, charge, claim, counterclaim, decree, injunction, inquiry, investigation, legal action, litigation, order, proceeding, suit or writ that could have a Material adverse effect upon it; or (d) combined, split, or otherwise reclassified its capital stock or other equity interests. Notwithstanding the foregoing, the filing of a voluntary petition in Bankruptcy Court as contemplated by this Agreement shall not constitute a Material Adverse Change.

“Material Adverse Effect” shall mean, with respect to Buyer or Seller, the adverse effect of any Material Adverse Change on Buyer or Seller.

“Payor” shall mean Medicare, Medi-Cal, and Medically Indigent Assistance programs, Blue Cross, Blue Shield, CHAMPUS or any other third party payor (including an insurance company), or any health care provider (such as a health maintenance organization, preferred provider organization, exclusive provider organization or any other managed care program), or any fiscal intermediary of any of the foregoing.

“Person” shall mean any individual, partnership, corporation, trust, unincorporated association, joint venture or any other entity of any kind whatsoever, whether for profit or not for profit, and any governmental agency.

“Related Agreements” shall mean any and all other agreements, documents and instruments which may be entered into by and between or among the parties hereto under, related to or in connection with this Agreement or the transactions contemplated hereby, including without limitation the agreements and documents referred to herein or attached hereto as Exhibits.

“Release” shall mean any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into the environment or as otherwise defined in or pursuant to any Environmental Regulation.

“**Taxes**” (and, with correlative meaning “**Tax**” and “**Taxable**”) means (i) any federal, state, local or foreign net income, alternative or add-on minimum tax, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental or windfall profit tax, custom, duty or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or any penalty, addition to tax or additional amount imposed by any governmental entity responsible for the imposition of any such tax (domestic or foreign), (ii) any liability for the payment of any amounts of the type described in (i) as a result of being (or ceasing to be) a member of a consolidated, combined, unitary or aggregate group for any Taxable period, and (iii) any liability for the payment of any amounts of the type described in (i) or (ii) as a result of being a transferee or successor to any person or as a result of any express or implied obligation to indemnify any other person.

“**Tax Returns**” shall mean returns, declarations, reports, claims for refund, information returns or other documents (including any related or supporting schedules, statements or information) filed or required to be filed in connection with the determination, assessment or collection of any Taxes of any party or the administration of any laws, regulations or administrative requirements relating to any Taxes.

“**Transaction**” The acquisition contemplated herein, including but not limited to the purchase of the Assets and the assumption of the assignment of the Assumed Contracts.

(b) Table of Contents for All Defined Terms. The terms listed below are defined elsewhere in this Agreement and, for ease of reference, the Paragraph containing the definition of each such term is set forth opposite such term.

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Affiliate	18.13(a)
Agreement	Preamble
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Arroyo Hospital Business	A
Assumed Contracts	3.1(a)
Assumed Obligations	3.1
Attorney General	6.9
Benefits Plans	5.11(c)
Buyer	Preamble
Buyer’s Subsidiary	18.5(a)
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CHA Retention Schedule	13.2(a)
Closing	11
Closing Date	11
Closing Date Financial Statements	2.3(a)
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COBRA	18.13(a)

<u>Term</u>	<u>Paragraph</u>
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Confidential Information	13.5
Consultant	8.1
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Corona Hospital Business	A
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Document Retention Period	13.2(b)
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Environmental Regulations	18.13(a)
Environmental Survey	8.1
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Licenses and Permits	1.1(e)
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Local Governing Board	13.14

<u>Term</u>	<u>Paragraph</u>
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Material, Materially or Materiality	18.13(a)
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Material Adverse Effect	18.13(a)
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Phase II Investigation	8.1
Preliminary Title Reports	8.1
Premerger Rules	9.11
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Real Property Leases	1.1(a)
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Title Policy	9.7
Title Surveys	8.1
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WARN Act	13.10(c)

18.14 Consents Not Unreasonably Withheld

Wherever the consent or approval of any party is required under this Agreement or any Related Agreement, such consent or approval shall not be unreasonably

withheld, delayed or conditioned, unless such consent or approval is expressly stated to be at the sole and absolute discretion of such party.

18.15 Time of Performance

In the event that any action or performance shall be due hereunder or under any Related Agreement on a Saturday, Sunday or any legal holiday for banks in the jurisdiction in which such action or performance is due or where the party required to provide the same is located, the time for such performance shall automatically be extended until the end of the next business day.

18.16 Interest on Amounts Due

Any amount due from either party to the other which is not paid when due shall bear interest at a rate equal to the prime rate reported by the Wall Street Journal under "Money Rates" from time to time, or the highest rate permitted by Law, whichever is lower.

18.17 Governing Law

This Agreement and each Related Agreement shall be construed and enforced in accordance with the laws of the State of California as applied between residents of that state entering into contracts to be performed wholly within the State of California. Any action arising under this Agreement or any Related Agreement which is permitted pursuant to Paragraph 17.18 shall be adjudicated in the state or federal courts of competent jurisdiction sitting in Riverside County, California, and the parties agree that the foregoing courts are a convenient forum and irrevocably waive any right to object to such venue or to transfer venue, based upon forum non conveniens or otherwise.

18.18 Tax and Medicare Effect

Except as otherwise provided in this Agreement, neither party (nor such party's counsel or accountant) has made or is making any representations to the other party (nor such party's counsel or accountant) concerning any of the Tax or Medicare effects arising by reason of the transactions provided for in this Agreement or any Related Agreement, as each party has obtained independent professional advice with respect thereto and upon which it has solely relied. Except as otherwise provided in this Agreement, no party shall be liable or in any way responsible to any other party because of any Tax or Medicare effect resulting from the transactions provided for in this Agreement or any Related Agreement, and each party shall be responsible for the payment of any Tax or Medicare related charge or payment for which it becomes liable by reason of the consummation of the transactions provided for in this Agreement and any Related Agreement.

18.17 Governing Law

This Agreement and each Related Agreement shall be construed and enforced in accordance with the laws of the State of California as applied between residents of that state entering into contracts to be performed wholly within the State of California. Any action arising under this Agreement or any Related Agreement which is permitted pursuant to Paragraph 17.18 shall be adjudicated in the state or federal courts of competent jurisdiction sitting in Riverside County, California, and the parties agree that the foregoing courts are a convenient forum and irrevocably waive any right to object to such venue or to transfer venue, based upon forum non conveniens or otherwise.

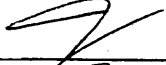
18.18 Tax and Medicare Effect

Except as otherwise provided in this Agreement, neither party (nor such party's counsel or accountant) has made or is making any representations to the other party (nor such party's counsel or accountant) concerning any of the Tax or Medicare effects arising by reason of the transactions provided for in this Agreement or any Related Agreement, as each party has obtained independent professional advice with respect thereto and upon which it has solely relied. Except as otherwise provided in this Agreement, no party shall be liable or in any way responsible to any other party because of any Tax or Medicare effect resulting from the transactions provided for in this Agreement or any Related Agreement, and each party shall be responsible for the payment of any Tax or Medicare related charge or payment for which it becomes liable by reason of the consummation of the transactions provided for in this Agreement and any Related Agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement on the date first above written.

Buyer:

UNIVERSAL HEALTH SERVICES, INC.

By: 
Name: RICHARD E. WRIGHT
Title: VICE PRESIDENT

Seller:

VISTA HOSPITAL SYSTEMS, INC.

FRENCH HOSPITAL MEDICAL CENTER

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

18.17 Governing Law

This Agreement and each Related Agreement shall be construed and enforced in accordance with the laws of the State of California as applied between residents of that state entering into contracts to be performed wholly within the State of California. Any action arising under this Agreement or any Related Agreement which is permitted pursuant to Paragraph 17.18 shall be adjudicated in the state or federal courts of competent jurisdiction sitting in Riverside County, California, and the parties agree that the foregoing courts are a convenient forum and irrevocably waive any right to object to such venue or to transfer venue, based upon forum non conveniens or otherwise.

18.18 Tax and Medicare Effect

Except as otherwise provided in this Agreement, neither party (nor such party's counsel or accountant) has made or is making any representations to the other party (nor such party's counsel or accountant) concerning any of the Tax or Medicare effects arising by reason of the transactions provided for in this Agreement or any Related Agreement, as each party has obtained independent professional advice with respect thereto and upon which it has solely relied. Except as otherwise provided in this Agreement, no party shall be liable or in any way responsible to any other party because of any Tax or Medicare effect resulting from the transactions provided for in this Agreement or any Related Agreement, and each party shall be responsible for the payment of any Tax or Medicare related charge or payment for which it becomes liable by reason of the consummation of the transactions provided for in this Agreement and any Related Agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement on the date first above written.

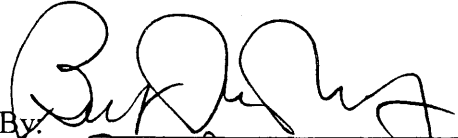
Buyer:

UNIVERSAL HEALTH SERVICES, INC.


By: _____
Name: _____
Title: _____

Seller:

VISTA HOSPITAL SYSTEMS, INC.

By: 
Name: Bert Rosenkranz
Title: PRESIDENT

FRENCH HOSPITAL MEDICAL CENTER

By: 
Name: Bert Rosenkranz
Title: PRESIDENT

ANNEX I

LIST OF SCHEDULES

<u>Schedule</u>	<u>Description</u>
A	Hospital Businesses
1.1(a)	Owned Real Property
1.1(b)	Real Property Leases
1.1(c)	Personal Property
1.1(e)	Contracts
1.1(f)	Licenses and Permits
1.1(g)	Business Names
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1.2(f)	Assets Not Purchased By Buyer
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5.4	Liens on Transferred Assets
5.5	Third Party Consents
5.6	Governmental Consents
5.7	Hazardous Materials
5.8	Litigation
5.9	Disclosures Re: Licenses and Permits; Participation Agreements
5.10	Employee Relations

<u>Schedule</u>	<u>Description</u>
5.11(a)	Personnel List
5.11(b)	Accrued Employee Benefits
5.11(c)	Employee Benefits Plans
5.11(e)	Non-Compliance with Personnel Matters
5.12	Defaults Under Assumed Contracts
5.13	Brokers
5.15	Other Assets Used in the Businesses
5.16	Real Property Matters
5.16(c)	Real Property Leases Requiring Consent
5.16(h)	Extension for Seismic Filed Reports
5.17	Insurance
5.18	Adverse Changes
5.19	Cost Reports and Participation Matters
5.20	Medical Staff Matters
5.23	Office Leases
5.24	Transactions with Affiliates
5.27(c)	Notices of Noncompliance with Laws
5.27(d)	Unfiled Cost Reports
5.30	Suppliers
5.31	Taxes
5.31(a)	Tax Liens
5.31(c)	Tax Returns
5.31(d)	Tax Waivers
6.3	Liens to Survive Closing

<u>Schedule</u>	<u>Description</u>
11.3(a)	Seller Deliveries at Closing
11.3(b)	Buyer Deliveries at Closing
13.2(a)	CHA Retention Schedule
13.4	Purchase Price Allocation

ANNEX II

LIST OF EXHIBITS

Exhibit

Description

9

Form of Opinion of Foley & Lardner

EXHIBIT 9

Form of Opinion of Foley & Lardner

1. Each of Vista and French are duly organized, validly existing and in good standing as a non-profit public benefit corporation under the laws of their respective jurisdictions of organization.

2. Each of Vista and French has the requisite corporate power and authority to execute, deliver and perform its obligations under the Transaction Documents to which it is a party.

3. All corporate and other actions required to be taken by each of French and Vista to authorize their respective execution, delivery and performance of the Transaction Documents, all documents executed by each of French and Vista which are necessary to give effect to the Transaction Documents and all transactions contemplated by the Transaction Documents, including the execution and filing in Bankruptcy Court of a voluntary petition for relief under Chapter 11 of the Bankruptcy Code and the Bankruptcy Plan, have been duly and properly taken or obtained by French and Vista. No other corporate or other action on the part of Vista or French is necessary to authorize the execution, delivery and performance of each of the Transaction Documents, all documents necessary to give effect to the Transaction Documents and all transactions contemplated by the Transaction Documents. The Transaction Documents have been duly and validly executed and delivered by each of Vista and French, and assuming due and valid execution by Buyer, the Transaction Documents constitute a valid and binding obligation of each of Vista and French enforceable in accordance with their terms.

4. The execution, delivery and performance by each of Vista and French of the Transaction Documents to which it is a party and the consummation of the transactions contemplated thereby by each of Vista and French, will not result in a violation of the terms, conditions or provisions of (i) the articles of incorporation or by-laws of either of Vista or French, (ii) any Applicable Law (as defined below) or (iii) any judgment, order or decree of any court or other governmental agency to which either Vista and French is a party or to which any of their respective property is subject. For purposes hereof, Applicable Law shall mean the laws of the State of California (exclusive of the Excluded Laws), and the Federal laws of the United States of America, in each case as in effect on the date hereof and which in our experience are normally applicable to the transactions provided for in the Transaction Documents.

AMENDMENT TO ASSET PURCHASE AGREEMENT

THIS AMENDMENT to the ASSET PURCHASE AGREEMENT (the "Agreement") made as of the 3rd day of April, 2003, by and among Vista Hospital Systems, Inc. ("Vista"), French Medical Center ("French"), each, a California nonprofit public benefit corporation, Universal Health Services, Inc., a Delaware corporation ("UHS") and UHS-Corona, Inc., a Delaware corporation and wholly-owned subsidiary of UHS ("Buyer"), is entered into on this 3rd day of June, 2003. All capitalized terms used herein and not otherwise defined herein have the same meanings as set forth in the Agreement.

WITNESSETH:

WHEREAS, the parties entered into an Asset Purchase Agreement dated as of April 3, 2003 pursuant to which Seller has agreed to sell and Buyer has agreed to purchase, subject to the terms and conditions contained therein, the Hospital Businesses; and

WHEREAS, pursuant to Paragraph 6.20 of the Agreement, Seller was obligated to file the Bankruptcy Plan and the Disclosure Statement on or prior to June 3, 2003; and

WHEREAS, Seller has not filed the Bankruptcy Plan or the Disclosure Statement as of the date hereof; and

WHEREAS, the parties have agreed to make certain changes to the Agreement regarding (i) Seller's obligations under the Agreement to file the Bankruptcy Plan and the Disclosure Statement and (ii) the requirement that the Holders deliver to Buyer their written approval of, and consent to the Agreement and enter into a binding voting agreement, in form and substance satisfactory to Buyer, obligating the Holders to vote in favor of the Bankruptcy Plan.

NOW THEREFORE the parties agree as follows:

1. Paragraph 2.1 (a) of the Agreement is hereby deleted in its entirety and replaced with the following:

(a) Based upon audited financial statements for 12 months ended December 31, 2001 and unaudited financial statements for 5 months ended May 31, 2002, and assuming no material change from those financial statements, the purchase price (the "Purchase Price") to be paid by Buyer to Seller for the Transferred Assets shall be \$120,600,000 less: (i) the amount of Capital Lease obligations that are being assumed by Buyer pursuant to Paragraph 3.1(a) hereof, (ii) an amount equal to 30% of the obligation assumed by Buyer for the long-term sick leave bank of Hired Employees not otherwise reflected on Seller's Financial Statements, (iii) the amount of proceeds received by Seller from the sale of its Hospice division, (iv) the Capital Expenditure Deficiency Amount pursuant to

Paragraph 6.1(l) hereof and (v) the amount of Real Property Taxes (including, without limitation, all fines, penalties and interest thereon) due and payable on or prior to the Closing Date; *provided* however, that the Purchase Price shall be further reduced by the amount of one million dollars (\$1,000,000) if (A) Seller has not filed the Bankruptcy Plan and the Disclosure Statement with the Bankruptcy Court in accordance with Paragraph 6.20 hereof on or prior to June 10, 2003 or (B) the Holders have not delivered to Buyer their written approval of, and consent to, this Agreement and entered into a binding voting agreement, in form and substance satisfactory to Buyer, obligating Holders to vote in favor of the Bankruptcy Plan on or prior to June 10, 2003; *and further provided that the Purchase Price shall be further reduced by an additional one million dollars (\$1,000,000) if the conditions set forth in A and B above have not occurred on or prior to July 1, 2003.*

2. Paragraph 6.22(a) of the Agreement is hereby deleted in its entirety and replaced with the following:

(a) If Buyer elects to terminate this Agreement pursuant to Paragraph 16.2 hereof, provided that Buyer is not in default under this Agreement at the time of such election, the Expense Reimbursement Fee shall be paid to Buyer in the following manner: (i) the Escrowed Funds (as defined in Paragraph 11.2(b) hereof) shall be released to Buyer immediately upon Buyer's election to so terminate this Agreement and (ii) Seller shall pay to Buyer on the business day following Buyer's election to terminate this Agreement, the amount, if any, by which the Expense Reimbursement Fee at the time of Buyer's election to terminate is greater than the amount of the Escrowed Funds, by wire transfer of immediately available funds to an account designated by Buyer.

3. Paragraph 6.22(c) of the Agreement is hereby deleted in its entirety and replaced with the following:

(c) If Buyer has not elected to terminate this Agreement pursuant to Paragraph 16.1(c) and is not in breach hereof, and either (i) the Hospital Businesses are sold, assigned or otherwise transferred to a purchaser that is not the Buyer or an affiliate of the Buyer or (ii) the Seller elects to pursue a transaction that otherwise does not involve the sale of the Transferred Assets to the Buyer, including, without limitation, the Seller's refinancing and retention of the Transferred Assets pursuant to a plan of reorganization or otherwise, then the Seller shall pay to Buyer or Buyer's designee, as the case may be, the Break-Up Fee equal to either \$5 million or, in the event that Seller's obligation to pay the Break-Up Fee arises under (i) above, the amount by which the sale price is greater than the Purchase Price, but not to exceed \$5 million. If any portion of the consideration received by Seller from a purchaser that is not the Buyer or an affiliate of the Buyer for the Hospital Businesses (or part thereof) is in a form other than cash, an equal percentage of the Break-Up Fee equal to the portion of the consideration received by the Seller that is non-cash consideration shall be

payable to Buyer in such other non-cash consideration. If Buyer has not elected to terminate the

4. Paragraph 6.22(d) of the Agreement is hereby deleted and replaced in its entirety with the following:

(d) If the Hospital Business is not sold to the Buyer or an affiliate of the Buyer due to a failure to obtain regulatory or Bankruptcy Court approval of this Agreement, notwithstanding the reasonable best efforts of the Seller to obtain such approval, the Seller shall pay the Buyer, or the Buyer's designee, as the case may be, the Expense Reimbursement Fee by wire transfer of immediately available funds to an account designated by Buyer or such designee on the business day following the date that Buyer elects to so terminate this Agreement. If, on the other hand, the Seller fails to undertake its reasonable best efforts to obtain regulatory and Bankruptcy Court approval of this Agreement, and either (i) the Hospital Businesses are subsequently sold, assigned or otherwise transferred to a purchaser that is not the Buyer or an affiliate of the Buyer or (ii) the Seller elects to pursue a transaction that otherwise does not involve the sale of the Transferred Assets to the Buyer, including, without limitation, the Seller's refinancing and retention of the Transferred Assets pursuant to a plan of reorganization or otherwise, then the Seller shall pay to Buyer or Buyer's designee, as the case may be, the Break-Up Fee equal to either \$5 million or, in the event that Seller's obligation to pay the Break-Up Fee arises under (i) above, the amount by which the sale price is greater than the Purchase Price, but not to exceed \$5 million. If any portion of the consideration received by Seller from a purchaser that is not the Buyer or an affiliate of the Buyer for the Hospital Businesses (or part thereof) is in a form other than cash, an equal percentage of the Break-Up Fee equal to the portion of the consideration received by the Seller that is non-cash consideration shall be payable to Buyer in such other non-cash consideration.

5. Paragraph 11.2 of the Agreement shall be designated Paragraph 11.2(a) and the following text shall be added immediately following Paragraph 11.2(a):

(b) In the event that either (i) Seller has not filed the Bankruptcy Plan and the Disclosure Statement with the Bankruptcy Court in accordance with Paragraph 6.20 hereof, or (ii) the Holders have not delivered to Buyer their written approval of, and consent to, this Agreement and entered into a binding voting agreement, in form and substance satisfactory to Buyer, obligating Holders to vote in favor of the Bankruptcy Plan, in each case on or prior to June 10, 2003, then Seller shall immediately, and in no event later than June 11, 2003, deposit with the Escrow Agent the sum of one million dollars (\$1,000,000) (the "Escrowed Funds") in immediately available funds, and Buyer and Seller shall enter into an escrow agreement with the Escrow Agent substantially in the form attached hereto as Exhibit 11.2(b) (the "Escrow Agreement"). The Escrowed

Funds shall constitute all or a portion of the Expense Reimbursement Fee. The Escrowed Funds shall be released, pursuant to the Escrow Agreement, either to Buyer in accordance with Paragraph 6.22(a) hereof, or, if Buyer does not elect to terminate this Agreement pursuant to Paragraph 16.2 hereof, to Seller upon the Closing or the Termination of this Agreement for reasons other than those set forth in Paragraph 16.2.

6. Paragraph 16.2 of the Agreement is hereby deleted in its entirety and replaced with the following:

Buyer shall have the right to terminate this Agreement if the Holders have not, on or before July 1, 2003: (i) delivered to Buyer their written approval of, and consent to, this Agreement, including the terms and conditions contained herein and (ii) entered into a binding voting agreement, in form and substance satisfactory to Buyer, obligating Holders to vote in favor of the Bankruptcy Plan approving this Agreement and containing terms and conditions acceptable to Buyer.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties have duly executed this Amendment to the Asset Purchase Agreement on the date first above written.

UHS:

UNIVERSAL HEALTH SERVICES, INC.

By: _____
Name: _____
Title: _____

Buyer:

UHS-CORONA, INC.

By: _____
Name: _____
Title: _____

Seller:

VISTA HOSPITAL SYSTEMS, INC.

FRENCH HOSPITAL MEDICAL CENTER

IN WITNESS WHEREOF, the parties have duly executed this
Amendment to the Asset Purchase Agreement on the date first above written.

UHS:

UNIVERSAL HEALTH SERVICES, INC.

Buyer:

UHS-CORONA, INC.

Seller:

VISTA HOSPITAL SYSTEMS, INC.

By: _____

Name: _____

Title: _____

FRENCH HOSPITAL MEDICAL CENTER

By: _____

Name: _____

Title: _____