St. Joseph Health System and Affiliated Entity

Title 11, California, Admin. Code
Sec. 999.5(d)

Section (1)(A) - (4)(B)
Title 11, California Admin. Code, § 999.5(d)(1)

DESCRIPTION OF THE TRANSACTION
Title 11, Cal. Admin. Code, § 999.5(d)(1)(A)

Full Description of the Proposed Agreement and Transaction

St. Joseph Health System – Adventist Health Systems/West

Master Formation Agreement – Joint Operating Company

Parties

St. Joseph Health System ("SJHS"), a California nonprofit public benefit corporation, is part of an integrated Catholic healthcare delivery system sponsored by the St. Joseph Health Ministry. SJHS's operations serve numerous communities throughout the State of California, including ten (10) acute care hospitals located within the State. Four of these hospitals, each located in Northern California, will be part of the ST Network (a joint operating company to be created pursuant to the proposed transaction) as further described below.

Adventist Health System/West, a California nonprofit religious corporation doing business as Adventist Health ("Adventist Health"), is a faith-based, integrated health system serving communities in California, Hawaii, Oregon and Washington, including sixteen (16) hospitals located throughout the State of California. Five of Adventist Health's hospitals, each located in Northern California, will be part of the ST Network.

Overview of the Proposed Transaction

SJHS has signed a Master Formation Agreement ("MFA"), and related documents¹, to create a joint operating company ("JOC") named the ST Network, LLC² in conjunction with Adventist Health. The ST Network will be an integrated delivery network throughout the counties of Humboldt, Lake, Mendocino, Napa, Solano, and Sonoma, consisting of the health care facilities, entities and business currently owned and/or operated by either SJHS ministries or Adventist Health entities participating in the network.

As noted above, four SJHS hospitals will be included in the ST Network:

(1) Queen of the Valley Medical Center;
(2) Santa Rosa Memorial Hospital;
(3) St. Joseph Hospital of Eureka; and
(4) Redwood Memorial Hospital of Fortuna.

¹ The operative transaction documents are the MFA, the Operating Agreement, and the Participating Ministry Agreements – all of which are included in Section (1)(B) of this Application
² The ST Network, LLC is a California limited liability company that will be classified as a 501(c)(3) tax-exempt corporation. SJHS and Adventist Health, both tax-exempt charitable entities, will be the sole members of ST Network, LLC (hereafter, the "ST Network").
Five Adventist Health facilities will be included:

1. Adventist Health Clearlake Hospital, Inc. dba Adventist Health Clear Lake;
2. Willits Hospital, Inc. dba Adventist Health Howard Memorial;
3. St. Helena Hospital dba Adventist Health St. Helena;
4. St. Helena Hospital dba Adventist Health Vallejo; and
5. Ukiah Adventist Hospital dba Adventist Health Ukiah Valley.

While each of SJHS and Adventist Health will retain title and ownership of its own health facilities that are subject to the MFA, the JOC will manage and have authority over each system’s participating hospitals, pursuant to the terms of the MFA. Each of SJHS and Adventist Health will appoint an equal number of members to the JOC Board.

SJHS and Adventist Health propose to create the ST Network in order to further their shared goal of providing improved access to quality healthcare throughout the region, with a particular emphasis on vulnerable and underserved populations. Both organizations seek to create a partnership that recognizes and builds upon their faith based traditions and common values of dignity, excellence, and service.

In particular, there are significant opportunities to provide care closer to home for more patients by concentrating on centers of excellence, creating a broader and deeper value-based provider network, integrating clinically across systems, and collaborating on health information sharing and care management. By realizing these opportunities the ST Network should be able to reduce the substantial outmigration that occurs today as patients will be able to access care locally that presently they travel substantial distances to obtain. The JOC will also allow SJHS and Adventist Health to stabilize volumes, strengthen quality, and reduce costs, particularly in Napa County. The ST Network will further provide opportunities to expand the provision of managed Medi-Cal services to those who rely on Medi-Cal for their health care.

It is critical to note that both the SJHS and Adventist Health hospitals will continue to operate under their own religious mission and values and neither is imposing its ecclesiastical precepts or policies on the other. In this regard, the SJHS health facilities will continue to be Catholic institutions and will continue to be subject to the Ethical and Religious Directives for Catholic Healthcare Services (“Directives”). Similarly, the Adventist Health facilities will continue to be Adventist institutions and will continue to adhere to the values of the Seventh-day Adventist Church. The Adventist Health facilities will not be subject to the Directives or Catholic teaching, nor to the SJHS Statement of Common Values, and the Adventist Health facilities shall exclusively retain the (a) ownership of assets related to; (b) governance responsibility for; (c) operational management of; and (d) revenues and expenses generated by, the provision of services that are contrary to the Directives. These provisions are intended to ensure that both parties to the JOC continue to operate in a manner consistent with their own ecclesiastical standards.

3 The Adventist Health St. Helena and Adventist Health Vallejo facilities are included on the same (consolidated) general acute care license issued by the California Department of Public Health.

4 As further specified in the MFA, additional businesses and entities of SJHS and Adventist Health will also participate in the ST Network.
Summary of the Agreements

• Governance Structure

The MFA provides for the formation of a joint operating company (i.e., the ST Network, LLC) that will manage certain SJHS ministries and Adventist Health entities participating in the JOC. SJHS and Adventist Health will each be a corporate member of the JOC with 50% membership, and their respective financial interests percentages in the JOC will initially be 69% SJHS and 31% Adventist Health (based upon the respective parties’ historical comparative net incomes / EBIDA from the participating facilities).

The newly-formed JOC will have shared governance. SJHS and Adventist Health will nominate an equal number of representatives to the JOC board.

• Separate Corporate Existence and Assets

Each of the JOC participants will preserve and retain its separate corporate existence from and after the closing date of the proposed transaction. The MFA and related agreements do not involve the sale, transfer, lease, exchange, option, conveyance, or other disposition of the assets of any non-profit corporation in California.

• Religious Identity and Values

As noted above, the SJHS and Adventist Health hospitals will continue to operate under their own religious mission and values and neither is imposing its ecclesiastical precepts or policies on the other. The SJHS health facilities will continue to be Catholic institutions and will continue to be subject to the Directives.

• Presumptive Split of Earnings – Financial Terms

SJHS and Adventist Health will share in the aggregate operating EBIDA generated by the JOC participants. Effective as of the closing date, 69% will be allocated to SJHS and 31% will be allocated to Adventist Health, subject to the adjustments described in the JOC Operating Agreement.

• Employees

The MFA and related agreements will effect no change in the status of any non-executive employees of SJHS or Adventist Health. All current union contracts will continue to be honored in full and all employees will remain employed by the entity that currently employ them.

• Physician Staff Privileges

The MFA will have no effect on physician rights and privileges. After the closing date of the proposed transaction, the medical staff of each JOC participant will remain independent. Each JOC participant will continue to be responsible for maintaining its own
medical staff for its facilities, and decisions on admitting and clinical privileges and medical staff memberships in the facilities of any JOC participant will be retained by such JOC Participant and its medical staff.

- **Operating Agreement and Participating Ministry / Entity Agreements**

Additional terms pertaining to the proposed transaction are set forth in the Operating Agreement for the ST Network and the Participating Ministry/Entity Agreements attached to Section (1)(B) of this Application. The Operating Agreement includes a description of the JOC and its purpose, specifies member approval rights and certain reserved rights of the parties, provides for the management of the JOC, and addresses certain financial matters, including capital contributions and distributions.

The Participating Ministry/Entity Agreements identify each of the JOC participants and specify the terms and conditions pursuant to which those participants will participate in the ST Network. As noted above, four SJHS-affiliated health facilities will be participants in the JOC: Santa Rosa Memorial Hospital, Queen of the Valley Medical Center, St. Joseph Hospital of Eureka, and Redwood Memorial Hospital of Fortuna.\(^5\)

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\(^5\) As provided in SJHS’s Notice to the Attorney General, dated November 1, 2017, SJHS had previously initiated a solely internal corporate restructuring in order to create a regional integrated network of care in Northern California that allowed for greater access, more flexibility for the communities served, and to connect all parts of the healthcare continuum for successful management of health populations. The restructuring, which was completed on April 2, 2018, effected the transfer of all of the assets of the above named health facilities into a newly formed SJHS affiliate, St. Joseph Health Northern California, LLC (“SJHNC”), which is wholly owned and controlled by SJHS. For the purposes of this Application, SJHNC and SJHS are Co-Applicants and herein referred to collectively as SJHS or “Applicant.”
Title 11, Cal. Admin. Code, § 999.5(d)(1)(B)

Complete Copy of the Proposed Agreement

A complete copy of the Master Formation Agreement between St. Joseph Health System ("SJHS") and Adventist Health System/West ("Adventist Health") is attached to this Section of the Application. In addition, complete copies of the related transaction documents, including the Operating Agreement for the ST Network and the template Participating Ministry / Entity Agreements, are also attached to this Section of the Application.
SACRED TRUST NETWORK
MASTER FORMATION AGREEMENT
BETWEEN
ST. JOSEPH HEALTH SYSTEM
AND
ADVENTIST HEALTH SYSTEM/WEST
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MASTER FORMATION AGREEMENT

THIS MASTER FORMATION AGREEMENT (this "Agreement") is made and entered into as of April 10, 2018 (the "Execution Date"), by and between ST. JOSEPH HEALTH SYSTEM, a California nonprofit public benefit corporation ("SJHS"), and ADVENTIST HEALTH SYSTEM/WEST, a California nonprofit religious corporation doing business as Adventist Health ("AH"). Each of SJHS and AH are referred to individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, SJHS is the sole member of St. Joseph Health Northern California, LLC, a charitable California limited liability company ("SJHNC"), through which it operates a regional health system of health care providers and ancillary organizations in Northern California;

WHEREAS, AH is the sole member of each of the AH Participating Entities, through which it operates a regional health system of health care providers and ancillary organizations in Northern California;

WHEREAS, SJHS and AH share a common goal of providing improved access to quality healthcare throughout the counties of Humboldt, Lake, Mendocino, Napa, Solano, and Sonoma (the "Sacred Trust Region"), with a particular emphasis on those who are vulnerable;

WHEREAS, in response to the evolution of healthcare delivery and design, and to implement their shared goals and objectives, the Parties seek to create a partnership that recognizes and builds upon the unique and common elements of the organizations' faith traditions where they are committed to the healing ministry of Jesus and the common values of dignity, excellence and service; and

WHEREAS, SJHS and AH envision maintaining separate hospital ministries that are uniquely Catholic and uniquely Adventist, while integrating their respective delivery networks within the Sacred Trust Region in a way that supports the most effective and efficient delivery of population health services to the communities that they serve.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, the Parties agree as follows:

ARTICLE I
DEFINITIONS

In addition to the words and terms elsewhere defined in this Agreement, the following words and terms as used in this Agreement shall have the following meanings unless the context or use indicates another or different meaning or intent:

"AAA" shall have the meaning set forth in Section 11.1(a).

"Adventist" means of or relating to the Seventh-day Adventist Church.
“Affiliate” of a Person shall mean any corporation, partnership, limited liability company, 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 such Person.

“Affiliation” means a material relationship or a material arrangement of any kind to: (a) merge with any Person; (b) consolidate with any Person; (c) enter into a Contract with any Person for the management or operation of any health care facility; (d) lease any health care facility to or from any Person; (e) become an Affiliate of any Person; (f) enter into any joint venture or other arrangement which involves the granting or one or more reserved powers or the sharing of profits and/or losses with any Person; or (g) enter into any arrangement with any Person by which such Person becomes a controlling entity. The JOC Board from time to time may establish standards as to what constitutes a “material relationship” or a “material arrangement.”

“Agreement” shall have the meaning set forth in the Preamble.

“AH” shall have the meaning set forth in the Preamble.

“AH Directors” shall have the meaning set forth in Section 3.2.

“AH Disclosure Schedules” shall have the meaning set forth in Article VI.

“AH Indemnified Party” shall have the meaning set forth in Section 12.2.

“AH Intellectual Property” shall mean patents, trademarks, service marks, trade names and other such intellectual property rights necessary or intended for operations of the AH Participating Entities.

“AH Licenses and Permits” means the licenses, permits, registrations, certificates, consents, accreditation and approvals as are necessary to enable AH and the AH Participating Entities to own, occupy and lease its properties and assets and to conduct and operate the businesses of the AH Participating Entities.

“AH Participating Entities” shall have the meaning set forth in Section 2.4(b).

“AH Plans” means (i) each pension, profit sharing, bonus, deferred compensation, or other retirement plan or arrangement of the AH Participating Entities, whether oral or written, which constitutes an “employee pension benefit plan” as defined in Section 3(2) of ERISA (whether or not subject to ERISA), (ii) each medical, health, disability, insurance or other plan or arrangement of the AH Participating Entities, whether oral or written, which constitutes an “employee welfare benefit plan” as defined in Section 3(1) of ERISA (whether or not subject to ERISA), and (iii) each other employee benefit or perquisite provided by the AH Participating Entities, in which any employee of any AH Participating Entity participates in his or her capacity as such.

“AH Real Property” shall mean the real property comprising all the real property owned or leased by AH or the AH Participating Entities held for use in the operations of the AH Participating Entities.
"AH Subsidiaries" shall mean the Subsidiaries of the AH Participating Entities as set forth in Exhibit F.

"AHPN" shall have the meaning set forth in Section 2.4(b)(6).

"Amending Party" shall have the meaning set forth in Section 8.5.

"Approvals" means and includes any approval, authorization, consent, notice, qualification or registration, or any extension, modification, amendment or waiver of any of the foregoing, or from, or any notice, statement, filing or other communication to be filed with, delivered to or required from, any Governmental Authority or other Person.

"CERCLA" shall mean the Comprehensive Environmental Response, Compensation, and Liability Act.

"Closing" shall have the meaning set forth in Section 7.1.

"Closing Date" shall have the meaning set forth in Section 7.1.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Collaborative Process" shall have the meaning set forth in Section 2.6(d).

"Contract" means contracts, agreements, indentures, notes, bonds, mortgages, loans, instruments, licenses, commitments or other arrangements, understandings, undertakings, commitments or obligations, whether written or oral, but excluding all Leases.

"Corporate Documents" means an entity's articles of incorporation, code of regulations, delegation agreement, corporate bylaws, partnership agreement, operating agreement, and comparable documents, as appropriate given the entity's form of legal organization.

"Directives" means the latest edition of the Ethical and Religious Directives for Catholic Health Care Services, issued from time to time by the United States Conference of Catholic Bishops, as may be amended from time to time.

"EEOC" shall mean the U.S. Equal Employment Opportunity Commission.

"Effective Time" shall have the meaning set forth in Section 7.1.

"Encumbrance" means any lien, pledge, mortgage, assessment, deed of trust, security interest, lease, sublease, levy, claim, charge or other encumbrance of any kind, option to purchase, right of first refusal, easement, servitude, right of way, encroachment, covenant, proxy, voting trust or voting agreement, transfer restriction under any shareholder or similar agreement or encumbrance or any conditional sale contract, title retention contract or other agreement or arrangement to give or to refrain from giving any of the foregoing.

"Environmental Laws" means all federal, state and local laws that relate to the protection of human health and safety, the environment or natural resources including the Comprehensive

"GAAP" means United States generally accepted accounting principles as in effect from time to time, consistently applied.

"Governmental Program" means Medicare, Medi-Cal and any other federal or state health care financing programs.

"Governance Matrix" means the Sacred Trust Network Sponsorship/Governance Authority Matrix as set forth in the JOC Operating Agreement, as adopted or amended by the JOC Board from time to time, subject to the reserved rights of the Members and Sponsor.

"Governmental Authority" means any foreign, federal, state, municipal, national, local government, or other governmental department, court, commission, board, bureau, agency or instrumentality or political subdivision thereof, or any entity or officer exercising executive, legislative or judicial, regulatory or administrative functions of or pertaining to any government or any court, in each case, whether of the United States or any other country, or a state, territory or possession thereof, or the District of Columbia, in each case having jurisdiction over the applicable person or entity.

"Hazardous Substances" means (a) any hazardous or toxic waste, substance or material defined as such in (or for the purposes of) any Environmental Laws, (b) asbestos and asbestos-containing material, (c) any polychlorinated biphenyl, (d) any petroleum product, including diesel, gasoline, fuel oil, crude oil or a constituent of such product, (e) radiation and radioactive materials, (f) medical waste and (g) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any Environmental Law.

"Healthcare Laws" means any and all federal and state laws regulating healthcare goods or services, or payment therefor, including, but not limited to, Title XVIII and Title XIX of the Social Security Act, the federal Anti-Kickback Statute (42 U.S.C. Section 1320a-7(b)), the Stark Law (42 U.S.C. Section 1395nn), the Anti-Inducement Law (42 U.S.C. Section 1320a-7a(a)(5)), the civil False Claims Act (31 U.S.C. Sections 3729 et seq.), the administrative False Claims Law (42 U.S.C. 1320a-7b(a)), the administrative simplification provisions of the Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. Sections 1320d et seq.), the exclusion laws (42 U.S.C. Section 1320a-7), the anti-misleading statements provision (42 U.S.C. Section 1320a-8), and the regulations promulgated pursuant to such laws, each as amended from time to time.

"Heritage" shall have the meaning set forth in Section 2.4(d).

"Indebtedness" means to a Person (a) obligations of such Person relating to indebtedness for borrowed money, (b) obligations of such Person evidenced by bonds, notes, debentures or
similar instruments and (c) obligations in the nature of guarantees by such Person of obligations of any other Person of the type described in clauses (a) and (b) above, in each case together with all accrued interest thereon and any applicable fees or penalties.

"Indemnifying Party" shall have the meaning set forth in Section 12.4.

"JAMS" shall have the meaning set forth in Section 11.1(a).

"JOC" shall have the meaning set forth in Section 2.1.

"JOC Board" shall have the meaning set forth in Section 3.2.

"JOC Operating Agreement" shall have the meaning set forth in Section 3.1(b).

"JOC Participants" shall have the meaning set forth in Section 2.4(c).

"JOC Participation Agreements" means, collectively, the SJHS Participating Ministry Agreements set forth in Exhibit B, and the AH Participating Entity Agreements set forth in Exhibit C.

"Knowledge" and similar references to a Party’s knowledge shall mean and refer to all matters to which (i) the Party has received a written notice; or (ii) the actual knowledge after reasonable investigation by the person set forth on Exhibit E under that Party’s name.

"Leases" means any leases with respect to personal or real property to which a JOC Participant is a party or by which it is bound or which relate to the operation of a JOC Participant.

"Legal Proceeding" means any action, order, writ, injunction, judgment or decree outstanding or any dispute, claim, suit, litigation, proceeding, labor dispute, arbitration, audit or investigation by or before any Governmental Authority.

"Liabilities" mean any debts, losses, damages, adverse claims, fines, penalties, liabilities or obligations (whether direct or indirect, known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, matured or unmatured, determined or determinable, liquidated or unliquidated, or due or to become due, and whether in contract, tort, strict liability or otherwise), and including all costs and expenses relating thereto including all fees, disbursements and expenses of legal counsel, experts, engineers and consultants and costs of investigation.

"LEIE" shall mean the OIG’s List of Excluded Individuals and Entities.

"Material Adverse Effect" means with respect to any event, change or occurrence that, individually or in the aggregate, has had, or would reasonably be expected to have, a material adverse effect on a Member and its JOC Participants taken as a whole or an effect that materially impairs the ability of a Member or its JOC Participants to perform its obligations under, or to consummate the transactions contemplated by, this Agreement, the JOC Operating Agreement or the JOC Participation Agreements, but excluding any effect resulting or arising from any of the following: (a) any change that is generally applicable to the healthcare industry or such industry
in the State of California, (b) any change due to actual or proposed changes in Law, (c) any change in general business, economic or market conditions, (d) the entry into, or compliance with the terms of, this Agreement or the announcement, pendency or consummation of the transactions contemplated by this Agreement, the JOC Operating Agreement or the JOC Participation Agreements, (e) any national or international political event or occurrence, including acts of war or terrorism, or (f) any change or proposed changes in GAAP or the interpretation thereof.

"Member", collectively the "Members," shall have the meaning set forth in Section 2.1.

"OIG" shall mean the U.S. Department of Health & Human Services Office of Inspector General.

"Ordinary Course of Business" shall mean an action taken by a Party only if that action: (a) is consistent in nature, scope and magnitude with the past practices of such Party and is taken in the ordinary course of the normal, day-to-day operations of such Party, (b) does not require special or separate authorization by the governing body or owners of such Party (or by any Party or group of persons exercising similar authority) and does not require any other separate or special authorization of any nature, and (c) is similar in nature, scope and magnitude to actions customarily taken, without any separate or special authorization, in the ordinary course of the normal, day-to-day operations of other parties that are in the same line of business as such Party.

"Party," collectively the "Parties," shall have the meaning set forth in the Preamble.

"Permitted Encumbrances" means: (a) statutory encumbrances for current taxes not yet due and payable; (b) as to leased assets, statutory interests of the lessors thereof and interests set forth in the applicable lease; (c) purchase money liens securing rental payments under capital lease arrangements; (d) encumbrances of landlords and mechanics', carriers', workers', repairers' and similar encumbrances arising or incurred in the Ordinary Course of Business and not yet delinquent; (e) zoning and other land use regulations imposed by governmental entities having jurisdiction over any of the SJHS Real Property or AH Real Property which are not violated by the current use and operation of such real property and the existence of which do not and would not reasonably be expected to materially impair the marketability, value or use and enjoyment of such property; (f) with respect to owned real property, covenants, conditions, restrictions, easements and other similar matters of record; (g) encumbrances arising under worker's compensation, unemployment insurance, social security, retirement and similar legislation not yet due and payable; and (h) the existing master trust indenture, other debt instruments, existing security interests, and collateral arrangements relating to the current obligated group.

"Person" means any natural person, partnership, corporation, trust, association or other legal entity.

"Presumptive Split" shall have the meaning set forth in Section 4.1.

"PSJH" means Providence St. Joseph Health.

"RCRA" shall mean the Resource Conservation and Recovery Act.
“Receiving Party” shall have the meaning set forth in Section 8.5.

“Returns” means all informational or tax returns, including, without limitation, employee payroll tax returns, employee unemployment tax returns and franchise tax returns.

“Sacred Trust Network” shall have the meaning set forth in Section 2.4(a).

“Sacred Trust Region” shall have the meaning set forth in the Recitals.

“Senior Executives” shall have the meaning set forth in Section 11.1(a).

“SJHS” shall have the meaning set forth in the Preamble.

“SJHS Directors” shall have the meaning set forth in Section 3.2.

“SJHS Disclosure Schedules” shall have the meaning set forth in Article V.

“SJHS Indemnified Party” shall have the meaning set forth in Section 12.3.

“SJHS Intellectual Property” shall mean patents, trademarks, service marks, trade names and other such intellectual property rights necessary or intended for operations of the SJHS Participating Ministries.

“SJHS Licenses and Permits” means the licenses, permits, registrations, certificates, consents, accreditation and approvals as are necessary to enable SJHS and the SJHS Participating Ministries to own, occupy and lease its properties and assets and to conduct and operate the businesses of the SJHS Participating Ministries.

“SJHS Participating Ministries” shall have the meaning set forth in Section 2.4(e).

“SJHS Plans” means (i) each pension, profit sharing, bonus, deferred compensation, or other retirement plan or arrangement of the SJHS Participating Ministries, whether oral or written, which constitutes an “employee pension benefit plan” as defined in Section 3(2) of ERISA (whether or not subject to ERISA), (ii) each medical, health, disability, insurance or other plan or arrangement of the SJHS Participating Ministries, whether oral or written, which constitutes an “employee welfare benefit plan” as defined in Section 3(1) of ERISA (whether or not subject to ERISA), and (iii) each other employee benefit or perquisite provided by the SJHS Participating Ministries, in which any employee of any SJHS Participating Ministry participates in his or her capacity as such.

“SJHS Real Property” shall mean the real property comprising all of the real property owned or leased by SJHS or the SJHS Participating Ministries held for use in the operations of the SJHS Participating Ministries.

“SJHS Subsidiaries” shall mean the Subsidiaries of the SJHS Participating Ministries as set forth in Exhibit F.
“Sponsor” shall mean the Co-Sponsors’ Council, the group of individuals serving Providence Ministries and St. Joseph Health Ministry, who have agreed to exercise the authority and responsibilities as the corporate member of Providence St. Joseph Health from a civil law perspective, and who have covenanted to ensure the healing ministry of Jesus is carried out in a manner consistent with the mission and in fidelity with the Catholic Church from a canon law perspective.

“Subsidiary” means any Person in which a JOC Participant owns or holds any ownership, membership or other interest.

“Taxes” means all taxes, assessments or other governmental charges (including, without limitation, excise taxes, sales taxes, value added taxes, taxes withheld from employees’ salaries and other withholding taxes and obligations and all deposits required to be made with respect thereto), levies, assessments, deficiencies, imports, duties, licenses and registration fees and charges of any nature whatsoever, including any interest and penalties thereon, imposed by any government or taxing authority that are levied upon property, assets, income or franchises.

**ARTICLE II**

**DESCRIPTION OF THE SACRED TRUST NETWORK AND OBJECTIVES**

2.1 **Formation of the JOC.** Prior to the Closing Date, the Parties will form a charitable California limited liability company that elects to be classified as a 501(c)(3) tax-exempt corporation for federal income tax purposes to serve as the joint operating company (the “JOC”) for the Sacred Trust Network (as defined below). Each Party will be a corporate member of the JOC (each, a “Member” and collectively, the “Members”). The Parties’ respective percentage membership interests in the JOC will initially be sixty-nine percent (69%) SJHS and thirty-one percent (31%) AH.

2.2 **Function of Sacred Trust Network as a Joint Operating Company.** The JOC is a joint operating company, and, as such, shall manage and have authority over the JOC Participants pursuant and subject to the terms of this Agreement, subject to certain reserved rights of the Members and Sponsor. The JOC represents the common and unifying commitment of the Members to work together for the good of the communities and customers served by their respective health care facilities and ministries. The Members share a common commitment to caring for the whole person through programs such as pastoral care, charity care, community wellness, health education, and care for the poor and vulnerable. This common commitment shall be continued and enhanced through the operations of the JOC and the Sacred Trust Network. However, at all times, governance and management of the JOC Participants shall be conducted in a manner that is respectful and preserves the distinct identity, values, philosophy and tradition of such facilities and ministries as either Adventist or Catholic, as applicable.

2.3 **Purposes of the JOC.**

(a) The JOC will be organized and shall be operated exclusively for one or more exempt purposes within the meaning of the Code Section 501(c)(3) and Sections 214 and 23701d of the California Revenue and Taxation Code (the “California Tax Code”). The JOC will be
operated exclusively to further the exempt purposes of its Members as specified in the Code Section 501(c)(3) and California Tax Code Sections 214 and 23701(d). Consistent with the foregoing, the principal purpose of the JOC is to carry on any lawful business or activity which may be conducted by a limited liability company under the California Limited Liability Company Act, as amended from time to time (the "Act"), including, specifically, the maintenance, management, promotion and operation of the Sacred Trust Network and related charitable health programs, services and businesses, and to exercise all other powers necessary or reasonably connected or incidental to such purpose and business that may be legally exercised by the JOC under the Act.

(b) In connection with and furtherance of the exempt purposes of the JOC, the JOC shall operate and manage an integrated healthcare delivery network throughout the Sacred Trust Region that recognizes and builds upon the unique and common elements of the Parties' respective heritages and faith traditions where they are committed to the healing ministry of Jesus and the common values of dignity, excellence and service.

(c) The JOC intends to achieve its purposes through:

(1) The management of the day-to-day affairs of each of the AH Participating Entities and the SJHS Participating Ministries (each as defined below), subject to Section 2.3(d) and pursuant to the terms and conditions of the JOC Participation Agreements;

(2) The ownership of health care services, facilities and ministries, or assets contributed by the Members or acquired by the JOC after the Effective Date, subject to such JOC Board, Member and/or Sponsor approvals as may be required of the JOC Operating Agreement;

(3) Membership or other ownership of investment interests in other Persons contributed by the Members or acquired by or formed by the JOC after the Effective Date, subject to such JOC Board, Member and/or Sponsor approvals as may be required by the JOC Operating Agreement; and

(4) Entering into the arrangements described in Section 2.4(d).

(d) The JOC shall not govern, manage or finance the provision of activities and procedures that are contrary to the Directives at AH Participating Entities. Such activities and procedures shall be governed, managed and financed exclusively by AH and the AH Participating Entities, subject to Section 2.6.

2.4 The Sacred Trust Network.

(a) The Sacred Trust Network will be an integrated delivery network throughout the Sacred Trust Region consisting of the health care facilities, entities and businesses owned and/or operated by the AH Participating Entities within the Sacred Trust Region and the health care facilities, entities and businesses owned and/or operated by the SJHS Participating Ministries within the Sacred Trust Region (the "Sacred Trust Network").

(b) The following AH health care facilities, entities and businesses will continue to be owned by AH but will be operated and managed by the JOC, subject to Section 2.3(d), as part of
the Sacred Trust Network as of the Closing Date (collectively, the "AH Participating Entities"): 

(1) St. Helena Hospital (which owns and operates the hospital facilities known as Adventist Health St. Helena and Adventist Health Vallejo); 

(2) Adventist Health Clearlake Hospital, Inc. (which owns and operates the hospital facility known as Adventist Health Clear Lake); 

(3) Ukiah Adventist Hospital (which owns and operates the hospital facilities known as Adventist Health Ukiah Valley); 

(4) Willits Hospital, Inc. (which leases and operates the hospital facility known as Adventist Health Howard Memorial); and 

(5) Western Health Resources, with respect to the home care and/or hospice businesses and operations in the Sacred Trust Region. 

(c) The following SJHS health care facilities, entities and businesses will continue to be owned by SJHS and/or St. Joseph Health Northern California, LLC, as applicable, but will be operated and managed by the JOC as part of the Sacred Trust Network as of the Closing Date (collectively, the "SJHS Participating Ministries" and, together with the AH Participating Entities, the "JOC Participants"): 

(1) St. Joseph Health Northern California, LLC (which owns and operates the hospital facilities known as Santa Rosa Memorial Hospital, Queen of the Valley Medical Center, St. Joseph Hospital of Eureka, and Redwood Memorial Hospital of Fortuna); and 

(2) St. Joseph Home Care Network. 

(d) Additionally, as of the Closing Date, the JOC will enter into a Clinical Integration and Collaboration Agreement with each of St. Joseph Heritage Healthcare ("Heritage") and Adventist Health Physician Network ("AHPN") under which Heritage and AHPN will collaborate with the JOC and the JOC Participants in the delivery of professional medical services to patients within the Sacred Trust Region in a manner consistent with the discussions between the Parties prior to the Execution Date. Furthermore, after the Closing Date, the Parties intend to work in good faith to develop a more comprehensive clinical integration physician alignment strategy for the Sacred Trust Region, encompassing Heritage's, AHPN's, and the Parties' other medical foundation clinics, hospital-based physician clinics, and rural health clinics to achieve the Parties' common goals and to best meet the needs of the communities of the Sacred Trust Region. 

2.5 Separate Corporate Existence. Each JOC Participant shall preserve and retain its separate corporate existence from and after the Closing Date. From and after the Closing Date, the members of the Boards of Directors/Trustees of each JOC Participant shall continue to be elected, appointed and removed by the Person, body or authority designated in the Corporate Documents of such JOC Participant.
2.6 Religious Identity and Values.

(a) Activities of SJHS, PSJH and the SJHS Participating Ministries are subject to the Directives and to Catholic teaching. The SJHS Participating Ministries will continue to be Catholic institutions and Affiliates of SJHS. The SJHS Participating Ministries will carry out the mission of SJHS and will comply with the mission, canonical or civil legal obligations of SJHS. Neither the JOC nor the JOC Board will exercise any control over the SJHS Participating Ministries, which would cause the SJHS Participating Ministries to violate the mission, canonical or legal obligations of SJHS or the SJHS Participating Ministries. Any assets acquired by the JOC will not be considered by that very fact to become ecclesiastical goods; consequently, they will not be subject to canonical regulations regarding their administration. If existing ecclesiastical goods are acquired by the JOC, appropriate arrangements will be made beforehand regarding their administration and eventual alienation.

(1) If SJHS determines, in good faith, that any health care program, service, procedure or other action of AH or any of the AH Participating Entities could cause any SJHS Participating Ministry to violate the Directives or Catholic teaching (each, a "Disputed AH Action"), SJHS shall request in writing to AH the commencement of the Collaborative Process. Upon receipt of such written request, AH shall not implement any new program, service, procedure or other action until AH and SJHS have completed the Collaborative Process.

(2) Similarly, if AH or any AH Participating Entity intends to implement any health care program, service, procedure or other action (each, an "AH Proposed Action") at any AH Participating Entity that could reasonably be interpreted to cause any SJHS Participating Ministry to violate the Directives or Catholic teaching, AH shall provide advance written notification to SJHS and shall not implement the AH Proposed Action until AH and SJHS have completed the Collaborative Process.

(b) Subject to Section 2.6(a) and Section 2.6(c), the activities of AH and the AH Participating Entities are not subject to, and will not become subject to, the Directives, the Statement of Common Values or Catholic teaching. The AH Participating Entities will continue to be Adventist institutions and Affiliates of AH. The AH Participating Entities will continue to carry out the mission of AH, comply with and adhere to the values, guidelines and corporate and system-wide policies of AH and the Seventh-day Adventist Church, including policies to ensure that a substantial proportion of Management Level employees at the AH Participating Entities are members in regular standing of the Seventh-day Adventist Church. Subject to Section 2.6(a) and Section 2.6(c), neither the JOC nor the JOC Board will exercise any power or control over the AH Participating Entities which would cause the AH Participating Entities to violate the beliefs, mission, or legal obligations of the Seventh-day Adventist Church, AH or the AH Participating Entities. In order to preserve the Adventist culture and mission, hiring at the department director level and above (the "Management Level") with respect to the AH Participating Entities shall be conducted at the respective AH Participating Entities by an individual designated by the chief executive officer of the AH Participating Entities. Policies shall be implemented to ensure that a substantial proportion of Management Level employees and above of the AH Participating Entities are members in regular standing of the Seventh-day Adventist Church.
(1) If AH determines, in good faith, that any health care program, service, procedure or other action of the Sacred Trust Network, SJHS or any of the SJHS Participating Ministries could cause AH or any AH Participating Entity to violate the core values of AH or of the Seventh-day Adventist Church (each, a "Disputed SJHS Action", and, together with a Disputed AH Action, a "Disputed Action"), AH shall request in writing to SJHS the commencement of the Collaborative Process. Upon receipt of such written request, SJHS shall not implement any new program, service, procedure or other action until AH and SJHS have completed the Collaborative Process.

(2) Similarly, if SJHS or any SJHS Participating Ministry intends to implement any health care program, service, procedure or other action (each, a "SJHS Proposed Action", and, together with an AH Proposed Action, a "Proposed Action") at any SJHS Participating Ministry that could reasonably be interpreted to cause any AH Participating Entity to violate the core values of AH or the Seventh-day Adventist Church, SJHS shall provide advance written notification to AH and shall not implement the SJHS Proposed Action until AH and SJHS have completed the Collaborative Process.

(c) Upon such request (as described in Section 2.6(a)(1) or Section 2.6(b)(1), or notification (as described in Section 2.6(a)(2) or Section 2.6(b)(2)), AH and SJHS shall engage in good faith in a collaborative process to evaluate and resolve the issues relating to the Disputed Action or Proposed Action in such a way that is not violative of (1) the Directives or Catholic teaching, or (2) the core values of AH or of the Seventh-day Adventist Church, as further described in Sections 2.6(d), 2.6(e) and 2.6(f) (the "Collaborative Process").

(d) The Collaborative Process shall involve communications and meetings between up to five (5) representatives designated by each of the Members, which representatives shall include the PSJH Senior Vice President of Theology and Ethics, two (2) members of the PSJH Co-Sponsors' Council and one (1) SJHS mission leader, over a forty-five (45) day period commencing upon the date of receipt by AH of the SJHS notification or by SJHS of the AH notification (as applicable) during which the Members shall, in good faith (i) discuss the specific Disputed Action or Proposed Action; (ii) determine whether the specific Disputed Action or Proposed Action is, as the case may be (A) in the interpretation of SJHS or the Roman Catholic Bishop of Santa Rosa, violative of the Directives or Catholic teaching; or (B) in the interpretation of the President of the Pacific Union Conference of the Seventh-day Adventist Church (the "AH Conference President") or in the reasonable interpretation of AH, violative of the core values of AH or the Seventh-day Adventist Church; and (iii) if so determined the Roman Catholic Bishop of Santa Rosa, SJHS, AH or the AH Conference President, as applicable, identify reasonable alternatives to the specific Disputed Action or the Proposed Action, or alternative ways in which the specific Disputed Action or Proposed Action may be implemented such that it is not violative of the Directives or Catholic teaching, or of the core values of AH or the Seventh-day Adventist Church.

(e) Determinations regarding interpretation of the Directives and of Catholic teaching by SJHS or the Roman Catholic Bishop of Santa Rosa shall be made in good faith but shall not be subject to further analysis, interpretation, or dispute resolution and shall be controlling for purposes of this Section 2.6. The Roman Catholic Bishop of Santa Rosa has ultimate authority for interpreting the Directives.
(f) Determinations regarding interpretation of the core values of AH and of the Seventh-day Adventist Church by AH or the AH Conference President shall be made in good faith but shall not be subject to further analysis, interpretation, or dispute resolution and shall be controlling for purposes of this Section 2.6. The AH Conference President has ultimate authority for interpreting the core values of AH and the Seventh-day Adventist Church.

(g) If at the conclusion of the collaborative period described in Section 2.6(d) the Members are unable to agree upon alternatives to a specific Disputed Action or specific Proposed Action that is determined (1) by the Roman Catholic Bishop of Santa Rosa to be violative of the Directives or of Catholic teaching, or (2) by the AH Conference President to be violative of the core principles of AH or the Seventh-day Adventist Church, and the Party proposing the Proposed Action or engaging in such Disputed Action continues to implement the specific Proposed Action or fails to promptly cease the specific Disputed Action, or takes material steps to initiate a specific Disputed Action or specific Proposed Action, then the Party adversely effected by such specific Disputed Action or such specific Proposed Action shall have the right to cause dissolution of the JOC set forth in Section 12 of the JOC Operating Agreement.

2.7 **Bond Compliance.** Neither the JOC nor the JOC Board will exercise any power or take or approve any action which, at the time the power is exercised or the action taken, would reasonably be expected to cause either Member or any JOC Participant to fail to satisfy the obligations, covenants, terms or conditions, or to be otherwise in violation of, any master trust indenture, supplemental master indenture, bond indenture, supplemental bond indenture, tax document or other loan or credit documents relating to any material Indebtedness of either Member, and JOC Participant or any entity included in such Member's obligated group, if any or would adversely affect the tax exempt status of any debt financing.

**ARTICLE III**

**STRUCTURE, GOVERNANCE AND MANAGEMENT OF THE SACRED TRUST NETWORK**

3.1 **JOC Authority.**

(a) Subject to Section 2.6 and those decisions specifically reserved to one or more of the Members, the Sponsor or the JOC Participants in the JOC Operating Agreement and/or those actions or decisions for which approval of the Members, the Sponsor or the JOC Participants, as applicable, are required under the JOC Operating Agreement, the JOC shall have full and complete authority, power and discretion over the management of the business and affairs of the JOC and the JOC Participants, subject to Section 2.3(d).

(b) The JOC shall coordinate and have authority over the management of the business and affairs of the JOC and the JOC Participants, subject to Section 2.3(d), pursuant and subject to the terms of the JOC Operating Agreement to be executed and delivered by the Parties as of the Closing Date substantially in the form attached as Exhibit A (the "JOC Operating Agreement"), the SJHS Participating Ministry Agreements to be executed and delivered by the JOC and each of the SJHS Participating Ministries as of the Closing Date substantially in the form attached as Exhibit B (the "SJHS Participating Ministry Agreements"), and the AH
Participating Entity Agreements to be executed and delivered by the JOC and each of the AH Participating Entities as of the Closing Date substantially in the form attached as Exhibit C (the “AH Participating Entity Agreements”). Collectively, the AH Participating Entity Agreements and the SJHS Participating Ministry Agreements are the “JOC Participation Agreements”.

3.2 **JOC Board.** The governing board of the JOC (the “JOC Board”) will initially consist of ten (10) voting members, five (5) of whom will be appointed by AH (the “AH Directors”), and five (5) of whom will be appointed by SJHS including one designated by the Sponsor (the “SJHS Directors”). At least one (1) of the AH Directors initially appointed by AH shall be a person who is not employed on a full-time or substantially full-time basis by AH or any of its Affiliates, and at least one (1) of the SJHS Directors initially appointed by SJHS shall be a person who is not employed on a full-time or substantially full-time basis by SJHS or any of its Affiliates. The individuals who will initially serve on the JOC Board are set forth on Exhibit D.

3.3 **Initial JOC Board Officers.** The JOC Board shall initially have a Chair and a Vice Chair. The individuals who will initially serve as JOC Board Chair and the JOC Board Vice Chair are set forth on Exhibit D.

3.4 **Initial JOC President and Chief Executive Officer.** The initial JOC President and Chief Executive Officer (the “JOC CEO”) shall be Kevin Klockenga. Thereafter, the JOC Board will have the sole and exclusive power and authority to appoint and remove (i.e., hire and fire) the JOC CEO.

3.5 **JOC Participant President/JOC CEOs.** The Presidents/CEOs and other executive managers of the JOC Participants in office as of the Closing Date will serve as the initial executive managers of such JOC Participants. Thereafter, the JOC CEO will have the power and authority to appoint and remove (i.e., hire and fire) the President/CEO of each of the JOC Participants after consultation with the Board of Directors/Trustees of the applicable JOC Participant; provided, however, that the President/CEO of any AH Participating Entity must at all times be a member in regular standing of the Seventh-day Adventist Church.

**ARTICLE IV**
**POWERS AND OBLIGATIONS CONCERNING THE JOC ACTIVITIES OF THE JOC PARTICIPANTS**

4.1 **Presumptive Split.** The Parties will share in the aggregate Operating EBIDA (as defined in the JOC Operating Agreement) generated by the JOC Participants. Effective as of the Closing Date, sixty-nine percent (69%) will be allocated to SJHS and thirty-one percent (31%) will be allocated to AH. This allocation, and the process for adjustment, is described in more detail in the JOC Operating Agreement (the “Presumptive Split”).

4.2 **JOC Strategic and Business Plans.** The JOC shall develop, approve, and oversee the implementation of strategic and business plans for the operations and activities of the JOC, the JOC Participants and the Sacred Trust Network, subject to the terms and conditions set forth in the JOC Operating Agreement. Each JOC Participant shall work with the JOC to develop, and shall submit periodically to the JOC for its approval and/or revision, a proposed business plan for
its operations and activities that implement the strategic and business plans approved by the JOC Board.

4.3 **JOC Capital Expenditure and Operating Budgets.** The JOC shall develop and oversee the implementation of annual capital and operating budgets for the JOC and the JOC Participants, subject to the terms and conditions set forth in the JOC Operating Agreement.

4.4 **New, Expanded or Renewed Affiliations by JOC Participants.** The JOC Participants shall not renew, extend, expand, terminate or modify an existing Affiliation, or enter into a new Affiliation without the approval of the JOC Board, as set forth in the JOC Operating Agreement. Consistent with Section 2.6, the JOC Board will determine the applicability of the Directives and the core values of AH or of the Seventh-day Adventist Church to new participants in the JOC that are not AH Participating Entities or SJHS Participating Ministries.

4.5 **Payor Relationships.** The JOC shall directly negotiate and manage all relationships with payors on behalf of the Sacred Trust Network, including the JOC and the JOC Participants.

4.6 **Medical Staff Matters.** As of the Closing Date, the medical staff of each JOC Participant shall remain independent. Each JOC Participant will be responsible for maintaining its own medical staff(s) for its facilities, and decisions on admitting and clinical privileges and medical staff memberships in the facilities of any JOC Participant will be retained by such JOC Participant and its medical staff.

4.7 **Employees.** Nothing in this Agreement shall alter or affect the JOC Participants' status as separate and distinct employers, nor shall it alter or affect relationships with employees or bargaining units within their operations and labor relations within their organizations.

4.8 **Branding.** Each JOC Participant will initially retain its current marks and brands as its primary identifier. The Parties shall, through the JOC, develop a mark and brand for the Sacred Trust Network, and a co-branding strategy for co-branding the Sacred Trust Network and the facilities, programs and services operated by the JOC and the JOC Participants.

4.9 **Corporate Services.** Each Party will initially continue to provide corporate and other shared services to its respective JOC Participants post-transaction on the same terms as such services are provided by the Parties as of the Execution Date (the "CBO Services") upon the terms and subject to the conditions set forth in the CBO Services Agreements by and between the JOC and each of the Members and the JOC Participants to be mutually agreed upon and executed on or before the Closing Date. Each Party acknowledges that, beginning six (6) months following the Closing Date, the JOC may, upon approval by the JOC Board, consolidate the CBO Services to one Party and/or outsource the CBO Services to a third-party vendor.

**ARTICLE V**

**REPRESENTATIONS AND WARRANTIES OF SJHS**

SJHS represents and warrants to AH that, as of the Execution Date and the Closing Date, except as specifically disclosed in the Disclosure Schedules delivered by SJHS to AH as of the Execution Date, as amended or supplemented prior to the Closing Date in accordance with Section 8.5 of this Agreement (the "SJHS Disclosure Schedules") (all such exceptions noted in
the SJHS Disclosure Schedules being numbered to correspond to the applicable subsection of this Article V).

5.1 Due Organization. SJHS and each of the SJHS Participating Ministries is a corporation duly organized, validly existing and in good standing under the laws of the State of California, and SJHS and each of the SJHS Participating Ministries is exempt from taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code.

5.2 Authority. SJHS and each of the SJHS Participating Ministries has all requisite corporate power and authority and has obtained all necessary corporate approvals and consents to execute, deliver and carry out this Agreement, the JOC Operating Agreement and the SJHS Participating Ministry Agreements, and to consummate the transactions contemplated hereby and thereby. All corporate and other actions required to be taken by SJHS and each of the SJHS Participating Ministries to authorize the execution, delivery and performance of this Agreement, the JOC Operating Agreement and the SJHS Participating Ministry Agreements, and all transactions contemplated hereby and thereby, have been duly and properly taken by SJHS and each of the SJHS Participating Ministries. No other corporate or other action on the part of SJHS, the SJHS Participating Ministries or any other Affiliate or Sponsor of SJHS is or will be necessary to authorize the execution, delivery and performance of this Agreement, the JOC Operating Agreement and the SJHS Participating Ministry Agreements, or the transactions contemplated hereby and thereby.

5.3 Subsidiaries. SJHS and each of the SJHS Participating Ministries holds of record and beneficially owns all the outstanding equity interests of each SJHS Subsidiary, free and clear of any Encumbrances other than Permitted Encumbrances. All the issued and outstanding shares of capital stock or other equity interest of each SJHS Subsidiary (i) have been duly authorized and validly issued and are fully paid and non-assessable and (ii) were issued in compliance with all applicable state and federal securities laws. There are no outstanding rights, options, warrants, convertible securities, subscription rights, conversion rights, exchange rights or other agreements that require any SJHS Subsidiary to issue or sell any shares of its capital stock or other equity interest (or securities convertible into or exchangeable for shares of its capital stock). No SJHS Subsidiary is obligated to redeem or otherwise acquire any of its outstanding shares of capital stock.

5.4 Real Property. SJHS or the SJHS Participating Ministries are vested with title to the SJHS Real Property within the Sacred Trust Region, together with all buildings, improvements and fixtures thereon and all appurtenances and rights thereto, and neither SJHS nor the SJHS Participating Ministries has created any Encumbrances which cause title to the SJHS Real Property to be defeasible or which will materially interfere with the use by the JOC of the SJHS Real Property in a manner consistent with the current use by SJHS or the SJHS Participating Ministries, other than the Permitted Encumbrances.

(a) If any Encumbrances (other than Permitted Encumbrances) are asserted against the SJHS Real Property by, through or under SJHS or the SJHS Participating Ministries, SJHS or the SJHS Participating Ministries shall obtain the release of such Encumbrances;
(b) Neither SJHS nor the SJHS Participating Ministries has received notice of a violation of any applicable ordinance or other law, order, regulation or requirement, and none has received notice of condemnation, lien, assessment or the like, relating to any part of the SJHS Real Property or the operation thereof;

(c) To the Knowledge of SJHS, the SJHS Real Property and its operations are in compliance with respect to all applicable zoning ordinances (excepting only instances of non-compliance which will not materially adversely affect the business of SJHS or the SJHS Participating Ministries), and the consummation of the transactions contemplated herein will not result in a violation of any applicable zoning ordinance or the termination of any applicable zoning variance now existing and, if the improvements on the SJHS Real Property are damaged or destroyed subsequent to the Closing Date, the repair or replacement of same to the condition existing immediately prior to the Closing Date will not violate applicable zoning ordinances (assuming there has been no change in such zoning ordinances), and the buildings and improvements on the SJHS Real Property comply with all building codes (excepting only instances of non-compliance which will not materially adversely affect the business of the JOC);

(d) The SJHS Real Property and improvements thereon are in good condition, reasonable wear and tear excepted. Without limiting the generality of the foregoing, to the Knowledge of SJHS, (i) each of (A) the heating, ventilation and air conditioning system ("HVAC"), (B) the mechanical, electrical and plumbing system ("MEP") and (C) the roof of each SJHS Real Property is in good working condition and is free from material defects, subject, however, to ordinary wear and tear and (ii) the foundation, walls and all structural components of the buildings and other improvements upon the SJHS Real Property are free from material defects.

5.5 Title to Assets. Except for Permitted Encumbrances, the SJHS Participating Ministries own, free and clear of all Encumbrances, all right, title and interest in and to all properties and assets (whether real, personal or mixed and whether tangible or intangible) used in the operation of the SJHS Participating Ministries (except for assets held under capitalized or operating leases and the assets of tenants, patient, residents or visitors to their facilities).

5.6 Insurance. All binders and policies of insurance maintained by SJHS or the SJHS Participating Ministries have been issued under valid and enforceable policies or binders for the benefit of SJHS or the SJHS Participating Ministries and all such policies or binders are in full force and effect and are in amounts and for risks, casualties and contingencies which are customarily insured against by enterprises in businesses like those operated by SJHS and the SJHS Participating Ministries. No notice of cancellation or nonrenewal with respect to, or material increase of premiums for, any insurance has been received by SJHS within twenty-four (24) months immediately preceding the Closing Date, and, to the Knowledge of SJHS, there is no claim that could give rise to a notice of cancellation or nonrenewal or a material increase in premiums for any insurance.

5.7 Financial Statements. SJHS has previously delivered true and correct copies of its audited consolidated financial statements for its most recent three (3) full fiscal years and its most recent currently available unaudited financial statements (collectively, the "SJHS
Financial Statements"). The SJHS Financial Statements are complete, true and correct in all material respects, present fairly and accurately the financial position of the respective party, the results of its operations at the dates and for the periods indicated and have been prepared in conformity with GAAP, except that the unaudited financial statements do not conform to GAAP. From and after the date of the most recent audited financial statements, neither SJHS nor the SJHS Participating Ministries has made any change in its accounting methods or practices.

5.8 Licenses and Permits. The SJHS Participating Ministries hold all SJHS Licenses and Permits as are necessary to enable them to own, occupy and lease its properties and assets and to conduct and operate their respective businesses. No SJHS Participating Ministry is in default in any material respect under any such SJHS Licenses and Permits, and all such SJHS Licenses and Permits are in full force and effect. No notice from any authority in respect to the revocation, termination, suspension or limitation of any SJHS License or Permit has been issued or given, nor is SJHS aware of the proposed or threatened issuance of any such notice. To the Knowledge of SJHS, there is no basis for any such action which could have a materially adverse effect upon SJHS’s or the SJHS’s Participating Ministries’ ability to own, operate or lease their respective properties and assets as presently owned, operated and leased and to conduct their respective businesses as they are presently conducted.

5.9 Medicare, Medicaid, and Other Reimbursement.

(a) Neither SJHS nor any SJHS Participating Ministry is engaged in termination proceedings as to its participation in Medicare or Medicaid or has received notice that its current participation in Medicare or Medicaid is subject to any contest, termination or suspension as a result of alleged violations or any noncompliance with participation requirements.

(b) SJHS and the SJHS Participating Ministries meet the conditions for participation in the Medicare and Medicaid programs, and there are no pending or, to the Knowledge of SJHS, threatened proceedings or investigations under such programs involving any of the foregoing.

(c) To the Knowledge of SJHS, material liabilities and contractual adjustments of SJHS and the SJHS Participating Ministries under any third-party payor or reimbursement programs have been properly reflected and adequately reserved for in the SJHS Financial Statements.

5.10 Exclusion from Health Care Programs. SJHS and the SJHS Participating Ministries perform monthly monitoring, including review of the LEIE pursuant to OIG guidance, to determine whether any officers, directors, employees, agents or independent contractors of SJHS or the SJHS Participating Ministries has been: (a) excluded from participating in any Governmental Program; (b) subject to sanction or been indicted or convicted of a crime, or pled nolo contendere or to sufficient facts, in connection with any allegation of violation of any Governmental Program requirement or Healthcare Laws; (c) debarred or suspended from any federal or state procurement or non-procurement program by any government agency; or (d) designated a Specially Designated National or Blocked Person by the Office of Foreign Asset Control of the U.S. Department of Treasury. SJHS and the SJHS Participating Ministries maintain accurate documentation of such monthly LEIE searches.
5.11 Compliance with Laws.

(a) SJHS and the SJHS Participating Ministries are not in violation of any law, rule, regulation, ordinance or order of any Governmental Authority, which could have a Material Adverse Effect on the businesses of SJHS or the SJHS Participating Ministries, nor has SJHS or the SJHS Participating Ministries received any actual notice of noncompliance with respect thereto from any Governmental Authority.

(b) SJHS and the SJHS Participating Ministries: (i) are not a party to a Corporate Integrity Agreement with the OIG; (ii) have no reporting obligations pursuant to any settlement agreement entered into with any Governmental Authority; (iii) in the last six years, have not been the subject of any Governmental Program investigation conducted by any federal or state enforcement agency which could have a Material Adverse Effect on the business of SJHS or the SJHS Participating Ministries; (iv) in the last six years, have not been a defendant in any *qui tam*/False Claims Act litigation; and (v) in the last six years, have not been served with or received any search warrant, subpoena, civil investigative demand, contact letter, or telephone or personal contact by or from any Governmental Authority (except in the Ordinary Course of Business or connection with medical services provided to third-parties who may be defendants or the subject of investigation into conduct unrelated to the operation of the health care businesses conducted by SJHS and the SJHS Participating Ministries).

5.12 Employees and Labor Relations. There is no pending or threatened employee strike, work stoppage or labor dispute concerning the employees of the SJHS Participating Ministries. Except as disclosed by SJHS to AI-I referencing this Section 5.12, no collective bargaining agreement exists or is currently being negotiated concerning the employees of the SJHS Participating Ministries, no demand has been made for recognition by a labor organization by or with respect to any employees of the SJHS Participating Ministries, no union organizing activities by or with respect to any employees of the SJHS Participating Ministries are taking place, and none of the employees of the SJHS Participating Ministries are represented by any labor union or organization. There is no unfair practice claim against any of the SJHS Participating Ministries before the National Labor Relations Board or any strike, dispute, slowdown, or stoppage pending or threatened against or involving the SJHS Participating Ministries and none has occurred. To the Knowledge of SJHS, the SJHS Participating Ministries are in material compliance with all federal and state laws respecting employment and employment practices, terms and conditions of employment, and wages and hours concerning the employees of the SJHS Participating Ministries. To the Knowledge of SJHS, none of the SJHS Participating Ministries are engaged in any unfair labor practices concerning the employees of the SJHS Participating Ministries. There are no pending or threatened EEOC claims, wage and hour claims, unemployment compensation claims, nor workers' compensation claims concerning the employees of the SJHS Participating Ministries.

5.13 Employee Benefits.

(a) Each of the SJHS Plans is a church plan as defined in Section 3(33) of ERISA and Section 414(e) of the Code with respect to which no election has been made under Section 410(d) of the Code, and is exempt from Titles I and IV of ERISA and the corresponding
provisions of the Code, including, but not limited to, Code Sections 411, 412 and 430 through 436.

(b) With respect to each SJHS Plan, to the Knowledge of SJHS, neither SJHS nor any SJHS Participating Ministry has any direct or indirect, actual or contingent liability, other than to make payments for contributions, premiums or benefits when due in the ordinary course, all of which payments that are due having been made. None of the assets of SJHS or SJHS Participating Ministries are subject to any lien under ERISA or the Code.

(c) All the SJHS Plans have been administered in material compliance with ERISA, to the extent applicable, and the applicable provisions of the Code. There are no “accumulated funding deficiencies” within the meaning of ERISA or the Code or any federal excise taxes due in respect of the SJHS Plans.

5.14 Litigation and Proceedings. Except as disclosed by SJHS to AH referencing this Section 5.14, no SJHS Participating Ministry is engaged in, a party to, or, to the Knowledge of SJHS, has been threatened with any action, suit, proceeding, complaint, charge, hearing, investigation or arbitration or other method of settling disputes or disagreements that may materially and adversely affect its business or financial condition or questions the ability of SJHS or any SJHS Participating Ministry to perform their obligations under this Agreement, the JOC Operating Agreement or the SJHS Participating Ministry Agreements. SJHS has not received any notice of any investigation, threatened or contemplated, by any Governmental Authority, including investigations involving the business practices and policies of SJHS or the SJHS Participating Ministries.

5.15 Third Party Payor Cost Reports. The cost reports for the SJHS Participating Ministries or their respective operations prior to Closing, for the Government Programs for the fiscal years through December 31, 2016, required to be filed on or before the date hereof have been timely filed. All such cost reports are in material compliance with governmental filing requirements. To the Knowledge of SJHS, no SJHS Participating Ministry has received reimbursement in excess of the amount provided by law resulting in an overpayment with respect to the SJHS Participating Ministries, or their respective operations prior to Closing.

5.16 Medical Staff Matters. To the Knowledge of SJHS, there are no pending or threatened disputes with applicants, medical staff members or health professional affiliates at the SJHS Participating Ministries and all appeal periods in respect of any medical staff member or applicant against whom an adverse action has been taken have expired.

5.17 Tax Liabilities Disclosures.

(a) All Returns for periods through and including the Closing Date which are required to be filed have been filed or will be filed in the manner provided by law, and all Returns are or will be true and correct and accurately reflect the tax liabilities of the SJHS Participating Ministries for the periods or other matters covered by such tax returns;

(b) All taxes, penalties, interest, and any other statutory additions, including income taxes, estimated taxes, alternative minimum taxes, excise taxes, sales taxes, use taxes, value-added taxes, gross receipts taxes, franchise taxes, capital stock taxes, employment and payroll-
related taxes, withholding taxes, stamp taxes, transfer taxes, windfall profit taxes, environmental taxes and property taxes, which have become due by the SJHS Participating Ministries pursuant to the Returns, and any assessments received by the SJHS Participating Ministries have been paid when due or adequately provided for, except for amounts that have been contested in good faith;

(c) There are no tax liens on any of the assets of SJHS or any of the SJHS Participating Ministries; and

(d) Proper and accurate amounts have been withheld by SJHS and the SJHS Participating Ministries from its employees for all periods in full and complete compliance with the tax and other withholding provisions of all applicable laws and all such amounts have been duly and validly remitted to the proper taxing authority.

5.18 Tax Exempt Status. Each of SJHS and the SJHS Participating Ministries is an exempt organization under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code, and is not a “private foundation” within the meaning of Section 509(a) of the Code. The Internal Revenue Service has not taken, nor, to the Knowledge of SJHS, proposed to take, any action to revoke the tax-exempt status of SJHS or any of the SJHS Participating Ministries, and has not announced, nor, to the Knowledge of SJHS, proposed to announce, that SJHS or a SJHS Participating Ministry is a “private foundation” within the meaning of Section 509(a) of the Code. There has been no change in its organization or operations that could result in a loss of SJHS or a SJHS Participating Ministry’s status as an organization described in Section 501(c)(3) of the Code or that could cause SJHS or a SJHS Participating Ministry to be treated as a “private foundation” within the meaning of Section 509(a) of the Code.

5.19 Environmental Law Disclosures. To the Knowledge of SJHS, the SJHS Real Property is not subject to any environmental liabilities and no part of the SJHS Real Property is in violation of any Environmental Laws. To the Knowledge of SJHS, there are no pending or unresolved notices, claims, suits, citations, orders or decrees relating to environmental matters or occupational safety and health matters on the SJHS Real Property. To the Knowledge of SJHS, no Hazardous Substances (which for purposes of this Section shall be defined as in CERCLA and additionally include petroleum products and crude oil or any fraction thereof) have been, and through the Closing Date, no Hazardous Substance will be, improperly disposed of or Released (which for purposes of this Section shall be defined as in CERCLA) or discharged from (including soil or groundwater contamination) or in respect of any part of the SJHS Real Property. To the Knowledge of SJHS, there are no leaking underground storage tanks at the SJHS Real Property or material quantities of friable damaged asbestos containing materials at the SJHS Real Property that must be abated or removed to comply with applicable Environmental Laws. Prior to Closing, SJHS shall not allow and shall cause the SJHS Participating Ministries to not allow any Hazardous Substances to be discharged, Released, possessed, managed, processed or otherwise handled on any part of the SJHS Real Property in a manner which is in violation of applicable Environmental Laws which could result in a material liability under any applicable law.

5.20 Intellectual Property; No Infringement. To the Knowledge of SJHS, no proceedings are pending or threatened that challenge the validity of the ownership by SJHS or the SJHS
Participating Ministries of any SJHS Intellectual Property. SJHS and the SJHS Participating Ministries have not licensed anyone to use such SJHS Intellectual Property and SJHS has no Knowledge of the use or infringement of any such SJHS Intellectual Property.

5.21 No Interim Change. Since December 31, 2017 there has not been: (a) any change in the financial condition, assets, liabilities, personnel, properties or results of operation of the businesses of the SJHS Participating Ministries that have had or, to the Knowledge of SJHS, could have, in the aggregate, a Material Adverse Effect on the businesses of the SJHS Participating Ministries taken as a whole; (b) any damage, destruction or loss, whether or not covered by insurance, which have had or, to SJHS’s Knowledge could have, in the aggregate, a Material Adverse Effect on the businesses of the SJHS Participating Ministries taken as a whole; (c) any disposition by SJHS or the SJHS Participating Ministries of any property, rights or other assets owned by or employed in the businesses of the SJHS Participating Ministries, except for the disposition of property, rights or other assets in the Ordinary Course of the Business of SJHS or the SJHS Participating Ministries; (d) any amendment or termination of any Contract which has had or, to the Knowledge of SJHS, could have, in the aggregate, a Material Adverse Effect on the businesses of the SJHS Participating Ministries taken as a whole.

5.22 No Material Omissions. To the Knowledge of SJHS: (a) the statements, representations and warranties contained in this Agreement, and each exhibit, certificate or other written statement delivered pursuant to this Agreement, or in connection with the transactions contemplated hereby are accurate, correct and complete, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements and information contained therein not misleading; and (b) there is no fact which adversely affects or in the future may, to the Knowledge of SJHS, adversely affect the businesses, operations, properties, prospects or condition, financial or otherwise, of the SJHS Participating Ministries, taken as a whole, or the ability of SJHS to fully perform this Agreement and the transactions contemplated hereby.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES OF AH

AH represents and warrants to SJHS that, as of the Execution Date and the Closing Date, except as specifically disclosed in the Disclosure Schedules delivered by AH to SJHS as of the Execution Date, as amended or supplemented prior to the Closing Date in accordance with Section 8.5 of this Agreement (the “AH Disclosure Schedules”) (all such exceptions noted in the AH Disclosure Schedules being numbered to correspond to the applicable subsection of this Article VI).

6.1 Due Organization. AH and each of the AH Participating Entities is a corporation duly organized, validly existing and in good standing under the laws of the State of California, and AH and each of the AH Participating Entities is exempt from taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code.

6.2 Authority. AH and each of the AH Participating Entities has all requisite corporate power and authority and has obtained all necessary corporate approvals and consents to execute, deliver and carry out this Agreement, the JOC Operating Agreement and the AH Participating...
Entity Agreements, and to consummate the transactions contemplated hereby and thereby. All corporate and other actions required to be taken by AH and each of the AH Participating Entities to authorize the execution, delivery and performance of this Agreement, the JOC Operating Agreement and the AH Participating Entity Agreements, and all transactions contemplated hereby and thereby, have been duly and properly taken by AH and each of the AH Participating Entities. No other corporate or other action on the part of AH, the AH Participating Entities or any Affiliate of AH is or will be necessary to authorize the execution, delivery and performance of this Agreement, the JOC Operating Agreement and the AH Participating Entity Agreements, or the transactions contemplated hereby and thereby.

6.3 **Subsidiaries.** AH and each of the AH Participating Entities holds of record and beneficially owns all the outstanding equity interests of each AH Subsidiary, free and clear of any Encumbrances other than Permitted Encumbrances. All the issued and outstanding shares of capital stock or other equity interest of each AH Subsidiary (i) have been duly authorized and validly issued and are fully paid and non-assessable and (ii) were issued in compliance with all applicable state and federal securities laws. There are no outstanding rights, options, warrants, convertible securities, subscription rights, conversion rights, exchange rights or other agreements that require any AH Subsidiary to issue or sell any shares of its capital stock or other equity interest (or securities convertible into or exchangeable for shares of its capital stock). No AH Subsidiary is obligated to redeem or otherwise acquire any of its outstanding shares of capital stock.

6.4 **Real Property.** AH and the AH Participating Entities are vested with title to the AH Real Property within the Sacred Trust Region, together with all buildings, improvements and fixtures thereon and all appurtenances and rights thereto, and neither AH nor the AH Participating Entities has created any Encumbrances which cause title to the AH Real Property to be defeasible or which will materially interfere with the use by the JOC of the AH Real Property in a manner consistent with the current use by AH and the AH Participating Entities, other than the Permitted Encumbrances.

(a) If any Encumbrances (other than Permitted Encumbrances) are asserted against the AH Real Property by, through or under AH and the AH Participating Entities, AH and the AH Participating Entities shall obtain the release of such Encumbrances.

(b) Neither AH nor the AH Participating Entities has received notice of a violation of any applicable ordinance or other law, order, regulation or requirement, and none has received notice of condemnation, lien, assessment or the like, relating to any part of the AH Real Property or the operation thereof.

(c) To the Knowledge of AH, the AH Real Property and its operations are in compliance with respect to all applicable zoning ordinances (excepting only instances of non-compliance which will not materially adversely affect the business of AH or the AH Participating Entities), and the consummation of the transactions contemplated herein will not result in a violation of any applicable zoning ordinance or the termination of any applicable zoning variance now existing and, if the improvements on the AH Real Property are damaged or destroyed subsequent to the Closing Date, the repair or replacement of same to the condition existing immediately prior to the Closing Date will not violate applicable zoning ordinances.
(assuming there has been no change in such zoning ordinances), and the buildings and improvements on the AH Real Property comply with all building codes (excepting only instances of non-compliance which will not materially adversely affect the business of the JOC).

(d) The AH Real Property and improvements thereon are in good condition, reasonable wear and tear excepted. Without limiting the generality of the foregoing, to the Knowledge of AH, (i) each of (A) the HVAC, (B) the MEP and (C) the roof of each AH Real Property is in good working condition and is free from material defects, subject, however, to ordinary wear and tear and (ii) the foundation, walls and all structural components of the buildings and other improvements upon the AH Real Property are free from material defects.

6.5 **Title to Assets.** Except for Permitted Encumbrances, the AH Participating Entities own, free and clear of all Encumbrances, all right, title and interest in and to all properties and assets (whether real, personal or mixed and whether tangible or intangible) used in the operation of the AH Participating Entities (except for assets held under capitalized or operating leases and the assets of tenants, patient, residents or visitors to their facilities).

6.6 **Insurance.** All binders and policies of insurance maintained by AH or the AH Participating Entities have been issued under valid and enforceable policies or binders for the benefit of AH or the AH Participating Entities and all such policies or binders are in full force and effect and are in amounts and for risks, casualties and contingencies which are customarily insured against by enterprises in businesses like those operated by AH or the AH Participating Entities. No notice of cancellation or nonrenewal with respect to, or material increase of premiums for, any insurance has been received by AH within twenty-four (24) months immediately preceding the Closing Date, and, to the Knowledge of AH there is no claim that could give rise to a notice of cancellation or nonrenewal or a material increase in premiums for any insurance.

6.7 **Financial Statements.** AH has previously delivered true and correct copies of its audited consolidated financial statements for its most recent three (3) full fiscal years and its most recent currently available unaudited financial statements (collectively, the "AH Financial Statements"). The AH Financial Statements are complete, true and correct in all material respects, present fairly and accurately the financial position of the respective party, the results of its operations at the dates and for the periods indicated and have been prepared in conformity with GAAP, except that the unaudited financial statements do not conform to GAAP. From and after the date of the most recent audited financial statements, neither AH nor the AH Participating Entities has made any change in its accounting methods or practices.

6.8 **Licenses and Permits.** The AH Participating Entities hold all AH Licenses and Permits as are necessary to enable them to own, occupy and lease its properties and assets and to conduct and operate their respective businesses. No AH Participating Entity is in default in any material respect under any such AH Licenses and Permits, and all such AH Licenses and Permits are in full force and effect. No notice from any authority in respect to the revocation, termination, suspension or limitation of any AH License or Permit has been issued or given, nor is AH aware of the proposed or threatened issuance of any such notice. To the Knowledge of AH there is no basis for any such action which could have a materially adverse effect upon AH's or the AH Participating Entity's ability to own, operate or lease their respective properties and assets as
presently owned, operated and leased and to conduct their respective businesses as they are presently conducted.

6.9 **Medicare, Medicaid, and Other Reimbursement.**

(a) Neither AH nor any AH Participating Entity is engaged in termination proceedings as to its participation in Medicare or Medicaid or has received notice that its current participation in Medicare or Medicaid is subject to any contest, termination or suspension as a result of alleged violations or any noncompliance with participation requirements.

(b) AH and the AH Participating Entities meet the conditions for participation in the Medicare and Medicaid programs, and there are no pending or, to the Knowledge of AH, threatened proceedings or investigations under such programs involving any of the foregoing.

(c) To the Knowledge of AH, material liabilities and contractual adjustments of AH and the AH Participating Entities under any third-party payor or reimbursement programs have been properly reflected and adequately reserved for in the AH Financial Statements.

6.10 **Exclusion from Health Care Programs.** AH and the AH Participating Entities perform monthly monitoring, including review of the LEIE pursuant to OIG guidance, to determine whether any officers, directors, employees, agents or independent contractors of AH or the AH Participating Entities has been: (a) excluded from participating in any Governmental Program; (b) subject to sanction or been indicted or convicted of a crime, or pled nolo contendere or to sufficient facts, in connection with any allegation of violation of any Governmental Program requirement or Healthcare Laws; (c) debarred or suspended from any federal or state procurement or non-procurement program by any government agency; or (d) designated a Specially Designated National or Blocked Person by the Office of Foreign Asset Control of the U.S. Department of Treasury. AH and the AH Participating Entities maintain accurate documentation of such monthly LEIE searches.

6.11 **Compliance with Laws.**

(a) AH and the AH Participating Entities are not in violation of any law, rule, regulation, ordinance or order of any Governmental Authority, which could have a Material Adverse Effect on the businesses of AH or the AH Participating Entities, nor has AH or the AH Participating Entities received any actual notice of noncompliance with respect thereto from such Governmental Authority.

(b) AH and the AH Participating Entities: (i) are not a party to a Corporate Integrity Agreement with the OIG; (ii) have no reporting obligations pursuant to any settlement agreement entered into with any Governmental Authority; (iii) in the last six years, have not been the subject of any Governmental Program investigation conducted by any federal or state enforcement agency which could have a Material Adverse Effect on the business of AH or the AH Participating Entities; (iv) in the last six years, have not been a defendant in any qui tam/FALSE CLAIMS ACT litigation; and (v) in the last six years, have not been served with or received any search warrant, subpoena, civil investigative demand, contact letter, or telephone or
personal contact by or from any Governmental Authority (except in the Ordinary Course of Business or connection with medical services provided to third-parties who may be defendants or the subject of investigation into conduct unrelated to the operation of the health care businesses conducted by AH and the AH Participating Entities).

6.12 Employees and Labor Relations. There is no pending or threatened employee strike, work stoppage or labor dispute concerning the employees of the AH Participating Entities. No collective bargaining agreement exists or is currently being negotiated concerning the employees of the AH Participating Entities, no demand has been made for recognition by a labor organization by or with respect to any employees of the AH Participating Entities, no union organizing activities by or with respect to any employees of the AH Participating Entities are taking place, and none of the employees of the AH Participating Entities are represented by any labor union or organization. There is no unfair practice claim against any of the AH Participating Entities before the National Labor Relations Board or any strike, dispute, slowdown, or stoppage pending or threatened against or involving the AH Participating Entities and none has occurred. To the Knowledge of AH, the AH Participating Entities are in material compliance with all federal and state laws respecting employment and employment practices, terms and conditions of employment, and wages and hours concerning the employees of the AH Participating Entities. To the Knowledge of AH, none of the AH Participating Entities are engaged in any unfair labor practices concerning the employees of the AH Participating Entities. There are no pending or threatened EEOC claims, wage and hour claims, unemployment compensation claims, nor workers' compensation claims concerning the employees of the AH Participating Entities.

6.13 Employee Benefits.

(a) Each of the AH Plans is a church plan as defined in Section 3(33) of ERISA and Section 414(e) of the Code with respect to which no election has been made under Section 410(d) of the Code, and is exempt from Titles I and IV of ERISA and the corresponding provisions of the Code, including, but not limited to, Code Sections 411, 412 and 430 through 436.

(b) With respect to each AH Plan, to the Knowledge of AH, neither AH nor any AH Participating Ministry has any direct or indirect, actual or contingent liability, other than to make payments for contributions, premiums or benefits when due in the ordinary course, all of which payments that are due having been made. None of the assets of AH or AH Participating Entities are subject to any lien under ERISA or the Code.

(c) All the AH Plans have been administered in material compliance with ERISA, to the extent applicable, and the applicable provisions of the Code. There are no "accumulated funding deficiencies" within the meaning of ERISA or the Code or any federal excise taxes due in respect of the AH Plans.

6.14 Litigation and Proceedings. No AH Participating Entity is engaged in, a party to, or, to the Knowledge of AH, has been threatened with any action, suit, proceeding, complaint, charge, hearing, investigation or arbitration or other method of settling disputes or disagreements that may materially and adversely affect its business or financial condition or questions the
ability of AH or any AH Participating Entity to perform their obligations under this Agreement, the JOC Operating Agreement or the AH Participating Entity Agreements. AH has not received any notice of any investigation, threatened or contemplated, by any Governmental Authority, including investigations involving the business practices and policies of AH or the AH Participating Entities.

6.15 Third Party Payer Cost Reports. The cost reports for the AH Participating Entities or their respective operations prior to Closing, for the Government Programs for the fiscal years through December 31, 2016, required to be filed on or before the date hereof have been timely filed. All such cost reports are in material compliance with governmental filing requirements. To the Knowledge of AH, no AH Participating Entity has received reimbursement in excess of the amount provided by law resulting in an overpayment with respect to the AH Participating Entities, or their respective operations prior to Closing.

6.16 Medical Staff Matters. To the Knowledge of AH, there are no pending or threatened disputes with applicants, medical staff members or health professional affiliates at the AH Participating Entities and all appeal periods in respect of any medical staff member or applicant against whom an adverse action has been taken have expired.

6.17 Tax Liabilities Disclosures.

(a) All Returns for periods through and including the Closing Date which are required to be filed have been filed or will be filed in the manner provided by law, and all Returns are or will be true and correct and accurately reflect the tax liabilities of the AH Participating Entities for the periods or other matters covered by such tax returns;

(b) All taxes, penalties, interest, and any other statutory additions, including Income Taxes, estimated taxes, alternative minimum taxes, excise taxes, sales taxes, use taxes, value-added taxes, gross receipts taxes, franchise taxes, capital stock taxes, employment and payroll-related taxes, withholding taxes, stamp taxes, transfer taxes, windfall profit taxes, environmental taxes and property taxes, which have become due by the AH Participating Entities pursuant to the Returns, and any assessments received by the AH Participating Entities have been paid when due or adequately provided for, except for amounts that have been contested in good faith;

(c) There are no tax liens on any of the assets of AH or any of the AH Participating Entities;

(d) Proper and accurate amounts have been withheld by AH and the AH Participating Entities from its employees for all periods in full and complete compliance with the tax and other withholding provisions of all applicable laws and all such amounts have been duly and validly remitted to the proper taxing authority.

6.18 Tax Exempt Status. Each of AH and the AH Participating Entities is an exempt organization under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code, and is not a “private foundation” within the meaning of Section 509(a) of the Code. The Internal Revenue Service has not taken, nor, to the Knowledge of AH, proposed to take, any action to revoke the tax-exempt status of AH or any of the AH Participating Entities, and has not announced, nor, to the Knowledge of AH, proposed to announce, that AH or a AH Participating
Entity is a "private foundation" within the meaning of Section 509(a) of the Code. There has been no change in its organization or operations that could result in a loss of AH or a AH Participating Entity’s status as an organization described in Section 501(c)(3) of the Code or that could cause AH or a AH Participating Entity to be treated as a "private foundation" within the meaning of Section 509(a) of the Code.

6.19 Environmental Law Disclosures. To the Knowledge of AH, the AH Real Property is not subject to any environmental liabilities and no part of the AH Real Property is in violation of any Environmental Laws. To the Knowledge of AH, there are no pending or unresolved notices, claims, suits, citations, orders or decrees relating to environmental matters or occupational safety and health matters on the AH Real Property. To the Knowledge of AH, no Hazardous Substances (which for purposes of this Section shall be defined as in CERCLA and additionally include petroleum products and crude oil or any fraction thereof) have been, and through the Closing Date, no Hazardous Substance will be, improperly disposed of on or Released (which for purposes of this Section shall be defined as in CERCLA) or discharged from (including soil or groundwater contamination) or in respect of any part of the AH Real Property. To the Knowledge of AH, there are no leaking underground storage tanks at the AH Real Property or material quantities of friable damaged asbestos containing materials at the AH Real Property that must be abated or removed to comply with applicable Environmental Laws. Prior to Closing, AH shall not allow and shall cause the AH Participating Entities to not allow any Hazardous Substances to be discharged, Released, possessed, managed, processed or otherwise handled on any part of the AH Real Property in a manner which is in violation of applicable Environmental Laws or which could result in a material liability under any applicable law.

6.20 Intellectual Property: No Infringement. To the Knowledge of AH, no proceedings are pending or threatened that challenge the validity of the ownership by AH or the AH Participating Entities of any AH Intellectual Property. AH or the AH Participating Entities have not licensed anyone to use such AH Intellectual Property and AH has no Knowledge of the use or infringement or any such AH Intellectual Property.

6.21 No Interim Change. Since December 31, 2017, there has not been: (a) any change in the financial condition, assets, liabilities, personnel, properties or results of operation of the businesses of the AH Participating Entities that have had or, to the Knowledge of AH, could have, in the aggregate, a Material Adverse Effect on the businesses of the AH Participating Entities taken as a whole; (b) any damage, destruction or loss, whether or not covered by insurance, which have had or, to AH’s Knowledge could have, in the aggregate, a Material Adverse Effect on the businesses of the AH Participating Entities taken as a whole; (c) any disposition by the AH Participating Entities of any property, rights or other assets owned by or employed in the businesses of AH or the AH Participating Entities, except for the disposition of property, rights or other assets in the Ordinary Course of the Business of AH or the AH Participating Entities; (d) any amendment or termination of any Contract which has had or, to the Knowledge of AH, could have, in the aggregate, a Material Adverse Effect on the businesses of the AH Participating Entities taken as a whole.

6.22 No Material Omissions. To the Knowledge of AH: (a) the statements, representations and warranties contained in this Agreement, and each exhibit, certificate or other written statement delivered pursuant to this Agreement, or in connection with the transactions
contemplated hereby are accurate, correct and complete, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements and information contained therein not misleading; and (b) there is no fact which adversely affects or in the future may, to the Knowledge of AH, adversely affect the businesses, operations, properties, prospects or condition, financial or otherwise, of the AH Participating Entities, taken as a whole, or the ability of AH to fully perform this Agreement and the transactions contemplated hereby.

ARTICLE VII
CLOSING; CLOSING DELIVERABLES

7.1 Closing. Subject to the satisfaction or waiver by the appropriate Party of all the conditions precedent to Closing specified herein, the consummation of the transactions described in this Agreement (the "Closing") shall take place through the electronic exchange of documents on September 30, 2018, or such other date mutually agreed upon by the Parties (the "Closing Date"). The Closing will be effective as of 12:01 a.m. on the day following the Closing Date (the "Effective Time").

7.2 Deliverables of the Parties at the Closing.

(a) By SJHS. At or prior to the Closing, unless otherwise waived in writing by AH, SJHS shall deliver to AH:

1. A certificate of the President or Chief Executive Officer of SJHS, dated as of the Closing Date, certifying as to the continued accuracy and completeness in all material respects of the representations and warranties made by SJHS, and SJHS’s performance in all material respects of the covenants set forth in this Agreement;

2. A certificate of the Secretary of SJHS and each of its JOC Participants, dated as of the Closing Date, certifying as to the due adoption and continued effectiveness of, and attaching a copy of, the resolutions of the board of trustees of SJHS and each of its JOC Participants approving the actions and transactions required or contemplated by this Agreement;

3. Evidence of approval by the Sponsor;

4. The JOC Operating Agreement duly executed by SJHS;

5. The SJHS Participating Ministry Agreements duly executed by each of the SJHS Participating Ministries;

6. The Clinical Integration and Collaboration Agreement described in Section 2.4(d) hereof duly executed by Heritage; and

7. Such other instruments and documents as may be reasonably necessary to carry out the transactions contemplated or required by this Agreement and to comply with the terms hereof.
(b) **By AH.** At or prior to the Closing, unless otherwise waived in writing by SJHS, AH shall deliver to SJHS:

1. A certificate of the President or Chief Executive Officer of AH, dated as of the Closing Date, certifying as to the continued accuracy and completeness in all material respects of the representations and warranties of AH and AH's performance in all material respects of the covenants set forth in this Agreement;

2. A certificate of the Secretary of AH and each of its JOC Participants, dated as of the Closing Date, certifying as to the due adoption and continued effectiveness of, and attaching a copy of, the resolutions of the board of directors of AH and each of its JOC Participants approving the actions and transactions required or contemplated by this Agreement;

3. The JOC Operating Agreement duly executed by AH;

4. The AH Participating Entity Agreements duly executed by each of the AH Participating Entities;

5. The Clinical Integration and Collaboration Agreement described in Section 2.4(d) hereof duly executed by AHPN; and

6. Such other instruments and documents as may be reasonably necessary to carry out the transactions, contemplated or required by this Agreement and to comply with the terms hereof.

**ARTICLE VIII**

**PRE-CLOSING COVENANTS**

Through the Closing Date, each Party hereby agrees to keep, perform and fully discharge, or to cause to be kept, performed and fully discharged, as applicable, the following covenants and agreements, as applicable:

**8.1 Interim Conduct of Business.**

(a) Each Party shall and shall cause each of its JOC Participants to:

1. Operate its business within the Sacred Trust Region as a going concern, consistent with prior practices and in the Ordinary Course of Business;

2. Preserve, protect and maintain its business, properties and assets within the Sacred Trust Region; and

3. Preserve the goodwill of all individuals and entities having business or other relations with it or them, including physicians, employees, patients, customers and suppliers.
(b) With respect to its respective JOC Participants, the Parties shall not, and shall ensure that their respective JOC Participants do not, take or approve any of the following actions without the prior written consent of the other Party:

1. pay any bonus or make any profit-sharing or similar payment to, or increase the amount of the wages, salary, commissions, fees, fringe benefits or other compensation or remuneration payable to, any of its directors, managers, officers, employees or independent contractors other than severance plans adopted in connection with this transaction, other than in the Ordinary Course of Business;

2. hire any employee or retain any independent contractor, other than in the Ordinary Course of Business;

3. permit or allow any of its assets to become subjected to any Encumbrance except a Permitted Encumbrance, other than in the Ordinary Course of Business;

4. make any change in any method of accounting or accounting practice or policy, other than in the Ordinary Course of Business;

5. acquire by merging or consolidating with, or by purchasing a substantial portion of the assets or capital stock or other equity interest of, or by any other manner, any business or any Person or otherwise acquire any assets (other than inventory) with a value in excess of five million dollars ($5,000,000);

6. make or incur capital expenditures (including entering into any capital lease) that are not currently budgeted and that, in the aggregate, are in excess of five million dollars ($5,000,000);

7. sell, lease, license or otherwise dispose of any of its assets that are material, individually or in the aggregate, to it and its business, including, but not limited to, the SJHS Real Property or AH Real Property, other than in the Ordinary Course of Business;

8. amend or terminate any Lease of real property or material tangible personal property, other than in the Ordinary Course of Business;

9. terminate or allow to be terminated any insurance policy in effect as of the Execution Date without simultaneous replacement with a similar policy, or fail to maintain, with financially responsible insurance companies, insurance on its tangible assets in such amounts and against such risks and losses as are consistent with past practice;

10. commence or settle any Legal Proceeding other than medical malpractice proceedings, other than in the Ordinary Course of Business;

11. enter into any Contract or transaction involving payments of greater than five million dollars ($5,000,000) unless part of the budget for such JOC Participant as of the Execution Date;
(12) discontinue the payment of its accounts payable that are payable in the Ordinary Course of Business or materially deviate from or alter any of its practices, policies or procedures in paying accounts payable or collecting accounts receivable; cancel, compromise, waive or release any right or claim (or series of related rights and claims) for an amount in excess of five million dollars ($5,000,000); or

(13) agree, commit or offer (in writing or otherwise) to take any of the actions described in the preceding clauses of this Section 8.1(b).

8.2 Preserve Accuracy of Representations and Warranties. Each Party shall, and shall cause its JOC Participants to, not take any action that would render any representation or warranty of such Party contained in this Agreement inaccurate or untrue as of the Closing Date. Each Party shall promptly notify the other Party in writing of any facts or circumstances that come to its attention and that cause, or through the passage of time may cause, any of the representations and warranties of that Party contained in this Agreement to be untrue or misleading. Each Party shall promptly notify, and cause its JOC Participants to notify, the other Party of any lawsuits, claims, administrative actions or other Legal Proceedings asserted or commenced against it, or its owners, directors, officers or employees involving in any material way the ability of the notifying Party to consummate the transactions contemplated or required by this Agreement, the JOC Operating Agreement or the JOC Participation Agreements.

8.3 Access to Information. Each Party shall, and shall cause its JOC Participants to, give the other Party and their representatives full and free access, during normal business hours, to all properties, books, records, Contracts and other materials pertaining to the JOC Participants as may be reasonably requested (and in accordance with guidelines approved by the Parties’ antitrust counsel), subject to reasonable advance notice and provided that no Party shall exercise such rights of access in such manner as would unduly interfere with the operations of the JOC Participants or the work of the JOC Participants’ personnel or the activities of their patients or guests. Each Party shall, and shall cause its JOC Participants to, cooperate in keeping the other Party fully informed and shall promptly notify the other Party of any material adverse change in the business or prospects of any JOC Participant, and the respective operations to be managed pursuant to the JOC Operating Agreement.

8.4 Third Party Authorizations. The Parties shall, and shall cause their JOC Participants to, use their respective commercially reasonable efforts to obtain expeditiously all Approvals that may be necessary or appropriate under applicable laws and under all Contracts to which a JOC Participant is a party or is bound, or to the extent necessary for the valid execution, delivery and performance of this Agreement, the JOC Operating Agreement or the JOC Participation Agreement.

8.5 Modification of Schedules. During the period from the Execution Date through the Closing Date, either Party (an "Amending Party") may amend the Disclosure Schedules delivered by such Party on the Execution Date. The other Party (the "Receiving Party") shall have twenty-one (21) days to either approve or reject the newly amended Disclosure Schedule, and if the Amending Party delivers an amended Disclosure Schedule less than twenty-one (21) days prior to the Closing Date, the Receiving Party may, at its option, extend the Closing Date for such period as may be necessary to give the Receiving Party twenty-one (21) days to consider
whether to approve or reject such newly amended Disclosure Schedule. A Receiving Party who fails to approve or disapprove the Disclosure Schedule within that time shall be deemed to have accepted the Disclosure Schedule. If a Receiving Party approves the amended Disclosure Schedule, the approved Disclosure Schedule shall become the final Disclosure Schedule. If a Receiving Party timely rejects the amended Disclosure Schedule, and the Parties are unable to resolve their disagreement within twenty-one (21) days, the Receiving Party may: (a) elect to close over the issue; or (b) may elect to terminate this Agreement by providing notice to the Amending Party.

8.6 Additional Financial Information. Within twenty (20) business days following the end of each month from and after the Execution Date, each Member will deliver to the other Member true and complete copies of the unaudited balance sheets and the related unaudited statements of income (on a consolidated basis) of its respective JOC Participants for such month. Such financial statements will be prepared from and in accordance with the accounting principles applied prior to the Execution Date, except any changes as are required to conform to modifications in GAAP, and will fairly present, in all material respects, the financial position and results of operations as of the date and for the period indicated, subject to the absence of footnotes and to year-end adjustments.

ARTICLE IX
SJHS CONDITIONS PRECEDENT TO CLOSING

The obligations of SJHS to consummate the transactions contemplated by this Agreement are, at the option of SJHS, subject to the satisfaction, on or before the Closing Date, of the following conditions:

9.1 Delivery of Closing Deliverables. AH shall have delivered to SJHS the closing deliverables set forth in Section 7.2(b).

9.2 Regulatory Approvals. All regulatory consents and approvals required for the consummation of the transactions contemplated or required by this Agreement shall have been obtained, including, without limitation, the Parties or their JOC Participants shall have obtained a Consent or waiver of California Corporations Code Section 5920 et seq. by the California Attorney General, as applicable to the Parties and/or the JOC Participants, to consummate the transactions contemplated herein ("AG Approval").

9.3 Accuracy of Representatives and Warranties. The representations and warranties of AH contained herein shall be true, accurate and complete in all material respects as if made on and as of the Closing Date, subject to any amended AH Disclosure Schedule accepted by SJHS on or before the Closing Date.

9.4 Performance of Covenants. AH shall have performed all the obligations and complied with all the covenants, agreements and conditions required to be performed or complied with by AH on or prior to the Closing Date.

9.5 No Pending Action. No action or proceeding before any court or governmental body will be pending or threatened wherein an unfavorable judgment, decree or order would prevent the carrying out of this Agreement, the JOC Operating Agreement or the JOC Participation...
Agreements, or any of the transactions contemplated hereby or thereby, declare unlawful the transactions contemplated by this Agreement, the JOC Operating Agreement and the JOC Participation Agreements, or cause any such transactions to be rescinded.

9.6 **No Bankruptcy.** Neither AH nor any AH Participating Entity shall: (a) be in receivership or dissolution; (b) have made any assignment for the benefit of creditors; (c) have admitted in writing its inability to pay its debts as they mature; (d) have been adjudicated bankrupt; or (e) have filed a petition in voluntary bankruptcy, a petition or answer seeking reorganization or an arrangement with creditors under the federal bankruptcy law or any other similar law or statute of the United States or any state, nor shall any such petition have been filed against AH or any AH Participating Entity.

9.7 **Consents.** All material consents, approvals and authorizations of third parties required for the consummation of the transactions contemplated or required by this Agreement, the JOC Operating Agreement and the JOC Participation Agreements shall have been obtained.

9.8 **No Material Adverse Effect.** There shall not have occurred a Material Adverse Effect with respect to AH and/or the AH Participating Entities, taken as a whole, and no event shall have occurred or circumstances shall exist that would reasonably be expected to have a Material Adverse Effect with respect to AH and/or the AH Participating Entities, taken as a whole.

9.9 **Tax Exempt Status.** The JOC shall have received from the Internal Revenue Service an exemption letter formally recognizing the JOC as an exempt organization under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code, and not a "private foundation" within the meaning of Section 509(a) of the Code.

9.10 **Delivery of Other Agreements.** AH, AHPN and each of the AH Participating Entities shall have executed and delivered those agreements described in Section 7.2(b) and any other agreements reasonably determined by the Parties to be necessary or appropriate to be entered into as of the Closing Date to consummate the transactions contemplated by this Agreement, the JOC Operating Agreement and the JOC Participation Agreements.

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**ARTICLE X**

**AH CONDITIONS PRECEDENT TO CLOSING**

The obligations of AH to consummate the transactions contemplated by this Agreement are, at the option of AH, subject to the satisfaction, on or before the Closing Date, of the following conditions:

10.1 **Delivery of Closing Deliverables.** SJHS shall have delivered to AH the closing deliverables set forth in Section 7.2(a).

10.2 **Regulatory Approvals.** All regulatory consents and approvals required for the consummation of the transactions contemplated or required by this Agreement shall have been obtained, including, without limitation, the Parties or their JOC Participants shall have obtained AG Approval.
10.3 **Accuracy of Representatives and Warranties.** The representations and warranties of SJHS contained herein shall be true, accurate and complete in all material respects as if made on and as of the Closing Date, subject to any amended SJHS Disclosure Schedule accepted by AH on or before the Closing Date.

10.4 **Performance of Covenants.** SJHS shall have performed all the obligations and complied with all the covenants, agreements and conditions required to be performed or complied with by SJHS on or prior to the Closing Date.

10.5 **No Pending Action.** No action or proceeding before any court or governmental body will be pending or threatened wherein an unfavorable judgment, decree or order would prevent the carrying out of this Agreement, the JOC Operating Agreement and the JOC Participation Agreements, or any of the transactions contemplated hereby or thereby, declare unlawful the transactions contemplated by this Agreement, the JOC Operating Agreement and the JOC Participation Agreements, or cause any such transactions to be rescinded.

10.6 **No Bankruptcy.** Neither SJHS nor any SJHS Participating Ministry, shall: (a) be in receivership or dissolution; (b) have made any assignment for the benefit of creditors; (c) have admitted in writing its inability to pay its debts as they mature; (d) have been adjudicated bankrupt; or (e) have filed a petition in voluntary bankruptcy, a petition or answer seeking reorganization or an arrangement with creditors under the federal bankruptcy law or any other similar law or statute of the United States or any state, nor shall any such petition have been filed against SJHS or any SJHS Participating Ministry.

10.7 **Consents.** All material consents, approvals and authorizations of third parties required for the consummation of the transactions contemplated or required by this Agreement, the JOC Operating Agreement and the JOC Participation Agreements, shall have been obtained.

10.8 **No Material Adverse Effect.** There shall not have occurred a Material Adverse Effect with respect to SJHS and/or the SJHS Participating Entities, taken as a whole, and no event shall have occurred or circumstances shall exist that would reasonably be expected to have a Material Adverse Effect with respect to SJHS and/or the SJHS Participating Entities, taken as a whole.

10.9 **Tax Exempt Status.** The JOC shall have received from the Internal Revenue Service an exemption letter formally recognizing the JOC as an exempt organization under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code, and not a "private foundation" within the meaning of Section 509(a) of the Code.

10.10 **Delivery of Other Agreements.** SJHS, Heritage and each of the SJHS Participating Ministries shall have executed and delivered those agreements described in Section 7.2(a) and any other agreements reasonably determined by the Parties to be necessary or appropriate to be entered into as of the Closing Date to consummate the transactions contemplated by this Agreement, the JOC Operating Agreement and the JOC Participation Agreements.
ARTICLE XI
DISPUTE RESOLUTION

11.1 Dispute Resolution.

(a) For matters other than those described in Section 2.6, the Parties agree in the event of a dispute under this Agreement, the respective senior executives from the Members with primary responsibility for their respective Northern California operations (the “Senior Executives”) shall meet promptly (within five business days) and confer in good faith to resolve any disputed issue. Should the dispute not be resolved by the Senior Executives within thirty (30) days, then the Chief Executive Officer of AH and the Chief Executive Officer of SJHS shall meet and confer in good faith to resolve such dispute for a period of thirty (30) days. Should the dispute not be resolved by the Chief Executive Officers, the Parties agree to pursue non-binding mediation conducted by the Judicial Arbitration and Mediation Services, Inc. (“JAMS”) or American Arbitration Association (“AAA”).

(b) Should the dispute not be resolved through non-binding mediation, the Parties shall pursue binding arbitration conducted by JAMS or AAA. The selection and number of arbitrator(s) shall be determined by agreement of the Parties. The prevailing Party shall be entitled to reasonable costs and attorney fees (including allocated costs of in-house counsel) incurred in bringing any action or proceeding, declaratory or otherwise, arising out of or relating to this Agreement. Nothing in this Section 11.1(b) shall constitute a waiver of any of the benefits of a statute of limitations or equitable defense.

ARTICLE XII
INDEMNIFICATION

12.1 Survival. The representations and warranties of the Parties contained in this Agreement shall survive the Closing for a period of eighteen (18) months after the Closing Date; provided, however, that (a) the representations and warranties set forth in Sections 5.1, 5.2, 5.18, 6.1, 6.2 and 6.18 shall survive the Closing indefinitely, (b) the representations and warranties set forth in Sections 5.9, 5.10, 5.11, 5.13, 5.15, 5.17, 5.19, 6.9, 6.10, 6.11, 6.13, 6.15, 6.17 and 6.19 shall survive the Closing until ninety (90) days following the expiration of the applicable statute of limitations with respect to the particular matter that is the subject matter thereof (in each case, the “Survival Period”); provided, however, that any obligations under Sections 12.2 and 12.3 shall not terminate with respect to any Losses as to which the Party to be indemnified shall have given written notice (stating in reasonable detail the basis of the claim for indemnification) to the Indemnifying Party before the termination of the applicable Survival Period.

12.2 Indemnification by SJHS. SJHS, at its sole cost and expense, will defend, indemnify and hold AH, AH Affiliates and their respective trustees, directors, officers, employees, agents, representatives and designees, in their official and personal capacities (each, an “AH Indemnified Party”), harmless from and against any and all claims, demands, suits, damages, judgments, liabilities, losses and expenses, including without limitation personal or bodily injury to or death of any person, defamation, infringement of copyright, trademark, patent or other intellectual property, and reasonable attorneys’ fees and expenses of litigation (collectively, “Losses”), to which the AH Indemnified Party may become subject actually or allegedly arising
out of, relating to or resulting from: (a) the willful misconduct and/or negligence of SJHS or its trustees, directors, officers, employees, volunteers, agents, representatives and designees while acting within the scope of their duties and pursuant to this Agreement; (b) any breach of any representation or warranty of SJHS in Article V of this Agreement; or (c) any failure of SJHS to fulfill any covenant or agreement pursuant to this Agreement.

12.3 Indemnification by AH. AH, at its sole cost and expense, will defend, indemnify and hold SJHS, SJHS Affiliates and their respective trustees, directors, officers, employees, agents, representatives and designees, in their official and personal capacities (each, an “SJHS Indemnified Party”), harmless from and against any and all Losses, to which the SJHS Indemnified Party may become subject actually or allegedly arising out of, relating to or resulting from: (a) the willful misconduct and/or negligence of AH or its trustees, directors, officers, employees, volunteers, agents, representatives and designees while acting within the scope of their duties and pursuant to this Agreement; (b) any breach of representation or warranty of AH set forth in Article VI of this Agreement; or (c) any failure of AH to fulfill any covenant or agreement pursuant to this Agreement.

12.4 Procedure for Indemnification. In the event that any claim is asserted against a Party hereto as to which such Party is entitled to indemnification hereunder, such Indemnified Party shall, as promptly as possible and in any case within ten (10) business days after learning of such claim, notify the Party obligated to indemnify it (the “Indemnifying Party”) thereof in writing. In the event the Indemnified Party shall fail to give notice of such claim as aforesaid, the Indemnifying Party shall have no obligation to indemnify the Indemnified Party with respect to such claim. The Indemnifying Party shall have the right, upon written notice to the Indemnified Party within ten (10) business days after receipt from the Indemnified Party, to conduct the defense against such claim in its own name, or if necessary in the name of the Indemnified Party. In the event that the Indemnifying Party shall fail to give such notice, it shall be deemed to have elected not to conduct the defense of the subject claim, and in such event, the Indemnified Party shall have the right to conduct the defense of the subject claim and to compromise and settle the claim without prior consent of the Indemnifying Party and the Indemnifying Party shall reimburse the Indemnified Party for all reasonable expenses related to Indemnified Party’s defense of such claim. In the event that the Indemnifying Party does elect to conduct the defense of the subject claim, the Indemnified Party will cooperate with and make available to the Indemnifying Party such assistance and materials as may be reasonably requested by it, all at the expense of the Indemnifying Party, and the Indemnified Party shall have the right at its expense to participate in the defense, provided that the Indemnified Party shall have the right to compromise and settle the claim only with the prior written consent of the Indemnifying Party; provided, further, that if counsel for the Indemnified Party shall reasonably determine that there is a conflict between the Indemnified Party and the Indemnifying Party, Indemnified Party shall have the option to select its own counsel and Indemnifying Party shall reimburse Indemnified Party for all reasonable expenses related to Indemnified Party’s defense of such claim. Any judgment entered or settlement agreed upon in the manner provided herein shall be binding upon the Indemnifying Party, and shall conclusively be deemed to be an obligation with respect to which the Indemnified Party is entitled to indemnification hereunder.
ARTICLE XIII
GENERAL PROVISIONS

13.1 Termination.

(a) This Agreement may be terminated at any time prior to the Closing:

   (i) by written consent of each Party;

   (ii) by written notice of either Party if the AG Approval imposes conditions, requirements or directives which are unacceptable to that Party in its sole and absolute discretion;

   (iii) by either Party if the Closing shall not have occurred on or before December 31, 2018; provided, however, that this provision shall not be available to SJHS if AH has the right to terminate this Agreement under subsection (iv) and this provision shall not be available to AH if SJHS has the right to terminate this Agreement under subsection (v);

   (iv) by AH if there is a material breach of any representation or warranty set forth in Article V of this Agreement or any covenant or agreement to be complied with or performed by SJHS pursuant to the terms of this Agreement or the failure of a condition set forth in Article X to be satisfied (and such condition is not waived in writing by AH) on or prior to the Closing Date, or the occurrence of any event which results or would result in the failure of a condition set forth in Article X to be satisfied on or prior to the Closing Date; provided, however, that AH may not terminate this Agreement prior to the Closing Date if SJHS has not had a reasonable opportunity to cure such failure;

   (v) by SJHS if there is a material breach of any representation or warranty set forth in Article VI of this Agreement or any covenant or agreement to be complied with or performed by AH pursuant to the terms of this Agreement or the failure of a condition set forth in Article IX to be satisfied (and such condition is not waived in writing by SJHS) on or prior to the Closing Date, or the occurrence of any event which results or would result in the failure of a condition set forth in Article IX to be satisfied on or prior to the Closing Date; provided, however, that SJHS may not terminate this Agreement prior to the Closing Date if AH has not had a reasonable opportunity to cure such failure.

(b) In the event of any termination of this Agreement:

   (i) each Party shall redeliver all documents, work papers and other material of the other Parties relating to the transactions contemplated by this Agreement, whether obtained before or after the execution of this Agreement, to the Party furnishing the same;

   (ii) no Party shall have any liability or further obligation to any other Party, except for any willful breach of this Agreement occurring prior to the proper termination of this Agreement; and
(iii) each Party shall pay the fees and expenses of its own advisors including accountants and attorneys, in preparing and negotiating this Agreement and the transactions and arrangements contemplated by this Agreement.

13.2 **Amendment and Waiver.** Except as otherwise provided in this Agreement, no amendment of any provision of this Agreement shall in any event be effective, unless the same shall be in writing and signed by the Parties. Any of the terms or conditions of this Agreement may be waived at any time by the Party which is entitled to the benefit thereof (on its own behalf and on behalf of its JOC Participants), but only by a written notice signed by the Party waiving such terms or conditions. The waiver of any term or condition of this Agreement shall not be construed as a waiver of any other term or condition of this Agreement.

13.3 **Confidentiality.** The Parties shall hold in confidence terms and conditions of this Agreement and all information regarding the Parties and the JOC Participants obtained in connection with the negotiation and performance of this Agreement, and shall not divulge to third parties or use in a manner detrimental to the other JOC Participants such information; provided, however, that the foregoing shall not apply to information that (a) was known by the Party when received, (b) is or hereafter becomes lawfully obtainable from other sources, or (c) is necessary to disclose by law.

13.4 **Press Releases.** No public release or announcement concerning the transactions contemplated under this Agreement shall be issued by any Party unless the Party desiring to issue the public release or announcement first consults with and obtains the prior written consent of the other Party as to the timing, form, and content of such public release or announcement, except as such release or announcement may be required by applicable law.

13.5 **Notices.** All notices required or permitted hereunder shall be in writing and shall be served on the parties at the addresses set forth in below. Any such notices shall be either: (a) sent by overnight delivery using a nationally recognized overnight courier, in which case notice shall be deemed delivered one business day after deposit with such courier, or (b) sent by personal delivery, in which case notice shall be deemed delivered upon receipt. A Party’s address may be changed by written notice to the other party; provided, however, that no notice of a change of address shall be effective until actual receipt of such notice.

**To SJHS:**
St. Joseph Health System  
Attn: Mike Butler, President  
3345 Michelson Drive  
Irvine, CA 92612

**With copy to:**
Yemi Adeyanju, Esq.  
Associate General Counsel  
Department of Legal Affairs  
Providence St. Joseph Health  
3345 Michelson Dr, Suite 100  
Irvine, CA 92612
13.6 Expenses. Except as otherwise expressly provided in this Agreement, each Party shall pay its own costs and expenses in connection with the transactions contemplated hereby. If any action is brought by a Party to enforce any provision of this Agreement, the prevailing Party or Parties shall be entitled to recover court costs, arbitration expenses and reasonable attorneys' fees.

13.7 Counterparts. This Agreement may be executed in two (2) counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

13.8 Entire Transaction. This Agreement and the documents referred to herein contain the entire understanding of the Parties with respect to the transactions contemplated herein and supersedes all other agreements and understandings of the Parties on the subject matter hereof.

13.9 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California.

13.10 Headings. Headings of articles and sections in this Agreement and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof, and shall not affect the meaning, construction, or effect hereof.

13.11 Articles. All references to “Articles” and “Sections” in this Agreement are to Articles and Sections of this Agreement, unless otherwise specifically provided.

13.12 Gender. Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine, or feminine gender.

13.13 Partial Invalidity. In case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.
13.14 **Exhibits and Schedules.** The Exhibits and Schedules identified in this Agreement shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein.

13.15 **Assignment.** Except as otherwise expressly permitted by this Agreement, the rights and obligations of a Party to this Agreement may be assigned only with the prior written consent of the other Party. Any transfer not permitted under this Section 13.15 shall be null and void and of no effect whatsoever.

13.16 **Binding Agreement.** This Agreement shall be binding upon and inure only to the benefit of the Parties hereto and their respective permitted assigns and permitted successors, and shall not inure to the benefit of or be enforceable by any other Person.

13.17 **Third Party Beneficiaries.** The Parties intend that no third party may rely upon the terms of this Agreement or have any rights or claims by reason of this Agreement.

* * *

[Signature Page to Follow]
IN WITNESS WHEREOF, the Parties hereto have executed or caused this Agreement to be executed on the day and year first above written.

ST. JOSEPH HEALTH SYSTEM

By: __________________________
Name: Mike Butler
Title: President

ADVENTIST HEALTH SYSTEM/WEST

By: __________________________
Name: Scott Reiner
Title: Chief Executive Officer
IN WITNESS WHEREOF, the Parties hereto have executed or caused this Agreement to be executed on the day and year first above written.

ST. JOSEPH HEALTH SYSTEM

By: __________
Name: Mike Butler
Title: President

ADVENTIST HEALTH SYSTEM/WEST

By: __________
Name: Scott Reiner
Title: Chief Executive Officer
Exhibit A
JOC Operating Agreement

See attached.
OPERATING AGREEMENT

OF

ST NETWORK, LLC

(a charitable California Limited Liability Company)

Dated and Effective

as of

[__________]
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OPERATING AGREEMENT

of

ST NETWORK, LLC
(a Charitable California Limited Liability Company)

This Operating Agreement of Sacred Trust Network (this "Agreement") is dated effective as of [__________, 2018] (the "Effective Date") by and among ST Network, LLC, a charitable California limited liability company (the "JOC"), St. Joseph Health System, a California nonprofit public benefit corporation ("SJHS"), and Adventist Health System/West, a California nonprofit religious corporation doing business as Adventist Health ("AH"), as members of the JOC (SJHS and AH, each, a "Member", and collectively, the "Members").

1. DEFINITIONS.

In addition to the words and terms elsewhere defined in this Agreement, the following words and terms as used in this Agreement shall have the following meanings unless the context or use indicates another or different meaning or intent:

"AAA" shall have the meaning set forth in Section 8.8(c).

"Act" means the California Limited Liability Company Act, 6 California Code Sections 18-101 et. seq. as amended from time to time (or any corresponding provisions of succeeding law).

"Additional Mandatory Contributions" shall have the meaning set forth in Section 9.2(b).

"Additional Non-Mandatory Contributions" shall have the meaning set forth in Section 9.2(c).

"Affiliate" of a Person shall mean any corporation, partnership, limited liability company, 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 such Person.

"Affiliation" means a material relationship or a material arrangement of any kind to: (a) merge with any Person; (b) consolidate with any Person; (c) enter into a Contract with any Person for the management and/or operation of any material health care facility or ministry; (d) lease any material health care facility or ministry to or from any Person; (e) become an Affiliate of any Person; (f) enter into any joint venture or other arrangement which involves the granting or one or more reserved powers or the sharing of profits and/or losses with any Person; or (g) enter into any arrangement with any Person by which such Person becomes a controlling entity. The JOC Board from time to time may establish standards as to what constitutes a material health care facility for purposes of this provision.

"Agreement" shall have the meaning set forth in the preamble.

"AH" shall have the meaning set forth in the preamble.

"AH Directors" shall have the meaning set forth in Section 8.2.
“AH Non-Employed Director” shall have the meaning set forth in Section 8.2.

“AH Participating Entities” shall mean and include: (a) St. Helena Hospital (which owns and operates the hospital facilities known as Adventist Health St. Helena and Adventist Health Vallejo); (b) Adventist Health Clearlake Hospital, Inc. (which owns and operates the hospital facility known as Adventist Health Clear Lake); (c) Ukiah Adventist Hospital (which owns and operates the hospital facility known as Adventist Health Ukiah Valley); (d) Willits Hospital, Inc. (which owns and operates the hospital facility known as Adventist Health Howard Memorial); and (e) Western Health Resources, with respect to the home care and/or hospice businesses and operations in the Sacred Trust Region.

“AH Proposed Action” shall have the meaning set forth in Section 3.5(a)(ii).

“AHPN” means Adventist Health Physicians Network, a California nonprofit religious corporation.

“Bankruptcy Event” means (a) the assignment by a Person for the benefit of creditors; (b) the commencement of a voluntary bankruptcy case by a Person; (c) the adjudication of a Person as bankrupt or insolvent; (d) the filing by a Person of a petition or answer seeking for such Person any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or rule; (e) the filing by a Person of an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Person in any proceeding of this nature; (f) seeking, consenting to or acquiescing in the appointment of a trustee, receiver or liquidator for a Person or of all or any substantial part of such Person’s property; (g) the commencement of an involuntary bankruptcy case against a Person that has not been dismissed on or before the one hundred twentieth (120th) day after the commencement of the case; or (h) the appointment, without a Person’s consent, of a trustee, receiver or liquidator either of such Person or of all or any substantial part of such Person’s property, which appointment is not vacated or stayed on or before the ninetieth (90th) day after appointment or is not vacated on or before the ninetieth (90th) day after expiration of any such stay.

“California Tax Code” shall have the meaning set forth in Section 3.2(a).

“Canonically” means matters pertaining to the canons of the Code of Canon Law of the Roman Catholic Church.

“Capital Account” shall have the meaning set forth in Section 9.6(a).

“Capital Charge” means the annual amortization amount of the Episodic Capital over the duration of the charge (e.g., an amortization with a duration of 10 years equals ten percent (10%) Capital Charge of the total amount of the Episodic Capital applied each year (beginning the first fiscal year after such investment is first made) for a ten (10) year duration) or as otherwise approved by the JOC.

“Cash Available for Distribution” means all cash of the JOC generated by operations and all cash received as distributions from any subsidiaries of the JOC (but not including casualty insurance proceeds or condemnation awards or proceeds from the sale, exchange or other disposition of all or substantially all of the JOC’s assets), less (a) all operating expenses of the
JOC, (b) interest payments and current principal payments on any indebtedness of the JOC, and (c) reserves for future needs and contingent and other liabilities and obligations of the JOC as reasonably determined by the JOC Board in consultation with the senior management of the JOC from time to time.

"CBO Services Agreements" means the corporate services agreements by and between the JOC and each of the Members and the JOC Participants pursuant to which the Members provide revenue cycle, finance, human resources and other corporate support services for the operation of the JOC.

"CEO Meet and Confer Period" shall have the meaning set forth in Section 8.8(c).

"Change of Control" means with respect to any Person: (a) any transaction or series of related transactions involving such Person and any Independent Third Person, including, without limitation, merger or consolidation of such Person or other contract or arrangement, that results in such Independent Third Person becoming the beneficial owner of more than fifty percent (50%) of the then-outstanding voting securities or other voting membership or ownership interests of such Person; (b) the sale, transfer or lease of all or substantially all of the assets of such Person, in a single transaction or series of related transactions, to any Independent Third Person; and/or (c) any joint venture, management arrangement or similar transaction with any Independent Third Person that results in such Independent Third Person becoming the owner, operator or manager of all or substantially all of the assets of such Person. Neither a change in the voting members of the governing body of a Member nor the issuance of membership interest to a holding company with the same or substantially the same members of the governing body of a Member shall constitute a Change in Control of the Member. Notwithstanding the foregoing, a change in the sponsorship of any Person that consists solely of a change of the sponsorship interest to another public juridic person that is affiliated with the Catholic Church, shall not constitute a Change of Control.


"Collaborative Process" shall have the meaning set forth in Section 3.5(c).

"Conflicted Member" shall have the meaning set forth in Section 7.5.

"Conflicts of Interest Policy" shall have the meaning set forth in Section (e)(v)3.3.

"Corporate Documents" means an entity’s articles of incorporation, code of regulations, delegation agreement, corporate bylaws, partnership agreement, operating agreement, governance matrices and comparable documents, as appropriate given the entity’s form of legal organization.

"Directives" means the latest edition of the Ethical and Religious Directives for Catholic Health Care Services, issued from time to time by the United States Conference of Catholic Bishops, as amended from time to time.

"Directors" shall have the meaning set forth in Section 8.2.
“Disinterested Member” shall have the meaning set forth in Section 7.5.

“Disputed AH Action” shall have the meaning set forth in Section 3.5(a)(i).

“Disputed SJHS Action” shall have the meaning set forth in Section 3.5(b)(i).

“Dissolution Event” shall have the meaning set forth in Section 12.3.

“EBIDA” means earnings before interest, depreciation and amortization, as determined in accordance with GAAP consistently applied.

“Economic Interest” means a Member’s share of the JOC’s Profits, Losses and distributions of the JOC’s assets pursuant to this Agreement and the Act, but does not include any other rights of a Member, including, but not limited to, the right to vote or participate in the management or, except as provided in Section 17704.10 of the Act, any right to information concerning the business and affairs of the JOC.

“Effective Date” means the date first written above.

“Encumbrance” means any mortgage, pledge, assessment, security interest, lease, sublease, lien, adverse claim, levy, right of way, easement, encroachment, covenant, charge or other encumbrance of any kind, or any conditional sale contract, title retention contract or other agreement or arrangement to give or to refrain from giving any of the foregoing.

“Episodic Capital” means strategic capital investments greater than Five Million Dollars ($5,000,000) that cause an unusual movement of assets from one Member to the other or a strategic investment in one or more JOC Participants that a pro-forma financial analysis projects will result in greater than two percent (2%) of JOC EBIDA in excess of the Capital Charge.

“Fair Market Value” of any property means the cash price at which a willing and able seller would sell, and a willing and able buyer would buy, such property (a) in an arm’s-length transaction, (b) assuming that such property was being sold free of Encumbrances and in a manner reasonably designed to solicit all possible buyers, and (c) assuming that both the buyer and selling party have reasonable knowledge of relevant facts.

“GAAP” means United States generally accepted accounting principles as in effect from time to time, consistently applied.

“Governance Matrix” means the Sacred Trust Network Sponsorship/Governance Authority Matrix as set forth in Appendix B, as adopted or amended by the JOC Board from time to time subject to the reserved rights of the Members and Sponsor.

“Health Care Laws” means, to the extent applicable, (i) the False Claims Act, 31 U.S.C. §§3729 et seq.; (ii) Civil Monetary Penalties Law, 42 U.S.C. §1320a 7a; (iii) federal and state anti-kickback statutes, including, but not limited to, 42 U.S.C. §1320a 7b (also known as the “Anti-Kickback Statute”); (iv) federal and state referral laws, including, but not limited to 42 U.S.C. §1395nn (also known as the “Stark Law”); (v) criminal false claims statutes (e.g., 18 U.S.C. §§ 287 and 1001), (vi) the Program Fraud Civil Remedies Act of 1986 (31 U.S.C. § 3801 et seq.), (vii) the anti-fraud and related provisions of the Health Insurance Portability and
Accountability Act of 1996, as amended by the Health Information Technology Economic Clinical Health Act of 2009 (e.g., 18 U.S.C. §§ 1035 and 1347), (viii) TRICARE Laws (10 U.S.C. § 1071 et seq.), (ix) rules or regulations promulgated pursuant to any of the foregoing statutes; or (x) any other federal or state law or regulation of general applicability to health care services fraud and kickback/fee-splitting prohibitions governing or regulating the delivery of health care services and management of health care providers, or regulating medical billing or reimbursement, including but not limited to all applicable Medicare and Medicaid statutes and regulations, in each case including the regulations promulgated under such laws, as amended and superseded from time to time.


“Independent Appraiser” means a nationally or regionally recognized business valuation firm, which firm shall be independent of and otherwise not an Affiliate of either Member.

“Independent Third Person” means any Person that is not the JOC, a Member, or any of their respective Affiliates.

“Initial Capital Contribution” shall have the meaning set forth in Section 9.2(a).

“JAMS” shall have the meaning set forth in Section 15.1.

“JOC” shall have the meaning set forth in the preamble.

“JOC Board” shall have the meaning set forth in Section 8.1.

“JOC EBIDA” shall have the meaning set forth in Section 9.1.

“JOC-Owned Assets” shall have the meaning set forth in Section 3.2(c)(ii).

“JOC-Owned Entities” shall have the meaning set forth in Section 3.2(c)(iii).

“JOC Participation Agreements” means the JOC Participation Agreements entered into as of the Effective Date by and between the JOC and each of the JOC Participants.

“JOC Participants” means the AH Participating Entities and the SJHS Participating Ministries.

“Legal Impediment” means (a) the adoption, amendment or other modification of any federal, state or local law, regulation or ordinance, (b) an interpretation of such a law, regulation or ordinance by a governmental agency or court that nationally recognized health care counsel engaged by a Member determines is more likely than not to be upheld in a court of law, or (c) published guidance from any federal, state or local government, agency, authority, commission or other governmental body, in each case that would reasonably be expected to cause any term, covenant, condition or provision of this Agreement or any Related Party Transaction, or the manner in which the JOC or the Sacred Trust Network is operated (i) to jeopardize the licensure of any JOC-Owned Asset or JOC-Owned Entity or any hospital or other facility owned or operated by such Member or any of its respective Affiliates, the participation of any hospital or other facility owned or operated by such Member or any of its Affiliates (other than a JOC-
Owned Asset or JOC-Owned Entity) in the Medicare, Medi-Cal or any other governmental healthcare financing program, the accreditation of any JOC-Owned Asset or JOC-Owned Entity or any hospital or other facility owned or operated by such Member or any of its respective Affiliates by The Joint Commission or any other nationally recognized, Medicare deeming accreditation organization, or (ii) to violate any applicable statute, regulation or ordinance in any manner that could reasonably be expected to have a material adverse effect on such Member or any of its respective Affiliates.

"Legal Impediment Negotiation Period" has the meaning set forth in Section 3.10.

"Legally Impacted Member" has the meaning set forth in Section 3.10.

"Material Deadlock" shall have the meaning set forth in Section 8.8(a).

"Material Debt Obligation" means borrowings, promissory notes, debt instruments, or guaranties by or on behalf of the JOC, any JOC-Owned Entity or any JOC Participant that would cause the aggregate debt obligations of the JOC, such JOC-Owned Entity or such JOC Participant to exceed an amount equal to twenty-five percent (25%) of such Person's most recent 12-month trailing EBIDA.

"Master Formation Agreement" means that certain Master Formation Agreement for the Formation of Sacred Trust Network by and between SJHS and AH dated as of April 10, 2018.

"Membership Interest" means a Member's entire interest in the JOC, including the Member's Economic Interest, any right to vote on or participate in management and any right to receive information concerning the business and affairs of the JOC.

"Member", and collectively, the "Members" shall have the meaning set forth in the Recitals to this Agreement.

"Non-Employed Directors" shall have the meaning set forth in Section 8.2.

"Payor" means any third-party payor, including employers, trusts, state and federal governmental health care programs, health insurance companies, health plans and health maintenance organizations, preferred provider organizations and other entities authorized by applicable law to underwrite, sponsor or administer a plan of health care benefits.

"Percentage Interest" means the Economic Interest of a Member, expressed as a percentage, as may be adjusted from time to time in accordance with the provisions of this Agreement.

"Person" means any natural person, partnership, corporation, trust, association or other legal entity.

"Presumptive Split" means the allocation of JOC EBIDA to the Members in accordance with Appendix C to this Agreement.

"Proprietary Information" means any information in whatever form or format (including any formula, pattern, compilation, device, method, technique or process) that has economic value from not being generally known to the public or to other persons and includes confidential
information about a Member or the JOC, its patients, customers, suppliers, joint venturers, licensors, licensees, distributors, and other persons with whom such Member or the JOC does business. Proprietary Information includes, without limitation, confidential information relating to the business of such Member or the JOC, internal business procedures, processes, techniques, methods, ideas, discoveries, developments, records, research and development data and programs, trade secrets, computer programs and protocols, software, development tools and architectures, patient or customer lists and related information, contract terms, contracting policies, sales data, sales programs, computer programs, fee schedules, budgets, business plans, financial information and data, policies and procedures, information and records relating to providers and provider relationships, information and records relating to enrollee and patient claims and medical history, information and records relating to third-party payors and payor relationships, personnel and payroll information, and any other such information that is deemed confidential and/or proprietary. Proprietary Information shall not include (A) information independently developed without use of Proprietary Information; (B) information that is or becomes publicly known through no breach of the terms of this Agreement; and (C) information that a person lawfully acquires from a person not subject to obligations of confidentiality.

“PSJH” means Providence St. Joseph Health, a California nonprofit public benefit corporation and the sole corporate member of SJHS.

“Qualifying Organization” means (i) an organization that qualifies for exemption under the Code Section 501(c)(3) and California Tax Code Section 214; or (ii) a government entity that is considered a governmental unit or wholly owned instrumentality of a state or political subdivision for purposes of the Code and that is exempt from property taxation under Section 3 of Article XIII of the California Constitution, as to property owned by the state under subdivision (a), or as to property owned by a local government under subdivision (b), or as to property used exclusively for public schools, community colleges, state colleges and state universities under subdivision (d).

“Related Party Dispute” has the meaning set forth in Section 7.5.

“Related Party Transactions” means any lease, contract or agreement or any other transaction or arrangement involving payments or remuneration between the JOC and any Member or an Affiliate of a Member.

“Sacred Trust Network” shall mean the network of hospitals, clinics and other health care facilities and services operated by the JOC Participants from time to time.

“Sacred Trust Region” shall have the meaning set forth in Section 3.2(b).

“Regional Senior Executive Meet and Confer Period” shall have the meaning set forth in Section 8.8(c).

“Regional Senior Executives” shall have the meaning set forth in Section 8.8(c).

“SJHS” shall have the meaning set forth in the preamble.

“SJHS Directors” shall have the meaning set forth in Section 8.2.
“SJHS Non-Employed Director” shall have the meaning set forth in Section 8.2.

“SJHS Participating Ministries” shall mean and include: (a) St. Joseph Health Northern California, LLC (which owns and operates the hospital facilities known as Santa Rosa Memorial Hospital, Queen of the Valley Medical Center, St. Joseph Hospital of Eureka, and Redwood Memorial Hospital of Fortuna); and (b) St. Joseph Home Care Network.

“SJHS Proposed Action” shall have the meaning set forth in Section 3.5(b)(ii).

“Sponsor” shall mean the Co-Sponsors’ Council, the group of individuals serving Providence Ministries and St. Joseph Health Ministry, who have agreed to exercise the authority and responsibilities as the corporate member of Providence St. Joseph Health from a civil law perspective, and who have covenanted to ensure the healing ministry of Jesus is carried out in a manner consistent with the Mission and in fidelity with the Catholic Church from a canon law perspective.

“Statement of Common Values” means the SJH Statement of Common Values, dated December 12, 2012, and as adopted or amended by the Covenant Health Network Board of Directors from time to time.

“Supermajority Board Approval” shall have the meaning set forth in Section 8.5.

“Tax-Exemption Impediment” means any law or regulation passed, adopted or implemented by any governmental authority after the Effective Date, or any decision, finding, interpretation or action by any governmental authority after the Effective Date, which, in the written reasoned opinion of nationally recognized tax-exemption counsel engaged by a Member for such purpose, as a result or consequence, in whole or in part, of the arrangement between the Members set forth in this Agreement or any Related Party Transaction, or a Member’s ownership interest in the JOC, if or when implemented, could reasonably be expected: (A) to result in or present a material risk of revocation of the federal tax-exempt status of such Member or any Affiliate of such Member, or their respective tax-exempt financial obligations; or (B) to prohibit or restrict the ability of such Member or any Affiliate of such Member to issue tax-exempt bonds, certificates of participation or other tax-exempt financial obligations.

“Tax-Exemption Impediment Negotiation Period” has the meaning set forth in Section 3.9.

“Tax Impacted Member” has the meaning set forth in Section 3.9.

“Transfer” means: (i) as a noun, any voluntary or involuntary sale, assignment, transfer, encumbrance, pledge, hypothecation, exchange or other disposition of any Membership Interest by any means whatsoever, whether by operation of law or otherwise; and (ii) as a verb, any action or actions taken by or on behalf of a Member which result in such sale, assignment, transfer, encumbrance, pledge, hypothecation, exchange or other disposition of any Membership Interest (or any portion thereof).

“True-Up” shall have the meaning set forth in Appendix E.

“Unresolved Legal Impediment” has the meaning set forth in Section 3.10.
“Unresolved Tax-Exemption Impediment” has the meaning set forth in Section 3.9.

2. **NAME.** The formal legal name of the JOC is “ST Network, LLC.” Subject to the terms of this Agreement and subject to compliance with applicable laws, the business of the JOC may be conducted under any other name that the JOC Board deems appropriate or advisable from time to time.

3. **PURPOSE AND DESCRIPTION OF THE SACRED TRUST NETWORK.**

   3.1 Function of the Joint Operating Company. Subject to certain reserved powers by the Members and Sponsor, the JOC shall function as a joint operating company, and shall manage and have authority over the JOC Participants pursuant and subject to the terms of this Agreement, the JOC Participation Agreements and the Governance Matrix. The JOC represents the common and unifying commitment of the Members to work together for the good of the communities served by their respective health care facilities and ministries within the Sacred Trust Region. The Members share a common commitment to caring for the whole person through programs such as pastoral care, charity care, community wellness, health education, and care for the poor and vulnerable. This common commitment shall be continued and enhanced through the operations of the JOC and the Sacred Trust Network. However, at all times, governance and management of the JOC Participants shall be conducted in a manner that is respectful of and preserves the distinct identity, values, philosophy and tradition of such facilities and ministries as either Adventist or Catholic, as applicable.

   3.2 Principal Purpose.

   (a) The JOC is organized and shall be operated exclusively for one or more exempt purposes within the meaning of the Code Section 501(c)(3) and Sections 214 and 23701d of the California Revenue and Taxation Code (the “California Tax Code”). The JOC will be operated exclusively to further the exempt purposes of its Members as specified in the Code Section 501(c)(3) and California Tax Code Sections 214 and 23701d. Consistent with the foregoing, the principal purpose of the JOC is to carry on any lawful business or activity which may be conducted by a limited liability company under the California Limited Liability Company Act, as amended from time to time (the “Act”), including, specifically, the maintenance, management, promotion and operation of the Sacred Trust Network and related charitable health programs, services and businesses, and to exercise all other powers necessary or reasonably connected or incidental to such purpose and business that may be legally exercised by the JOC under the Act.

   (b) In connection with and furtherance of the exempt purposes of the JOC, the JOC shall operate and manage an integrated healthcare delivery network throughout the counties of Humboldt, Lake, Mendocino, Napa, Solano, and Sonoma (the “Sacred Trust Region”), that recognizes and builds upon the unique and common elements of the Members’ respective heritages and faith traditions where they are committed to the healing ministry of Jesus and the common values of dignity, excellence and service.

   (c) The JOC will achieve its purposes through:
(i) The management of the day to day affairs of each of the AH Participating Entities and the SJHS Participating Ministries, subject to Section 3.2(d) and pursuant to the terms and conditions of the JOC Participation Agreements;

(ii) The ownership of health care services, facilities and ministries, or assets contributed by the Members or acquired by the JOC after the Effective Date, subject to such JOC Board, Member and/or Sponsor approvals as may be required by this Agreement (collectively, the “JOC-Owned Assets”);

(iii) Membership or other ownership of investment interests in other Persons contributed by the Members or acquired by or formed by the JOC after the Effective Date, subject to such JOC Board, Member and/or Sponsor approvals as may be required by this Agreement (collectively, the “JOC-Owned Entities”); and

(iv) Entering into the arrangements described in Section 2.4(d) of the Master Formation Agreement.

(d) The JOC shall not govern, manage or finance the provision of activities and procedures that are contrary to the Directives at AH Participating Entities. Such activities and procedures shall be governed, managed and financed exclusively by AH subject to Section 3.5.

3.3 Agreement Regarding Furtherance of Charitable Purpose. The Members are exempt from taxation pursuant to Section 501(c)(3) of the Code. The JOC and the Members hereby agree as follows:

(a) The business of the JOC shall at all times be operated and managed in compliance with the mission and charitable purposes of the Members within the meaning of the Code Section 501(c)(3);

(b) The charitable purposes of the Members shall override any duty to maximize profits and shall serve as a guiding principle for the Members and the JOC Board in their decisions and voting on all matters;

(c) In carrying out its Members' charitable purposes of promoting health and subject to the principle that community benefit overrides any duty to maximize profits, the JOC will:

(i) Further the accomplishment of the tax-exempt purposes of the Members by enhancing the quality, availability, convenience, and access of health care services provided within the Sacred Trust Region, and by otherwise promoting the general health and well-being of persons residing in the Sacred Trust Region;

(ii) Participate in Medicare and Medicaid programs to the extent permitted by applicable law;
(iii) Cause each of the JOC Participants to provide quality health care and health services to all persons needing care without regard to race, creed, color, religion, national origin, citizenship, sex, disability, age, insurance coverage, or ability to pay;

(iv) Act consistently with the charity care policies of the JOC and the JOC Participants to ensure that quality care services are available and provided to all members of the community and that no individual is denied care based on the individual’s financial status or inability to pay for the full cost of services; and

(v) Adopt a conflicts of interest policy to be applied to all Directors (the “Conflicts of Interest Policy”). The Conflicts of Interest Policy shall provide mechanisms for ensuring the disclosure of relevant financial interests and the manner in which such financial interests will be handled to prevent participation of interested Directors in JOC Board actions.

3.4 Additional Exemption Provisions.

(a) Political and Lobbying Activities. In no event may the JOC, or any other Person on behalf of the JOC, make any direct or indirect financial contribution to, or otherwise directly or indirectly endorse or oppose, any candidate for public office, carry on any Lobbying Activities, or engage in any other activities not permitted to be carried on by an organization exempt from Federal tax under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code. For the purpose of this Agreement, “Lobbying Activities” are those activities that would constitute propaganda or otherwise attempting to influence legislation within the meaning of Section 501(c)(3) of the Code.

(b) Inurement and Private Benefit. No part of the net income or assets of the JOC shall ever inure the benefit of any officer of the JOC or any other private person, except that the JOC is authorized and empowered to pay reasonable compensation for services rendered, and to make payments and distributions in furtherance of its exempt purposes.

(c) Reasonable Compensation. The JOC shall follow policies and procedures reasonably calculated to ensure that all transactions involving payment for services are within the range of Reasonable Compensation for the services involved and that all transactions involving payment for property or the right to use property are within the range of fair market value for the property or right to use property involved in the transaction and reasonably calculated to ensure that neither the JOC nor any JOC-Owned Entity participates in an excess benefit transaction as defined in Section 4958 of the Code. For the purpose of this Agreement, “Reasonable Compensation,” as applied to the value of services, means the amount that would ordinarily be paid for like services by like enterprises (whether taxable or tax-exempt) under like circumstances, as determined in manner consistent with the standards for determining reasonableness of compensation as set forth in Section 162 of the Code.

(d) Requirements for and Limitations on Membership. Each Member of the JOC must be a Qualifying Organization. Any direct or indirect transfer of any Membership Interest in the JOC to any person other than a Qualifying Organization is prohibited.

(e) Dedication of Assets. All property and assets of the JOC (if any) is irrevocably dedicated to exempt purposes within the meaning of the Code Section 501(c)(3) and
California Tax Code Section 214. Upon dissolution, any assets remaining after the payment or provision for payment of debts and liabilities shall be distributed in accordance with Section 12.7 for use in furtherance of the exempt purposes of the JOC.

(f) **Limitations on Amendments.** Any amendment to the Articles of Organization and this Agreement must be consistent with the Code Section 501(c)(3) and California Tax Code Section 214.

(g) **Limitations on Mergers and Conversions.** The JOC is prohibited from merging with, or converting into, a for-profit entity.

(h) **Compliance with State Law.** The Articles of Organization of the JOC are consistent with the Act, and are enforceable at law and in equity.

3.5 **Religious Identity and Values.**

(a) Activities of SJHS, PSJH and the SJHS Participating Ministries are subject to the Directives and to Catholic teaching. The SJHS Participating Ministries will continue to be Catholic institutions and Affiliates of SJHS. The SJHS Participating Ministries will carry out the mission of SJHS and will comply with the mission, canonical or civil legal obligations of SJHS. Neither the JOC nor the JOC Board will exercise any control over the SJHS Participating Ministries which would cause the SJHS Participating Ministries to violate the mission, canonical or legal obligations of SJHS or the SJHS Participating Ministries. Any assets acquired by the JOC will not be considered by that very fact to become ecclesiastical goods; consequently, they will not be subject to canonical regulations regarding their administration. If existing ecclesiastical goods are acquired by the JOC, appropriate arrangements will be made beforehand regarding their administration and eventual alienation.

(i) If SJHS determines, in good faith, that any health care program, service, procedure or other action of AH or any of the AH Participating Entities could cause any SJHS Participating Ministry to violate the Directives or Catholic teaching (each, a "Disputed AH Action"), SJHS shall request in writing to AH the commencement of the Collaborative Process. Upon receipt of such written request, AH shall not implement any new program, service, procedure or other action until AH and SJHS have completed the Collaborative Process.

(ii) Similarly, if AH or any AH Participating Entity intends to implement any health care program, service, procedure or other action (each, an "AH Proposed Action") at any AH Participating Entity that could reasonably be interpreted to cause any SJHS Participating Ministry to violate the Directives or Catholic teaching, AH shall provide advance written notification to SJHS and shall not implement the AH Proposed Action until AH and SJHS have completed the Collaborative Process.

(b) Subject to Section 3.5(a) and Section 3.5(c), the activities of AH and of the AH Participating Entities are not subject to, and will not become subject to, the Directives, the Statement of Common Values or Catholic teaching. The AH Participating Entities will continue to be Adventist institutions and Affiliates of AH. The AH Participating Entities will continue to carry out the mission of AH, comply with and adhere to the values, guidelines and corporate and system-wide policies of AH and the Seventh-day Adventist Church, including
policies to ensure that a substantial proportion of Management Level employees at the AH Participating Entities are members in regular standing of the Seventh-day Adventist Church. Subject to Section 3.5(a) and Section 3.5(c), neither the JOC nor the JOC Board will exercise any power or control over the AH Participating Entities which would cause the AH Participating Entities to violate the beliefs, mission, or legal obligations of the Seventh-day Adventist Church, AH or the AH Participating Entities. In order to preserve the Adventist culture and mission, hiring at the department director level and above (the "Management Level") with respect to the AH Participating Entities shall be conducted at the respective AH Participating Entities by an individual designated by the chief executive officer of the AH Participating Entities. Policies shall be implemented to ensure that a substantial proportion of Management Level employees and above of the AH Participating Entities are members in regular standing of the Seventh-day Adventist Church.

(i) If AH determines, in good faith, that any health care program, service, procedure or other action of the Sacred Trust Network, SJHS or any of the SJHS Participating Ministries could cause AH or any AH Participating Entity to violate the core values of AH or of the Seventh-day Adventist Church (each, a "Disputed SJHS Action", and, together with a Disputed AH Action, a "Disputed Action"), AH shall request in writing to SJHS the commencement of the Collaborative Process. Upon receipt of such written request, SJHS shall not implement any new program, service, procedure or other action until AH and SJHS have completed the Collaborative Process.

(ii) Similarly, if SJHS or any SJHS Participating Ministry intends to implement any health care program, service, procedure or other action (each, a "SJHS Proposed Action", and, together with a AH Proposed Action, a "Proposed Action") at any SJHS Participating Ministry that could reasonably be interpreted to cause any AH Participating Entity to violate the core values of AH or the Seventh-day Adventist Church, SJHS shall provide advance written notification to AH and shall not implement the SJHS Proposed Action until AH and SJHS have completed the Collaborative Process.

(c) Upon such request (as described in Section 3.5(a)(i) or Section 3.5(b)(i)); or notification (as described in as described in Section 3.5(a)(ii) or Section 3.5(b)(ii)), AH and SJHS shall engage in good faith in a collaborative process to evaluate and resolve the issues relating to the Disputed Action or Proposed Action in such a way that is not violative of (1) the Directives or of Catholic teaching, or (2) the core values of AH or of the Seventh-day Adventist Church, as further described in Sections 3.5(d), 3.5(e) and 3.5(f) (the "Collaborative Process").

(d) The Collaborative Process shall involve communications and meetings between up to five (5) representatives designated by each of the Members, which representatives shall include the PSJH Senior Vice President of Theology and Ethics, two (2) members of the PSJH Co-Sponsors Council and one (1) SJHS mission leader, over a forty-five (45) day period commencing upon the date of receipt by AH of the SJHS notification or by SJHS of the AH notification (as applicable) during which the Members shall, in good faith, (i) discuss the specific Disputed Action or Proposed Action; (ii) determine whether the specific Disputed Action or Proposed Action is, as the case may be (A) in the interpretation of SJHS or the Roman Catholic Bishop of Santa Rosa, violative of the Directives or Catholic teaching, or (B) in the interpretation of the President of the Pacific Union Conference of the Seventh-day Adventist Church (the "AH Conference President") or in the reasonable interpretation of AH, violative of
the core values of AH or of the Seventh-day Adventist Church; and (iii) if so determined by the Roman Catholic Bishop of Santa Rosa, SJHS, AH or the AH Conference President, as applicable, identify reasonable alternatives to the specific Disputed Action or the Proposed Action, or alternative ways in which the Disputed Action or Proposed Action may be implemented such that it is not violative of the Directives or of Catholic teaching, or of the core values of AH or the Seventh-day Adventist Church.

(e) Determinations regarding interpretation of the Directives and of Catholic teaching by SJHS or the Roman Catholic Bishop of Santa Rosa shall be made in good faith but shall not be subject to further analysis, interpretation, or dispute resolution and shall be controlling for purposes of this Section 3.5. The Roman Catholic Bishop of Santa Rosa has ultimate authority for interpreting the Directives.

(f) Determinations regarding interpretation of the core values of AH and of the Seventh-day Adventist Church by the AH Conference President shall be made in good faith but shall not be subject to further analysis, interpretation, or dispute resolution and shall be controlling for purposes of this Section 3.5. The AH Conference President has ultimate authority for interpreting the core values of AH and the Seventh-day Adventist Church.

(g) If at the conclusion of the collaborative period described in Section 3.5(d) the Members are unable to agree upon alternatives to a specific Disputed Action or specific Proposed Action that is determined (1) by the Roman Catholic Bishop of Santa Rosa to be violative of the Directives or Catholic teaching, or (2) by the AH Conference President to be violative of the core principles of AH or the Seventh-day Adventist Church, and the Party proposing the Proposed Action or engaging in such Disputed Action continues to implement the specific Proposed Action or fails to promptly cease the specific Disputed Action, or takes material steps to initiate a specific Disputed Action or specific Proposed Action, then the Member adversely effected by such specific Disputed Action or such specific Proposed Action shall have the right to cause dissolution of the JOC pursuant to Section 12.

3.6 Specific Reservation of Authority. The JOC recognizes that the individual AH Participating Entities (and not the JOC or the JOC Board) exclusively retain the (i) ownership of the assets related to; (ii) governance responsibility for; (iii) operational management of; and (iv) revenues and expenses generated by, the provision of certain procedures in existence at the time of closing that are contrary to the Directives to the extent provided at a particular AH Participating Entity. In the event of any inconsistency between this Section 3.6 and any other provision of the Agreement, this Section 3.6 shall prevail.

3.7 Compliance with Health Care Laws. The JOC’s operations are subject to the Health Care Laws, including the Anti-Kickback Statute. It is the intention of the JOC and its Members that the JOC be organized and operated in a manner that complies with the Health Care Laws, including the Anti-Kickback Statute.

3.8 Compliance Matters. The Members recognize the need to conduct the operations of the JOC in accordance with the highest standards of business ethics and integrity and in compliance with all applicable laws and regulations and governmental guidelines and pronouncements.
3.9 Tax-Exemption Impediment. The Members shall meet and confer in good faith as soon as reasonably practicable after an actual or potential Tax-Exemption Impediment is identified in order to discuss the reasonable alternatives and solutions to resolve such Tax-Exemption Impediment in a manner that will (a) allow the Member impacted or potentially impacted by such Tax Exemption Impediment (the “Tax Impacted Member”) and its Affiliates to retain their respective federal, state or local tax-exempt status; and (b) allow the Tax Impacted Member and its Affiliates to maintain and issue tax-exempt bonds, certificates of participation or other tax-exempt financial obligations. The Members shall negotiate in good faith with respect to alternatives and solutions to resolve such Tax-Exemption Impediment, including any modifications or amendments to this Agreement and/or the Related Party Transactions that may be necessary or appropriate to resolve such Tax-Exemption Impediment. Each Member will agree to any reasonable modifications or amendments to this Agreement and/or the Related Party Transaction proposed by the Tax Impacted Member, and such modifications or amendments shall be deemed reasonable if they (a) are narrowly construed to remedy or eliminate only the Tax-Exemption Impediment at issue and do not impair or restrict such Member’s rights any more than reasonably necessary to remedy or eliminate such Tax-Exemption Impediment; (b) do not involve any change to such Member’s Membership Interest or rights with respect to the capital, profits, losses, distributions or allocations of the JOC, and/or the reduction or any other material change in the compensation under the Related Party Transaction; and (c) do not involve any material change to such Member’s rights with respect to the governance or management of the JOC or the JOC Participants. In the event that the Members are unable to resolve a Tax-Exemption Impediment that could reasonably be expected: (i) to result in or present a material risk of revocation of the federal tax-exempt status of the Tax Impacted Member or any Affiliate of the Tax Impacted Member, or their respective tax-exempt financial obligations; or (ii) to prohibit or restrict the ability of the Tax Impacted Member or any Affiliate of the Tax Impacted Member to issue or maintain tax-exempt bonds, certificates of participation or other tax-exempt financial obligations within ninety (90) days after such Tax-Exemption Impediment is identified (each such period, the “Tax-Exemption Impediment Negotiation Period,” and each such Tax-Exemption Impediment, an “Unresolved Tax-Exemption Impediment”), then, following the end of the Tax-Exemption Impediment Negotiation Period, the Tax Impacted Member shall thereafter be entitled to terminate the JOC pursuant to Section 12.

3.10 Legal Impediment. The Members shall meet and confer in good faith as soon as reasonably practicable after an actual or potential Legal Impediment is identified in order to discuss the reasonable alternatives and solutions to resolve such Legal Impediment. The Members shall negotiate in good faith with respect to alternatives and solutions to resolve such Legal Impediment, including any modifications or amendments to this Agreement and/or the Related Party Transactions that may be necessary or appropriate to resolve such Legal Impediment. Each Member will agree to any reasonable modifications or amendments to this Agreement and/or the Related Party Transactions proposed by the Member impacted or potentially impacted by the Legal Impediment (the “Legally Impacted Member”), and such modifications or amendments shall be deemed reasonable if they: (a) are narrowly construed to remedy or eliminate only the Legal Impediment at issue and do not impair or restrict such Member’s rights any more than reasonably necessary to remedy or eliminate such Legal Impediment; (b) do not involve any change to such Member’s Membership Interest or rights with respect to the capital, profits, losses, distributions or allocations of the JOC, and/or the reduction or any other material change in the compensation under any Related Party Transaction; and (c)
do not involve any material change to such Member’s rights with respect to the governance or management of the JOC or the JOC Participants. In the event that the Members are unable to resolve a Legal Impediment in accordance with this Section 3.10 within ninety (90) days after such Legal Impediment is identified (each such period, the “Legal Impediment Negotiation Period”, and each such Legal Impediment, an “Unresolved Legal Impediment”), then, following the end of the Legal Impediment Negotiation Period, the Legally Impacted Member shall thereafter be entitled to terminate the JOC pursuant to Section 12.

4. TERM. The JOC shall have a perpetual term, subject to termination in accordance with this Agreement.

5. PRINCIPAL PLACE OF BUSINESS. The principal place of business of the JOC shall be in Santa Rosa, California. The JOC Board may relocate the principal place of business or establish additional offices from time to time.

6. REGISTERED OFFICE AND REGISTERED AGENT. The name of the JOC’s initial registered agent and the address of its initial registered office are set forth in the Articles of Organization on file with the California Secretary of State. The registered office and registered agent may be changed by the JOC Board from time to time in accordance with the requirements of the Act.

7. MEMBERS.

7.1 Percentage Interests. Each Member has the Percentage Interest set forth opposite its name on Appendix A, as such Appendix A may be updated pursuant to this Agreement.

7.2 Action by the Members. The Members shall act by vote of their governing boards subject only to limitations or requirements imposed by the Corporate Documents of the Member or applicable law. Unless and until a Member designates another individual to act on its behalf in its capacity as a “Member” pursuant to this Agreement, the Chief Executive Officer of AH is hereby authorized to act on behalf of AH in such capacity and the Chief Executive Officer of SJHS is hereby authorized to act on behalf of SJHS in such capacity. Designation of a different representative by a Member shall be pursuant to notice to the JOC Board and the other Member, duly executed on behalf of the Member by its Chief Executive Officer and Secretary.

7.3 Meetings of the Members.

(a) Regular Meetings. Regular meetings of the Members shall be held at least once annually at such dates, times and places as the Board shall from time to time determine. Whenever Members are required or permitted to take any action at a meeting, a written notice of the meeting shall be given not less than ten (10) days nor more than sixty (60) days before the date of the meeting to each Member entitled to vote at the meeting. The notice shall state the place, date, and hour of the meeting, the means of electronic transmission by and to the JOC or electronic video screen communication, if any, and the general nature of the business to be transacted. No other business may be transacted at that meeting. Meetings of the Members shall be presided over by the Chair of the Board or, in his or her absence, by the Vice Chair of the
Board. The Secretary of the JOC shall act as secretary of the meeting, but in his or her absence the chair of the meeting may appoint any person to act as secretary of the meeting. Notice of any regular meeting may be waived in writing (either before or after such meeting) and shall be waived by any Member by attendance at or participation in the meeting, unless the Member objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called, noticed or convened.

(b) Special Meetings. Special meetings of the Members shall be held whenever called by or at the request of either Member or the JOC Board. Special meetings of the Members shall be held not less than ten (10) days after written notice is delivered to each Member as provided in Section 16.5 (Notices). Notice of each such special meeting shall specify the date, time and place of the meeting, and shall specify the purpose of the meeting. No other business may be transacted at that meeting. Notice of any special meeting may be waived in writing (either before or after such meeting) and shall be waived by any Member by attendance at or participation in the meeting, unless the Member objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called, noticed or convened.

(c) Telephonic Meetings Permitted. Meetings of the Members may be conducted by conference telephone, electronic video screen communication or similar communications equipment, as long as all Members participating in the meeting can speak to and be heard by each other at the same time, and participation by such means shall constitute presence in person at a meeting.

(d) Action in Lieu of a Meeting. Any action required or permitted to be taken at any meeting of the Members may be taken without a meeting, if the Members unanimously consent thereto in writing, and the writing or writings are filed with the JOC's records.

(e) Quorum; Vote Required for Action. All Members must be present to constitute a quorum for the transaction of business. An action of the Members requires a vote of each Member.

7.4 Member Approval Rights.

(a) Member Approval Rights. Notwithstanding any other provision of this Agreement, the JOC shall not be permitted to take and the JOC Board will not have the authority to approve, any of the following unless approved by the Members, and by the Sponsor as and to the extent required under Section 7.4(d).

(i) Any change to the mission, vision, philosophy or values of the JOC, the JOC-Owned Entities or the JOC Participants;

(ii) Any annual capital budgets of the JOC Participants, and any material modifications or amendments thereto that would require a Member to make capital contributions to the JOC Participants in order to provide funding for the capital expenditures set forth in such capital budgets;

(iii) Any Additional Non-Mandatory Contributions to the JOC by any Member;
(iv) Any sale, transfer, or other disposition of any material real property or all or any material portion of the assets of the JOC, any JOC-Owned Entity or any JOC Participant;

(v) Any merger, consolidation, dissolution or corporate reorganization involving the JOC, any JOC-Owned Entity or any JOC Participant;

(vi) Any transfer or issuance of any ownership or membership interest in the JOC, any JOC-Owned Entity or any JOC Participant to any person or entity, including the admission of any new Member of the JOC;

(vii) The closure or surrender of any general acute care hospital license of any general acute care hospital owned by the JOC, any JOC-Owned Entity or any JOC Participant;

(viii) Any change in the naming or branding of the JOC or any JOC-Owned Entity or any JOC Participant, or their respective facilities and ministries, businesses and/or service lines;

(ix) Any Material Debt Obligation of the JOC, any JOC-Owned Entity or any JOC Participant;

(x) Any alteration, amendment, restatement or repeal of any Corporate Document or mission statement of the JOC, any JOC-Owned Entity or any JOC Participant;

(xi) Any voluntary bankruptcy, liquidation or dissolution of the JOC, any JOC-Owned Entity or any JOC Participant;

(xii) Any Related Party Transaction or any material modification or amendment thereto; or

(xiii) Termination by mutual agreement of any Related Party Transaction prior to the expiration date of such Related Party Transaction.

(b) *AH Reserved Rights.* Notwithstanding any other provision of this Agreement, AH and/or the AH Participating Entities, as applicable, shall retain authority and remain responsible for, and neither the JOC Board nor the JOC shall have any authority with respect to, the following:

(i) The nomination and election of members of the boards of directors of the AH Participating Entities;

(ii) The appointment and removal of board officers of the AH Participating Entities;

(iii) All matters relating to the religious mission, vision or values of AH and/or the AH Participating Entities;
(iv) All matters relating to the offering, availability or provision by any AH Participating Entity of items, services, training, education or information with respect to reproduction or reproductive health, subject to Section 3.5;

(v) All matters relating to the offering, availability or provision by any AH Participating Entity of items, services, training, education or information with respect to end of life issues, subject to Section 3.5; or

(vi) The negotiation of collective bargaining agreements and/or determinations of dealings with organized labor for the AH Participating Entities.

(c) SJHS Reserved Rights. Notwithstanding any other provision of this Agreement, SJHS and/or the SJHS Participating Ministries, as applicable, shall retain authority and remain responsible for, and neither the JOC Board nor the JOC has authority with respect to, the following:

(i) The nomination and election of members of the boards of trustees of the SJHS Participating Ministries;

(ii) The appointment and removal of board officers of the SJHS Participating Ministries;

(iii) All matters relating to the religious mission, vision or values of SJHS and/or the SJHS Participating Ministries;

(iv) All matters relating to the offering, availability or provision by any SJHS Participating Ministry of items, services, training, education or information with respect to reproduction or reproductive health, subject to Section 3.5;

(v) All matters relating to the offering, availability or provision by any SJHS Participating Ministry of items, services, training, education or information with respect to end of life issues, subject to Section 3.5;

(vi) The negotiation of collective bargaining agreements and/or determinations of dealings with organized labor for the SJHS Participating Ministries; or

(vii) Diversity standards and goals with respect to the SJHS Participating Ministries.

(d) SJHS Sponsor Approval/Reserved Rights. Notwithstanding any other provision of this Agreement, the Sponsor of each SJHS Participating Ministry shall retain authority and remain responsible for the following, as each relates to the SJHS Participating Ministries:

(i) Approval of revisions to any statement of mission, vision and values of the JOC, the JOC-Owned Entities and/or the SJHS Participating Ministries;

(ii) Provision of input regarding and approval of any transaction with the Directives and/or Catholic identity implications;
(iii) Approval of criteria for delegated approval of, and, for those dispositions that do not meet such criteria, approval of, the sale or disposition of a SJHS Participating Ministry;

(iv) Approval of the sale or disposition of an entire SJHS Participating Ministry or recommendation of such disposition to the Holy See;

(v) Approval of changes to ministry portfolio and, as necessary, recommendation of approval of alienations to the Holy See;

(vi) Approval of diversity standards and/or goals for SJHS Participating Ministry boards, SJHS Participating Ministry board selection/nomination process and changes to such standards and/or processes;

(vii) Approval of nominations for SJHS Participating Ministry trustees nominated outside the St. Joseph Health Ministry approved process;

(viii) Approval of Sponsor’s trustees to SJHS Participating Ministry boards;

(ix) Approval of criteria for delegated approval of amendments to the Corporate Documents of a SJHS Participating Ministry;

(x) Approval of long term or short term financing for any SJHS Participating Ministry, including capital leases, changes to the SJHS obligated group and master indenture, and any SJHS or SJHS Participating Ministry bond issuance;

(xi) Provision of input regarding philanthropy with the Directives and/or Catholic identity implications;

(xii) Approval of advocacy statements and/or positions made or taken by the JOC affecting Catholic identity;

(xiii) Naming of a building in honor of a Sister;

(xiv) Approval of any new SJHS Participating Ministry service line proposals, creation of a majority investment in an Affiliate of SJHS, creation of a SJHS Participating Ministry joint venture or SJHS Participating Ministry management contract, in any case, implicating the Directives;

(xv) Resolution, in collaboration with the SJHS Participating Ministry and SJHS management and/or the SJHS governing board, of any Directive issues that should be reported to Church officials;

(xvi) Amendment to and oversight of approvals that are Canonically required and reserved to the Sponsor; and

(xvii) Any transfer or issuance of any ownership or membership interest in the JOC including the admission of any new Member of the JOC.
Member Covenants. Each Member shall, and shall cause its respective JOC Participants to take any necessary action, including the removal and replacement of members of the JOC Participant’s governing board members, as may be necessary and appropriate to ensure that its respective JOC Participants:

(i) use commercially reasonable efforts to manage their businesses and affairs in a manner consistent with the operating and capital budgets approved and adopted by the JOC Board and/or the Members, as applicable, in accordance with this Agreement;

(ii) implement and take those actions directed and/or approved by the JOC Board and/or the Members, as applicable, in accordance with this Agreement;

(iii) maintain the physical plant and equipment of the JOC Participants in a manner consistent with the standards established by the JOC from time to time; and

(iv) maintain such standards, practices, protocols, policies and/or procedures as may be established by the JOC from time to time.

7.5 Related Party Transactions. In the event of any arbitration, litigation or other legal proceeding between the JOC and any Member or any Affiliate of any Member relating to any Related Party Transaction (each, a “Related Party Dispute”), such Member (the “Conflicted Member”) and the Directors appointed by such Conflicted Member shall not participate in any vote, approval or decision with respect to such Related Party Dispute (including any vote, approval or decision to initiate such Related Party Dispute), and the non-Conflicted other Member (the “Disinterested Member”) and the Directors appointed by such Disinterested Member shall have, notwithstanding anything to the contrary in this Agreement, the sole and exclusive right, power and authority to initiate, prosecute and defend, in the name and on behalf of the JOC, any Related Party Dispute that the JOC has or may have against such Conflicted Member or Affiliate of such Conflicted Member with which the JOC has a Related Party Dispute relating to a Related Party Transaction. Notwithstanding the foregoing, any action or decision requiring the approval, vote or consent of the Members or the JOC Board with respect to any such Dispute, shall require the approval, vote or consent of the Disinterested Member and/or a majority in interest of the Directors appointed by the Disinterested Member, as applicable.

7.6 Withdrawal. A Member may withdraw or resign as a Member from the JOC only with the approval of the other Member. If a Member does withdraw or resign without such required approval, the withdrawing Member shall not be entitled to receive any consideration for its Membership Interest, and such withdrawal shall constitute a material breach of this Agreement by the withdrawing Member under Section 12 of this Agreement. Additionally, if a Member does withdraw or resign without such required approval, as of the date of such withdrawal such withdrawing Member’s Membership Interest shall be converted into an Economic Interest only, such Member shall not have any approval or voting rights under Section 7 of this Agreement or the Act and the terms of Directors appointed by such Member including its Non-Employed Director (as defined in Section 8 of this Agreement) shall immediately end.
8. MANAGEMENT OF THE JOC.

8.1 Management by the JOC Board. Subject to those decisions specifically reserved to one or more of the Members, the Sponsor or the JOC Participants pursuant to the Articles of Organization, this Agreement, the Governance Matrix or JOC Participation Agreements, and/or those actions or decisions for which approval of one or more of the Members or the Sponsors are required, pursuant to the Articles of Organization, this Agreement or the Act, the board of managers of the JOC (the "JOC Board") shall have full and complete authority, power and discretion over the management of the business and affairs of the JOC, the JOC-Owned Entities and the JOC Participants, subject to Section 3.5 and Section 3.2(d). Without limiting the generality of the foregoing, subject to those decisions reserved to the Members, the Sponsor or the JOC Participants pursuant to the Articles of Organization, this Agreement, the Governance Matrix or the JOC Participation Agreements, and/or those actions or decisions for which approval of the Members or the Sponsor are required pursuant to the Articles of Organization, this Agreement, or the Governance Matrix, the JOC Board shall have full power and authority to, including but not limited to:

(a) Approve any change to the mission, vision, philosophy or values of the JOC, the JOC-Owned Entities and the JOC Participants;

(b) Appoint and remove (hire and fire) the President and Chief Executive Officer of the JOC (the "JOC CEO");

(c) Approve and adopt annual operating budgets of the JOC, the JOC-Owned Entities and the JOC Participants, and any material modifications or amendments thereto;

(d) Approve and adopt annual capital budgets of the JOC, the JOC-Owned Entities and the JOC Participants, and any material modifications or amendments thereto, and any material unbudgeted capital expenditure of the JOC, any JOC-Owned Entity or any JOC Participant;

(e) Approve and adopt strategic plans with respect to the JOC, any JOC-Owned Entity and the JOC Participants and any material modifications or amendments thereto;

(f) Determine the services provided by the JOC, any JOC-Owned Entity and the JOC Participants, including the authority to direct the opening, closing, expansion, reduction and/or consolidation of facilities or ministries, patient care and administrative services or other major changes in the operation of a JOC Participant (including any facility or ministry operated by a JOC Participant);

(g) Approve the sale, transfer or other disposition of any real property or other material assets of the JOC, any JOC-Owned Entity or any JOC Participant, or the merger or consolidation of the JOC, any JOC-Owned Entity or any JOC Participant with or into any other Person;

(h) Approve the acquisition of any real estate or any material personal property by the JOC, any JOC-Owned Entity or any JOC Participant or the investment by the JOC, and JOC-Owned Entity or JOC Participant in any Person and/or the terms thereof, or any
material change in any investment the JOC, and JOC-Owned Entity or JOC Participant may have in any Person and/or the terms thereof, in all cases including the development and execution of any related agreements or documents;

(i) Develop and approve the charge master and pricing, the Payor contracting strategy and contracting arrangements with Payors for the services rendered by the JOC, the JOC-Owned Entities and the JOC Participants;

(j) Approve and adopt the charity care and/or patient financial assistance policies and procedures for the JOC, any JOC-Owned Entity and the JOC Participants;

(k) Determine and approve the clinical policies, procedures, metrics and standards for the JOC, the JOC-Owned Entities and the JOC Participants, subject to such approval by the applicable medical staffs as may be required under applicable medical staff bylaws;

(l) Approve any change in the naming or branding of the JOC, any JOC-Owned Entity, any JOC Participant or their respective facilities and ministries, businesses and/or service lines;

(i) Determine and approve the appropriate scope of decision-making authority, power and discretion to be delegated to the JOC CEO, the JOC Participants and/or management of the JOC from time to time; and

(m) Any material change with respect to the CBO Services provided to the JOC and/or the JOC Participants.

8.2 Board Composition. The JOC Board will consist of ten (10) voting members (the “Directors”). So long as AH continues to be a Member in the JOC, AH shall have the right to appoint five (5) Directors (the “AH Directors”), and so long as SJHS continues to be a Member in the JOC, SJHS shall have the right to appoint five (5) Directors including one designated by the Sponsor (the “SJHS Directors”). At least one (1) of the AH Directors shall be the President, Operations of AH (or his or her senior executive level designee), and at least one shall be a person who is not employed on a full-time or substantially full-time basis by AH or any of its Affiliates (the “AH Non-Employed Director”). At least one (1) of the SJHS Directors shall be the President, Operations of PSJH (or his or her senior executive level designee), and at least one shall be a person who is not employed on a full-time or substantially full-time basis by SJHS or any of its Affiliates (the “SJHS Non-Employed Director”, and, together with the AH Non-Employed Director, the “Non-Employed Directors”).

8.3 Director Terms. The initial Directors (other than the President/Operations of each of AH and PSJH or their respective senior executive level designees) shall be appointed for initial terms of one, two and three-years, respectively, to establish staggered terms. Thereafter, each Director (other than the President/Operations of each of AH and PSJH or their respective senior executive level designees) shall hold office for a three (3) year term. Directors are eligible for reappointment, except that a Director (other than the President/Operations of each of AH and PSJH or their respective senior executive level designees) who has served three (3) consecutive full three (3) year terms shall not be eligible for reappointment until at least one (1) year from the
expiration of his or her most recent term of office. Each other Director shall hold office until his or her death, disability or removal from the JOC Board.

8.4 Director Fiduciary Duties. Directors shall owe fiduciary duties of loyalty and care to the JOC and shall act in the best interest of the JOC, the Sacred Trust Network and the communities served by the Sacred Trust Network, without regard to impact that such act (or a failure to act) may have on any Member or any particular JOC Participant.

8.5 Director Removal and Replacement. An AH Director may be removed at any time, without cause or reason, by AH or by Supermajority Board Approval, and an SJHS Director may be removed at any time, without cause or reason, by SJHS or by Supermajority Board Approval. For purposes of removal of a Director from the JOC Board, “Supermajority Board Approval” shall mean the affirmative vote of seven (7) or more of the Directors. In the event of the death, disability or removal of any AH Director, AH shall have the right to appoint the successor AH Director, and, in the event of the death, disability or removal of any SJHS Director, SJHS shall have the right to appoint the successor SJHS Director. A person appointed to fill a vacancy of a Non-Employed Director shall serve for the unexpired term of his/her predecessor.

8.6 Meetings of the JOC Board.

(a) Regular Meetings. Regular meetings of the JOC Board shall be held on such dates and at such times and places (not less than once each calendar quarter) as the JOC Board shall from time to time determine. Regular meetings may be held without notice.

(b) Special Meetings. Special meetings of the JOC Board shall be held whenever called by or at the request of at least twenty-five percent (25%) of the Directors. Special meetings of the JOC Board shall be held not less than ten (10) days after written notice is delivered to each Director as provided in Section 16.5 (Notices). Notice of each such special meeting shall specify the date, time and place of the meeting, and shall specify the purpose of the meeting. No other business may be transacted at that Meeting. Notice of any special meeting may be waived in writing (either before or after such meeting) and shall be waived by any Director by attendance at or participation in the meeting, unless the Director objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called, noticed or convened.

(c) Waiver. Whenever any notice is required to be given to any Director under this Agreement, a waiver thereof in writing signed by such individual, whether before or after the time stated therein, shall be equivalent to the giving of such notice. All such waivers shall be made a part of the minutes of the meeting.

(d) Quorum and Voting. The presence of a majority of the Directors, including at least three (3) AH Directors and at least three (3) SJHS Directors, shall be required to establish a quorum for any meeting of the JOC Board, and the affirmative vote of a majority of the Directors present at duly held meeting of the JOC Board, shall be required for the approval of any action by the JOC Board.
(e) **Action by Written Consent.** Action required or permitted to be taken at a meeting of the JOC Board may be taken without a meeting if the action is evidenced by one or more written consents describing the action taken, executed by all Directors, and such consent shall have the same force and effect as a vote at a duly held meeting.

(f) **Meeting Held by Telephone or Similar Communications Equipment.** Meetings of the JOC Board may be conducted by conference telephone, electronic video screen communication or similar communications equipment, as long as all Directors participating in the meeting can speak to and be heard by each other at the same time, and participation by such means shall constitute presence in person at a meeting.

8.7 **JOC Board Officers.** The JOC Board shall have a Chair and a Vice Chair. The initial JOC Board officers shall be those individuals specified in the Master Formation Agreement. Thereafter, the JOC Board officers shall be elected annually by the JOC Board.

(b) The Chair shall preside over meetings of the JOC Board and have such other duties and responsibilities, if any, as may be determined by the JOC Board. The Chair shall serve a term of one (1) year and the position shall alternate between an AH Director and an SJHS Director.

(c) The Vice Chair shall assist the Chair in his or her duties and, in the absence of the Chair, shall preside over meetings of the JOC Board. The Vice Chair shall have such other duties and responsibilities, if any, as may be determined by the JOC Board. The Vice Chair shall serve a term of one (1) year and the position shall alternate between an AH Director and an SJHS Director. The Chair and Vice Chair shall not be from the same organization (e.g., if the Chair is an SJHS Director, the Vice Chair will be an AH Director).

(d) The JOC Board may establish such other board officer positions, and define the duties and responsibilities of such positions, as may be determined by the JOC Board from time to time to be necessary or appropriate for the operation of the JOC.

8.8 **Resolution of JOC Board Deadlocks.**

(a) A **"Material Deadlock"** means the failure of the JOC Board, because of deadlock, to approve or disapprove:

(i) The annual operating or capital budget with respect to the JOC, the JOC Participants and the JOC-Owned Entities within six (6) months after the beginning of any Fiscal Year;

(ii) Appointment of the JOC CEO within six (6) months after the death, disability or other departure of the previous JOC CEO; or

(iii) Any other proposed action requiring approval of the JOC Board that, as a result of the Material Deadlock with respect to such proposed action, has had or could reasonably be expected to have a Material Adverse Effect on the assets, liabilities, prospects, conditions (financial or otherwise), business, operations or properties of the JOC and/or the JOC Participants, taken as a whole.
(b) Notwithstanding the foregoing, a Material Deadlock shall be deemed to exist only if the failure to approve or disapprove the proposed action occurs after good faith efforts by the JOC Board to approve or disapprove such action or resolve the deadlock, and either a formal vote thereon has been taken at least two (2) duly held meetings of the JOC Board, or the JOC Board is unable to take a formal vote thereon as a result of the willful refusal of a sufficient number of Directors to establish a quorum to attend duly held meetings of the JOC Board.

(c) In the event of any Material Deadlock, the respective senior executives from the Members with primary responsibility for their respective Northern California operations (the “Regional Senior Executives”) shall meet and confer in good faith to resolve such Material Deadlock for a period of at least fifteen (15) but no more than thirty (30) days after the date of the second failure by the JOC Board to approve or disapprove the applicable action (the “Regional Senior Executive Meet and Confer Period”). In the event that the Senior Executives are unable to resolve such Material Deadlock during the Regional Senior Executive Meet and Confer Period, then the Chief Executive Officer of AH and the Chief Executive Officer of Providence shall meet and confer in good faith to resolve such Material Deadlock for a period of at least fifteen (15) but no more than thirty (30) days after the end of the Regional Senior Executive Meet and Confer Period (the “CEO Meet and Confer Period”). In the event that the Chief Executive Officers are unable to resolve such Material Deadlock within the CEO Meet and Confer Period, then the Members shall attempt in good faith to resolve such Material Deadlock through mediation under the Commercial Mediation Rules of the American Arbitration Association (“AAA”). The Members will jointly appoint a mutually acceptable mediator, seeking assistance in such regard from the AAA if they do not agree upon such appointment within ten (10) days after expiration of the Executive Meet and Confer Period applicable to such Material Deadlock. If such Material Deadlock remains unresolved thirty (30) days after completion of non-binding mediation with respect to such Material Deadlock pursuant to this Section, then either Member may initiate dissolution and termination of the JOC pursuant to Section 12 of this Agreement. In considering, negotiating and resolving any Material Deadlock, the Senior Executives, Chief Executives, mediator(s), and/or other individual(s) involved in resolving such Material Deadlock shall make decisions that are in the best interest of the JOC and the communities and patients served by the Sacred Trust Network.

(d) The third-party costs of any mediation with respect to resolution of a Material Deadlock, including fees and expenses of the mediator, as applicable, shall be borne equally by the Members. Each Member is responsible for its own costs related to any mediation with respect to resolution of a Material Deadlock.

8.9 Committees of the JOC Board. The JOC Board shall establish a standing Finance and Audit Committee and a Quality/Clinical Committee, and may from time to time establish committees and task forces as it deems necessary or appropriate and may by resolution, policy, or otherwise establish the composition, role, and duties of any committees; provided that, no committee shall have the power to take or approve any action requiring approval of the JOC Board, or a Member or Sponsor under the Articles of Organization, this Agreement, the Governance Matrix or the Act. Appointments to and removal from committees will be made by the JOC Board. The rules regarding notice, quorum and valid action of the
committees shall be the same in substance as the procedures in Section 8.6 or otherwise as set forth in the resolution, policy or other action of the JOC Board establishing such committee.

8.10 JOC Executive Leaders. The initial JOC CEO will be Kevin Klockenga. Following such initial appointment, the JOC Board will have the power and authority to appoint and remove (hire and fire) the JOC CEO. The JOC CEO will have the power and authority to appoint and remove (hire and fire) all other executive managers of the JOC; provided that at least one of the JOC CEO or the two other most senior executive positions of the JOC, as determined by the JOC Board from time to time, shall be a member in regular standing of the Seventh-day Adventist Church. A selection committee of the JOC Board shall work collaboratively with the JOC CEO to identify candidates to fill such senior executive roles.

8.11 No Compensation. Directors shall not be compensated for their services; however, the JOC may reimburse the Directors for reasonable travel and other expenses incurred.

8.12 Agents. The JOC Board may authorize one or more agents to enter into any contract or to otherwise act on behalf of the JOC. Such authority may be general or defined to specific instances, but shall not exceed the authority of the JOC Board under this Agreement. Unless authorized to do so by this Agreement or by the JOC Board, no employee or other agent of the JOC shall have any power or authority to bind the JOC in any way, to pledge its credit or to render it liable for any purpose.

9. FINANCIAL MATTERS.

9.1 Sharing of JOC EBIDA. The Members will share in the aggregate operating EBIDA generated by the JOC Participants (the “JOC EBIDA”) on a pro rata basis in accordance with the Presumptive Split, as determined and with payments made upon the terms and subject to the conditions set forth in Appendix C.

9.2 Capital Contributions, Additional Contributions.

(a) Initial JOC Cash Contributions. On the Effective Date, the Members will contribute initial cash to the JOC, in the amount set forth on Appendix A to fund the initial operating and capital expenses of the JOC (“Initial Capital Contribution”).

(b) Additional Mandatory JOC Cash Contributions. Upon request by the JOC Board, the Members will contribute additional cash, not to exceed Five Hundred Thousand Dollars ($500,000.00) in the aggregate and pro-rata in accordance with the Members’ then-current Percentage Interests, to fund (i) the ongoing and routine operating and capital expenses of the JOC, and (ii) such other investments or activities as set forth in the Initial Funding Plan (as defined below) (“Additional Mandatory Contributions”).

(c) Additional Non-Mandatory JOC Cash Contributions. Upon request by the JOC Board and subject to the approval of the Members, the Members will contribute such additional cash, in excess of the Additional Mandatory Contributions and pro-rata in accordance with the Members’ then-current Percentage Interests, as may be necessary to fund the non-
routine operating and capital expenses of the JOC ("Additional Non-Mandatory Contributions,” and together with the Additional Mandatory Contributions, the “Additional Capital Contributions”).

9.3 Form of Contributions; Remedies. All Capital Contributions shall be paid in U.S. Dollars, payable by wire transfer in immediately available funds or cashier’s check no later than the date specified in the notice thereof (the “Due Date”); provided, however, that each Member shall be afforded at least thirty (30) days after the notice is given to pay its share of any Additional Mandatory Contribution or Additional Non-Mandatory Contribution. In the event that a Member fails to comply with its obligation to contribute its portion of the Additional Capital Contribution on or before the Due Date (the “Non-Contributing Member”), the other Member (the “Contributing Member”) shall have the following options, which the Contributing Member(s) shall elect and/or exercise within ninety (90) days after the Due Date:

(a) the Contributing Member may elect to demand and receive the return of the Additional Capital Contribution actually made by such Contributing Member, and such Contributing Member may elect to pursue such other rights and remedies as may be available under this Agreement; or

(b) the Contributing Member may elect to treat the Additional Capital Contributions, and any contributions made by the Contributing Member on behalf of the Non-Contributing Member, as a loan to the JOC bearing interest at the then-current prime rate per annum (as published in the Wall Street Journal) plus one percent (1%), to be repaid to the Contributing Member upon such terms and conditions as the Contributing Member and the JOC Board shall agree.

9.4 No Priorities of Members. Except as set forth in this Agreement, no Member has the right to withdraw such Member’s Capital Contributions, and no Member has the right to demand or to receive JOC property other than cash in return for such Member’s Capital Contributions or has priority over the other Members, either as to the return of Capital Contributions or as to profits, losses or distributions.

9.5 Interest on Capital Contributions. No Member shall receive interest on such Member’s Capital Contribution.

9.6 Capital Account.

(a) Each Member shall have a capital account (each a “Capital Account”) on the books of the JOC that shall be increased by:

(i) The amount or value of the Member’s Initial Capital Contribution and any Additional Capital Contributions; and

(ii) Allocations to the Member of profit (or items thereof).

(b) And shall be decreased by:
(i) The amount of money and the fair market value of JOC Property (net of liabilities secured by the distribution property that it assumes or takes subject to), distributed to such Member by the JOC, and

(ii) Allocations to such Member of loss (or items thereof).

(c) In the event all or any part of a Member's Membership Interest is Transferred, the transferee shall succeed to the Capital Account of the Transferring Member to the extent it relates to the Transferred Membership Interest. If a Member Transfers less than its entire Membership Interest in the JOC, the portion of the Transferring Member's Capital Account that shall become the initial Capital Account of the transferee shall be equal to the Transferring Member's Capital Account prior to such Transfer multiplied by the percentage of the Transferring Member's Membership Interest being Transferred, as set forth in the pertinent Transfer documents. The Transferring Member's remaining Capital Account shall be reduced by the amount of the transferee's initial Capital Account.

9.7 Capital Funding Principles. The Members will fund the capital expenses associated with the operation of the JOC and the JOC Participants in a manner consistent with mutually agreed upon funding principles attached hereto as Appendix D.

9.8 Distributions. Within forty-five (45) days following the end of each calendar quarter, or at such more frequent intervals as the JOC Board may in its discretion from time to time determine to be appropriate, the JOC shall distribute any Cash Available for Distribution to the Members. If, at the time any Cash Available for Distribution is to be distributed to a Member, the Member also intends or is required to make any contribution, the JOC may treat an amount equal to the contribution as being simultaneously distributed to the Member and contributed by the Member to the JOC. Subject to the foregoing, any distribution of Cash Available for Distribution shall be made to the Members in accordance with their respective Percentage Interests.

9.9 Rights of Creditors. This Agreement is entered into between the JOC and the Members for the exclusive benefit of the JOC, the Members, and their respective successors and assigns. This Agreement is expressly not intended for the benefit of any creditor of the JOC or any Person other than the JOC, the Members and their respective successors and assigns. Except and only to the extent provided by applicable statute or as otherwise expressly provided in this Agreement, no Person other than the JOC, the Members and their respective successors and assigns shall have any rights under this Agreement or any agreement between the JOC and the Members with respect to any Capital Contribution or otherwise.

9.10 Fiscal Year. The accounting year of the JOC shall end on the last day of December of each year.

9.11 Bond Compliance. Neither the JOC nor the JOC Board will exercise any power or take or approve any action which, at the time the power is exercised or the action taken, would reasonably be expected to cause either Member or any JOC Participant to fail to satisfy the obligations, covenants, terms or conditions, or to be otherwise in violation of, any master trust indenture, supplemental master indenture, bond indenture, supplemental bond indenture, tax document or other loan or credit documents relating to any material Indebtedness of either
Member, and JOC Participant or any entity included in such Member's obligated group, if any or would adversely affect the tax exempt status of any debt financing.

9.12 Corporate Services. Each Member will initially continue to provide corporate and other shared services to its respective JOC Participants post-transaction on the same terms as provided as of the Effective Date upon the terms and subject to the conditions set forth in the CBO Services Agreements. Each Party acknowledges that, beginning six (6) months following the Effective Date, the JOC may, upon approval by the JOC Board, direct the provision of corporate services to the JOC and the JOC Participants, including but not limited to, by consolidating the CBO Services to a Member and outsourcing the CBO Services to another third-party vendor.

10. ACCOUNTING AND RECORDS.

10.1 Accounting and Records. The books and records of the JOC, showing the assets and liabilities, revenues and expenditures, and all other aspects of the operations, transactions and financial condition of the JOC shall be kept, and the financial position and the results of its operations recorded, in accordance with the accounting method followed for federal income tax purposes. Such books initially shall be kept on an accrual basis; provided, however, that the JOC Board may from time to time change the accounting basis on which such books are kept as may be required or permitted by law. The books and records of the JOC shall reflect all JOC transactions and shall be appropriate and adequate for the JOC's business. At a minimum, the JOC shall keep at its principal place of business the following records:

(a) A current list of the full name and last known business or residence address of each Member set forth in alphabetical order, together with the capital contributions, Capital Account, Presumptive Split, and Percentage Interest of each Member;

(b) The full name and business or residence address of each Director;

(c) A copy of the Articles of Organization and any and all amendments thereto, together with executed copies of any powers of attorney pursuant to which the Articles of Organization or any amendments thereto have been executed;

(d) Copies of the JOC's federal, state, and local income tax or information returns and reports, if any, for the six (6) most recent taxable years;

(e) A copy of this Agreement and, any all amendments hereto, together with executed copies of any powers of attorney pursuant to which this Agreement or any amendments thereto have been executed;

(f) Copies of the financial statements of the JOC for the six (6) most recent years;

(g) The books and records of the JOC as they relate to the internal affairs of the JOC for at least the current and past four (4) fiscal years; and
(h) A true copy of business records relevant to the amount, cost, and value of all property owned, claimed, possessed by, or controlled by the JOC.

11. TRANSFER OF JOC MEMBERSHIP INTERESTS.

11.1 Restriction on Transfers. Except as otherwise permitted by this Section 11, no Member shall Transfer all or any portion of such Member’s interest in the JOC. Any purported Transfer not permitted under this Section 11 shall be null and void and of no force or effect whatsoever.

11.2 Permitted Transfers. A Member may only Transfer all or any portion of such Member’s Membership Interest in the JOC only with the prior written consent of the other Member.

11.3 Conditions to Transfer to Assignee. Subject to any other applicable provisions of this Section 11, a Transfer shall not be permitted under Section 11.2 to an assignee unless and until the following conditions are satisfied:

(a) The assignee is a Qualifying Organization;

(b) Any assignee that is not already a Member shall become a party to this Agreement as a Member by executing a counterpart signature page to this Agreement. In addition, each assignee shall execute such documents and instruments of conveyance as may be necessary or appropriate, in the opinion of counsel to the JOC, to effect such Transfer and/or to confirm the assignee’s agreement to be bound by the provisions of this Agreement;

(c) The assignor and assignee have reimbursed the JOC for all costs and expenses that the JOC reasonably incurs in connection with the Transfer; and

(d) The assignee provides the JOC with evidence, reasonably satisfactory to counsel for the JOC, of the authority of the assignee to become a Member and to be bound by the terms and conditions of this Agreement.

11.4 Effect of Admission of Assignee as Member. An assignee admitted as a Member shall have, to the extent of a Transfer of the Membership Interests, the rights and powers, and be subject to the restrictions and liabilities, of a Member and shall be liable for any obligations of the assignor to make Capital Contributions with respect to the Transfer of the Membership Interests; provided, however, that an assignee who is a new Member shall not be obligated for liabilities unknown to the assignee at the time of becoming a Member and not ascertainable from the JOC’s Articles of Organization. Notwithstanding the admission of its assignee as a Member, the assignor shall not be released from any liability the assignor may have to the JOC.
12. TERMINATION AND DISSOLUTION.

12.1 SJHS Termination Events. SJHS may, at its option, elect to terminate the JOC Participation Agreements and cause the JOC to be dissolved and terminated upon occurrence of any of the following (each, a “SJHS Termination Event”):

(a) Material breach of this Agreement by AH that is not cured to the reasonable satisfaction of SJHS within sixty (60) days of notice of such breach sent by SJHS to AH;

(b) Any Bankruptcy Event with respect to AH or any AH Participating Entity representing thirty percent (30%) or more of the aggregate 12-months' trailing JOC EBIDA attributable to the JOC Participating Entities taken as a whole;

(c) Any exclusion of AH or any AH Participating Entity from participation in the Medicare or Medi-Cal programs representing thirty percent (30%) or more of the aggregate 12-months' trailing JOC EBIDA attributable to the JOC Participating Entities taken as a whole;

(d) Any Change of Control of AH;

(e) Any Unresolved Legal Impediment in which SJHS or any SJHS Participating Ministry is the Legally Impacted Member;

(f) AH ceases to be a Qualifying Organization;

(g) Any Unresolved Tax-Exemption Impediment in which SJHS or any SJHS Participating Ministry is the Tax Impacted Member;

(h) The termination of a JOC Participation Agreement with any AH Participating Entity representing thirty percent (30%) or more of the aggregate 12-months' trailing JOC EBIDA attributable to the JOC Participating Entities, taken as a whole;

(i) SJHS reasonably determines that SJHS is unable to continue its religious identity, mission, philosophy, or values through JOC participation as a result of any Disputed AH Action or AH Proposed Action that is not resolved to the satisfaction of The Roman Catholic Bishop of Santa Rosa after completion of the Collaborative Process in accordance with Section 3.5; or

(j) Any Material Deadlock that is not resolved by non-binding mediation in accordance with Section 8.8(c).

12.2 AH Termination Events. AH may, at its option, elect to terminate the JOC Participation Agreements and cause the JOC to be dissolved and terminated upon occurrence of any of the following (each, a “AH Termination Event”):

(a) Material breach of this Agreement by SJHS that is not cured to the reasonable satisfaction of AH within sixty (60) days of notice of such breach sent by AH to SJHS;
(b) Any Bankruptcy Event with respect to SJHS or any SJHS Participating Ministry representing thirty percent (30%) or more of the aggregate 12-months' trailing JOC EBIDA attributable to the JOC Participating Entities taken as a whole;

(c) Any exclusion of SJHS or any SJHS Participating Ministry from participation in the Medicare or Medi-Cal programs representing thirty percent (30%) or more of the aggregate 12-months' trailing JOC EBIDA attributable to the JOC Participating Entities taken as a whole;

(d) Any Change of Control of SJHS;

(e) Any Unresolved Legal Impediment in which AH or any AH Participating Entity is the Legally Impacted Member;

(f) SJHS ceases to be a Qualifying Organization;

(g) Any Unresolved Tax-Exemption Impediment in which AH or any AH Participating Entity is the Tax Impacted Member;

(h) The termination of the JOC Participation Agreement with any SJHS Participating Ministry representing thirty percent (30%) or more of the aggregate 12-months' trailing JOC EBIDA attributable to the JOC Participating Entities, taken as a whole;

(i) AH reasonably determines that AH is unable to continue its religious identity, mission, philosophy, or values through JOC participation as a result of any Disputed SJHS Action or SJHS Proposed Action that is not resolved to the satisfaction of the AH Conference President after completion of the Collaborative Process in accordance with Section 3.5; or

(j) Any Material Deadlock that is not resolved by non-binding mediation in accordance with Section 8.8(c).

12.3 Dissolution Events. Subject to Section 12.4 below, the JOC shall be dissolved and terminated on the earlier of the following (each, a "Dissolution Event"):

(a) Election of SJHS in accordance with Section 12.1 upon the occurrence of any SJHS Termination Event;

(b) Election of AH in accordance with Section 12.2 upon the occurrence of any AH Termination Event; or

(c) The entry of a decree of judicial dissolution under the Act.

12.4 Dispute Regarding Termination. In the event of any dispute regarding any SJHS Termination Event or AH Termination Event, the Members shall maintain the status quo pending resolution of such dispute by arbitration proceedings in accordance with Section 15 of this Agreement. During the pendency of such arbitration proceedings, the Parties shall continue to comply with the terms and conditions of this Agreement, the JOC Participation.
Agreements shall remain in effect, and the JOC shall not be dissolved and terminated until the resolution of such arbitration proceedings.

12.5 Certificate of Dissolution. Subject to Section 12.4, as soon as possible following the occurrence of any Dissolution Event, the Members shall execute a Certificate of Dissolution in the form prescribed by the California Secretary of State and file the Certificate of Dissolution as required by the Act.

12.6 Winding up/Unwind. Subject to Section 12.4, following the occurrence of a Dissolution Event, the JOC Participation Agreements shall immediately terminate and the JOC shall thereafter have no authority and/or control with respect to the business operation of the JOC Participants. The JOC shall continue solely for the purpose of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors. The JOC Board shall be responsible for overseeing the winding up and liquidation of the JOC, shall take full account of the liabilities of the JOC and assets, shall either cause its assets to be sold or distributed, and if sold, as promptly as is consistent with obtaining the fair market value thereof, shall cause the proceeds therefrom, to the extent sufficient therefor, to be applied and distributed as provided in Section 12.7 (Dissolution Distributions). The JOC Board winding up the affairs of the JOC shall give written notice of the commencement of winding up by mail to all known creditors and claimants whose addresses appear on the records of the JOC.

12.7 Dissolution Distributions. Upon any dissolution of the JOC, any assets remaining after the payment of liabilities shall be distributed to the Members pro-rata in accordance with the Presumptive Split based upon the Fair Market Value of such assets (as determined in accordance with Section 12.8 below) at the time of dissolution, subject to the following:

(a) Where appropriate, the JOC will distribute JOC-Owned Assets and/or JOC-Owned Entities based on geographic and/or historical affinity;

(b) Where not geographically and/or historically appropriate, each Member shall have the right to submit an offer to purchase or acquire JOC-Owned Assets and/or JOC-Owned Entities not located on the premises of or functionally related primarily to either Member;

(c) In all other cases, the Members shall use good faith efforts to agree upon a fair disposition, sale, monetization or other mutually acceptable result for any remaining assets, intangible assets or unrealized investments of the JOC;

(d) To the extent that the percentage of total net assets distributed to a Member pursuant to this Section 12.7 is different from the Presumptive Split, the Members will calculate a true-up pursuant to Appendix E and the Member will distribute/receive cash so that the net assets distributed to the Members equates to the Presumptive Split;

(e) The JOC will not distribute assets to Members who cease to be Qualifying Organizations; and
Upon dissolution, if the Members are no longer in existence, the remaining assets of the JOC will be distributed exclusively to Qualifying Organizations.

12.8 Determination of Fair Market Value. Upon any dissolution of the JOC, the Members of the JOC shall select a single Independent Appraiser to determine the Fair Market Value of JOC-Owned Assets and/or JOC-Owned Entities. In the event the Members are unable to agree on a single Independent Appraiser within thirty (30) days of the Dissolution Event (the “Determination Date”), then Fair Market Value shall be determined according to the following process:

(a) Each Member shall select one Independent Appraiser to determine the Fair Market Value of JOC-Owned Assets and/or JOC-Owned Entities and shall send written notice of the identity of its selected Independent Appraiser to the other Member within thirty (30) days of the Determination Date. Each Independent Appraiser shall prepare a written appraisal (each, an “Initial Appraisal”) of the Fair Market Value of JOC-Owned Assets and/or JOC-Owned Entities within thirty (30) days after its selection.

(b) If the Fair Market Value of JOC-Owned Assets and/or JOC-Owned Entities set forth in each of the Initial Appraisals are within ten percent (10%) of one another (as measured against the higher of the two numbers), then the Fair Market Value of JOC-Owned Assets and/or JOC-Owned Entities shall be an amount equal to the average of the respective Fair Market Value of the amounts set forth in the Initial Appraisals. If the Fair Market Value of JOC-Owned Assets and/or JOC-Owned Entities set forth in each of the Initial Appraisals is not within ten percent (10%) of one another, then the Independent Appraisers shall appoint a third Independent Appraiser. In such a case, the third Independent Appraiser shall prepare a written appraisal (the “Third Appraisal”) to determine the Fair Market Value of JOC-Owned Assets and/or JOC-Owned Entities within thirty (30) days after its appointment, and the final Fair Market Value of JOC-Owned Assets and/or JOC-Owned Entities shall be an amount equal to the average of the Fair Market Value of the amounts set forth in the two appraisals that are nearest to each other; provided, however, that if the Fair Market Value of JOC-Owned Assets and/or JOC-Owned Entities set forth in the Third Appraisal is within five percent (5%) of the average of the Fair Market Value of the amounts set forth in the Initial Appraisals, then the final Fair Market Value of JOC-Owned Assets and/or JOC-Owned Entities determined pursuant to the foregoing shall be final and binding on the Members.

(c) At any time during the appraisal process, and before final determination of the Fair Market Value of JOC-Owned Assets and/or JOC-Owned Entities, the Members may negotiate a mutually agreeable Fair Market Value of JOC-Owned Assets and/or JOC-Owned Entities, whereupon the appraisal process shall terminate.

(d) Each of the Members shall pay the fees of its own Independent Appraiser. The fees of any third Independent Appraiser or any mutually agreed single Independent Appraiser shall be shared equally between the Members. The Members shall provide each Independent Appraiser with reasonable access during normal business hours to such Persons, books and records and other information of JOC-Owned Assets and/or JOC-Owned Entities as the Independent Appraisers may reasonably request.
12.9 **Certificate of Cancellation.** The JOC Board shall cause to be filed in the office of, and on a form prescribed by, the California Secretary of State, a certificate of cancellation of the Articles of Organization upon the completion of the winding up of the affairs of the JOC.

13. **RESTRICTIVE COVENANTS.**

13.1 **New, Expanded or Renewed Affiliations by JOC Participants.** The Members shall not permit the JOC Participants to renew, expand or modify an existing Affiliation, or enter into a new Affiliation, without the approval of the JOC Board. Consistent with Section 3.5 of this Agreement, the JOC Board will determine the applicability of the Directives to new participants in the JOC that are not AH Participating Entities or SJHS Participating Ministries.

13.2 **Restrictions on Competitive Activities.** During the term of this Agreement, the Members shall not, and shall ensure that their respective Affiliates do not, for itself or on behalf of or in conjunction with any other Person, other than through the JOC (a) own or operate any Competing Health Facility or Services or Managed Care Network within the Sacred Trust Region, (b) provide management or other material administrative or support services to any Competing Health Facility or Services or Managed Care Network within the Sacred Trust Region, or (c) own or hold any ownership interest, membership interest or other financial interest in any Independent Third Person that owns or operates, or provides management or other material administrative or support services to, any Competing Health Facility or Services or Managed Care Network within the Sacred Trust Region. For purposes of this Agreement, “Competing Health Facilities or Services” means and includes (a) any general acute care hospital, (b) any “clinic” (within the meaning of Section 1200 of the Health and Safety Code), whether or not exempt from licensure under Section 1206, any medical office building, or other healthcare facility or ministry that provides services that are the same or similar to those provided by the JOC, any JOC Participant, or any JOC-Owned Entity. “Managed Care Network” means and includes any health plan, any risk-based or value-based contracting network (e.g., accountable care organizations) or other similar managed care network or program. Notwithstanding the foregoing, the activities of Heritage and AHPN pursuant to the arrangements described in Section 2.4(d) of the Master Formation Agreement shall not be deemed to violate this Section 13.2.

13.3 **Non-Solicitation.** Except to the extent prohibited by law, for so long as a Member is a Member of the JOC, such Member shall not, and shall cause its Affiliates not to, without the prior written consent of the other Member: (i) solicit independent contractors or employees of the JOC, any JOC-Owned Entity or any JOC Participant that is an Affiliate of the other Member to terminate or adversely change their relationship with the JOC or such JOC-Owned Entity or JOC Participant; or (ii) use any records, lists or Proprietary Information of the JOC for the purpose of advocating the termination or adverse change to any relationship between the JOC or such JOC-Owned Entity or JOC Participant and any such employee or independent contractor.
13.4 Proprietary Information.

(a) Each of the Members, the JOC Participants, and the JOC have certain Proprietary Information that is valuable and confidential, which provides a competitive advantage and which is not possessed by other entities. Each of the Members desires for each other Member and JOC to use such Proprietary Information for the benefit of the JOC during the term of this Agreement.

(b) During the term of this Agreement, and for a period of four years thereafter, no Member will use, copy, reveal, report, publish or otherwise disclose or make available to any person, either directly or indirectly, any Proprietary Information, except as may be necessary for performance of the duties and responsibilities of such Member hereunder or under another agreement between the Members or their Affiliates or with the prior written consent of the Member whose Proprietary Information is in issue, or as required by law. In any case, prior to any disclosure or use, the person to whom such Proprietary Information is disclosed shall be required to execute a confidentiality agreement in form and substance reasonably satisfactory to the Member whose Proprietary Information is to be disclosed.

(c) Violation of the provisions of this Section 13.4 would cause each of the other Members irreparable harm, and, without limiting the remedies for such breach, each Member may be enjoined at the insistence of the Member whose Proprietary Information is at issue. Upon termination of this Agreement for any reason or if any such Member ceases to be a Member of the JOC, absent the prior written consent of the Member whose Proprietary Information is at issue, it has no right to and shall cease all use of such Member’s Proprietary Information (and all embodiments thereof). No Member shall use the Proprietary Information of the others in any manner that might reasonably be construed as adverse or harmful to such Member or inconsistent with the terms of this Agreement.

(d) Medical records are not Proprietary Information, but shall remain confidential information at all times in accordance with the provisions of applicable law. Members will receive certain reports and other financial and operating information as a Member of the JOC, and such information, while Proprietary as to third parties, is not Proprietary Information as between the Members.

13.5 Injunctive Relief; Enforceability; Survival. If the provisions of this Section 13 are violated, in whole or in part, the JOC and its Members shall be entitled, upon application to any court of proper jurisdiction, to a temporary restraining order, preliminary injunction, permanent injunction or other injunctive relief to restrain and enjoin the Member from such violation without prejudice as to any other remedies the JOC or its Members may have at law or in equity. In the event of a violation, the Members agree that it would be virtually impossible for the JOC or its Members to calculate its monetary damages and that the JOC and its Members would be irreparably harmed. If the JOC or its Members seek such injunctive relief, neither the JOC nor its Members shall be required to post any bond with respect thereto, or, if a bond is required, it may be posted without surety thereon. If any restriction contained in this Section 13 is held by any court to be unenforceable, or unreasonable, as to time, geographic area or business limitation, the JOC and the Members agree that such provision shall be and is hereby reformed to the maximum durational or geographic limitation permitted by applicable laws. The Members further agree that the remaining restrictions contained in this
Section 13 shall be severable and shall remain in effect and shall be enforceable independently of each other. The Members specifically acknowledge, represent and warrant that the covenants set forth in this Section 13 are reasonable and necessary to protect the legitimate interests of the JOC and its Members, including in their respective trade secrets and other Proprietary Information, and that no Member would have entered into this Agreement in the absence of such covenants. The provisions of this Section 13 shall survive withdrawal or removal of any Member and termination or expiration of this Agreement for any reason.

14. LIMITATION OF LIABILITY. No Member or Director shall have liability to the JOC or its Members for monetary damages for conduct as a Member or a Director, except for acts or omissions that involve a breach of this Agreement, gross negligence or reckless or intentional misconduct, a knowing violation of law, conduct violating the Act, or for any transaction from which the Member or the Director has personally received a benefit in money, property or services to which the Member or the Director was not legally entitled. If the Act is hereafter amended to authorize JOC action further limiting the personal liability of the Member or Directors, then the liability of each Member or Director shall be eliminated or limited to the full extent permitted by the Act, as so amended. To the maximum extent permitted by applicable law, the JOC shall indemnify each of its officers and persons serving on the JOC Board against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact that any such person is or was an officer or person serving on the JOC Board of the JOC, and shall advance to such officer or person serving on the JOC Board expenses incurred in defending any such proceeding to the maximum extent permitted by applicable law. No repeal or modification of the Act or this Section 14 shall adversely affect any right or protection of a Member or a Director existing at the time of such repeal or modification for or with respect to an act or omission of such Member or Director occurring prior to such repeal or modification.

15. DISPUTE RESOLUTION

15.1 For matters other than those described in Section 3.5, the Parties agree in the event of a dispute under this Agreement, the respective senior executives from the Members with primary responsibility for their respective Northern California operations (the “Senior Executives”) shall meet promptly (within five business days) and confer in good faith to resolve any disputed issue. Should the dispute not be resolved by the Senior Executives within thirty (30) days, then the Chief Executive Officer of AH and the Chief Executive Officer of SJHS shall meet and confer in good faith to resolve such dispute for a period of thirty (30) days. Should the dispute not be resolved by the Chief Executive Officers, the Parties agree to pursue non-binding mediation conducted by the Judicial Arbitration and Mediation Services, Inc. (“JAMS”) or AAA.

15.2 Should the dispute not be resolved through non-binding mediation, the parties shall pursue binding arbitration conducted by JAMS or AAA. The selection and number of arbitrator(s) shall be determined by agreement of the Parties. The prevailing Party shall be entitled to reasonable costs and attorney fees (including allocated costs of in-house counsel) incurred in bringing any action or proceeding, declaratory or otherwise, arising out of or relating to this Agreement. Nothing in this Section 15.2 shall constitute a waiver of any of the benefits of a statute of limitations or equitable defense.
16. **MISCELLANEOUS.**

16.1 *Entire Agreement.* This Agreement, together with the Appendices, constitutes the entire Agreement between the parties hereto and supersedes any prior agreements, understandings and arrangements, oral or written, between the parties hereto with respect to the subject matter hereof.

16.2 *Construction.* Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine, or feminine gender.

16.3 *Successors and Assigns.* Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Agreement, their respective legal representatives, successors and assigns.

16.4 *Amendment and Waiver.* Except as otherwise provided in this Agreement, no amendment of any provision of this Agreement shall in any event be effective, unless the same shall be in writing and signed by the Members. Amendments to this Agreement or to the JOC’s Articles of Organization shall be consistent with Section 501(c)(3) of the Code. Any of the terms or conditions of this Agreement may be waived at any time by the Member which is entitled to the benefit thereof (on its own behalf and on behalf of its JOC Participants), but only by a written notice signed by the Member waiving such terms or conditions. The waiver of any term or condition of this Agreement shall not be construed as a waiver of any other term or condition of this Agreement.

16.5 *Notices.* All notices required or permitted hereunder shall be in writing and shall be served on the Member at the addresses set forth in below. Any such notices shall be either: (a) sent by overnight delivery using a nationally recognized overnight courier, in which case notice shall be deemed delivered one business day after deposit with such courier; or (b) sent by personal delivery, in which case notice shall be deemed delivered upon receipt. A Member’s address may be changed by written notice to the other party; provided, however, that no notice of a change of address shall be effective until actual receipt of such notice.

**To SJHS:**

St. Joseph Health System  
Attn: Mike Butler, President  
3345 Michelson Drive  
Irvine, CA 92612

**With copy to:** Yemi Adeyanju, Esq.  
Associate General Counsel  
Department of Legal Affairs  
Providence St. Joseph Health  
3345 Michelson Dr, Suite 100  
Irvine, CA 92612
16.6 **Expenses.** Except as otherwise expressly provided in this Agreement, each Member shall pay its own costs and expenses in connection with the relationship contemplated by this Agreement. If any action is brought by a Member to enforce any provision of this Agreement, the prevailing Member or Members shall be entitled to recover court costs, arbitration expenses and reasonable attorneys’ fees.

16.7 **Counterparts, Electronic Signature.** This Agreement and any amendment hereto may be signed in any number of counterparts, each of which, including any electronic copies, photocopies or facsimiles thereof, shall be deemed an original, but all of which taken together shall constitute one Agreement (or amendment, as applicable).

16.8 **Governing Law.** This Agreement shall be governed by and construed in accordance with the internal laws of the State of California.

16.9 **Headings.** Headings of articles and sections in this Agreement and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof, and shall not affect the meaning, construction, or effect hereof.

16.10 **Sections.** All references to “Sections” in this Agreement are to Sections of this Agreement, unless otherwise specifically provided.

16.11 **Partial Invalidity.** The provisions in this Agreement are consistent with California law, enforceable in law and in equity. Notwithstanding the foregoing, in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

16.12 **Assignment.** Except as otherwise expressly permitted by this Agreement, the rights and obligations of a Member to this Agreement may be assigned only with the prior written consent of the other Members.

16.13 **Third Party Beneficiaries.** No third party may rely upon the terms of this Agreement or have any rights or claims by reason of this Agreement.
IN WITNESS WHEREOF, the Members and the JOC have adopted this Agreement effective as of the date first set forth above.

COMPANY: ST NETWORK, LLC,
a California limited liability company

By: ________________________________
Name: 
Title: 

MEMBER: ST. JOSEPH HEALTH SYSTEM,
a California nonprofit public benefit corporation

By: ________________________________
Name: 
Title: 

MEMBER: ADVENTIST HEALTH SYSTEM/WEST
a California nonprofit public benefit corporation

By: ________________________________
Name: 
Title: 

SIGNATURE PAGE TO OPERATING AGREEMENT OF SACRED TRUST NETWORK

NAI-1503114026v24
# Appendix A

Members, Capital Contributions and Percentage Interests

<table>
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<tr>
<th>Name and Address of Members</th>
<th>Initial Capital Contributions</th>
<th>Percentage Interests</th>
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<tr>
<td>Adventist Health System/West</td>
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<tr>
<td>2100 Douglas Boulevard</td>
<td></td>
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<tr>
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<tr>
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<td></td>
<td></td>
</tr>
<tr>
<td>Suite 100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Irvine, CA 92612</td>
<td></td>
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<tr>
<td>Totals</td>
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Appendix A

TO OPERATING AGREEMENT OF SACRED TRUST NETWORK
Appendix B

Governance Matrix

The Governance Matrix has been submitted to the Attorney General on a CONFIDENTIAL basis pursuant to Title 11, California Code of Regulations, Section 999.5(c)(3)(A).
Appendix C

Sharing of JOC EBIDA after Capital Charge and Cost of Funds

SJHS: 69%

AH: 31%

1. Adjustments to the Presumptive Split and Percentage Interest. Every two (2) years, either Member may request a financial analysis to determine if an adjustment to the Presumptive Split/Percentage Interest is required in response to the following:

   a. A material change in a members supplemental, grant, or increased capitation payments received pursuant to the California Department of Health Care Services Quality Assurance Fee Program causes the JOC Participant's overall EBIDA to decrease by (20%) in a fiscal year;

   b. Material change in the assets participated or withdrawn by a Member;

   c. Failure of one Member to make Additional Mandatory Contributions; or

   d. EBIDA of one Member relative to the other Member increases or decreases by more than (20%).

If a determination is made that the Presumptive Split/Percentage Interest requires adjustment, the Members shall agree to such adjustments.


   a. True-Up. In the event that, during any given quarter, the aggregate EBIDA after Capital Charges actually received by AH or SJHS differs from the Presumptive Split, AH or SJHS, as applicable, will pay to the other Member the amount necessary to cause the aggregate EBIDA after Capital Charges generated by the JOC Participants to be shared between the Members in accordance with the Presumptive Split (a “True-Up”).

   b. Quarterly Calculation. The JOC shall provide the Members with a quarterly True-Up calculation within fifteen (15) working days after quarter-end to facilitate the financial reporting of the Members. The True-Up will allow for adjustments from the previous quarters not included in the calculation.
Appendix D

Funding Principles

(a) Capital Funding Responsibility.

(i) Each Member is solely responsible for any and all capital funding necessary to ensure that its JOC Participants comply with applicable state and federal seismic building codes; and

(ii) Each Member is responsible for completing any JOC Participant strategic capital projects in progress at a JOC Participant facility as of the Effective Date.

(b) Capital Expenditure Methodology.

(i) The JOC shall establish the budget for two types of capital expenditures for each JOC Participant: (1) annual routine/strategic and (2) Episodic Capital.

(ii) The Members will agree upon the projects defined as Episodic Capital during the annual budget process.

(iii) Each Member will be responsible for funding annual routine/strategic capital expenditures at its respective JOC Participants.

(iv) The funding for the Episodic Capital shall be provided by the Member whose JOC Participant(s) receive the benefit of the strategic investment to which such Episodic Capital relates and will remain an asset of the JOC Member.

(v) "Cost of Funds" means the interest related to the Episodic Capital provided by the Member. The Cost of Funds will be PRIME Plus 1% on the date the Episodic Capital is approved or as otherwise approved by the JOC.

(vi) All JOC-Owned capital will be funded by each Member based on the Presumptive Split, unless otherwise agreed by the JOC.
Appendix E

True-Up Calculation

See attached.
Exhibit B
SJHS Participating Ministry Agreement

See attached.
PARTICIPATING MINISTRY AGREEMENT

BETWEEN

ST NETWORK, LLC

AND

ST. JOSEPH HEALTH NORTHERN CALIFORNIA, LLC

________, 2018
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PARTICIPATING MINISTRY AGREEMENT

This PARTICIPATING MINISTRY AGREEMENT (this "Agreement") is made and entered into as __________, 2018 (the "Effective Date"), by and between ST Network, LLC, a charitable California limited liability company (the "JOC"), and St. Joseph Health Northern California, a charitable California limited liability company ("Participating Ministry"). JOC and Participating Ministry are sometimes referred to collectively in this Agreement as the "Parties" and individually as a "Party."

RECITALS

WHEREAS, St. Joseph Health System, a California nonprofit public benefit corporation ("SJHS"), and Adventist Health System/West, a California nonprofit religious corporation doing business as Adventist Health ("AH"), have entered into a Master Formation Agreement dated April 10, 2018 (the "Master Formation Agreement") for the purpose of establishing a joint operating arrangement to implement the shared goals and objectives of SJHS and AH;

WHEREAS, concurrently with the execution of this Agreement, SJHS and AH are entering into an Operating Agreement of ST Network, LLC (the "Operating Agreement") that establishes the JOC as the organizational form through which SJHS and AH are integrating their respective delivery networks in the counties of Humboldt, Lake, Mendocino, Napa, Solano and Sonoma ("the "Sacred Trust Region");

WHEREAS, SJHS is the sole member of the Participating Ministry, through which it operates a regional health system of health care providers and ancillary organizations in the Sacred Trust Region;

WHEREAS, Participating Ministry owns and operates Santa Rosa Memorial Hospital, Queen of the Valley Medical Center, St. Joseph Hospital of Eureka, Redwood Memorial Hospital of Fortuna, and St. Joseph Health Network and other health care businesses and assets incident to the operation of the Participating Ministry (collectively, the "Hospitals"); and

WHEREAS, the JOC shall function as a joint operating company, and shall manage and have authority over the Participating Ministry pursuant and subject to the terms of this Agreement and the Operating Agreement.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements contained in this Agreement, the Parties agree as follows:

[Signature page to Participating Ministry Agreement]
ARTICLE 1. DEFINITIONS

In addition to the words and terms elsewhere defined in this Agreement, the following words and terms as used in this Agreement shall have the following meanings unless the context or use indicates another or different meaning or intent:

"AAA" shall have the meaning set forth in Section 6.1.

"Act" means the California Limited Liability Company Act, 6 California Code Sections 18-101 et. seq. as amended from time to time (or any corresponding provisions of succeeding law).

"Affiliate" means, with respect to any Person, a Person that directly, or indirectly through one or more intermediaries’ controls, or is controlled by, or is under common control with, such Person. As used in this definition, the term "control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, the ownership of membership interests or election or appointment of board members, or by contract or otherwise.

"Affiliation" means a material relationship or a material arrangement of any kind to: (a) merge with any Person; (b) consolidate with any Person; (c) enter into a Contract with any Person for the management and/or operation of any material health care facility or ministry; (d) lease any material health care facility or ministry to or from any Person; (e) become an Affiliate of any Person; (f) enter into any joint venture or other arrangement which involves the granting or one or more reserved powers or the sharing of profits and/or losses with any Person; or (g) enter into any arrangement with any Person by which such Person becomes a controlling entity.

The JOC Board from time to time may establish standards as to what constitutes a material health care facility for purposes of this provision.

"Bankruptcy Event" means (a) the assignment by a Person for the benefit of creditors; (b) the commencement of a voluntary bankruptcy case by a Person; (c) the adjudication of a Person as bankrupt or insolvent; (d) the filing by a Person of a petition or answer seeking for such Person any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or rule; (e) the filing by a Person of an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Person in any proceeding of this nature; (f) seeking, consenting to or acquiescing in the appointment of a trustee, receiver or liquidator for a Person or of all or any substantial part of such Person’s property; (g) the commencement of an involuntary bankruptcy case against a Person that has not been dismissed on or before the one hundred twentieth (120th) day after the commencement of the case; or (h) the appointment, without a Person’s consent, of a trustee, receiver or liquidator either of such Person or of all or any substantial part of such Person’s property, which appointment is not vacated or stayed on or before the ninetieth (90th) day after appointment or is not vacated on or before the ninetieth (90th) day after expiration of any such stay.

issued from time to time by the United States Conference of Catholic Bishops, as amended from time to time.

"Change of Control" means with respect to any Person: (a) any transaction or series of related transactions involving such Person and any Independent Third Person, including, without limitation, merger or consolidation of such Person or other contract or arrangement, that results in such Independent Third Person becoming the beneficial owner of more than fifty percent (50%) of the then-outstanding voting securities or other voting membership or ownership interests of such Person; (b) the sale, transfer or lease of all or substantially all of the assets of such Person, in a single transaction or series of related transactions, to any Independent Third Person; and/or (c) any joint venture, management arrangement or similar transaction with any Independent Third Person that results in such Independent Third Person becoming the owner, operator or manager of all or substantially all of the assets of such Person.


"Collaborative Process" shall have the meaning set forth in Section 3.5(b).

"Corporate Documents" means an entity's articles of incorporation, code of regulations, delegation agreement, corporate bylaws, partnership agreement, operating agreement, governance matrices and comparable documents, as appropriate given the entity's form of legal organization.

"Delegated Authority" shall have the meaning set forth in Section 3.1.

"Disputed Action" shall have the meaning set forth in Section 3.5(a)(i).

"Fiscal Year" means the fiscal year of Participating Ministry as established by the Participating Ministry from time to time. The accounting year of the JOC shall end on the last day of December each year, as defined by Section 9.10 of the Operating Agreement.

"Governmental Authority" means any foreign, federal, state, municipal, national, local government, or other governmental department, court, commission, board, bureau, agency or instrumentality or political subdivision thereof, or any entity or officer exercising executive, legislative or judicial, regulatory or administrative functions of or pertaining to any government or any court, in each case, whether of the United States or any other country, or a state, territory or possession thereof, or the District of Columbia, in each case having jurisdiction over the applicable person or entity.

"Government Program" means Medicare, Medi-Cal and any other federal or state health care financing programs.

"Governance Matrix" means the Sacred Trust Network Sponsorship/Governance Authority Matrix as adopted or amended by the JOC Board from time to time subject to the reserved rights of the Members and Sponsor.

"Independent Third Person" means any Person that is not a JOC Participant, JOC, SJHS, AH, or an Affiliate of SJHS or AH.
“JOC Participants” means the AH Participating Entities and the SJHS Participating Ministries.

“Legal Impediment” means (a) the adoption, amendment or other modification of any federal, state or local law, regulation or ordinance, (b) an interpretation of such a law, regulation or ordinance by a governmental agency or court that nationally recognized health care counsel engaged by a Member determines is more likely than not to be upheld in a court of law, or (c) published guidance from any federal, state or local government, agency, authority, commission or other governmental body, in each case that would reasonably be expected to cause any term, covenant, condition or provision of this Agreement or any Related Party Transaction, or the manner in which the JOC or the Sacred Trust Network is operated (i) to jeopardize the licensure of any JOC-Owned Asset or JOC-Owned Entity or any hospital or other facility owned or operated by such Member or any of its respective Affiliates, the participation of any hospital or other facility owned or operated by such Member or any of its Affiliates (other than a JOC-Owned Asset or JOC-Owned Entity) in the Medicare, Medi-Cal or any other governmental healthcare financing program, the accreditation of any JOC-Owned Asset or JOC-Owned Entity or any hospital or other facility owned or operated by such Member or any of its respective Affiliates by The Joint Commission or any other nationally recognized, Medicare deeming accreditation organization, or (ii) to violate any applicable statute, regulation or ordinance in any manner that could reasonably be expected to have a material adverse effect on such Member or any of its respective Affiliates.

“Legal Requirements” means any foreign or domestic federal, state or local law, statute, code, ordinance, regulation, rule, consent agreement, constitution or treaty of any Governmental Authority and common law.

“Master Formation Agreement” has the meaning set forth in the Recitals to this Agreement.

“Material Debt Obligations” means borrowings, promissory notes, debt instruments or guaranties by or on behalf of the JOC, any JOC-Owned Entity or any JOC Participant that would cause the aggregate debt obligations of the JOC, such JOC-Owned Entity or such JOC Participant to exceed an amount equal to twenty-five percent (25%) of such Person’s most recent 12-month trailing EBIDA.

“Member” and collectively, the “Members” shall have the meaning set forth in the Recitals to the Operating Agreement.

“Operating Agreement” has the meaning set forth in the Recitals to this Agreement.

“Person” means any natural person, partnership, corporation, trust, association or other legal entity.

“Proposed Action” shall have the meaning set forth in Section 3.5(a)(ii).

“Qualifying Organization” means (i) an organization that qualifies for exemption under the Code Section 501(c)(3) and California Tax Code Section 214; or (ii) a government entity that is considered a governmental unit or wholly owned instrumentality of a state or political
subdivision for purposes of the Code and that is exempt from property taxation under Section 3 of Article XIII of the California Constitution, as to property owned by the state under subdivision (a), or as to property owned by a local government under subdivision (b), or as to property used exclusively for public schools, community colleges, state colleges and state universities under subdivision (d).

"Sponsor" means the Co-Sponsors' Council, the group of individuals serving Providence Ministries and St. Joseph Health Ministry, who have agreed to exercise the authority and responsibilities as the corporate member of Providence St. Joseph Health from a civil law perspective, and who have covenanted to ensure the healing ministry of Jesus is carried out in a manner consistent with the Mission and in fidelity with the Catholic Church from a canon law perspective.

"Statement of Common Values" means the SJH Statement of Common Values, dated December 12, 2012, and as adopted or amended by the Covenant Health Network Board of Directors from time to time.

"Tax-Exemption Impediment" means any law or regulation passed, adopted or implemented by any governmental authority after the Effective Date, or any decision, finding, interpretation or action by any governmental authority after the Effective Date, which, in the written reasoned opinion of nationally recognized tax-exemption counsel engaged by a Member for such purpose, as a result or consequence, in whole or in part, of the arrangement between the Members set forth in this Agreement or any Related Party Transaction, or a Member's ownership interest in the JOC, if or when implemented, could reasonably be expected: (A) to result in or present a material risk of revocation of the federal tax-exempt status of such Member or any Affiliate of such Member, or their respective tax-exempt financial obligations; or (B) to prohibit or restrict the ability of such Member or any Affiliate of such Member to issue tax-exempt bonds, certificates of participation or other tax-exempt financial obligations.

"Unresolved Legal Impediment" has the meaning set forth in Section 3.10 of the Operating Agreement.

"Unresolved Tax-Exemption Impediment" has the meaning set forth in Section 3.9 of the Operating Agreement.

ARTICLE 2. FUNCTION OF JOINT OPERATING COMPANY

Subject to certain reserved powers by the Members and Sponsor, the JOC shall function as a joint operating company, and, as such, shall manage and have authority over the Participating Ministry pursuant and subject to the terms of this Agreement and the Operating Agreement. The JOC represents the common and unifying commitment of the Members to work together for the good of the communities served by their respective health care facilities and ministries within the Sacred Trust Region. The Members share a common commitment to caring for the whole person through programs such as pastoral care, charity care, community wellness, health education, and care for the poor and vulnerable. This common commitment shall be continued and enhanced through the operations of the JOC and the Sacred Trust Network. However, at all times, governance and management of the Participating Ministry shall be
conducted in a manner that is respectful of and preserves the distinct identity, values, philosophy and tradition of SJHS.

ARTICLE 3. ROLE OF THE JOC AND THE GOVERNING BOARD

Section 3.1 JOC Management and Operation of Participating Ministry. Subject to the Participating Ministry Retained Rights (as defined in Section 3.3 below), and subject to those decisions specifically reserved to one or more of the Members and/or the Sponsor under the Articles of Organization or the Operating Agreement, including the Governance Matrix, and subject to Sections 3.4(b) and 3.5 below, the Participating Ministry hereby delegates to the JOC and the Board of Managers of the JOC (the "JOC Board") full and complete authority, power, and discretion over the management of the business and affairs of the Participating Ministry and the Hospitals (the "Delegated Authority"), including, among other things, the authority, power and discretion to:

(a) Approve and adopt annual operating budgets of the Participating Ministry, and any material modifications or amendments thereto;

(b) Approve and adopt annual capital budgets of the Participating Ministry, and any material modifications or amendments thereto, and any material unbudgeted capital expenditure of the Participating Ministry;

(c) Approve and adopt strategic plans with respect to the Participating Ministry, and any material modifications or amendments thereto;

(c) Determine the services provided by the Participating Ministry, including the authority to direct the opening, closing, expansion, reduction and/or consolidation of facilities or ministries, patient care and administrative services or other major changes in the operation of the Participating Ministry;

(d) Approve the sale, transfer or other disposition of any material real property or other material assets of the Participating Ministry, or the merger or consolidation of the Participating Ministry with or into any other Person;

(f) Approve the transfer or issuance of any ownership or membership interest in the Participating Ministry to any Person;

(g) Develop and approve the charge master and pricing, the payor contracting strategy and contracting arrangements with third-party payors for the services rendered by the Participating Ministry;

(h) Approve and adopt the charity care and/or patient financial assistance policies and procedures for the Participating Ministry;

(i) Determine and approve the clinical policies, procedures, metrics and standards for the Participating Ministry, subject to such approval by the medical staffs of the Hospitals as may be required under the applicable medical staff bylaws;
(j) Approve the acquisition of any real estate or any material personal property by the Participating Ministry, or the investment by the Participating Ministry in any Person and/or the terms thereof, or any material change in any investment the Participating Ministry may have in Person and/or the terms thereof, in all cases including the development and execution of any related agreements or documents; and

(k) Determine and approve the appropriate scope of decision-making authority, power, and discretion to be delegated to the Participating Ministry from time to time.

Section 3.2 JOC Exercise of Delegated Management Authority. In the exercise of the Delegated Authority, the JOC shall operate and manage the Participating Ministry and the Hospitals (a) in a manner that is consistent with and in furtherance of the purposes of the Participating Ministry as set forth in the Corporate Documents of the Participating Ministry, and (b) in a manner that is consistent with Catholic Identity Standards pursuant to the terms of the Operating Agreement.

Section 3.3 Participating Ministry Retention of Authority. Participating Ministry is and shall remain the owner, provider and licensee of the Hospitals during the term of this Agreement and shall exercise the powers and discharge the responsibilities associated therewith. Nothing in this Agreement is intended or shall be construed to alter or adversely affect the Participating Ministry’s rights and responsibilities as owner, provider, or licensee of the Hospitals. Without limiting the generality of the foregoing and not withstanding Section 3.1 above, the Participating Ministry and the medical staffs of the Hospitals shall retain authority and remain responsible for the following (collectively, the “Participating Entity Retained Rights”):

(a) Responsibility for the exercise of those rights and the satisfaction of those obligations of the Participating Ministry or its medical staffs under the applicable medical staff bylaws, rules and regulations of the Hospitals;

(b) Responsibility for services furnished by the Hospitals as and to the extent required under 42 CFR 482.12(e);

(c) Responsibility for ensuring that the Hospitals comply with all applicable conditions of participation and standards for hospitals participating in Governmental Programs;

(d) Professional and administrative responsibility for the Hospitals facilities as and to the extent required under California Code of Regulations Title 22, Section 70713;

(e) Responsibility for ensuring that the Participating Ministry complies with any applicable standards for accreditation or certification by The Joint Commission or other hospital accreditation agency;

(f) Approval of such decisions or actions that cannot lawfully be delegated by the Participating Ministry or the medical staffs of the Hospitals to the JOC under state or federal law (including licensing and certification laws, rules and regulations) or applicable accreditation standards and requirements; and
(g) Responsibility for those decisions as may be delegated to the Participating Ministry by the JOC Board from time to time.

Section 3.4 Limitations on JOC’s Management Authority. Notwithstanding anything to the contrary contained in this Agreement, JOC shall not:

(a) take any actions with respect to the Participating Ministry that require the prior approval of or are reserved to the Member and/or the Sponsor under the Operating Agreement without first ensuring that such actions have been approved in accordance with the Operating Agreement;

(b) take any actions with respect to the Participating Ministry that require the prior approval of or are reserved to the Member and/or the Sponsor under the articles of incorporation and bylaws of the Participating Ministry without first ensuring that such actions have been approved in accordance with such sections of the articles of incorporation and bylaws of the Participating Ministry; or

(c) take or approve any action which, at the time the power is exercised or the action taken, would reasonably be expected to cause the Participating Ministry to fail to meet the obligations, terms or conditions, or to be otherwise in violation of, any master trust indenture, supplemental indenture or other loan document relating to any material debt financing of the Participating Ministry.

Section 3.5 Religious Identity and Values.

(a) Activities of SJHS, PSJH and the SJHS Participating Ministries are subject to the Directives and to Catholic teaching. The SJHS Participating Ministries will continue to be Catholic institutions and Affiliates of SJHS. The SJHS Participating Ministries will carry out the mission of SJHS and will comply with the mission, canonical or civil legal obligations of SJHS. Neither the JOC nor the JOC Board will exercise any control over the SJHS Participating Ministries which would cause the SJHS Participating Ministries to violate the mission, canonical or legal obligations of SJHS or the SJHS Participating Ministries.

(i) If AH determines, in good faith, that any health care program, service, procedure or other action of the Participating Ministry could cause AH or any AH Participating Entity to violate the core values of AH or of the Seventh-day Adventist Church (each, a “Disputed Action”), AH shall request in writing to SJHS the commencement of the Collaborative Process. Upon receipt of such written request, Participating Ministry shall not implement any new program, service, procedure or other action until AH and SJHS have completed the Collaborative Process.

(ii) Similarly, if SHJS or the Participating Ministry intends to implement any health care program, service, procedure or other action (each, a “Proposed Action”, at the Participating Ministry that could reasonably be interpreted to cause any AH Participating Entity to violate the core values of AH or the Seventh-day Adventist Church, SJHS and/or the Participating Ministry shall provide advance written notification to AH and the Participating Ministry shall not implement the SJHS Proposed Action until AH and SJHS have completed the Collaborative Process.
Upon such request (as described in Section 3.5(a)(i)); or notification (as described in as described in Section 3.5(a)(ii)), AH and SJHS shall engage in good faith in a collaborative process to evaluate and resolve the issues relating to the Disputed Action or Proposed Action in such a way that is not violative of the core values of AH or of the Seventh-day Adventist Church, as further described in Sections 3.5(c), 3.5(d) and 3.5(e) (the “Collaborative Process”).

The Collaborative Process shall involve communications and meetings between up to five (5) representatives designated by each of the Members, which representatives shall include the PSJH Senior Vice President of Theology and Ethics, two (2) members of the PSJH Co-Sponsors Council and one (1) SJHS mission leader, over a forty-five (45) day period commencing upon the date of receipt by SJHS of the AH notification or by AH of the SJHS notification (as applicable) during which the Members shall, in good faith, (i) discuss the specific Disputed Action or Proposed Action; (ii) determine whether the specific Disputed Action or Proposed Action is, in the interpretation of the President of the Pacific Union Conference of the Seventh-day Adventist Church (the “AH Conference President”) or in the reasonable interpretation of AH, violative of the core values of AH or of the Seventh-day Adventist Church; and (iii) if so determined by AH or the AH Conference President, identify reasonable alternatives to the specific Disputed Action or the Proposed Action, or alternative ways in which the Disputed Action or Proposed Action may be implemented such that it is not violative of the core values of AH or the Seventh-day Adventist Church.

Determinations regarding interpretation of the core values of AH and of the Seventh-day Adventist Church by the AH Conference President shall be made in good faith but shall not be subject to further analysis, interpretation, or dispute resolution and shall be controlling for purposes of this Section 3.5. The AH Conference President has ultimate authority for interpreting the core values of AH and the Seventh-day Adventist Church.

If at the conclusion of the collaborative period described in Section 3.5(c) the Members are unable to agree upon alternatives to a specific Disputed Action or specific Proposed Action that is determined by the AH Conference President to be violative of the core principles of AH or the Seventh-day Adventist Church, and the Party proposing the Proposed Action or engaging in such Disputed Action continues to implement the specific Proposed Action or fails to promptly cease the specific Disputed Action, or takes material steps to initiate a specific Disputed Action or specific Proposed Action, then the Member adversely effected by such specific Disputed Action or such specific Proposed Action shall have the right to cause dissolution of the JOC pursuant to Section 12 of the Operating Agreement.

ARTICLE 4. RESPONSIBILITIES OF THE PARTICIPATING MINISTRY

Section 4.1 Participation Fee. The Participating Entity shall pay to JOC a monthly fee (the “Participation Fee”) equal to the Participating Entity’s pro rata percentage of the JOC’s operating expenses, as determined on an accrual basis according to GAAP. For purposes of calculating the Participation Fee, the pro rata percentage applied shall be equal to the Participating Entity’s Net Patient Revenue as a percentage of the aggregate Net Patient Revenue of all Participating Entities. “Net Patient Revenue” shall mean the total net revenue of Participating Entity, which consists primarily of net patient service revenue that is recorded
based on established billing rates less estimated discounts for contractual allowances, charity and bad debt allowances principally for patients covered by Government Health Care Programs and other health plans, and self-pay patients, all determined on an accrual basis in accordance with GAAP. The Participation Fee for each month shall be paid to the JOC on or before the fifteenth (15th) day of the succeeding month during the Term. Both the timing of the payment of the Participation Fee, and the formula by which the Participation Fee is determined, shall be subject to revision from time to time based on the affirmative vote of a majority of the members of the JOC Board.

Section 4.2 Participating Ministry Responsibilities. Subject to the JOC’s Reserved Rights and any reserved rights of the Members and/or Sponsor, the Participating Ministry shall, at all times during the term of this Agreement, use commercially reasonable efforts in good faith to:

(a) manage its businesses and affairs in a manner consistent with the operating and capital budgets approved and adopted by the JOC Board and/or the Members, as applicable, from time to time in accordance with the Operating Agreement;

(b) implement and take those actions directed and/or approved by the JOC Board and/or the Members, as applicable, from time to time in accordance with the Operating Agreement;

(c) ensure that the medical staff bylaws, rules and regulations are not modified or amended in a manner that frustrates the purposes of the JOC or interferes with the exercise or performance by the JOC of any right, power, or obligation arising under this Agreement or the Operating Agreement;

(d) maintain the physical plant and equipment of the Participating Ministry in a manner consistent with the standards established by the JOC from time to time; and

(e) maintain such standards, practices, protocols, policies and/or procedures as may be established by the JOC from time to time.

Section 4.3 JOC Approval Rights. Without limiting the generality of the delegation of authority to the JOC under Section 3.1, the Participating Ministry shall not, during the term of this Agreement, take or implement any of the following actions without the prior approval of the JOC Board and/or the Members and/or Sponsor, as applicable:

(a) Any change to the mission, vision, philosophy or values of the Participating Ministry;

(b) Any sale, transfer, or other disposition of any material real property or all or any material portion of the assets of the Participating Ministry;

(c) Any transfer or issuance of any ownership or membership interest in the Participating Ministry to any Person;
(d) Any acquisition of any real estate or any material personal property by the Participating Ministry or any material investment by the Participating Ministry in any Person, except as otherwise approved in any operating or capital budget approved by the JOC Board;

(i) The closure or surrender of any general acute care hospital license of the Participating Ministry;

(e) Any Material Debt Obligation of the Participating Ministry;

(f) Any merger, consolidation, dissolution or corporate reorganization involving the Participating Ministry;

(g) Any alteration, amendment, restatement or repeal of any Corporate Document or mission statement of the Participating Ministry;

(h) Any voluntary bankruptcy, liquidation or dissolution of the Participating Ministry;

(i) Any Related Party Transaction or any material modification or amendment thereto; or

(j) Any change in the naming or branding of the Participating Ministry and their respective facilities and ministries, businesses and/or service lines.

ARTICLE 5. TERM AND TERMINATION

Section 5.1 Term. The term of this Agreement shall commence on the Effective Date, and shall continue for a perpetual term, subject to termination upon the occurrence of a Dissolution Event (as defined in Section 12.3 of the Operating Agreement) and otherwise in accordance with this Agreement.

Section 5.2 JOC Termination Rights. The JOC may, at its option, elect to terminate this Agreement upon occurrence of any of the following (each, a “JOC Termination Event”):

(a) Material breach of this Agreement by the Participating Ministry that is not cured to the reasonable satisfaction of the JOC within sixty (60) days of notice of breach sent by JOC to the Participating Ministry;

(b) Any Bankruptcy Event with respect to the Participating Ministry;

(c) Any exclusion of the Participating Ministry from participation in the Medicare or Medi-Cal programs;

(d) Any Change of Control of the Participating Ministry;

(e) Any Unresolved Legal Impediment in which the JOC or the Participating Ministry is the Legally Impacted Member;
The Participating Ministry ceases to be a Qualifying Organization; or

Any Unresolved Tax-Exemption Impediment in which the JOC or the Participating Ministry is the Tax Impacted Member.

Section 5.3 Participating Ministry Termination Rights. The Participating Ministry may, at its option, subject to approval of SJHS, elect to terminate this Agreement upon occurrence of any of the following (each, a “Participating Ministry Termination Event”):

(a) Material breach of this Agreement by the JOC that is not cured to the reasonable satisfaction of the Participating Ministry within [sixty (60)] days of notice of such breach sent by the Participating Ministry to the JOC;

(b) Any Bankruptcy Event with respect to the JOC;

(c) Any Unresolved Legal Impediment in which the Participating Ministry is the Legally Impacted Member;

(d) Any exclusion of the JOC from participation in the Medicare or Medi-Cal programs;

(e) The JOC ceases to be a Qualified Organization; or

(f) Any Unresolved Tax-Exemption Impediment in which the Participating Ministry is the Tax Impacted Member.

Section 5.4 Effect of Termination. Upon the expiration or termination of this Agreement for any reason, all rights and responsibilities of the Parties will cease, except as otherwise specifically set forth in this Agreement.

ARTICLE 6. DISPUTE RESOLUTION

Section 6.1 Disputed Issue. For matters other than those described in Section 3.5 of the Operating Agreement, the Parties agree in the event of a dispute under this Agreement, the respective senior executives from the Members with primary responsibility for their respective Northern California operations (the “Senior Executives”) shall meet promptly (within five business days) and confer in good faith to resolve any disputed issue. Should the dispute not be resolved by the Senior Executives within thirty (30) days, then the Chief Executive Officer of AH and the Chief Executive Officer of SJHS shall meet and confer in good faith to resolve such dispute for a period of thirty (30) days. Should the dispute not be resolved by the Chief Executive Officers, the Parties agree to pursue non-binding mediation conducted by the Judicial Arbitration and Mediation Services, Inc. (“JAMS”) or American Arbitration Association (“AAA”).

Section 6.2 Arbitration. Should the dispute not be resolved through non-binding mediation, the parties shall pursue binding arbitration conducted by JAMS or AAA. The selection and number of arbitrator(s) shall be determined by agreement of the Parties. The
prevailing Party shall be entitled to reasonable costs and attorney fees (including allocated costs of in-house counsel) incurred in bringing any action or proceeding, declaratory or otherwise, arising out of or relating to this Agreement. Nothing in this Section 6.2 shall constitute a waiver of any of the benefits of a statute of limitations or equitable defense.

ARTICLE 7. MISCELLANEOUS

Section 7.1 Entire Agreement. This Agreement, together with the Appendices, constitutes the entire Agreement between the parties hereto and supersedes any prior agreements, understandings and arrangements, oral or written, between the parties hereto with respect to the subject matter hereof.

Section 7.2 Construction. Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine, or feminine gender.

Section 7.3 Successors and Assigns. Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Agreement, their respective legal representatives, successors and assigns.

Section 7.4 Amendment and Waiver. Except as otherwise provided in this Agreement, no amendment of any provision of this Agreement shall in any event be effective, unless the same shall be in writing and signed by the Parties. Amendments to this Agreement shall be consistent with Section 501(e)(3) of the Code. Any of the terms or conditions of this Agreement may be waived at any time by the Party which is entitled to the benefit thereof, but only by a written notice signed by the Party waiving such terms or conditions. The waiver of any term or condition of this Agreement shall not be construed as a waiver of any other term or condition of this Agreement.

Section 7.5 Notices. All notices required or permitted hereunder shall be in writing and shall be served on the Party at the addresses set forth in below. Any such notices shall be either: (a) sent by overnight delivery using a nationally recognized overnight courier, in which case notice shall be deemed delivered one business day after deposit with such courier; or (b) sent by personal delivery, in which case notice shall be deemed delivered upon receipt. A Party's address may be changed by written notice to the other party; provided, however, that no notice of a change of address shall be effective until actual receipt of such notice.

To ST Network, LLC: ST Network, LLC
Attn: Kevin Klockenga, President and Chief Executive Officer
1111 Sonoma Avenue, Suite 308
Santa Rosa, CA 95405

To Participating Entity: ______________________________
Attn: ______________________________

NAI-1503264718v9
Section 7.6 Expenses. Except as otherwise expressly provided in this Agreement, each Party shall pay its own costs and expenses in connection with the relationship contemplated by this Agreement. If any action is brought by a Member to enforce any provision of this Agreement, the prevailing Member or Members shall be entitled to recover court costs, arbitration expenses and reasonable attorneys’ fees.

Section 7.7 Counterparts, Electronic Signature. This Agreement and any amendment hereto may be signed in any number of counterparts, each of which, including any electronic copies, photocopies or facsimiles thereof, shall be deemed an original, but all of which taken together shall constitute one Agreement (or amendment, as applicable).

Section 7.8 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California.

Section 7.9 Headings. Headings of articles and sections in this Agreement and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof, and shall not affect the meaning, construction, or effect hereof.

Section 7.10 Sections. All references to “Sections” in this Agreement are to Sections of this Agreement, unless otherwise specifically provided.

Section 7.11 Partial Invalidity. The provisions in this Agreement are consistent with California law, enforceable in law and in equity. Notwithstanding the foregoing, in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

Section 7.12 Assignment. Except as otherwise expressly permitted by this Agreement, the rights and obligations of a Party to this Agreement may be assigned only with the prior written consent of the other Party.

Section 7.13 Third Party Beneficiaries. No third party may rely upon the terms of this Agreement or have any rights or claims by reason of this Agreement.
Section 7.14  Confidentiality. The Parties agree that neither Party will disclose any secrets or confidential information, proprietary information or trade secrets of the other Party, as governed by Section 13.4 of the Operating Agreement. Without limiting other possible remedies for the breach of this covenant, the Parties agree that injunctive or other equitable relief shall be available to enforce this covenant, such relief to be available without the necessity of posting a bond. This Section 7.14 is not intended and shall not be construed to prohibit or limit the exchange or disclosure of information between JOC and the Participating Ministry.

[SIGNATURE PAGE FOLLOWS]
IN WITNESS WHEREOF, the Parties have executed this Agreement through their duly authorized officers as of the date first written above.

PARTICIPATING MINISTRY:

ST. JOSEPH HEALTH NORTHERN CALIFORNIA, LLC
a charitable California limited liability company

By: ______________________
Print: ______________________
Title: ______________________

JOC:

ST NETWORK, LLC
a California limited liability company

By: ______________________
Name: Kevin Klockenga
Title: President and Chief Executive Officer
Exhibit C
AH Participating Entity Agreements

See attached.
PARTICIPATING ENTITY AGREEMENT

BETWEEN

ST NETWORK, LLC

AND

[NAME OF AH PARTICIPATING ENTITY]

____________________________, 2018
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PARTICIPATING ENTITY AGREEMENT

This PARTICIPATING ENTITY AGREEMENT (this “Agreement”) is made and entered into as __________, 2018 (the “Effective Date”), by and between ST Network, LLC, a charitable California limited liability company (the “JOC”), and [Name of Participating Entity], a California nonprofit religious corporation (“Participating Entity”). JOC and Participating Entity are sometimes referred to collectively in this Agreement as the “Parties” and individually as a “Party.”

RECITALS

WHEREAS, St. Joseph Health System, a California nonprofit public benefit corporation (“SJHS”), and Adventist Health System/West, a California nonprofit religious corporation doing business as Adventist Health (“AH”), have entered into a Master Formation Agreement dated April 10, 2018 (the “Master Formation Agreement”) for the purpose of establishing a joint operating arrangement to implement the shared goals and objectives of SJHS and AH;

WHEREAS, concurrently with the execution of this Agreement, SJHS and AH are entering into an Operating Agreement of ST Network, LLC (the “Operating Agreement”) that establishes the JOC as the organizational form through which SJHS and AH are integrating their respective delivery networks in the counties of Humboldt, Lake, Mendocino, Napa, Solano and Sonoma (“the Sacred Trust Region”);

WHEREAS, SJHS is the sole member of St. Joseph Health Northern California, LLC, a charitable California limited liability company (“SJHNC”), through which it owns and operates a regional health system of health care providers and ancillary organizations in the Sacred Trust Region;

WHEREAS, AH is the sole member of each of the AH Participating Entities (as defined in the Master Formation Agreement), including the Participating Entity, through which it operates a regional health system of health care providers and ancillary organizations in the Sacred Trust Region;

WHEREAS, Participating Entity owns and operates [name of health care facility(ies)] located in [location] and other health care businesses and assets incident to the operation of [name of health care facility] (collectively, [the “Hospital”] [the “Hospitals”]; and

WHEREAS, the JOC shall function as a joint operating company, and shall manage and have authority over the Participating Entity pursuant and subject to the terms of this Agreement and the Operating Agreement.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements contained in this Agreement, the Parties agree as follows:

NAI-1503169682v19
ARTICLE 1. DEFINITIONS

In addition to the words and terms elsewhere defined in this Agreement, the following words and terms as used in this Agreement shall have the following meanings unless the context or use indicates another or different meaning or intent:

"AAA" shall have the meaning set forth in Section 6.1.

"Act" means the California Limited Liability Company Act, 6 California Code Sections 18-101 et. seq. as amended from time to time (or any corresponding provisions of succeeding law).

"Affiliate" means, with respect to any Person, a Person that directly, or indirectly through one or more intermediaries' controls, or is controlled by, or is under common control with, such Person. As used in this definition, the term “control” shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, the ownership of membership interests or election or appointment of board members, or by contract or otherwise.

"Affiliation" means a material relationship or a material arrangement of any kind to: (a) merge with any Person; (b) consolidate with any Person; (c) enter into a Contract with any Person for the management and/or operation of any material health care facility or ministry; (d) lease any material health care facility or ministry to or from any Person; (e) become an Affiliate of any Person; (f) enter into any joint venture or other arrangement which involves the granting or one or more reserved powers or the sharing of profits and/or losses with any Person; or (g) enter into any arrangement with any Person by which such Person becomes a controlling entity. The JOC Board from time to time may establish standards as to what constitutes a material health care facility for purposes of this provision.

"AH Identity Standards" means an Adventist identity and operation in compliance with the core values of AH and of the Seventh-day Adventist Church.

"Bankruptcy Event" means (a) the assignment by a Person for the benefit of creditors; (b) the commencement of a voluntary bankruptcy case by a Person; (c) the adjudication of a Person as bankrupt or insolvent; (d) the filing by a Person of a petition or answer seeking for such Person any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or rule; (e) the filing by a Person of an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Person in any proceeding of this nature; (f) seeking, consenting to or acquiescing in the appointment of a trustee, receiver or liquidator for a Person or of all or any substantial part of such Person’s property; (g) the commencement of an involuntary bankruptcy case against a Person that has not been dismissed on or before the one hundred twentieth (120th) day after the commencement of the case; or (h) the appointment, without a Person’s consent, of a trustee, receiver or liquidator either of such Person or of all or any substantial part of such Person’s property, which appointment is not vacated or stayed on or before the ninetieth (90th) day after appointment or is not vacated on or before the ninety-first (91st) day after expiration of any such stay.
“Catholic Identity Standards” means a Catholic identity and operation in compliance with the latest edition of the *Ethical and Religious Directives for Catholic Health Care Services* issued from time to time by the United States Conference of Catholic Bishops, as amended from time to time.

“Change of Control” means with respect to any Person: (a) any transaction or series of related transactions involving such Person and any Independent Third Person, including, without limitation, merger or consolidation of such Person or other contract or arrangement, that results in such Independent Third Person becoming the beneficial owner of more than fifty percent (50%) of the then-outstanding voting securities or other voting membership or ownership interests of such Person; (b) the sale, transfer or lease of all or substantially all of the assets of such Person, in a single transaction or series of related transactions, to any Independent Third Person; and/or (c) any joint venture, management arrangement or similar transaction with any Independent Third Person that results in such Independent Third Person becoming the owner, operator or manager of all or substantially all of the assets of such Person.


“Collaborative Process” shall have the meaning set forth in Section 3.5(b).

“Corporate Documents” means an entity’s articles of incorporation, code of regulations, delegation agreement, corporate bylaws, partnership agreement, operating agreement, governance matrices and comparable documents, as appropriate given the entity’s form of legal organization.

“Delegated Authority” shall have the meaning set forth in Section 3.1.

“Disputed Action” shall have the meaning set forth in Section 3.5(a)(i).

“Fiscal Year” means the fiscal year of Participating Entity as established by the Participating Entity from time to time. The accounting year of the JOC shall end on the last day of December each year, as defined by Section 9.10 of the Operating Agreement.

“Governmental Authority” means any foreign, federal, state, municipal, national, local government, or other governmental department, court, commission, board, bureau, agency or instrumentality or political subdivision thereof, or any entity or officer exercising executive, legislative or judicial, regulatory or administrative functions of or pertaining to any government or any court, in each case, whether of the United States or any other country, or a state, territory or possession thereof, or the District of Columbia, in each case having jurisdiction over the applicable person or entity.

“Government Program” means Medicare, Medi-Cal and any other federal or state health care financing programs.

“Governance Matrix” means the Sacred Trust Network Sponsorship/Governance Authority Matrix as adopted or amended by the JOC Board from time to time subject to the reserved rights of the Members and Sponsor.
“Independent Third Person” means any Person that is not a JOC Participant, JOC, SJHS, AH, or an Affiliate of SJHS or AH.

“JOC Participants” means the AH Participating Entities and the SJHS Participating Ministries.

“Legal Impediment” means (a) the adoption, amendment or other modification of any federal, state or local law, regulation or ordinance, (b) an interpretation of such a law, regulation or ordinance by a governmental agency or court that nationally recognized health care counsel engaged by a Member determines is more likely than not to be upheld in a court of law, or (c) published guidance from any federal, state or local government, agency, authority, commission or other governmental body, in each case that would reasonably be expected to cause any term, covenant, condition or provision of this Agreement or any Related Party Transaction, or the manner in which the JOC or the Sacred Trust Network is operated (i) to jeopardize the licensure of any JOC-Owned Asset or JOC-Owned Entity or any hospital or other facility owned or operated by such Member or any of its respective Affiliates, the participation of any hospital or other facility owned or operated by such Member or any of its Affiliates (other than a JOC-Owned Asset or JOC-Owned Entity) in the Medicare, Medi-Cal or any other governmental healthcare financing program, the accreditation of any JOC-Owned Asset or JOC-Owned Entity or any hospital or other facility owned or operated by such Member or any of its respective Affiliates by The Joint Commission or any other nationally recognized, Medicare deeming accreditation organization, or (ii) to violate any applicable statute, regulation or ordinance in any manner that could reasonably be expected to have a material adverse effect on such Member or any of its respective Affiliates.

“Legal Requirements” means any foreign or domestic federal, state or local law, statute, code, ordinance, regulation, rule, consent agreement, constitution or treaty of any Governmental Authority and common law.

“Master Formation Agreement” has the meaning set forth in the Recitals to this Agreement.

“Material Debt Obligations” means borrowings, promissory notes, debt instruments or guaranties by or on behalf of the JOC, any JOC-Owned Entity or any JOC Participant that would cause the aggregate debt obligations of the JOC, such JOC-Owned Entity or such JOC Participant to exceed an amount equal to twenty-five percent (25%) of such Person’s most recent 12-month trailing EBIDA.

“Member” and collectively, the “Members” shall have the meaning set forth in the Recitals to the Operating Agreement.

“Operating Agreement” has the meaning set forth in the Recitals to this Agreement.

“Person” means any natural person, partnership, corporation, trust, association or other legal entity.

“Proposed Action” shall have the meaning set forth in Section 3.5(a)(ii).
“Qualifying Organization” means (i) an organization that qualifies for exemption under the Code Section 501(c)(3) and California Tax Code Section 214; or (ii) a government entity that is considered a governmental unit or wholly owned instrumentality of a state or political subdivision for purposes of the Code and that is exempt from property taxation under Section 3 of Article XIII of the California Constitution, as to property owned by the state under subdivision (a), or as to property owned by a local government under subdivision (b), or as to property used exclusively for public schools, community colleges, state colleges and state universities under subdivision (d).

“Sponsor” means the Co-Sponsors’ Council, the group of individuals serving Providence Ministries and St. Joseph Health Ministry, who have agreed to exercise the authority and responsibilities as the corporate member of Providence St. Joseph Health from a civil law perspective, and who have covenanted to ensure the healing ministry of Jesus is carried out in a manner consistent with the Mission and in fidelity with the Catholic Church from a canon law perspective.

“Statement of Common Values” means the SJH Statement of Common Values, dated December 12, 2012, and as adopted or amended by the Covenant Health Network Board of Directors from time to time.

“Tax-Exemption Impediment” means any law or regulation passed, adopted or implemented by any governmental authority after the Effective Date, or any decision, finding, interpretation or action by any governmental authority after the Effective Date, which, in the written reasoned opinion of nationally recognized tax-exemption counsel engaged by a Member for such purpose, as a result or consequence, in whole or in part, of the arrangement between the Members set forth in this Agreement or any Related Party Transaction, or a Member's ownership interest in the JOC, if or when implemented, could reasonably be expected: (A) to result in or present a material risk of revocation of the federal tax-exempt status of such Member or any Affiliate of such Member, or their respective tax-exempt financial obligations; or (B) to prohibit or restrict the ability of such Member or any Affiliate of such Member to issue tax-exempt bonds, certificates of participation or other tax-exempt financial obligations.

“Unresolved Legal Impediment” has the meaning set forth in Section 3.10 of the Operating Agreement.

“Unresolved Tax-Exemption Impediment” has the meaning set forth in Section 3.9 of the Operating Agreement.

ARTICLE 2. FUNCTION OF JOINT OPERATING COMPANY

Subject to certain reserved powers by the Members and Sponsor, the JOC shall function as a joint operating company, and, as such, shall manage and have authority over the Participating Entity pursuant and subject to the terms of this Agreement and the Operating Agreement. The JOC represents the common and unifying commitment of the Members to work together for the good of the communities served by their respective health care facilities and ministries within the Sacred Trust Region. The Members share a common commitment to caring for the whole person through programs such as pastoral care, charity care, community wellness,
health education, and care for the poor and vulnerable. This common commitment shall be continued and enhanced through the operations of the JOC and the Sacred Trust Network. However, at all times, governance and management of the Participating Entity shall be conducted in a manner that is respectful of and preserves the distinct identify, values, philosophy and tradition of AH.

ARTICLE 3. ROLE OF THE JOC AND THE GOVERNING BOARD

Section 3.1 JOC Management and Operation of Participating Entity. Subject to the Participating Entity Reserved Rights (as defined in Section 3.2 below), and subject to those decisions specifically reserved to one or more of the Members and/or the Sponsor under the Articles of Organization or the Operating Agreement, including the Governance Matrix, and subject to Sections 3.4(b), 3.5 and 3.6 below, the Participating Entity hereby delegates to the JOC and the Board of Managers of the JOC (the “JOC Board”) full and complete authority, power, and discretion over the management of the business and affairs of the Participating Entity and the Hospital[s] (the “Delegated Authority”), including, among other things, the authority, power and discretion to:

(a) Approve and adopt annual operating budgets of the Participating Entity, and any material modifications or amendments thereto;

(b) Approve and adopt annual capital budgets of the Participating Entity, and any material modifications or amendments thereto, and any material unbudgeted capital expenditure of the Participating Entity;

(c) Approve and adopt strategic plans with respect to the Participating Entity, and any material modifications or amendments thereto;

(d) Determine the services provided by the Participating Entity, including the authority to direct the opening, closing, expansion, reduction and/or consolidation of facilities or ministries, patient care and administrative services or other major changes in the operation of the Participating Entity;

(e) Approve the sale, transfer or other disposition of any material real property or other material assets of the Participating Entity, or the merger or consolidation of the Participating Entity with or into any other Person;

(f) Approve the transfer or issuance of any ownership or membership interest in the Participating Entity to any Person;

(g) Develop and approve the charge master and pricing, the payor contracting strategy and contracting arrangements with third-party payors for the services rendered by the Participating Entity;

(h) Approve and adopt the charity care and/or patient financial assistance policies and procedures for the Participating Entity;
Determine and approve the clinical policies, procedures, metrics and standards for the Participating Entity, subject to such approval by the medical staff[s] of the Hospital[s] as may be required under the [applicable] medical staff bylaws;

Approve the acquisition of any real estate or any material personal property by the Participating Entity, or the investment by the Participating Entity in any Person and/or the terms thereof, or any material change in any investment the Participating Entity may have in Person and/or the terms thereof, in all cases including the development and execution of any related agreements or documents; and

Determine and approve the appropriate scope of decision-making authority, power, and discretion to be delegated to the Participating Entity from time to time.

Section 3.2 JOC Exercise of Delegated Management Authority. In the exercise of the Delegated Authority, the JOC shall operate and manage the Participating Entity and the Hospital[s] (a) in a manner that is consistent with and in furtherance of the purposes of the Participating Entity as set forth in the Corporate Documents of the Participating Entity, and (b) in a manner that is consistent with Adventist Identity Standards pursuant to the terms of the Operating Agreement.

Section 3.3 Participating Entity Retention of Authority. Participating Entity is and shall remain the owner, provider and licensee of the Hospital[s] during the term of this Agreement and shall exercise the powers and discharge the responsibilities associated therewith. Nothing in this Agreement is intended or shall be construed to alter or adversely affect the Participating Entity's rights and responsibilities as owner, provider, or licensee of the Hospital[s]. Without limiting the generality of the foregoing and not withstanding Section 3.1 above, the Participating Entity and the medical staff[s] of the Hospital[s] shall retain authority and remain responsible for the following (collectively, the “Participating Entity Reserved Rights”):

(a) Responsibility for the exercise of those rights and the satisfaction of those obligations of the Participating Entity or its medical staff[s] under the [applicable] medical staff bylaws, rules and regulations of the Hospital[s];

(b) Responsibility for services furnished by the Hospital[s] as and to the extent required under 42 CFR 482.12(e);

(c) Responsibility for ensuring that the [Hospital complies][Hospitals comply] with all applicable conditions of participation and standards for hospitals participating in Governmental Programs;

(d) Professional and administrative responsibility for the Hospital[s] facilities as and to the extent required under California Code of Regulations Title 22, Section 70713;

(e) Responsibility for ensuring that the Participating Entity complies with any applicable standards for accreditation or certification by The Joint Commission or other hospital accreditation agency;
(f) Approval of such decisions or actions that cannot lawfully be delegated by the Participating Entity or the medical staff[s] of the Hospital[s] to the JOC under state or federal law (including licensing and certification laws, rules and regulations) or applicable accreditation standards and requirements; and

(g) Responsibility for those decisions as may be delegated to the Participating Entities by the JOC Board from time to time.

Section 3.4 Limitations on JOC’s Management Authority. Notwithstanding anything to the contrary contained in this Agreement, JOC shall not:

(a) take any actions with respect to the Participating Entity that require the prior approval of or are reserved to the Member under the Operating Agreement without first ensuring that such actions have been approved in accordance with the Operating Agreement;

(b) take any actions with respect to the Participating Entity that require the prior approval of or are reserved to the Member under the articles of incorporation and bylaws of the Participating Entity without first ensuring that such actions have been approved in accordance with such sections of the articles of incorporation and bylaws of the Participating Entity;

(c) govern, manage or finance the provision of already existing activities or procedures at the time of closing that are contrary to the Directives/Catholic Identity Standards at the Participating Entity, as provided by Section 3.5 below; or

(d) take or approve any action which, at the time the power is exercised or the action taken, would reasonably be expected to cause the Participating Entity to fail to meet the obligations, terms or conditions, or to be otherwise in violation of, any master trust indenture, supplemental indenture or other loan document relating to any material debt financing of the Participating Entity.

Section 3.5 Religious Identity and Values.

(a) Subject to Section 3.5(b), the activities of AH and of the AH Participating Entities are not subject to, and will not become subject to, the Directives, the Statement of Common Values or Catholic teaching. The AH Participating Entities will continue to be Adventist institutions and Affiliates of AH. The AH Participating Entities will carry out the mission of AH and will continue to comply with and adhere to the values, guidelines and corporate and system-wide policies of the Seventh-day Adventist Church and AH, including policies to ensure that a substantial proportion of Management Level employees at the AH Participating Entities are members in regular standing of the Seventh-day Adventist Church. Neither the JOC nor the JOC Board will exercise any power or control over the AH Participating Entities which would cause the AH Participating Entities to violate the beliefs, mission, or legal obligations of the Seventh-day Adventist Church, AH or the AH Participating Entities. In order to preserve the Adventist culture and mission, hiring at the department director level and above (the “Management Level”) with respect to the AH Participating Entities shall be conducted at the respective AH Participating Entities by an individual designated by the chief executive officer of the AH Participating Entities. Policies shall be implemented to ensure that a
substantial proportion of Management Level employees and above of the AH Participating Entities are members in regular standing of the Seventh-day Adventist Church.

(i) If SJHS determines, in good faith, that any health care program, service, procedure or other action of the Participating Entity could cause them to violate the Directives or Catholic teaching (each, a "Disputed Action"), SJHS shall request in writing to AH the commencement of the Collaborative Process. Upon receipt of such written request, the Participating Entity shall not implement any new program, service, procedure or other action until AH and SJHS have completed the Collaborative Process.

(ii) Similarly, if the Participating Entity intends to implement any health care program, service, procedure or other action (each, a "Proposed Action") that could reasonably be interpreted to cause an SJHS Participating Ministry to violate the Directives or Catholic teaching, AH and/or the Participating Entity shall provide advance written notification to SJHS and the Participating Entity shall not implement the AH Proposed Action until AH and SJHS have completed the Collaborative Process.

(b) Upon such request (as described in Section 3.5(a)(i)); or notification (as described in as described in Section 3.5(a)(ii)), AH and SJHS shall engage in good faith in a collaborative process to evaluate and resolve the issues relating to the Disputed Action or Proposed Action in such a way that is not violative of the Directives or of Catholic teaching, as further described in Sections 3.5(c), 3.5(d) and 3.5(e) (the "Collaborative Process").

(c) The Collaborative Process shall involve communications and meetings between up to five (5) representatives designated by each of the Members, which representatives shall include the PSJH Senior Vice President of Theology and Ethics, two (2) members of the PSJH Co-Sponsors Council and one (1) SJHS mission leader, over a forty-five (45) day period commencing upon the date of receipt by SJHS of the AH notification or by AH of the SJHS notification (as applicable) during which the Members shall, in good faith, (i) discuss the specific Disputed Action or Proposed Action; (ii) determine whether the specific Disputed Action or Proposed Action is, in the interpretation of SJHS or the Roman Catholic Bishop of Santa Rosa, violative of the Directives or Catholic teaching; and (iii) if so determined by the Roman Catholic Bishop of Santa Rosa or SJHS, identify reasonable alternatives to the specific Disputed Action or the Proposed Action, or alternative ways in which the Disputed Action or Proposed Action may be implemented such that it is not violative of the Directives or of Catholic teaching.

(d) Determinations regarding interpretation of the Directives and of Catholic teaching by SJHS or the Roman Catholic Bishop of Santa Rosa shall be made in good faith but shall not be subject to further analysis, interpretation, or dispute resolution and shall be controlling for purposes of this Section 3.5. The Roman Catholic Bishop of Santa Rosa has ultimate authority for interpreting the Directives.

(e) If at the conclusion of the collaborative period described in Section 3.5(e) the Members are unable to agree upon alternatives to a specific Disputed Action or specific Proposed Action that is determined by the Roman Catholic Bishop of Santa Rosa to be violative of the Directives or Catholic teaching, and the Party proposing the Proposed Action or engaging in such Disputed Action continues to implement the specific Proposed Action or fails to
promptly cease the specific Disputed Action, or takes material steps to initiate a specific Disputed Action or specific Proposed Action, then the Member adversely effected by such specific Disputed Action or such specific Proposed Action shall have the right to cause dissolution of the JOC pursuant to Section 12 of the Operating Agreement.

Section 3.6 Special Reservation of Authority. Consistent with Section 3.6 of the Operating Agreement, the AH Participating Entities shall exclusively retain the (i) ownership of the assets related to; (ii) governance responsibility for; (iii) operational management of; and (iv) revenues and expenses generated by, the provision of certain procedures in existence at the time of closing that are contrary to the Directives to the extent provided at the AH Participating Entities.

ARTICLE 4. RESPONSIBILITIES OF THE PARTICIPATING ENTITY

Section 4.1 Participation Fee. The Participating Entity shall pay to JOC a monthly fee (the “Participation Fee”) equal to the Participating Entity’s pro rata percentage of the JOC’s operating expenses, as determined on an accrual basis according to GAAP. For purposes of calculating the Participation Fee, the pro rata percentage applied shall be equal to the Participating Entity’s Net Patient Revenue as a percentage of the aggregate Net Patient Revenue of all Participating Entities. “Net Patient Revenue” shall mean the total net revenue of Participating Entity, which consists primarily of net patient service revenue that is recorded based on established billing rates less estimated discounts for contractual allowances, charity and bad debt allowances principally for patients covered by Government Health Care Programs and other health plans, and self-pay patients, all determined on an accrual basis in accordance with GAAP. The Participation Fee for each month shall be paid to the JOC on or before the fifteenth (15th) day of the succeeding month during the Term. Both the timing of the payment of the Participation Fee, and the formula by which the Participation Fee is determined, shall be subject to revision from time to time based on the affirmative vote of a majority of the members of the JOC Board.

Section 4.2 Participating Entity Responsibilities. Subject to the JOC’s Reserved Rights and any reserved rights of the Members and/or Sponsor, the Participating Entity shall, at all times during the term of this Agreement, use commercially reasonable efforts in good faith to:

(a) manage its businesses and affairs in a manner consistent with the operating and capital budgets approved and adopted by the JOC Board and/or the Members, as applicable, from time to time in accordance with the Operating Agreement;

(b) implement and take those actions directed and/or approved by the JOC Board and/or the Members, as applicable, from time to time in accordance with the Operating Agreement;

(c) ensure that the medical staff bylaws, rules and regulations are not modified or amended in a manner that frustrates the purposes of the JOC or interferes with the exercise or performance by the JOC of any right, power, or obligation arising under this Agreement or the Operating Agreement;
(d) maintain the physical plant and equipment of the Participating Entity in a manner consistent with the standards established by the JOC from time to time; and

(c) maintain such standards, practices, protocols, policies and/or procedures as may be established by the JOC from time to time.

Section 4.3 JOC Approval Rights. Without limiting the generality of the delegation of authority to the JOC under Section 3.1, the Participating Entity shall not, during the term of this Agreement, take or implement any of the following actions without the prior approval of the JOC Board and/or the Member, as applicable:

(a) Any change to the mission, vision, philosophy or values of the Participating Entity;

(b) Any sale, transfer, or other disposition of any material real property or all or any material portion of the assets of the Participating Entity;

(c) Any transfer or issuance of any ownership or membership interest in the Participating Entity to any Person;

(d) Any acquisition of any real estate or any material personal property by the Participating Entity or any material investment by the Participating Entity in any Person, except as otherwise approved in any operating or capital budget approved by the JOC Board;

(e) The closure or surrender of any general acute care hospital license of the Participating Entity;

(f) Any Material Debt Obligation of the Participating Entity;

(g) Any merger, consolidation, dissolution or corporate reorganization involving the Participating Entity;

(h) Any alteration, amendment, restatement or repeal of any Corporate Document or mission statement of the Participating Entity;

(i) Any voluntary bankruptcy, liquidation or dissolution of the Participating Entity;

(j) Any Related Party Transaction or any material modification or amendment thereto; or

(k) Any change in the naming or branding of the Participating Entity and their respective facilities and ministries, businesses and/or service lines.

ARTICLE 5. TERM AND TERMINATION

Section 5.1 Term. The term of this Agreement shall commence on the Effective Date, and shall continue for a perpetual term, subject to termination upon the occurrence of a
Dissolution Event (as defined in Section 12.3 of the Operating Agreement) and otherwise in accordance with this Agreement.

Section 5.2 JOC Termination Rights. The JOC may, at its option, elect to terminate this Agreement upon occurrence of any of the following (each, a “JOC Termination Event”):

(a) Material breach of this Agreement by the Participating Entity that is not cured to the reasonable satisfaction of the JOC within sixty (60) days of notice of breach sent by JOC to the Participating Entity;

(b) Any Bankruptcy Event with respect to the Participating Entity;

(c) Any exclusion of the Participating Entity from participation in the Medicare or Medi-Cal programs;

(d) Any Change of Control of the Participating Entity;

(e) Any Unresolved Legal Impediment in which the JOC or the Participating Entity is the Legally Impacted Member;

(f) The Participating Entity ceases to be a Qualifying Organization; or

(g) Any Unresolved Tax-Exemption Impediment in which the JOC or the Participating Entity is the Tax Impacted Member.

Section 5.3 Participating Entity Termination Rights. The Participating Entity may, at its option, subject to approval of Al-I, elect to terminate this Agreement upon occurrence of any of the following (each, a “Participating Entity Termination Event”):

(a) Material breach of this Agreement by the JOC that is not cured to the reasonable satisfaction of the Participating Entity within sixty (60) days of notice of such breach sent by the Participating Entity to the JOC;

(b) Any Bankruptcy Event with respect to the JOC;

(c) Any Unresolved Legal Impediment in which the Participating Entity is the Legally Impacted Member;

(d) Any exclusion of the JOC from participation in the Medicare or Medi-Cal programs;

(e) The JOC ceases to be a Qualified Organization; or

(f) Any Unresolved Tax-Exemption Impediment in which the Participating Entity is the Tax Impacted Member.

Section 5.4 Effect of Termination. Upon the expiration or termination of this Agreement for any reason, all rights and responsibilities of the Parties will cease, except as otherwise specifically set forth in this Agreement.
ARTICLE 6. DISPUTE RESOLUTION

Section 6.1 Disputed Issue. For matters other than those described in Section 3.5 of the Operating Agreement, the Parties agree in the event of a dispute under this Agreement, the respective senior executives from the Members with primary responsibility for their respective Northern California operations (the "Senior Executives") shall meet promptly (within five business days) and confer in good faith to resolve any disputed issue. Should the dispute not be resolved by the Senior Executives within thirty (30) days, then the Chief Executive Officer of AH and the Chief Executive Officer of SJHS shall meet and confer in good faith to resolve such dispute for a period of thirty (30) days. Should the dispute not be resolved by the Chief Executive Officers, the Parties agree to pursue non-binding mediation conducted by the Judicial Arbitration and Mediation Services, Inc. ("JAMS") or American Arbitration Association ("AAA").

Section 6.2 Arbitration. Should the dispute not be resolved through non-binding mediation, the parties shall pursue binding arbitration conducted by JAMS or AAA. The selection and number of arbitrator(s) shall be determined by agreement of the Parties. The prevailing Party shall be entitled to reasonable costs and attorney fees (including allocated costs of in-house counsel) incurred in bringing any action or proceeding, declaratory or otherwise, arising out of or relating to this Agreement. Nothing in this Section 6.2 sconstitute a waiver hall of any of the benefits of a statute of limitations or equitable defense.

ARTICLE 7. MISCELLANEOUS

Section 7.1 Entire Agreement. This Agreement, together with the Appendices, constitutes the entire Agreement between the parties hereto and supersedes any prior agreements, understandings and arrangements, oral or written, between the parties hereto with respect to the subject matter hereof.

Section 7.2 Construction. Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine, or feminine gender.

Section 7.3 Successors and Assigns. Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Agreement, their respective legal representatives, successors and assigns.

Section 7.4 Amendment and Waiver. Except as otherwise provided in this Agreement, no amendment of any provision of this Agreement shall in any event be effective, unless the same shall be in writing and signed by the Parties. Amendments to this Agreement shall be consistent with Section 501(c)(3) of the Code. Any of the terms or conditions of this Agreement may be waived at any time by the Party which is entitled to the benefit thereof, but only by a written notice signed by the Party waiving such terms or conditions. The waiver of any term or condition of this Agreement shall not be construed as a waiver of any other term or condition of this Agreement.
Section 7.5 **Notices.** All notices required or permitted hereunder shall be in writing and shall be served on the Party at the addresses set forth in below. Any such notices shall be either: (a) sent by overnight delivery using a nationally recognized overnight courier, in which case notice shall be deemed delivered one business day after deposit with such courier; or (b) sent by personal delivery, in which case notice shall be deemed delivered upon receipt. A Party's address may be changed by written notice to the other party; provided, however, that no notice of a change of address shall be effective until actual receipt of such notice.

To ST Network, LLC:  
ST Network, LLC  
Attn: Kevin Klockenga, President and Chief Executive Officer  
1111 Sonoma Avenue, Suite 308  
Santa Rosa, CA 95405

To Participating Entity:  
Attn: _______________________

With copy to:  
Yemi Adeyanju, Esq.  
Associate General Counsel  
Department of Legal Affairs  
Providence St. Joseph Health  
3345 Michelson Dr, Suite 100  
Irvine, CA 92612

and copy to:  
Meredith Jobe, Esq.  
Vice President/General Counsel  
Law Department, Adventist Health System/West  
2100 Douglas Boulevard  
Roseville, CA 95661

Section 7.6 **Expenses.** Except as otherwise expressly provided in this Agreement, each Party shall pay its own costs and expenses in connection with the relationship contemplated by this Agreement. If any action is brought by a Member to enforce any provision of this Agreement, the prevailing Member or Members shall be entitled to recover court costs, arbitration expenses and reasonable attorneys’ fees.

Section 7.7 **Counterparts, Electronic Signature.** This Agreement and any amendment hereto may be signed in any number of counterparts, each of which, including any electronic copies, photocopies or facsimiles thereof, shall be deemed an original, but all of which taken together shall constitute one Agreement (or amendment, as applicable).

Section 7.8 **Governing Law.** This Agreement shall be governed by and construed in accordance with the internal laws of the State of California.

Section 7.9 **Headings.** Headings of articles and sections in this Agreement and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof, and shall not affect the meaning, construction, or effect hereof.
Section 7.10  **Sections.** All references to “Sections” in this Agreement are to Sections of this Agreement, unless otherwise specifically provided.

Section 7.11  **Partial Invalidity.** The provisions in this Agreement are consistent with California law, enforceable in law and in equity. Notwithstanding the foregoing, in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

Section 7.12  **Assignment.** Except as otherwise expressly permitted by this Agreement, the rights and obligations of a Party to this Agreement may be assigned only with the prior written consent of the other Party.

Section 7.13  **Third Party Beneficiaries.** No third party may rely upon the terms of this Agreement or have any rights or claims by reason of this Agreement.

Section 7.14  **Confidentiality.** The Parties agree that neither Party will disclose any secrets or confidential information, proprietary information or trade secrets of the other Party, as governed by Section 13.4 of the Operating Agreement. Without limiting other possible remedies for the breach of this covenant, the Parties agree that injunctive or other equitable relief shall be available to enforce this covenant, such relief to be available without the necessity of posting a bond. This Section 7.14 is not intended and shall not be construed to prohibit or limit the exchange or disclosure of information between JOC and the Participating Entity.

[SIGNATURE PAGE FOLLOWS]
IN WITNESS WHEREOF, the Parties have executed this Agreement through their duly authorized officers as of the date first written above.

PARTICIPATING ENTITY:

[______________________________]
a California nonprofit religious corporation

By: ________________________________
Print: ______________________________
Title: ______________________________

JOC:

ST NETWORK, LLC
a California limited liability company

By: ________________________________
Name: Kevin Klockenga
Title: President and Chief Executive Officer

[Signature page to Participating Entity Agreement]
Exhibit D
Initial JOC Board

To be completed prior to the Closing Date.
Exhibit E
Knowledge Group

SJHS Knowledge Group:
Raju Iyer
Kevin Klockenga
Jo Ann Escasa-Haigh

AH Knowledge Group:
Jeff Eller
Joe Reppert
Exhibit F

AH and SJHS Subsidiaries

AH Subsidiaries
Adventist Health Ukiah Valley owns a 33.3% interest in Hospital Drive Medical Plaza Association

Adventist Health Ukiah Valley owns a 9% interest in Ukiah Valley Medical Plaza, LP

Adventist Health St. Helena owns 50% interest in TakeTEN, LLC

SJHS Subsidiaries
St. Joseph Health Northern California, LLC dba Santa Rosa Memorial Hospital, Queen of the Valley Medical Center, St. Joseph Hospital of Eureka, and Redwood Memorial Hospital of Fortuna

St. Joseph Home Care Network

SRM Alliance Hospital Services dba Petaluma Valley Hospital

Queen of the Valley Medical Center Foundation

Redwood Memorial Foundation

Northbay Endoscopy Center, LLC (66.67% ownership)

Center for Maternal, Newborn and Child Health, LLC (50% ownership)
The Applicant and Adventist Health desire to build an integrated delivery network throughout the counties of Humboldt, Lake, Mendocino, Napa, Solano and Sonoma that's mission is to provide improved access to quality healthcare throughout the Northern California region, with a particular emphasis on poor and vulnerable populations. This integration will enable these combined healthcare providers to:

- Create the healthiest communities at a cost that is affordable, assures access and ultimately provides the highest value to the people who live and work in the communities;
- Create a partnership that recognizes and builds upon each organization’s faith-based traditions and common values of dignity, excellence, and service;
- Maintain separate hospital ministries that are uniquely Adventist and uniquely Catholic and integrate other parts of the delivery network in a way that ensures the most effective and efficient delivery of population health services; and
- Promote the long-term goal of transitioning away from fee-for-service payment models and into population health and fee-for-value payment models in the region.

The Applicant and Adventist Health further expect the ST Network will, *inter alia*:

- Be recognized as the regional health care leader and preferred partner throughout the Northern California regions;
- Thrive in a changing healthcare environment, by embracing the need to move from an acute-care focused model to a value-based model that assumes the responsibilities and risks for the health of the populations served;
- Enhance the parties’ ability to standardize care around evidence-based best practices and create operational efficiencies;
- Increase access to primary care and specialty physicians throughout the communities they serve through integration of the parties’ physician models;
- Develop an information system for managing the health the parties’ combined populations, designed to provide easily-accessible data in real-time;
- Facilitate better inclusion of Adventist Health’s behavioral health inpatient services to further increase access to these services; and
- Develop new services.
Both the Applicant and Adventist Health believe there are significant opportunities to provide care closer to home for more patients by concentrating on centers of excellence, creating a broader and deeper value-based provider network, integrating clinically across systems, and collaborating on health information sharing and care management. By realizing these opportunities the ST Network should be able to reduce the substantial outmigration that occurs today as patients will be able to access care locally that they presently travel substantial distances to obtain. The ST Network will also allow the Applicant and Adventist Health to stabilize volumes, strengthen quality, and reduce costs (particularly in Napa County), and is expected to further provide opportunities to expand the provision of managed Medi-Cal services to those who rely on Medi-Cal for their health care.

A copy of the Applicant’s Board of Directors Resolution approving the proposed transaction, which further explain the reasons for the transaction, is attached to this Section of the Application.
PROVIDENCE ST. JOSEPH HEALTH/ST. JOSEPH HEALTH SYSTEM/ST. JOSEPH HEALTH MINISTRY/CO-SPONSORS' COUNCIL
JOINT GOVERNING BOARD RESOLUTION

December 6, 2017

WHEREAS, Providence St. Joseph Health ("PSJH"), St. Joseph Health System ("SJHS"), St. Joseph Health Ministry ("SJHM") and the Co-Sponsors' Council, have, through their respective governing bodies and together, remained attentive to the consolidation trends in health care generally, and in Catholic health care in particular, and how those trends impact the SJHS mission, vision and strategy;

WHEREAS, the 2013 Community Health Needs Assessments of the counties served by SJHS and Adventist Health-West ("AHW") in northern California highlight vulnerable populations in the region and infrastructure gaps;

WHEREAS, in 2015, SJHS and AHW began to explore a strategic affiliation to address the moral imperative related to the infrastructure gaps;

WHEREAS, on June 25 2015, the SJHS Board of Trustees was presented an overview of the potential transaction, including, but not limited to, the vision of the integrated network, the strategic opportunities, guiding principles, and the rationale for the proposed transaction;

WHEREAS, since 2015, SJHS and AHW leadership have engaged in robust negotiations with a goal to create an integrated network of care in northern California;

WHEREAS, SJHS has negotiated a Master Formation Agreement pursuant to which SJHS and AHW will form a financially integrated Joint Operating Company to manage and operate their northern California hospitals (the "MFA"), an Operating Agreement to govern the Joint Operating Company (the "OA"), and a template Participating Entity Agreement setting forth the terms of the Joint Operating Company's management and operation of the participating hospitals (the "PEA"; and together with the MFA and OA, the "Definitive Agreements");

WHEREAS, the Board of Directors/Trustees of PSJH, SJHS, SJHM and the Co-Sponsors' Council have had the material terms of the Definitive Agreements, attached hereto as Exhibit A, explained to them by SJHS management, have been presented with the strategic and financial analyses of the transaction in this meeting, and have had an opportunity to ask questions of SJHS management and advisors concerning the transaction;

WHEREAS, substantial internal discernment has focused on the ability to create a relationship that would enable both organizations to extend the healing ministry of Jesus by improving the health and quality of life, especially for the poor and vulnerable, in the diverse and complementary communities served;

WHEREAS, as a result of such discernment and those discussions, PSJH, SJHS, SJHM and the Co-Sponsors' Council have determined that partnering with AHW (through the formation of a financially integrated Joint Operating Company) is consistent with the SJHS...
WHEREAS, the Boards of Directors/Trustees of PSJH, SJHS, SJHM and the Co-Sponsors' Council desire to authorize and empower the SJHS President Operations and Secretary to take all actions necessary to effectuate the intent of the foregoing recitals.

NOW, THEREFORE, BE IT RESOLVED, that the Boards of Directors/Trustees of PSJH, SJHS, SJHM and the Co-Sponsors' Council approve the development of an integrated delivery network with AHW in Northern California, contingent upon receipt of all regulatory and canonical approvals, recognizing such network is consistent with the SJHS mission, vision and values and is in the best interest of SJHS and its mission;

BE IT FURTHER RESOLVED, that the Boards of Directors/Trustees of PSJH, SJHS, SJHM and the Co-Sponsors' Council approve the material terms of the Definitive Agreements, attached hereto as Exhibit A, as presented;

BE IT FURTHER RESOLVED, that SJHS management is directed and authorized to negotiate and execute the Definitive Agreements consistent with the terms set forth in Exhibit A, with such immaterial changes as may be approved by SJHS management (collectively, the "Authorized Officers");

BE IT FURTHER RESOLVED, that until the transactions set forth in the Definitive Agreements are consummated, SJHS management shall regularly provide the Board of Directors/Trustees of PSJH, SJHS, SJHM and the Co-Sponsors' Council with status reports, and the opportunity for continued mutual discernment and feedback;

BE IT FURTHER RESOLVED, that the Authorized Officers hereby are authorized, empowered and directed to (i) take such other actions as may be necessary or appropriate to consummate the transactions contemplated by the Definitive Agreements (including, but not limited to, making necessary regulatory filings and seeking governmental and third-party consents, including filing a notice of nonprofit hospital transaction with the California Attorney General pursuant to California Corporation Code 5920), and in each case, subject to satisfaction or waiver of the closing conditions, (ii) waive and/or certify the satisfaction of the closing conditions, and (iii) take such other actions as may be necessary or appropriate to carry out the intent and purposes of the foregoing recitals and resolutions (and all prior actions taken by the Authorized Officers with respect thereto hereby are adopted, ratified and approved);

BE IT FINALLY RESOLVED, that the Sacred Trust Special Committee previously established by the SJHS Board of Trustees is hereby authorized and empowered to approve any subsequent material changes to the material terms of the Definitive Agreements or new material terms, without further action by the SJHS Board of Trustees, prior to the closing, and take other such actions necessary to effectuate the intent of the foregoing recitals and resolutions.
ADOPTED THIS 6TH DAY OF DECEMBER, 2017

Richard Blair
Chair of Providence St. Joseph Health and
St. Joseph Health System

[Signature]

Eleanor Brewer, St. Joseph Health Ministry Chair

Johnny Cox, Co-Chair of Co-Sponsors’ Council
ADOPTED THIS 6TH DAY OF DECEMBER, 2017

[Signature]
Richard Blair
Chair of Providence St. Joseph Health and
St. Joseph Health System

[Signature]
Eleanor Brewer, St. Joseph Health Ministry Chair

[Signature]
Johnny Cox, Co-Chair of Co-Sponsors’ Council
consummate the transactions contemplated by the Definitive Agreements (including, but not limited to, making necessary regulatory filings and seeking governmental and third-party consents, including filing a notice of nonprofit hospital transaction with the California Attorney General pursuant to California Corporation Code 5920), and in each case, subject to satisfaction or waiver of the closing conditions, (ii) waive and/or certify the satisfaction of the closing conditions, and (iii) take such other actions as may be necessary or appropriate to carry out the intent and purposes of the foregoing recitals and resolutions (and all prior actions taken by the Authorized Officers with respect thereto hereby are adopted, ratified and approved);

BE IT FINALLY RESOLVED, that the Sacred Trust Special Committee previously established by the SJHS Board of Trustees is hereby authorized and empowered to approve any subsequent material changes to the material terms of the Definitive Agreements or new material terms, without further action by the SJHS Board of Trustees, prior to the closing, and take other such actions necessary to effectuate the intent of the foregoing recitals and resolutions.

ADOPTED THIS 6th DAY OF DECEMBER, 2017

Richard Blair
Chair of Providence St. Joseph
Health and
St. Joseph Health System

Eleanor Brewer, St. Joseph Health

Ministry Chair

Sponsors’ Council

Johnny Cox, Co-Chair of Co-
Title 11, California Admin. Code, § 999.5(d)(2)

FAIR MARKET VALUE
Title 11, Cal. Admin. Code, § 999.5(d)(2)(A)

Estimated Market Value of All Cash, Property, Stock, Notes, Assumption or Forgiveness of Debt, and Any Other Thing of Value Applicant Is to Receive in the Proposed Transaction

The proposed transaction will not involve any sale, transfer, merger or other disposition of any of the assets of the Applicant. Rather, it is a mission-driven transaction designed to further the Applicant and Adventist Health’s shared goal of providing improved access to quality healthcare throughout the Northern California region. No cash, property, stock, notes, forgiveness of debt, or other monetary consideration is to be received by the Applicant in connection with the transaction. As a result, this section is not applicable.

As noted in Section (1)(A) of this Application, SJHS and Adventist Health will share in the aggregate operating EBIDA generated by the ST Network. Effective as of the closing date, 69% will be allocated to SJHS and 31% will be allocated to Adventist Health, subject to the adjustments described in the JOC Operating Agreement. These allocations are based upon the respective parties' historical comparative net incomes / EBIDA from the participating facilities and other businesses.
Title 11, Cal. Admin. Code, § 999.5(d)(2)(B)

Estimated Market Value of Each Health Care Facility or Other Assets Sold or Transferred by Applicant Pursuant to the Proposed Transaction

The proposed transaction will not involve any sale, transfer, merger or other disposition of any of the assets of the Applicant. As a result, this section is not applicable.¹

¹ Information concerning the value of SJHS’s assets are set forth in its audited Consolidated Financial Statements, which are included in Section (11)(F) of this Application.
Title 11, Cal. Admin. Code, § 999.5(d)(2)(C)

Description of Methods Used by Applicants to Determine Market Value of Assets Involved in the Proposed Transaction

The proposed transaction will not involve any sale, transfer, merger or other disposition of any of the assets of the Applicant. Rather, it is a mission-driven transaction designed to further the Applicant and Adventist Health’s shared goal of providing improved access to quality healthcare throughout the Northern California region. No cash, property, stock, notes, forgiveness of debt, or other monetary consideration is to be received by the Applicant in connection with the transaction. As a result, this section is not applicable.

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As noted in Section (1)(A) of this Application, SJHS and Adventist Health will share in the aggregate operating EBIDA generated by the ST Network. Effective as of the closing date, 69% will be allocated to SJHS and 31% will be allocated to Adventist Health, subject to the adjustments described in the JOC Operating Agreement. These allocations are based upon the respective parties' historical comparative net incomes / EBIDA from the participating facilities and other businesses.
Title 11, Cal. Admin. Code, § 999.5(d)(2)(D)

Reports, Analysis, Requests for Proposal and Other Documents Related to the Valuation of the Assets Involved in the Proposed Transaction

The proposed transaction will not involve any sale, transfer, merger or other disposition of any of the assets of the Applicant. Rather, it is a mission-driven transaction designed to further the Applicant and Adventist Health's shared goal of providing improved access to quality healthcare throughout the Northern California region. No cash, property, stock, notes, forgiveness of debt, or other monetary consideration is to be received by the Applicant in connection with the transaction. As a result, this section is not applicable.
Title 11, Cal. Admin. Code, § 999.5(d)(2)(E)

**Joint Venture Transactions**

While technically the proposed transaction does not constitute a joint venture, complete copies of the agreements concerning the formation and operation of the joint operating company – the ST Network, LLC – between the Applicant and Adventist Health System/West are included in Section (1)(B) of this Application.
Title 11, California Admin. Code, § 999.5(d)(3)

INUREMENT AND SELF-DEALING
Title 11, Cal. Admin. Code, § 999.5(d)(3)(A)

Documents or Writings Relating or Referring to Any Personal Benefit the Proposed Transaction Would Confer on Any Officer, Director, Employee, Doctor, Medical Group or Other Entity Affiliated with the Applicant, or Any Family Member of Any Such Person

The proposed transaction does not confer any personal financial benefit on any of the individuals and/or entities described in Title 11, California Administrative Code, section 999.5(d)(3)(A).

While the proposed transaction will not confer any personal financial benefit on the individuals and/or entities described in 11 C.C.R. § 999.5(d)(3)(A), the Applicant anticipates that one or more of the Applicant’s current senior officers or employees will become officers and/or employees of the ST Network, LLC on or after the closing of the proposed transaction. Compensation and other employment benefits for any new officers and/or executive employees of the ST Network, LLC will be approved or ratified following the closing of the transaction, and will be established in accordance with the standards set forth in 26 C.F.R. 53.4958 et seq.
Title 11, Cal. Admin. Code, § 999.5(d)(3)(B)

Identity of Each Officer, Trustee or Director of Applicant or Any Affiliate of Applicant Who or Which Has a Personal Financial Interest in Any Business Entity that Currently Does Business with Applicant or Its Affiliates or Transferee or Its Affiliates

None of the individuals described in Title 11, California Administrative Code, section 999.5(d)(3)(B) have any personal financial interest (other than salary and/or directors/trustees’ fees) in any company, firm, partnership or business entity currently doing business with the Applicant (or its affiliates) or with the ST Network (or its affiliates), except as noted below:

- John Gierek, current member of St. Joseph Health Northern California, LLC’s Board of Directors: Mr. Gierek is the President of Humboldt Moving and Storage Company, a company that currently provides record storage services to St. Joseph Hospital of Eureka.
Title 11, Cal. Admin. Code, § 999.5(d)(3)(C)

Statement of Compliance with California Health & Safety Code Section 1260.1

No member of the Board of Trustees of the Applicant who participated in the negotiation of the terms and conditions of the Master Formation Agreement and related agreements between the Applicant and Adventist Health has received or will receive, directly, or indirectly, any salary, compensation, payment or other form of remuneration from the ST Network, LLC following consummation of the proposed transaction. Moreover, because there is no sale or transfer of assets as described in Section 5920 of the Corporations Code, Section 1260.1 is not applicable to the transaction.
Title 11, California Admin. Code, § 999.5(d)(4)

CHARITABLE USE OF ASSETS
Title 11, Cal. Admin. Code, § 999.5(d)(4)(A)

Applicants' Articles of Incorporation and Bylaws

Please see the attached (1) Articles of Incorporation and bylaws of St. Joseph Health System and (2) Articles of Organization and Operating Agreement of St. Joseph Health Northern California, LLC.
St. Joseph Health System
The undersigned certify that:

1. They are the president and the secretary, respectively, of St. Joseph Health System, a California corporation.

2. The Articles of Incorporation of this corporation are amended and restated to read as follows:

Pursuant to the provisions of the California Nonprofit Corporation Law, the undersigned corporation adopts the following Restated Articles of Incorporation:

ARTICLE I
NAME

The name of the corporation shall be St. Joseph Health System (the “Corporation”).

ARTICLE II
PURPOSES

A. The Corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the California Nonprofit Public Benefit Corporation Law for charitable purposes.

B. The specific purposes of the Corporation are religious, charitable, scientific, and educational in nature and are:

   i. To establish, advance, promote, coordinate, operate, manage, maintain, and govern a health care system comprised of religious and charitable hospitals and other religious and charitable health programs to carry out the purposes of Sisters of St. Joseph of Orange (the “Congregation”), St. Joseph Health Ministry, and Providence Ministries (collectively, “the Supported Organizations”), and the ethical principles of the Roman Catholic Church;

   ii. To provide scientific research and educational, charitable and such other activities, services and programs related to its Supported Organizations;

   iii. To engage, as appropriate, in other charitable works which are consistent with the objectives of the Corporation and the mission and values of the Supported Organizations;

   iv. To be loyal to and further the strategic objectives, interests and charitable mission of the Supported Organizations and to contribute to the growth, development and financial strength of the Supported Organizations; and
v. To do any and all other things in furtherance of the purposes of the Supported Organizations which are consistent with the laws of the State of California, Section 509(a)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and the Articles and Bylaws of the Supported Organizations.

ARTICLE III

Intentionally omitted.

ARTICLE IV

PRINCIPAL OFFICE

The principal office for the transaction of the business of the Corporation is located in the State of California.

ARTICLE V

TAX EXEMPT STATUS

A. The Corporation is organized and operated exclusively for religious, charitable, and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code.

B. No substantial part of the activities of the Corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation (except as otherwise provided in Section 501(h) of the Code), and the Corporation shall not participate or intervene in any political campaign (including the publication or distribution of statements) on behalf of any candidate for public office.

C. All the property and assets of the Corporation are irrevocably dedicated to religious, charitable, scientific, and educational purposes meeting the requirements for exemption provided by Section 501(c)(3) of the Code, and Section 214 of the California Revenue and Taxation Code, as those sections now exist or may subsequently be amended. No part of the net income or assets of the Corporation shall ever inure to the benefit of any director, officers, or member thereof or to the benefit of any private person, except that the Corporation is authorized and empowered to pay reasonable compensation for services rendered, and to make payments and distributions in furtherance of its exempt purposes.

D. The Corporation shall have all the powers of a natural person, subject only to limitations imposed by these articles, the bylaws of the Corporation and applicable laws. Notwithstanding any such powers, or any other provision of these articles, the Corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from Federal income tax under Section 501(c)(3) of the Code, or (b) by a corporation contributions to which are deductible under Section 170(c)(2) of the Code.
ARTICLE VI
MEMBER

The sole corporate member of the Corporation is Providence St. Joseph Health ("PSJH"), a Washington nonprofit corporation; however the entity or entities with the power to elect or appoint the Board of Trustees of the Corporation shall be one or more of the Supported Organizations, as more fully set forth in the Bylaws of the Corporation.

ARTICLE VII
AMENDMENTS

The power to alter, amend or repeal the Articles of Incorporation and Bylaws of the Corporation shall be vested in the Corporation's Board of Trustees, subject to the reserved rights of PSJH and St. Joseph Health Ministry.

ARTICLE VIII
DISSOLUTION

A. All the property and assets of the Corporation are irrevocably dedicated to religious, charitable, scientific, and educational purposes meeting the requirements for exemption provided by Section 501(c)(3) of the Code, and Section 214 of the California Revenue and Taxation Code, as those sections now exist or may subsequently be amended.

B. Upon the dissolution, winding up or abandonment of the Corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed for use in furtherance of the purposes of the Corporation as set forth in Article II of these Articles of Incorporation to the St. Joseph Health Ministry, a California nonprofit corporation and a Supported Organization, if it is then in existence and being operated as an exempt organization qualified under Section 501(c)(3) of the Code, and Section 214 of the California Revenue and Taxation Code, as those sections now exist or may subsequently be amended.

C. If the Ministry is not then in existence or being so operated, then any remaining assets shall be distributed to the Congregation, a California nonprofit corporation and a Supported Organization, if it is then in existence and being operated as an exempt organization qualified under Section 501(c)(3) of the Code, and Section 214 of the California Revenue and Taxation Code, as those sections now exist or may subsequently be amended.

D. If the Congregation is not then in existence or being so operated, then any remaining assets shall be distributed to the participating health institutions of the Corporation that at the time qualify as Supported Organizations, in such proportions as may be determined by the Corporation in its sole and reasonable discretion, if any such health institutions are still in existence and exempt under Section 501(c)(3) of the Code and Section 214 of the California Revenue and Taxation Code, as those sections now exist or may subsequently be amended.

E. If there are no such health institutions in existence or being so operated, then any remaining assets shall be distributed to another organization operated exclusively for charitable, scientific, educational, or religious purposes which has established its tax-exempt status under Section 501(c)(3) of the Code and Section 214 of the California Revenue and Taxation Code, as those sections now exist or may subsequently be amended.
status under Section 501(c)(3) of the Code and Sections 214 and 23701(d) of the California Revenue and Taxation Code as such sections, respectively, now exist or may subsequently be amended.

ARTICLE IX
RESTATED ARTICLES

These Restated Articles of Incorporation correctly set forth without change the provisions of the Articles of Incorporation of St. Joseph Health System, as amended, and these Restated Articles of Incorporation supersede the original Articles of Incorporation and all amendments thereto.

The foregoing Restated Articles of Incorporation of St. Joseph Health System were adopted by St. Joseph Health Ministry, on June 6, 2017

1. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by the Corporation's Board of Trustees.

2. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by the required vote of the member.

[Signatures to Follow]
We further declare under penalty of perjury under the laws of the State of California that the matter set forth in this certificate are true and correct of our own knowledge.

June 9th, 2017

Date

Annette M. Walker
Chief Executive, St. Joseph Health System

Shannon G. Dwyer, Esq.
Secretary
CERTIFICATE OF AMENDMENT
OF
ARTICLES OF INCORPORATION
OF
SISTERS OF ST. JOSEPH HEALTH SYSTEM

Robert W. O'Leary and Sr. Michaela Rock hereby certify that:

1. They are the President and Secretary, respectively, of said corporation.

2. The Articles of Incorporation of said corporation shall be amended by revising Article I to read in full as follows:

"ARTICLE I

NAME

The name of this corporation shall be ST. JOSEPH HEALTH SYSTEM."

3. The foregoing amendment has been approved by the Board of Directors of said corporation.

4. The foregoing amendment has been approved by the required vote of the members of said corporation.

In witness whereof, the undersigned have executed this certificate on November 10, 1983.

Robert W. O'Leary, President

Sr. Michaela Rock, Secretary
The undersigned, Robert W. O'Leary and Sr. Michaela Rock, the President and Secretary, respectively, of Sisters of St. Joseph of Orange Health System, each declare under penalty of perjury that the matters set out in the foregoing Certificate of Amendment are true of his/her own knowledge.

Executed at Orange, California, on November 10, 1983.

Robert W. O'Leary

Sr. Michaela Rock
November 5, 1983

Robert W. O'Leary, President
Sisters of St. Joseph of Orange Health System
440 South Batavia
Orange CA 92668

Dear Mr. O'Leary:

It is our understanding that your corporation wishes to change your corporate name to St. Joseph Health System.

We have no objection to your changing your name to St. Joseph Health System as it appears to us there is a distinction between your proposed corporate name and the name of our corporation.

Sincerely

St. Joseph's Healthcare Corporation

By [Signature]
President
CERTIFICATE OF AMENDMENT
OF
ARTICLES OF INCORPORATION
OF
SISTERS OF ST. JOSEPH OF ORANGE HEALTH SYSTEM

Robert W. O'Leary and Sr. Michaela Rock hereby certify that:

1. They are the President and Secretary, respectively, of said corporation.

2. The Articles of Incorporation of said corporation shall be amended by revising Article I to read in full as follows:

"ARTICLE I

NAME

The name of this corporation shall be ST. JOSEPH HEALTH SYSTEM."

3. The foregoing amendment has been approved by the Board of Directors of said corporation.

4. The foregoing amendment has been approved by the required vote of the members of said corporation.

In witness whereof, the undersigned have executed this certificate on October 18, 1983.

Robert W. O'Leary, President

Sr. Michaela Rock, Secretary
The undersigned, Robert W. O'Leary and Sr. Michaela Rock, the President and Secretary, respectively, of Sisters of St. Joseph of Orange Health System, each declare under penalty of perjury that the matters set out in the foregoing Certificate of Amendment are true of his/her own knowledge.

Executed at Orange, California, on October 18, 1983.

[Signature]
Robert W. O'Leary

[Signature]
Sr. Michaela Rock
ARTICLES OF INCORPORATION
OF
SISTERS OF ST. JOSEPH OF ORANGE HEALTH SYSTEM

ARTICLE I
NAME
The name of this corporation shall be SISTERS OF ST.
JOSEPH OF ORANGE HEALTH SYSTEM.

ARTICLE II
PURPOSES
A. This corporation is a nonprofit public benefit
   corporation and is not organized for the private gain of any
   person. It is organized under the Nonprofit Public Benefit
   Corporation Law, for charitable purposes.
B. The specific purposes of this corporation are
   religious, charitable and educational in nature and are to advance,
   promote, and sustain a health care system comprised of religious
   and charitable hospitals and other religious and charitable
   health programs of the Congregation of the Sisters of St. Joseph
   of Orange, a religious order of the Roman Catholic Church, to
   extend the Congregation's philosophy of health care with full
   authority to plan and develop programs for the care of the unpro-
   tected and impoverished, aged and infirm persons, regardless of
color, race, creed, sex or age to provide educational opportunities
for medical and paramedical personnel and related community
groups; and to do any and all acts that are necessary, proper,
useful, incidental, and advantageous to the above-stated purposes
in conformity with the denominational teaching and law.

ARTICLE III

POWERS

A. This corporation is organized and operated exclusively for religious, charitable, and educational purposes within
the meaning of Section 501(c)(3) of the Internal Revenue Code.

B. This corporation shall have all the powers of a
natural person, subject only to limitations imposed by these
articles, the bylaws of this corporation and applicable laws.

Notwithstanding any such powers, or any other provision of these
articles, this corporation shall not carry on any other activi-
ties not permitted to be carried on (a) by a corporation exempt
from Federal income tax under Section 501(c)(3) of the Internal
Revenue Code of 1954, as amended (or the corresponding provision
of any future United States Internal Revenue Law), or (b) by a
Corporation contributions to which are deducible under Section
170(c)(2) of the Internal Revenue Code of 1954, as amended (or
the corresponding provision of any future United States Internal
Revenue Law).
C. No substantial part of the activities of the corporation shall be the carrying on of propaganda or otherwise attempting to influence legislation (except as otherwise provided in Section 501(h) of the Internal Revenue Code of 1954), and the corporation shall not participate in, or intervene in any political campaign (including the publication or distribution of statements) on behalf of any candidate for public office.

ARTICLE IV
PRINCIPAL OFFICE

The principal office for the transaction of the business of this corporation is located in the State of California.

ARTICLE V
DIRECTORS

The powers of this corporation shall be exercised, its properties controlled, and its affairs conducted by a board of directors to be known as the Board of Trustees. The number of Trustees of this corporation shall be fixed from time to time by the bylaws of this corporation.
any, the property, voting and other rights and privileges of members, and their liability for dues and assessments and the method of collection thereof shall be as set forth in the corporation's bylaws.

ARTICLE VII
DISSOLUTION

All the property and assets of this corporation are irrevocably dedicated to religious, charitable, and educational purposes meeting the requirements for exemption provided by Section 501(c)(3) of the Internal Revenue Code of 1954, and Section 214 of the California Revenue and Taxation Code, as those sections now exist or may subsequently be amended. No part of said property or assets shall ever inure to the benefit of any Director, Officer or to the benefit of any private individual. Upon the dissolution, winding up or abandonment of the corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed for use in furtherance of the purposes of the corporation as set forth in Article II of these Articles of Incorporation, to the Sisters of St. Joseph of Orange, a California nonprofit corporation, if it is then in existence and being operated as an exempt organization qualified under Section 501(c)(3) of the Internal Revenue Code of 1954, and Section 214 of the California Revenue and Taxation Code, as those sections now exist or may subsequently be
amended. If the Sisters of St. Joseph of Orange is not then in existence or being so operated, then any remaining assets shall be distributed to the Congregation of the Sisters of St. Joseph of Orange, if it is then in existence and being operated as an exempt organization qualified under Section 501(c)(3) of the Internal Revenue Code of 1954 and Section 214 of the California Revenue and Taxation Code, as those sections now exist or may subsequently be amended. If the Congregation of the Sisters of St. Joseph of Orange is not then in existence or being so operated, then any remaining assets shall be distributed to the participating health institutions of the Sisters of St. Joseph of Orange or the Congregation of the Sisters of St. Joseph of Orange in such proportions as may be determined by the corporate members of this corporation in their sole discretion, if any such health institutions are still in existence and exempt under Section 501(c)(3) of the Internal Revenue Code and Section 214 of the California Revenue and Taxation Code, as those sections now exist or may subsequently be amended. If there are no such health institutions in existence or being so operated, then any remaining assets shall be distributed to the Roman Catholic Bishop of Orange, a corporation sole, if it is then in existence and being operated as an exempt organization qualified under Section 501(c)(3) of the Internal Revenue Code of 1954 and Section 214 of the California Revenue and Taxation Code, as those sections now exist or may subsequently be amended. If the Roman Catholic Bishop of
Orange is not then in existence or being so operated, that any remaining assets shall be distributed to another organization operated exclusively for charitable or religious purposes which has established its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code of 1954 and Sections 214 and 23701(d) of the California Revenue and Taxation Code as such sections, respectively, now exist or may subsequently be amended.

ARTICLE VIII

INITIAL AGENT FOR PROCESS

The name and business address in this State of the corporation's initial agent for service of process is:

Thomas M. Collins, Esq.
One Wilshire Boulevard
Suite 2000
Los Angeles, CA 90017

IN WITNESS WHEREOF, for the purpose of forming this nonprofit corporation under the laws of the State of California, the undersigned has executed these Articles of Incorporation this 9th day of February, 1981.

Sister Maure Judge, Incorportator

I hereby declare that I am the person who executed the foregoing Articles of Incorporation, which execution is my act and deed.

Sister Maure Judge
CONSENT TO USE OF NAME

Pursuant to Section 5132(b) of the California Corporations Code, SISTERS OF ST. JOSEPH OF ORANGE, a California corporation, hereby consents to the use of the name SISTERS OF ST. JOSEPH OF ORANGE HEALTH SYSTEM by Sister Maura Judge for the purpose of incorporating a new California corporation by that name.

Dated: February 17, 1981

SISTERS OF ST. JOSEPH OF ORANGE

By Sister Maura Judge, C.S.J.
Sister Maura Judge, President
AMENDED AND RESTATED BYLAWS
OF
ST. JOSEPH HEALTH SYSTEM

ARTICLE I
PURPOSES AND POLICIES

The primary purpose of St. Joseph Health System (the “Corporation”) shall be as set forth in its Articles of Incorporation and shall also include the following purposes and policies.

1.1 Purposes. It shall also be the express purpose of the Corporation to:

a. Govern and manage a health care system comprised of charitable hospitals and other charitable health programs to carry out the purposes of the Sisters of St. Joseph of Orange (the “Congregation”), St. Joseph Health Ministry (the “Ministry”), and Providence Ministries (collectively, “the Supported Organizations”), and the ethical principles of the Roman Catholic Church;

b. Assure the continued development and quality of each hospital and of each health program of the health care system by providing guidance and consultation and, in some cases, central management and administrative staff services in all areas of its corporate competence, including, but not limited to: mission integration services, financial management, fund raising, procurement of capital, insurance, third-party reimbursement, research, information technology, personnel policies, planning and central purchasing;

c. Seek opportunities for co-ministry with other religious organizations which have a like purpose of establishing health care system with a Christian dimension;

d. Develop and promulgate policies governing the operation of the hospitals and health programs of the Corporation; and

e. Represent the health care system to the general public, government, health care industry and all other external persons, groups and organizations.

f. To do any and all other things in furtherance of these purposes which are consistent with the laws of the State of California, the charitable purposes of the Supported Organizations, Section 509(a)(3) of the Code of 1986, as amended (the “Code”), and the Articles and Bylaws of the Corporation.

1.2 Policies. It shall be the express policy of the Corporation to:

a. Operate in accordance with the Congregation’s mission and philosophy of health care and the ethical principles of the Roman Catholic Church;

b. Govern in accordance with the tiered governance structure and management processes set forth in the Corporation’s Governance Manual and Authority Matrix, as they may be revised from time to time; and
c. Promote and encourage communication and sharing of skills and cooperation among hospitals and health programs of the health care system to facilitate the free exchange of ideas and development of policies, best practices and economies of scale within the system.

ARTICLE II
OFFICES AND SEAL

2.1 Offices. The principal office for the transaction of the business of the Corporation shall be in the State of California. The Corporation may also have an office outside the State of California as the Board may establish from time to time.

2.2 Seal. The Corporation shall have a corporate seal, and the same shall have inscribed thereon the name of the Corporation, the date of its incorporation and the word, "California."

ARTICLE III
MEMBERSHIP

3.1 Admission and Qualification of Members. The sole member of the Corporation shall be Providence St. Joseph Health ("PSJH"), a Washington nonprofit corporation; however, the authority to elect the members of the Board of Trustees of the Corporation shall be as set forth in Article IV of these Bylaws.

3.2 Reserved Powers.

a. This Corporation shall be operated and controlled by the Board of Trustees (the "Board"), except that certain powers shall be reserved to the Ministry and/or PSJH to further the purposes and philosophy of the health care ministry of the Congregation, in accordance with the tradition, teachings, spirit and ethical principles of the Roman Catholic Church.

b. The powers reserved to the Ministry and/or PSJH may be initiated and exercised by the Ministry or PSJH, as appropriate, or, if initiated by the Board, must be submitted to and receive approval of the Ministry or PSJH, as appropriate, and the action of the Ministry and/or PSJH, as appropriate, shall be final. From time to time, the Ministry and/or PSJH, as appropriate, may delegate the exercise of one (1) or more of the reserved powers to the Board or its agent. In such cases, the action by the delegatee will be final.

c. The powers reserved to the Ministry are set forth in the Authority Matrix attached hereto as Appendix "A" and incorporated herein by reference. The powers reserved to PSJH are set forth in a shared governance matrix, which is an attachment to the PSJH Bylaws, as it may be amended from time to time.

3.3 Distribution on Dissolution. Upon the liquidation, dissolution, winding up or abandonment of the Corporation, the assets remaining after the payment or provision for payment of all debts and liabilities of the Corporation shall be distributed as specified in the Corporation's Articles of Incorporation.
3.4 Dues and Assessments. There shall be no membership fees, dues, or assessments of the Ministry or PSJH.

ARTICLE IV
BOARD OF TRUSTEES

4.1 Powers. Except as otherwise provided by the Articles of Incorporation or these Bylaws with the Authority Matrix, the powers of the Corporation shall be exercised, its property controlled and its affairs conducted by, or under the direction of, the Board.

4.2 Number and Qualification. The Board of Trustees of the Corporation shall be appointed by two of the Supported Organizations, the Ministry and Providence Ministries, at the same time as the Board of Trustees of PSJH is elected and is intended to consist of the same individuals as those then currently serving on the Board of Directors of PSJH; provided, however, that the Chief Executive Officer of PSJH shall not be a member of the Board of Trustees of the Corporation. Removal of an individual from the Board of Directors of PSJH shall constitute removal from such individual's service upon the Board of Trustees of the Corporation. In the event a member of the Board of Directors of PSJH shall resign, such resignation shall automatically cause the resignation of such individual as a trustee of the Corporation. Any reappointments to fill a vacancy created by the removal or resignation of a trustee shall be filled by appointment by the Ministry and Providence Ministries.

4.3 Organizational Meeting. As soon as reasonably practicable, and within thirty (30) days after the annual appointment of trustees, the trustees shall meet for the purpose of organizing the Board and the transaction of such other business as may come before the meeting. Notice of such meeting shall be given in the same manner as for a special meeting of the Board and such meeting may coincide with the regular meeting of the Board that follows the annual appointments.

4.4 Officers of the Board. The Officers of the Board shall be a Chair and Vice Chair. The Chair and Vice Chair of the Corporation shall be the same individuals then serving as Chair and Vice Chair of the Board of Directors of PSJH, provided such individuals have been appointed to serve on the Board of Trustees. Such Chair and Vice Chair shall serve in such capacities so long as such individuals are serving as the Chair and Vice Chair of the Board of Directors of PSJH.

4.5 Regular Meetings - Attendance. Regular meetings of the Board shall be held at such time and place as the Board may fix by resolution from time to time. No notice of any regular meeting of the Board need be given. Trustees shall be required to attend all meetings unless specifically excused.

4.6 Special Meetings. Special meetings of the Board for any purpose or purposes may be called at any time by the Chair or any three (3) trustees. Notice of the time and place of special meetings shall be delivered personally by telephone, by electronic means, or by mail to each trustee according to the contact information as it is shown on the records of the Corporation. Notice of special meetings shall be conveyed so that it is received at least forty-eight (48) hours before the time of holding the meeting. Any oral notice given personally or by
telephone may be communicated either to the trustee or to a person at the home or office of the trustee who the person giving the notice has reason to believe will promptly communicate it to the trustee. The notice need not specify the purpose of the meeting nor the place if the meeting is to be held at the principal office of the Corporation.

4.7 Quorum. A majority of the authorized number of trustees shall constitute a quorum for the transaction of business. Unless otherwise specified in these Bylaws, any transaction of the Board shall require a majority vote of the quorum present at any meeting. Each member of the Board, including the person presiding at the meetings, shall be entitled to one (1) vote. If fewer than a majority are present at the meeting, a majority of the trustees present may adjourn and reconvene the meeting, from time to time, without further notice.

4.8 Validation of Meeting. The transactions of the Board at any meetings, however called or noticed, or wherever held, shall be as valid as though had at a meeting duly held after call and notice if a quorum be present and if, either before or after the meeting, each trustee not present signs a written waiver of notice or a consent to the holding of such meeting or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records and made a part of the minutes of the meetings.

4.9 Action Without Meeting. Any action required or permitted to be taken by the Board, under any provision of law, the Articles of Incorporation or these Bylaws, may be taken without a meeting if all trustees shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of the trustees. Any certificate or other document filed on behalf of the Corporation relating to an action taken by the Board without a meeting shall state that the action was taken by a unanimous written consent of the Board without a meeting, and that the Bylaws of the Corporation authorize its trustees to so act.

4.10 Meeting by Tele- or Video-Conference. Trustees may participate in a meeting through use of tele- or video-conference or similar communication equipment provided that all trustees participating in such a meeting can hear one another. Participation in a meeting pursuant to this paragraph constitutes presence in person at such meeting.

4.11 Conflicts of Interest. The Board shall adopt a conflict of interest policy as part of the Ministry Integrity Program to be applied to all trustees in compliance with the conflict of interest provisions of nonprofit corporation law and in accordance with IRS guidelines, as they may be revised from time to time. Such conflict of interest policy shall require appropriate disclosure by those trustees who have a conflict of interest with respect to Board actions. Further, such conflict of interest policy shall provide mechanisms for the manner in which such conflicts of interest shall be addressed to prevent inappropriate participation of interested trustees in Board actions.

4.12 Evaluation of the Board. The Board shall regularly, at least annually, evaluate its performance and initiate such action as shall be necessary to improve its effectiveness in furthering the purposes and objectives of the Corporation. In order to address improvement
opportunities identified by such evaluations, the Board may create such committees and employ such consultants as it deems necessary.

ARTICLE V
COMMITTEES

5.1 Committees Generally. Except as otherwise provided by these Bylaws, the Board may create by resolution or resolutions passed by a majority of the trustees then in office, and the Chairperson of the Board may appoint executive, standing, system or special committees and designate their chairpersons. Such committees shall consist of two (2) or more trustees, for any purpose defined by these Bylaws or determined by the Board. Such committees shall include at a minimum, committees charged with addressing executive, governance, compliance, community benefit, care for the poor, quality, and finance matters; though the committees' names need not use the terms used herein and these same committees may also be charged with multiple and other responsibilities. Non trustees may be appointed as committee members.

5.2 When such committees are composed solely of trustees, the Board may delegate to such committees any of the powers and authority of the Board. Committees, which are composed solely of trustees and to which the powers of the Board are delegated, shall have the power to act only in intervals between meetings of the Board, and shall, at all times, be subject to the control of the Board. Notwithstanding the provisions of Section 5.4, no act of a committee, which is composed solely of trustees and to which any powers of the Board have been delegated, shall be valid unless approved by the vote or written consent of a majority of its members. Unless otherwise provided in these Bylaws, the Board or, if the Board does not act, the committees shall establish rules and regulations for their meetings and meet at such times as are deemed necessary, provided that the provisions of Section 5.6 shall be applicable to all committee meetings. Committees shall keep regular minutes of proceedings and report the same to the Board, from time to time, as the Board may require. Any committee composed of persons, one (1) or more of whom are not trustees, may act solely in an advisory capacity to the Board. The Chair shall be an ex officio member of all committees.

5.3 Executive Committee. The Executive Committee shall be composed of the Chairperson of the Board and the chairs of standing committees of the Board. This Executive Committee shall have full authority to act on the Board's behalf in the governance of the Corporation and shall exercise all the powers of the Board except as otherwise limited or proscribed by statute, resolutions of the Board, the Articles of Incorporation, or these Bylaws. In addition to exercising all the powers of the Board subject to the limitations described herein, the Executive Committee shall be charged with the following:

a. Development of initial draft of annual performance goals for the President;

b. Management of the annual performance evaluation process for the President;

c. Review and approval, with recommendation to the full Board for affirmation, of total compensation for the President.
d. For all other executives including corporate officers of the Corporation, senior executives and all identified "disqualified persons" (collectively "Executives") to ensure consistency with the Executive Compensation Philosophy on all components of compensation (i) review the grades and ranges set by the Worklife Committee working with an independent compensation consultant applicable to the Executives, (ii) engage the independent compensation consultant to prepare a report for each Executive opining on the specific total compensation proposed for each Executive after reviewing proper comparability data, and (iii) after review of consultant's report for each Executive, approve total compensation if it is internally equitable, externally competitive and complies with all federal and state laws and regulations.

5.4 Quorum. A majority of the members of a committee shall constitute a quorum and any transaction of a committee shall require a majority vote of the quorum present at any meeting. Each member of a committee, including the person presiding at the meetings, shall be entitled to one (1) vote.

5.5 Removal of Members. The body or person that appointed the committee may remove at any time, with or without cause, a member or members of the committee.

5.6 Meetings. Members of committees shall meet at the call of the Chairperson of the Board, chairperson of the committee or any two (2) members of the committee, at such place as they shall designate. Member notification of regular and special meetings shall follow the same procedures as for Board meetings.

5.7 Minutes. Each committee shall keep minutes of its proceedings and make a written report to the Board of its actions within a reasonable time subsequent thereto.

5.8 Expenditures. Any expenditure of corporate funds by a committee shall require prior approval of the Board.

ARTICLE VI
OFFICERS OF THE CORPORATION

6.1 Officers. The Officers of the Corporation shall include a President, a Secretary and a Treasurer. The officers of the Corporation shall be the same individuals serving as the officers of PSJH. In the event such officer either resigns or is otherwise removed as an officer of PSJH, such officer's office with the Corporation shall automatically terminate as of the effective date of their removal or resignation as an officer of PSJH.

6.2 President. The President shall, subject to the control of the Board, have general supervision, direction and control of the business and affairs of the Corporation. The President shall have the general powers and duties as may be prescribed by the Board and/or these Bylaws.

6.3 Secretary. The Secretary shall keep or cause to be kept a book of minutes, at the principal office or at such other place as the Board may order, of all meetings of the Board, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at Board meetings, and the proceedings thereof. The Secretary shall also keep or cause to be kept, at the principal office, or such other place as the Board may order, a membership register showing the names of trustees and their addresses.
The Secretary shall give or cause to be given notice of all the meetings of the Board required by law or these Bylaws to be given, shall keep the seal of the Corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board and/or these Bylaws.

6.4 Treasurer. The Treasurer shall cause to be kept and maintained adequate and correct accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains and losses. The books of account shall, at all times, be open to inspection by a trustee. The Treasurer shall cause to be deposited all monies and other valuables in the name and to the credit of the Corporation, in such depositories as may be designated by the Board. The Treasurer shall cause to be disbursed the funds of the Corporation as ordered by the Board, shall render to the Chair of the Board, the President or the trustees, whenever they shall request it, an account of all transactions as Treasurer and of the financial condition of the Corporation, shall have caused to have taken proper vouchers for all disbursements of the funds from the Corporation and shall have such other powers and perform such other duties as may be prescribed by the Board and/or these Bylaws.

6.5 Assistants to the Officers. The PSJH President and CEO may appoint, in his or her discretion, one (1) or more assistants to each of the Secretary and the Treasurer. Such assistant secretaries and assistant treasurers shall perform such duties as shall be assigned to them by the Treasurer or Secretary, respectively, or by the PSJH President and CEO.

6.6 Subordinate Officers. The PSJH President and CEO may also appoint such other officers as the business of the Corporation shall require, each of whom shall have such authority and perform such duties as the PSJH President and CEO shall delegate to them, or as provided in these Bylaws and/or Board-adopted policies and procedures.

6.7 Compensation and Expenses. Expenses incurred in connection with performance of their official duties may be reimbursed to officers consistent with the Board-approved expense policy or, if outside the parameters established by the Board-approved expense policy, upon specific approval of the Board.

ARTICLE VII
GENERAL PROVISIONS

7.1 Dues and Assessments. The Board shall be empowered to assess such dues and/or fees on the affiliated and subsidiary ministries as are, from time to time, deemed necessary.

7.2 Voting of Stock. The Corporation may vote any and all shares held by it in any other corporation by such officer, agent or proxy as the Board may appoint, or, in default of any such appointment, by its President or her or his designee, and, in such case, such officers or any of them may likewise appoint a proxy to vote said shares.

7.3 Contracts. The Board, except as in these Bylaws otherwise provided, may authorize one (1) or more officers or agents to enter into any contract or to execute or deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or
confined to specific instances; and, unless so authorized by the Board, no officer or agent shall have any power or authority to bind the Corporation by any contract or engagement, to pledge its credit or to render it liable for any purpose or in any amount.

7.4 Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to the Corporation, and, any and all securities owned or held by the Corporation requiring signature for transfer shall be signed or endorsed by such officer or officers, agent or agents, and in such manner as, from time to time, shall be specified in an adoptive resolution of the Board.

7.5 Loans. No loans shall be made by or to the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board or the Executive Committee, and, where required, approved by PSJH.

7.6 Inspection of Corporation Records. The membership register, the books of account and minutes of proceedings of the Board shall be open to inspection upon the written demand of PSJH or by any trustee acting in person or acting through a representative, at any reasonable time and for any purpose reasonably related to interests as PSJH or trustee. Such inspection may be made by the representative or by an agent or attorney appointed by such representative and shall include the right to make extracts. Demand for inspection shall be made in writing, addressed to the President or Secretary of the Corporation.

ARTICLE VIII
ACCOUNTING YEAR AND AUDIT

8.1 Accounting Year. The accounting year of the Corporation shall end on the last day of June of each year.

8.2 Audit. At the end of the accounting year, the books of the Corporation shall be closed and audited by a certified public accountant selected by the Board. The financial report of the auditor shall be furnished to the Board and to PSJH.

ARTICLE IX
INDEMNIFICATION AND INSURANCE

9.1 Indemnification. The Corporation may indemnify any and all of its own trustees or officers or former trustees or officers or any person who may have served, at its request or by its election, as a trustee, director or officer of another ministry, against expenses actually and necessarily incurred by them in connection with the defense or settlement of any action, suit or proceeding in which they, or any of them, are made parties, or a party, by reason of being or having been trustees or a director or officer of the Corporation, or of such other corporation; except in relation to matters as to which any such trustee, director or officer or former trustee, director or officer or person shall be adjudged in such action, suit or proceeding, to be liable for willful misconduct in the performance of duty, and to such matters as shall be settled by agreement predicated on the existence of such liability.

9.2 Insurance. The Corporation may purchase and maintain insurance on behalf of any and all of its trustees or officers or former trustees or officers or any person who has served,
at its request or by its election, as a trustee, director or officer of another corporation against any liability, or settlement based on asserted liability, incurred by them by reason of being or having been trustees or a director or officer of the Corporation or of such other corporation, whether or not the corporation would have the power to indemnify them against such liability or settlement under the provisions of this section.

ARTICLE X
BONDING

All officers and authorized fiscal agents of the Corporation responsible for the receipt, custody or disbursement of corporate funds or securities shall give bond for the faithful discharge of their duties in such sums and with such sureties as the Board shall require, and the fees for such sureties may be paid by the Corporation.

ARTICLE XI
AMENDMENTS

Subject to the approval of the Ministry and PSJH, the Bylaws of the Corporation may be altered, amended or repealed and new Bylaws adopted by the vote of a majority of the Board. Proposed Bylaw amendments must be submitted in writing to the Chair and referred by her or him to the Board for action.

ARTICLE XII
POLICIES AND PROCEDURES OF THE CORPORATION

The Board shall adopt by majority vote such policies and procedures as it shall deem appropriate for the orderly conduct of the Corporation’s business. Such policies and procedures shall include, but not be limited to, the St. Joseph Health System Governance Manual, which may be amended from time to time.
CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify that:

1. I am the duly elected and acting Secretary of St. Joseph Health System, a California nonprofit public benefit corporation (the "Corporation"); and

2. The attached Amended and Restated Bylaws, comprising 8 pages, constitute the bylaws of the Corporation as of the date of this certificate, as amended and authorized by the St. Joseph Health System Board of Trustees, and approved by St. Joseph Health Ministry on February 15, 2016.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 21st day of June, 2017.

[Signature]
Shannon G. Dwyer
Secretary
St. Joseph Health Northern California, LLC
Articles of Organization
Limited Liability Company (LLC)

IMPORTANT — Read instructions before completing this form.

Filing Fee - $70.00

Copy Fees - First plain copy free; Additional copies: First page $1.00 & $.50 for each attachment page; Certification Fee - $5.00

Important — LLCs may have to pay an annual minimum $800 tax to the California Franchise Tax Board. For more information, go to https://www.ftb.ca.gov.

1. Limited Liability Company Name (See instructions — Must contain an LLC ending such as LLC or L.L.C. "LLC" will be added, if not included.)

   St. Joseph Health Northern California, LLC

2. Business Addresses
   a. Initial Mailing Address of Designated Office in California - Do not list a P.O. Box
      3345 Michelson Drive, Suite 100
      City (no abbreviations) Irvine
      State CA
      Zip Code 92612
   b. Initial Mailing Address of LLC, if different then item 2a
      City (no abbreviations) State Zip Code

3. Agent for Service of Process
   a. California Agent's First Name (if agent is not a corporation)
      Shannon
   b. Street Address (if agent is not a corporation) - Do not list a P.O. Box
      3345 Michelson Drive, Suite 100
      City (no abbreviations) Irvine
      State CA
      Zip Code 92612
   c. California Registered Corporate Agent's Name (if agent is a corporation) - Do not complete item 3a or 3b

4. Management (Select only one box)

   The LLC will be managed by:
   ■ One Manager
   ■ More than One Manager
   □ All LLC Member(s)

5. Purpose Statement (Do not alter Purpose Statement)

   The purpose of the limited liability company is to engage in any lawful act or activity for which a limited liability company may be organized under the California Revised Uniform Limited Liability Company Act.

6. The information contained herein, including in any attachments, is true and correct.

   Shannon Dwyer, Secretary
   Print your name here
Welcome to California

Congratulations on the registration of your limited liability company with the California Secretary of State. Please see below for important information.

Required Statement of Information

California law requires limited liability companies to keep their public record updated by filing a Statement of Information with the California Secretary of State.

Limited liability companies must file a complete Statement of Information (Form LLC-12) within the first 90 days of filing the Articles of Organization or Application to Register, and then every 2 years after that before the end of the month of the registration date.

Statements of Information for limited liability companies must be submitted on paper to the California Secretary of State, and can be mailed or delivered in person (drop off) to the Sacramento office. Additional information regarding Statements of Information, including forms, instructions and current fees is available at www.sos.ca.gov/business/be/statements.htm.

Current processing times for Statements of Information may be found at www.sos.ca.gov/business/be/processing-times.htm.

Other Business Information and Resources

All business entities are subject to state and federal tax laws. You may wish to contact the following agencies to assist you with these issues:

- Internal Revenue Service – www.irs.gov or call (800) 829-1040 for forms and issues concerning Federal tax, employer identification numbers, subchapter S elections
- Franchise Tax Board – www.ftb.ca.gov or call (800) 852-5711 for forms and issues concerning franchise tax and state income tax requirements
- State Board of Equalization – www.boe.ca.gov or call (916) 445-6464 for forms and issues concerning sales taxes or use taxes

Please refer to www.sos.ca.gov/business/be/resources.htm for a list of other agencies you may need to contact to ensure proper compliance with the laws of the State of California. Please be aware that the California Secretary of State does not license limited liability companies. For licensing requirements, please contact the California city and/or county where the principal place of business is located and/or the state agency, or board with jurisdiction over the activities of the limited liability company.
## LLC-2 Amendment to Articles of Organization of a Limited Liability Company (LLC)

To change information on record for your California LLC, you can fill out this form, and submit for filing along with:

- A $30 filing fee.
- A separate, non-refundable $15 service fee also must be included, if you drop off the completed form.
- To file this form, the status of your LLC must be active on the records of the California Secretary of State, or if suspended, this form can only be filed to list a new LLC name. To check the status of the LLC, go to kepler.sos.ca.gov.

### Important:
To change the LLC addresses, or to change the name or address of the LLC's agent for service of process, you must file a Statement of Information (Form LLC-12). To get Form LLC-12, go to www.sos.ca.gov/business/be/statements.htm.

Items 4-6: Only fill out the information that is changing. Attach extra pages if you need more space or need to include any other matters.

For questions about this form, go to www.sos.ca.gov/business/be/filing-tips.htm.

### For this document:
- Upon filing, we will return one (1) uncertified copy of your filed document for free, and will certify the copy upon request and payment of a $5 certification fee.

### Property Information:
- LLC Filing No. (Issued by CA Secretary of State): 201630710112

### Purpose
The purpose of the limited liability company is to engage in any lawful act or activity for which a limited liability company may be organized under the California Revised Uniform Limited Liability Company Act.

### New LLC Name (List the proposed LLC name exactly as it is to appear on the records of the California Secretary of State.)

### Management
- The LLC will be managed by:
  - [ ] One Manager
  - [x] More Than One Manager
  - [ ] All Limited Liability Company Member(s)

### Amendment to Text of the Articles of Organization
(List both the current text, and the text as amended by this filing.)

Read and sign below: Unless a greater number is provided for in the Articles of Organization, this form must be signed by at least one manager, if the LLC is manager-managed or at least one member, if the LLC is member-managed. If the signing manager or member is a trust or another entity, go to www.sos.ca.gov/business/be/filing-tips.htm for more information. If you need more space, attach extra pages that are taped and on standard letter-sized paper (8.5" x 11"). All attachments are part of this document.

Assistant Secretary of
St. Joseph Health System,
its sole member,
Your business title

Make check/money order payable to: Secretary of State

Upon filing, we will return one (1) uncertified copy of your filed document for free, and will certify the copy upon request and payment of a $5 certification fee.

By Mail
Secretary of State
Business Entities, P.O. Box 944228
Sacramento, CA 94244-2280

Drop-Off
Secretary of State
1500 11th Street, 3rd Floor
Sacramento, CA 95814

Shannon G. Dwyer

Print name here

2016 2-7 2016
ADDENDUM
TO ARTICLES OF ORGANIZATION
OF ST. JOSEPH HEALTH NORTHERN CALIFORNIA, LLC
(LLC File No. 201630710112)

7. Member.

The sole corporate member of the limited liability company is St. Joseph Health System, a California nonprofit corporation and qualifying organization as such term is defined in Article 9 of these Articles.

8. Exempt Purposes.

A. The limited liability company is organized and shall be operated exclusively for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Federal Tax Code") and section 214 of the California Revenue and Taxation Code (the "California Tax Code"). It will be operated exclusively to further the exempt purposes of its members as specified in Federal Tax Code section 501(c)(3) and California Tax Code section 214.

B. No substantial part of the activities of the limited liability company shall consist of carrying on propaganda, or otherwise attempting to influence legislation (except as otherwise provided in Section 501(h) of the Federal Tax Code), and the limited liability company shall not participate or intervene in any political campaign (including the publication or distribution of statements) on behalf of any candidate for public office.

C. All property and assets of the limited liability company are irrevocably dedicated to exempt purposes within the meaning of Federal Tax Code section 501(c)(3) and California Tax Code section 214. No part of the net income or assets of the limited liability company shall ever inure the benefit of any officer thereof or to the benefit of any other private person, except that the limited liability company is authorized and empowered to pay reasonable compensation for services rendered, and to make payments and distributions in furtherance of its exempt purposes.

9. Requirements for and Limitations on Membership.

Each member of the limited liability company must be a qualifying organization. A qualifying organization is an organization that is either: (i) an organization that qualifies for exemption under Federal Tax Code section 501(c)(3) and California Tax Code section 214; or (ii) a government entity that is considered a governmental unit or wholly owned instrumentality of a state or political subdivision for purposes of the Federal Tax Code and that is exempt from property taxation under section 3 of Article XIII of the California Constitution, as to property owned by the state under subdivision (a), or as to property owned by a local government under subdivision (b), or as to property used exclusively for public schools, community colleges, state colleges and state universities under subdivision (d). Any direct or indirect transfer of any
Code section 501(c)(3) and California Tax Code section 214, and which has established its tax-exempt status under Federal Tax Code section 501(c)(3).

F. The limited liability company shall not distribute any assets to a member that ceases to be a qualifying organization, and the limited liability company, interests in the limited liability company (other than membership interests), or its assets may be availed of or transferred (whether directly or indirectly), to a nonmember that is not a qualifying organization only in exchange for fair market value.

11. Limitations on Amendments.

Any amendment to these Articles of Organization and the limited liability company operating agreement must be consistent with Federal Tax Code section 501(c)(3) and California Tax Code section 214, and such power to alter, amend or repeal the Articles of Organization and the Operating Agreement shall be vised with St. Joseph Health System, subject to the reserved rights of the Ministry.

12. Limitations on Mergers and Conversions.

The limited liability company is prohibited from merging with, or converting into, a for-profit entity.

13. Compliance with State Law.

These Articles of Organization are consistent with the California Revised Uniform Limited Liability Company Act, and are enforceable at law and in equity.

ADDENDUM TO ARTICLES OF ORGANIZATION

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membership interest in the limited liability company to any person other than a qualifying organization is prohibited.

In the event that a member ceases to be a qualifying organization, such disqualified organization shall forfeit its membership interest in the limited liability company and all of its rights as member in the limited liability company shall be terminated no later than 90 days after the date on which it ceased to qualify as a qualifying organization. All qualifying members of the limited liability company will expeditiously and vigorously enforce all of their rights in the limited liability company and will pursue all legal and equitable remedies to protect their interests in the limited liability company.

10. Dedication of Assets.

A. The property owned by the limited liability company is irrevocably dedicated to exempt purposes within the meaning of Federal Tax Code section 501(c)(3) and California Tax Code section 214.

B. Upon dissolution, all assets remaining after the payment of liabilities shall be distributed for use in furtherance of the exempt purposes of the limited liability company set forth in Article 8 of these Articles, to the St. Joseph Health Ministry (the “Ministry”), a California nonprofit corporation and a qualifying organization that is organized and operated for exempt purposes within the meaning of Federal Tax Code section 501(c)(3) and California Tax Code section 214, if it is then in existence and a qualifying organization organized and operated exclusively for exempt purposes within the meaning of Federal Tax Code section 501(c)(3) and California Tax Code section 214.

C. If the Ministry is not then in existence or a qualifying organization being so operated, then all remaining assets shall be distributed to the Sisters of St. Joseph of Orange (the “Congregation”), a California nonprofit corporation and a qualifying organization that is organized and operated for exempt purposes within the meaning of Federal Tax Code section 501(c)(3) and California Tax Code section 214, if it is then in existence and a qualifying organization organized and operated exclusively for exempt purposes within the meaning of Federal Tax Code section 501(c)(3) and California Tax Code section 214.

D. If the Congregation is not then in existence or a qualifying organization being so operated, then all remaining assets shall be distributed to the participating health institutions of the limited liability company, all of which are qualifying organizations that are organized and operated for exempt purposes within the meaning of Federal Tax Code section 501(c)(3) and California Tax Code section 214, in such proportions as may be determined by Providence St. Joseph Health in its sole and reasonable discretion, if any such health institutions are still in existence and a qualifying organization organized and operated exclusively for exempt purposes within the meaning of Federal Tax Code section 501(c)(3) and California Tax Code section 214.

E. If there are no such health institutions in existence or being a qualifying organization so operated, then all remaining assets shall be distributed exclusively to another organization(s) organized and operated exclusively for exempt purposes within the meaning of Federal Tax
I hereby certify that the foregoing transcript of ___ page(s) is a full, true and correct copy of the original record in the custody of the California Secretary of State's office.

JAN 10 2017

[Signature]
ALEX PADILLA, Secretary of State
OPERATING AGREEMENT

OF

ST. JOSEPH HEALTH NORTHERN CALIFORNIA, LLC

(a California Limited Liability Company)

Dated and Effective

as of

March 8, 2017
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APPENDIX B ..................................................................................... 1
OPERATING AGREEMENT

of

ST. JOSEPH HEALTH NORTHERN CALIFORNIA, LLC
(a California Limited Liability Company)

This Operating Agreement is dated effective as of March 8, 2017, by and between St. Joseph Health Northern California, LLC, a California limited liability company (the "Company") and St. Joseph Health System, a California nonprofit public benefit corporation, as the sole member of the Company ("SJHS" or the "Member"). Capitalized terms used in the text of this Agreement shall have the meanings ascribed to them by definition in this Agreement or in Appendix A attached hereto and incorporated herein by this reference.

1. Articles of Organization. Articles of Organization for the Company were filed on October 27, 2016, the date on which the term of the Company began. The Articles of Organization were amended on December 27, 2016.

2. Name. The name of the Company is "St. Joseph Health Northern California, LLC." The business of the Company may be conducted under that name or, upon compliance with applicable laws, any other name that the Governing Board deems appropriate or advisable, including as to the four hospitals owned and operated by the Company, the following fictitious business names: Santa Rosa Memorial Hospital, Queen of the Valley Medical Center, St. Joseph Hospital of Eureka and Redwood Memorial Hospital of Fortuna (the "Hospitals" or "hospital ministries"), subject to the reserved rights of the Member.

3. Purpose.

3.1. Principal Purpose. The principal purpose of the Company is to carry on any lawful business or activity which may be conducted by a limited liability company under the California Revised Uniform Limited Liability Company Act, as amended from time to time (the "Act"), including specifically the ownership, maintenance, promotion and operation of the four Hospitals as well as related charitable health programs and businesses, and to exercise all other powers necessary or reasonably connected or incidental to such purpose and business that may be legally exercised by the Company under the Act.

3.2. Agreement Regarding Furtherance of Charitable Purpose.
The Company and its Member acknowledge that the Member is a California nonprofit public benefit corporation exempt from taxation pursuant to Federal Tax Code Section 501(c)(3). In this regard, the Company and the Member hereby agree as follows:

(a) The business of the Company shall at all times be operated and managed in compliance with the mission and charitable purposes of the Member within the meaning of Federal Tax Code Section 501(c)(3);

(b) The charitable purposes of the Member shall override any duty to maximize profits and shall serve as a guiding principle for the Member and the Governing Board in their decisions and voting on all matters;
(c) In carrying out its Member’s charitable purposes of promoting health and subject to the principle that community benefit overrides any duty to maximize profits, the Company will:

(i) Further the accomplishment of the tax-exempt purposes of the Member by enhancing the quality, availability, convenience, and access of health care services provided within the Service Areas of each of the Hospitals, and by otherwise promoting the general health and well-being of the persons residing in the Service Areas of each of the Hospitals;

(ii) Participate in Medicare and Medicaid programs to the extent permitted by applicable law;

(iii) Will cause Company providers to provide quality health care and health services to all persons needing care without regard to race, creed, color, religion, national origin, citizenship, sex, disability, age, insurance coverage, or ability to pay;

(iv) abide by a conflicts of interest policy that (1) requires members of the Governing Board to disclose relevant financial interests, (2) provides a procedure for the Company to determine whether a conflict of interest exists and (3) sets forth a process to address any conflicts that arise; such a policy would also address remedial action for members of the Governing Board that fail to comply with the policy;

(v) Act consistently with the charity care policies of the Member to ensure that quality care services are available and provided to all members of the community and that no individual will be denied care by the Company based on the individual’s financial status or inability to pay for the full cost of services rendered by the Company; and

(vi) Request that the Governing Board provide to the Member, on an annual basis, a report summarizing the community benefits of the Company, including specifically charity care provided, for said period.

3.3. Compliance with Ethical and Religious Directives. For so long as SJHS or any of its Affiliates is a Member, the Company and SJHS acknowledge that the Member operates in a manner that is consistent with the SJHS Mission and Core Values and the Roman Catholic moral tradition as articulated in such documents as the ERDs.


(a) Exempt Purposes.

(i) The Company is organized and shall be operated exclusively for one or more exempt purposes within the meaning of Federal Tax Code Section 501(c)(3) and Sections 214 and 23701d of the California Revenue and Taxation Code (the “California Tax Code”). It will be operated exclusively to further the exempt purposes of its members as specified in Federal Tax Code Section 501(c)(3) and California Tax Code Sections 214 and 23701d.
(ii) No substantial part of the activities of the Company shall consist of carrying on propaganda, or otherwise attempting to influence legislation (except as otherwise provided in Section 501(h) of the Federal Tax Code), and the Company shall not participate or intervene in any political campaign (including the publication or distribution of statements) on behalf of any candidate for public office.

(iii) All property and assets of the Company are irrevocably dedicated to exempt purposes within the meaning of Federal Tax Code Section 501(c)(3) and California Tax Code Section 214. No part of the net income or assets of the Company shall ever inure the benefit of any officer thereof or to the benefit of any other private person, except that the Company is authorized and empowered to pay reasonable compensation for services rendered, and to make payments and distributions in furtherance of its exempt purposes.

(h) Requirements for and Limitations on Membership.

(i) Each member of the Company must be a qualifying organization. A qualifying organization is an organization that is either: (i) an organization that qualifies for exemption under Federal Tax Code Section 501(c)(3) and California Tax Code Section 214; or (ii) a government entity that is considered a governmental unit or wholly owned instrumentality of a state or political subdivision for purposes of the Federal Tax Code and that is exempt from property taxation under Section 3 of Article XIII of the California Constitution, as to property owned by the state under subdivision (a), or as to property owned by a local government under subdivision (b), or as to property used exclusively for public schools, community colleges, state colleges and state universities under subdivision (d). Any direct or indirect transfer of any membership interest in the Company to any person other than a qualifying organization is prohibited.

(ii) In the event that a member ceases to be a qualifying organization, such disqualified organization shall forfeit its membership interest in the Company and all of its rights as member in the Company shall be terminated no later than 90 days after the date on which it ceased to qualify as a qualifying organization. All qualifying members of the Company will expeditiously and vigorously enforce all of their rights in the Company and will pursue all legal and equitable remedies to protect their interests in the Company.

(c) Dedication of Assets.

(i) The property owned by the Company is irrevocably dedicated to exempt purposes within the meaning of Federal Tax Code Section 501(c)(3) and California Tax Code Section 214.

(ii) Upon dissolution, all assets remaining after the payment or provision for payment of debts and liabilities shall be distributed for use in furtherance of the exempt purposes of the Company set forth in Article 3 of this Agreement, to the St. Joseph Health Ministry ("SJHM"), a California nonprofit corporation and a qualifying organization that is organized and operated for exempt purposes within the meaning of Federal Tax Code Section 501(c)(3) and California Tax Code Section 214, if it is then in existence and a qualifying organization. organized and operated exclusively for exempt purposes within the meaning of
Federal Tax Code Section 501(c)(3) and California Tax Code Section 214, as those sections now exist or may subsequently be amended.

(iii) If SJHM is not then in existence or a qualifying organization being so operated, then all remaining assets shall be distributed to the Sisters of St. Joseph of Orange (the "Congregation"), a California nonprofit corporation and a qualifying organization that is organized and operated for exempt purposes within the meaning of Federal Tax Code Section 501(c)(3) and California Tax Code Section 214, if it is then in existence and a qualifying organization organized and operated exclusively for exempt purposes within the meaning of Federal Tax Code Section 501(c)(3) and California Tax Code Section 214, as those sections now exist or may subsequently be amended.

(iv) If the Congregation is not then in existence or a qualifying organization being so operated, then all remaining assets shall be distributed to the participating health institutions affiliated with the Member, all of which are qualifying organizations that are organized and operated for exempt purposes within the meaning of Federal Tax Code Section 501(c)(3) and California Tax Code Section 214, in such proportions as may be determined by PSJH in its sole and reasonable discretion, if any such health institutions are still in existence and a qualifying organization organized and operated exclusively for exempt purposes within the meaning of Federal Tax Code Section 501(c)(3) and California Tax Code Section 214, as those sections now exist or may subsequently be amended.

(v) If there are no such health institutions in existence or being a qualifying organization so operated, then all remaining assets shall be distributed exclusively to another organization(s) organized and operated exclusively for exempt purposes within the meaning of Federal Tax Code Section 501(c)(3) and California Tax Code Section 214, and which has established its tax-exempt status under Federal Tax Code Section 501(c)(3) and California Tax Code Sections 214 and 23701d, as those sections now exist or may subsequently be amended.

(vi) The Company shall not distribute any assets to a member that ceases to be a qualifying organization, and the Company, interests in the Company (other than membership interests), or its assets may be availed of or transferred (whether directly or indirectly), to a nonmember that is not a qualifying organization only in exchange for fair market value.

(d) Limitations on Amendments. Any amendment to the Articles of Organization and the operating agreement must be consistent with Federal Code Section 501(c)(3) and California Tax Code Section 214, and such power to alter, amend or repeal the Articles of Organization and the Operating Agreement shall reside with the Member, subject to the reserved powers of PSJH.

(c) Limitations on Mergers and Conversions. The Company is prohibited from merging with, or converting into, a for-profit entity.

(f) Compliance with State Law. The Articles of Organization of the Company are consistent with the Act, and are enforceable at law and in equity.
3.5. **Hospital Ministries.** Each of the four hospital ministries owned and operated by the Company shall be operated as a separate division, with its own budgets, financial statements, on-site management and workforce.

4. **Term.** The term of the Company shall be perpetual, unless the Company is earlier dissolved in accordance with Article 12.

5. **Principal Place of Business.** The principal place of business of the Company shall be 1165 Montgomery Drive, Santa Rosa, CA 95405. The Manager may relocate the principal place of business or establish additional offices from time to time.

6. **Registered Office and Registered Agent.** The Company's initial registered agent and the address of its initial registered office are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shannon Dwyer</td>
<td>3345 Michelson Drive, Suite 100, Irvine, CA 92612</td>
</tr>
<tr>
<td>PSJH General Counsel, Assistant Corporate Secretary</td>
<td></td>
</tr>
</tbody>
</table>

The registered office and registered agent may be changed by the Governing Board from time to time in accordance with the requirements of the Act.

7. **Member.**

7.1. **Name and Address.** The name and address of the Member are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>St. Joseph Health System</td>
<td>3345 Michelson Drive, Suite 100, Irvine, CA 92612</td>
</tr>
</tbody>
</table>

7.2. **Reserved Powers.** The Company shall be operated and controlled by the Governing Board, except that certain powers shall be reserved to the Member and its corporate member, PSJH, to further the purposes and philosophy of the health care ministry of the Congregation, in accordance with the tradition, teachings, spirit and ethical principles of the Roman Catholic Church. The powers reserved to the Member may be initiated and exercised by the Member or if initiated by the Governing Board, must be submitted to and receive approval of the Member, and the action of the Member shall be final, subject to any further reserved rights of PSJH. The powers reserved to PSJH and the Member are set forth in the Authority Matrix.

7.3. **Action by the Member.** The Member shall act by vote of its governing board subject only to limitations or requirements imposed by the Articles of Incorporation, Bylaws and Authority Matrix of the Member or applicable law.

7.4. **Proof of Action.** The vote, written assent or other action of the Member shall be evidenced by, and the Company shall be entitled to rely upon, a Certificate of the Secretary of the Member stating (i) the actions taken by the Member, (ii) that such actions were
taken in accordance with the Articles of Incorporation and Bylaws of the Member, and (iii) the authorization of the Member for such certification.

7.5. **Requests for Action by Member.** Requests for action by the Member or its corporate member may be made through the Chief Executive of the Member or such other person as the Board of Trustees of the Member shall designate.

7.6. **Meetings of the Member.** Meetings of the Member shall be held in accordance with its Bylaws and applicable law.

7.7. **Limited Liability.** Except as provided under the Act or as expressly set forth in this Agreement or another agreement (such as a guarantee), the Member shall not be personally liable for any debt, obligation or liability of the Company, whether that liability or obligation arises in contract, tort or otherwise.

8. **Regulatory and Compliance Matters.**

8.1. **Compliance with Health Care Laws.** The Member understands that the Company’s operations are subject to the Health Care Laws, including the Anti-Kickback Statute. It is the intention of the Company and its Member that the Company be organized and operated in a manner that complies with the Anti-Kickback Statute and all other Health Care Laws.

8.2. **Compliance Matters.**

(a) The Member recognizes the need to conduct the operations of the Company in accordance with the highest standards of business ethics and integrity and in compliance with all applicable laws and regulations and governmental guidelines and pronouncements.

(b) The Company shall implement the Member’s Integrity, Compliance and Privacy Program, which is substantially based on the seven (7) elements of an effective compliance program as defined in the United States Federal Sentencing Guidelines, Chapter 8, Part B and all applicable elements of the Health Insurance Portability and Accountability Act of 1996, 45 CFR, Parts 160 and 164 with respect to any of its activities that relate to such standards. The compliance plan shall require that any material or significant Compliance Issues be brought promptly to the Governing Board’s attention. Upon request from either the Member or a member of the Governing Board, Company’s counsel or a compliance officer shall cause a confidential report to be delivered to the Member and/or the Governing Board on material compliance-related issues.

9. **Management of the Company.**

9.1. **Management by the Governing Board.** The business, property and affairs of the Company shall be the responsibility of a board of managers (the “Governing Board”). Except for situations in which the approval of the Member is expressly required by the Articles of Organization, this Agreement, the Act or the Authority Matrix, the Governing Board shall have, subject to this Agreement and applicable law, full, complete and exclusive authority, power and discretion to manage and control the business, property and affairs of the Company to
make all decisions regarding the foregoing matters and to perform any and all other acts or activities customary or incident to the management of the Company's business, property, and affairs including resolving matters involving the scope and intent of the terms of this Agreement.


(a) **Regular Meetings.** Regular meetings of the Governing Board shall be held on such dates and at such times and places (not less than once each calendar quarter) as the Governing Board shall from time to time determine. Regular meetings may be held without notice.

(b) **Special Meetings.** Special meetings of the Governing Board shall be held whenever called by or at the request of at least twenty-five percent (25%) of the Managers, but in no case may a special meeting be called by less than two (2) Managers. Special meetings of the Governing Board shall be held not less than ten (10) days after written notice is delivered to each Manager as provided in Section 17.11 (Notices). Notice of each such special meeting shall specify the date, time and place of the meeting, and shall specify the purpose of the meeting. Notice of any special meeting may be waived in writing (either before or after such meeting) and shall be waived by any Manager by attendance at or participation in the meeting, unless the Manager objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called, noticed or convened.

(c) **Waiver.** Whenever any notice is required to be given to any Manager under this Agreement, a waiver thereof in writing signed by such individual, whether before or after the time stated therein, shall be equivalent to the giving of such notice. All such waivers shall be made a part of the minutes of the meeting.

(d) **Quorum for Meetings; Adjournment.** The presence of a majority of Managers shall constitute a quorum at any meeting of the Governing Board. A majority of the Managers present, whether or not a quorum is present, may adjourn any meeting to another time and place. Notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the Managers who were not present at the time of the adjournment.

(e) **Voting.** Each Manager shall have one (1) vote on all matters. Managers may not vote by proxy.

(f) **Manner of Acting; Minutes.** If a quorum is present, the affirmative vote of a majority of the Managers present at a meeting of the Governing Board shall constitute the formal act of the Governing Board, except as may be otherwise specifically provided by the Act or this Agreement. Minutes of all meetings shall be maintained and distributed to each Manager promptly after each meeting.

(g) **Action by Written Consent.** Action required or permitted to be taken at a meeting of the Governing Board may be taken without a meeting if the action is evidenced by one or more written consents describing the action taken, executed by all Managers, and such consent shall have the same force and effect as a vote at a duly held meeting.
(h) Meeting Held by Telephone or Similar Communications Equipment. Meetings of the Governing Board may be conducted by conference telephone, electronic video screen communication or similar communications equipment, as long as all Managers participating in the meeting can speak to and be heard by each other at the same time, and participation by such means shall constitute presence in person at a meeting.

(i) Conflicts of Interest Policy. The Governing Board shall adopt the Member’s conflicts of interest policy to be applied to all Managers (the “Conflicts of Interest Policy”). The Conflicts of Interest Policy shall provide mechanisms for ensuring the disclosure of relevant financial interests and the manner in which such financial interests will be handled to prevent participation of interested Managers in Governing Board actions. The Conflicts of Interest Policy shall also provide that a conflict of interest shall not exist with respect to a Manager on account of such Manager’s simultaneous service as an officer of a Member and that, as such, Managers shall be able to act on matters presented to the Governing Board for decision with due regard for the interests of such Member, even if such interests conflict with the interests of the Company.

9.3. Designation of Managers.

(a) The Company shall have no more than nine (9) persons (“Managers”) serving on the Governing Board. The Member shall have the power and authority to appoint the Managers to the Governing Board, subject to the reserved powers of PSJH. The President/Chief Executive Officer of SJHS or designee shall serve as an ex officio Manager of the Governing Board with the right to vote. SJHM shall designate one (1) individual to serve as a Manager (“Designated Manager”). The designee of St. Joseph Health Ministry shall be, by preference, a member of the Congregation, but may be an otherwise qualified individual. The initial Managers are listed on Appendix B attached hereto.

(b) The term of office of the Managers shall be three (3) years, provided that the then-current Managers shall continue to serve in such capacity until their successors are duly appointed. Designated Managers will not have stated terms in office, but shall serve at the pleasure of SJHS or SJHM, respectively.

(c) Managers may be removed at any time by the Member.

(d) Managers may be re-elected for up to two (2) consecutive terms. However, Designated Members shall be ex officio voting members of the Governing Board.

(e) Any Manager may resign at any time by giving written notice to the Governing Board without prejudice to the rights, if any, of the Company under any contract to which that Manager is a party. The resignation of any Manager shall take effect upon receipt of that notice or at such later time as shall be specified in the notice; and, unless otherwise specified in the notice, the acceptance of the resignation shall not be necessary to make it effective.

(f) A vacancy shall be declared in a seat on the Governing Board held by a Manager upon the death, disability, resignation or removal of such Manager. The Member shall fill the vacancy by appointing a replacement Manager.
knowledge concerning the matter in question that would cause its reliance to be unwarranted, and provided that the Governing Board acts in good faith and after reasonable inquiry when the need therefor is indicated by the circumstances:

(i) One or more officers, employees or other agents of the Company whom the Governing Board reasonably believes to be reliable and competent in the matters presented;

(ii) Any attorney, independent accountant, valuation consultant, or other person as to matters that the Governing Board reasonably believes to be within the person’s professional or expert competence; and

(iii) A committee (acting by a majority of its members) designated by the Governing Board, as to matters within its designated authority, if the Governing Board reasonably believes the committee merits its confidence.

(d) Devotion of Time. No Manager is obligated to devote all of his or her time or business efforts to the affairs of the Company, but shall devote whatever time, effort and skill he or she reasonably determines to be necessary and appropriate to satisfy his or her duties and obligations as a Manager.

9.5. No Compensation. Managers shall not be compensated for their services; however, the Company may reimburse the Managers for reasonable travel and other expenses incurred.

9.6. Designation of Officers. The Governing Board may, from time to time, set forth in writing a designation of officers of the Company, delegation to such officers such authority and duties as the Governing Board may deem advisable, and assignment of titles (including, but not limited to, chair, vice-chair, president, chief executive, vice-president, secretary and/or treasurer) to any such officer. Unless the Governing Board otherwise sets forth in writing, if the title assigned to an officer of the Company is one commonly used for officers of a business corporation formed under the California General Corporation Law, the assignment of such title shall constitute the delegation to such officer of the authority and duties that are customarily associated with such office pursuant to the California General Corporation Law. Any number of titles may be held by the same officer. Any officer to whom a delegation is made pursuant to this Section shall serve in the capacity delegated unless and until such delegation is revoked by the Governing Board or such officer resigns.

9.7. Agents. The Governing Board may authorize one or more agents to enter into any contract or to otherwise act on behalf of the Company. Such authority may be general or defined to specific instances, but shall not exceed the authority of the Governing Board under this Agreement. Unless authorized to do so by this Agreement or by the Governing Board, no employee or other agent of the Company shall have any power or authority to bind the Company in any way, to pledge its credit or to render it liable for any purpose.
9.4. Performance of Duties; Liability of Managers.

(a) Fiduciary Duties of Managers and Member. Pursuant to Section 17704.09 of the Act (as applicable to a manager-managed limited liability company):

(i) Each Manager owes the Company and the Member the fiduciary duties of loyalty and care.

(ii) Each Manager's duty of loyalty to the Company and the Member is limited to the following: (i) to account to the Company and hold as trustee for the Company any property, profit, or benefit derived by such Manager in the conduct and winding up of the activities of the Company or derived from a use by such Manager of the Company property, including the appropriation of a Company opportunity; (ii) to refrain from dealing with the Company in the conduct or winding up of the activities of the Company as or on behalf of a party having an interest adverse to the Company; and (iii) to refrain from competing with the Company in the conduct or winding up of the activities of the Company.

(iii) Each Manager's duty of care to the Company and the Member in the conduct and winding up of the activities of the Company is limited to refraining from engaging in grossly negligent or reckless conduct, intentional misconduct, or a knowing violation of law.

(iv) Each Manager and Member shall discharge its duties to the Company and the Member under the Act or this Agreement and exercise any rights consistent with the obligation of good faith and fair dealing.

(v) A Manager does not violate a duty or obligation under the Act or this Agreement merely because the Manager's conduct furthers the Manager's own interest.

(vi) Except as provided in the Act or this Agreement, a Member does not have any fiduciary duty to the Company or to any other Member solely by reason of being a Member.

(b) Certain Duties. In reference to the Managers' fiduciary duties under this Agreement, the Member acknowledges and agrees that (i) a Manager appointed to the Governing Board has and will continue to owe a fiduciary duty to the Member that appointed said Manager, (ii) a Manager is not required to disregard or subjugate his or her fiduciary duty to his or her appointing Member in order to meet any fiduciary obligation to the Company, and (iii) no Manager will be in breach of any fiduciary duty for acting consistently with the foregoing. Similarly, any officer or member of a committee of the Governing Board is not required to disregard or subjugate his or her fiduciary duty to his or her employer in order to meet a fiduciary obligation, if any, to the Company, and no such person will be in breach of any such fiduciary duty for acting consistently with the foregoing.

(c) Reliance on Others. In performing its duties, the Governing Board is entitled to rely on information, opinions, reports or statements, including, but not limited to, financial statements and other financial data, of the following persons or groups unless it has

(a) Committees of the Governing Board. The Governing Board may from time to time establish committees and task forces as it deems necessary or appropriate and may by resolution, policy, or otherwise establish the composition, role, and duties of any committees; provided that no committee shall have the power to take or approve action requiring approval of the Governing Board or the Member. Appointments to and removal from committees will be made by the Governing Board. The rules regarding notice, quorum and valid action of the committees shall be the same in substance as the procedures in Section 9.2(a) (Regular Meetings), Section 9.2(b) (Special Meetings), Section 9.2(c) (Waiver), Section 9.2(d) (Quorum of Meetings; Adjournment), Section 9.2(e) (Voting), Section 9.2(f) (Manner of Acting), Section 9.2(g) (Action by Written Consent), and Section 9.2(h) (Meeting Held by Telephone or Similar Communications Equipment), or otherwise as the Governing Board may agree.

(b) Committees may be formed by the Governing Board, consistent with the Governance Redesign Principles.

(c) Community Ministry Board. The Governing Board may, from time to time, delegate certain Board responsibilities to a Community Ministry Board as set forth in Community Ministry Board Bylaws or by policy. In matters that have been delegated by the Governing Board to a Community Ministry Board, the Community Ministry Board shall have full authority and be accountable to the Governing Board with respect to the matters delegated and shall serve as the governing body of the Corporation’s Ministry for fulfilling such delegated responsibilities consistent with applicable federal and state laws and regulations, meeting Medicare conditions of participation requirements, and fulfilling compliance with The Joint Commission’s requirements.


10.1. Capital Contribution. The initial capital of the Company shall be received by mechanism of the Contribution Agreements. The Member may make additional capital contributions as it deems necessary or desirable from time to time.

10.2. Distributions. The Member may, in its discretion, cause the Company to make distributions of cash or other assets of the Company to the Member from time to time as permitted by the Act.

10.3. Rights of Creditors and Third Parties. This Agreement is entered into between the Company and the Member for the exclusive benefit of the Company, the Member, and their successors and assigns. This Agreement is expressly not intended for the benefit of any creditor of the Company or any other person. Except and only to the extent provided by applicable statute, no creditor or third party shall have any rights under this Agreement or any agreement between the Company and the Member with respect to any contribution or otherwise.

10.4. Bank Accounts. All receipts, funds and income of the Company shall be deposited in an account or accounts in the name of the Company in such bank or banks as shall be designated by the Governing Board. All such bank accounts shall be owned by the Company,
and the signatories for such bank accounts shall be persons designated by the Governing Board. The Governing Board may commingle the monies and funds of the Company with monies and funds of any other entity only pursuant to an appropriate cash management arrangement.

10.5. Accounting Decisions and Reliance on Others. All decisions as to accounting matters, except as otherwise specifically set forth herein, shall be made by the Member. The Governing Board may rely upon the advice of their accountants as to whether such decisions are in accordance with accounting methods followed for federal income tax purposes. Notwithstanding the foregoing, the Company shall be taxed as a corporation exempt from tax under Federal Tax Code Section 501(c)(3).

10.6. Accounting Year. The accounting year of the Company shall end on the last day of December of each year.

11. Accounting and Records. The books and records of the Company, showing the assets and liabilities, revenues and expenditures, and all other aspects of the operations, transactions and financial condition of the Company shall be kept, and the financial position and the results of its operations recorded, in accordance with the accounting method followed for federal income tax purposes. Such books initially shall be kept on an accrual basis; provided, however, that the Governing Board may from time to time change the accounting basis on which such books are kept as may be required or permitted by law. The books and records of the Company shall reflect all Company transactions and shall be appropriate and adequate for the Company's business. At a minimum, the Company shall keep at its principal place of business the following records:

(a) A current list of the full name and last known business or residence address of each Member set forth in alphabetical order, together with the capital contributions, Capital Account, Units and Percentage Interest of each Member;

(b) The full name and business or residence address of each Manager;

(c) A copy of the Articles of Organization and any and all amendments thereto together with executed copies of any powers of attorney pursuant to which the Articles or any amendments thereto have been executed;

(d) Copies of the Company's federal, state, and local income tax or information returns and reports, if any, for the six (6) most recent taxable years;

(e) A copy of this Agreement and, any all amendments hereto, together with executed copies of any powers of attorney pursuant to which this Agreement or any amendments thereto have been executed;

(f) Copies of the financial statements of the Company for the six (6) most recent years;

(g) The books and records of the Company as they relate to the internal affairs of the Company for at least the current and past four fiscal years; and
A true copy of business records relevant to the amount, cost, and value of all property owned, claimed, possessed by, or controlled by the Company within any county in California.

12. Dissolution and Liquidation.

12.1. Events of Dissolution. The Company shall dissolve upon the earlier of:

(a) the written agreement of the Member;

(b) the sale, transfer or other disposition of all or substantially all of the Company's assets unless otherwise determined by the Member in writing;

(c) the entry of a decree of judicial dissolution under the Act; or

(d) The occurrence of any other event that makes it unlawful, impossible, or impractical to carry on the business of the Company.

12.2. Certificate of Dissolution. As soon as possible following the occurrence of any of the events specified in Section 12.1 (Events of Dissolution), the Member shall execute a Certificate of Dissolution in the form prescribed by the California Secretary of State and file the Certificate of Dissolution as required by the Act.

12.3. Winding Up. Upon the occurrence of any event specified in Section 12.1 (Events of Dissolution), the Company shall continue solely for the purpose of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors. The Governing Board shall be responsible for overseeing the winding up and liquidation of the Company, shall take full account of the liabilities of the Company and assets, shall either cause its assets to be sold or distributed, and if sold, as promptly as is consistent with obtaining the fair market value thereof, shall cause the proceeds therefrom, to the extent sufficient therefor, to be applied and distributed as provided in Section 12.4 (Order of Payments Upon Dissolution). The Governing Board winding up the affairs of the Company shall give written notice of the commencement of winding up by mail to all known creditors and claimants whose addresses appear on the records of the Company.

12.4. Order of Payments upon Dissolution. The proceeds of liquidation shall be applied first to the payment of all known debts and liabilities of the Company to creditors other than the Member, then to the payment of the Company's debts and liabilities to Member, and thereafter as provided in Section 3.4(c) (Dedication of Assets).

12.5. Certificate of Cancellation. The Governing Board shall cause to be filed in the office of, and on a form prescribed by, the California Secretary of State, a certificate of cancellation of the Articles of Organization upon the completion of the winding up of the affairs of the Company.

13. Medical Staff.

13.1. Organization. The Governing Board shall cause to be created a medical staff organization, to be known as the "Medical Staff" of each hospital ministry, whose
membership shall be comprised of all physicians, dentists, podiatrists and clinical psychologists who are privileged to attend patients in the hospital ministry. The term "physician" shall include physicians licensed by the State of California regardless of whether they hold an M.D. or D.O. degree. Membership in this medical staff organization shall be prerequisite to the exercise of clinical privileges in each Hospital, except as otherwise specifically provided in the Medical Staff Bylaws.

13.2. Medical Staff Bylaws; the Rules and Regulations.

(a) Purpose. The Medical Staff shall have the initial responsibility to formulate, adopt, and recommend to the Governing Board, Medical Staff Bylaws and the Rules and Regulations for its internal governance by a voting procedure specified in the Medical Staff Bylaws. Medical Staff Bylaws and the Rules and Regulations shall be effective only when approved by the Governing Board, which approval shall not be unreasonably withheld. The Medical Staff Bylaws shall create an effective administrative unit to discharge the functions and responsibilities assigned to the Medical Staff by the Governing Board. The Medical Staff Bylaws and the Rules and Regulations shall state the purposes, functions and organization of the staff and shall set forth the policies by which the Medical Staff exercises and accounts for its delegated authority and responsibilities.

(b) Procedure. Proposed Medical Staff Bylaw changes will be presented to a meeting of the Governing Board and mailed, including electronic mail, to each Manager at least seven (7) days prior to the meeting at which a vote is to be taken on adoption of the proposed change. No Medical Staff Bylaws or amendments shall become effective without approval by the Governing Board as hereinabove provided. If approval is withheld, the reasons for doing so shall be specified by the Governing Board in writing, and forwarded to the Chief of Staff, and the Medical Executive Committee and Bylaws (if applicable) Committee.

(c) The Governing Board may propose amendments to the Medical Staff Bylaws that it considers necessary for compliance with laws or accreditation requirements or for effective operation of any Hospital. Notice of such proposals will be delivered in writing to the Medical Executive Committee of the Medical Staff for consideration and processing. If the Medical Staff informs the Governing Board that it disagrees with the proposed amendments, the Governing Board shall consider and give great weight to Medical Staff recommendations and views during its deliberations, and will initiate the conflict management process set forth in Section 13.6 if such disagreement cannot be resolved informally. If the Medical Executive Committee does not respond to the Governing Board’s proposal within one hundred and eighty (180) days after receiving notice of it, the proposed Medical Staff Bylaws amendments will be deemed approved by the Medical Staff and become effective automatically.

13.3. Medical Staff Membership and Clinical Privileges.

(a) Delegation to the Medical Staff. The Medical Staff shall have the initial responsibility and authority to investigate and evaluate all matters relating to Medical Staff membership, clinical privileges and corrective action, and shall make specific recommendations to the Governing Board, in writing with appropriate supporting documentation, that will allow the Governing Board to take informed action.
(b) **Action by the Governing Board.** The Governing Board shall consider all Medical Staff recommendations and take final action on all matters relating to Medical Staff membership, clinical privileges and corrective action. If the Governing Board does not concur in a Medical Staff recommendation relative to Medical Staff membership, clinical privileges or corrective action, it shall refer the matter to an ad hoc committee consisting of three (3) members of the Medical Staff, one of whom shall be the Chief of Staff, three (3) non-physician members of the Governing Board, and the Chief Executive Officer of the Company, for review and recommendation before a final decision is made by the Governing Board. If the Medical Staff fails to adopt and submit any required recommendation within the time periods set forth in Medical Staff Bylaws, the Governing Board shall act in any event. Such Governing Board action without a Staff recommendation shall be based on the same kind of documented investigation and evaluation of current ability, judgment and character as is required for Staff recommendations.

(c) **Criteria for Board Action.** When acting on matters of Medical Staff membership, the Governing Board shall consider the Medical Staff's recommendations, the needs of the ministry and the community, and the criteria set forth in the Medical Staff Bylaws and Rules. In determining whether to grant clinical privileges to a practitioner, the Governing Board shall consider the Medical Staff's recommendations, the supporting information on which they are based, and the criteria set forth in the Medical Staff Bylaws. Membership and specific clinical privileges will be considered relative to, among other things, good patient care, professional qualifications, the Hospital's purposes, needs and capabilities, and community needs. Membership and privileges decisions shall be made in a non-discriminatory manner and no aspect of Medical Staff membership or clinical privileges shall be limited or denied to a practitioner on the basis of gender, age, race, creed, color or national origin, handicap or disability.

(d) **Terms and Conditions of Staff Membership and Clinical Privileges.** The terms and conditions of Medical Staff membership and clinical privileges shall be specified in the Medical Staff Bylaws, and/or the Rules and Regulations (including any Department-specific rules and regulations), or as more specifically defined in the notice of individual appointment. Appointments to the Medical Staff may be for a maximum term of two (2) years.

(e) **Procedure.** The procedure to be followed by the Medical Staff and the Governing Board in acting on matters of Medical Staff membership, clinical privileges and corrective action shall be specified in the Medical Staff Bylaws.

13.4. **Fair Hearing Plan.** Any adverse recommendation made by the Hospital's Medical Executive Committee and/or any adverse action taken by the Governing Board with respect to a practitioner's Medical Staff membership, admitting prerogatives or clinical privileges shall, except under circumstances for which specific provision is made in the Medical Staff Bylaws and/or by contract, be accomplished in accordance with the Governing Board approved Fair Hearing Plan then in effect. Such Plan shall provide for procedure to assure fair treatment and afford opportunity for the presentation of all pertinent information. For the purposes of this Section, an "adverse recommendation" of the Medical Staff Executive Committee and an "adverse action" of the Board shall be as defined in the Fair Hearing Plan.
13.5. Allied Health Professionals. The Medical Staff shall have the initial responsibility and authority to investigate and evaluate each application by an allied health professional for specified services, department affiliation and modification in the services such allied health professional may perform. The Medical Staff or a designated component thereof shall make recommendations to the Governing Board or to its designee on each such application.

13.6. Conflict Resolution between the Medical Staff and the Governing Board. Conflict between the Medical Staff and the Governing Board is resolved according to the Dispute Resolution Policy, as such policy may be amended from time to time, subject to the approval of such policy by the Hospital’s Medical Executive Committee and the Community Ministry Board.


14.1. Governing Board Responsibility. The Governing Board is ultimately accountable for the safety and quality of care, treatment and services provided at each Hospital. The Governing Board shall require that: (a) the Medical and Administrative Staffs prepare and maintain adequate and accurate medical records for all patients; (b) there is one level of patient care in each Hospital, so that all patients with the same health problems receive the same level of care, consistent with the professional standards of the community and the Hospital, and that no patient is discriminated against on the basis of race, creed, color, age, religion, sex or ability to pay; and (c) the person responsible for each basic and supplemental medical service cause written policies and procedures to be developed and maintained and that such policies be approved by the Governing Board. The Governing Board shall further require, after considering the recommendations of the Medical Staff, the conduct of specific review and evaluation activities to assess, preserve and improve the overall quality and efficiency of patient care in the ministry. The Governing Board shall provide whatever administrative assistance is reasonably necessary to support and facilitate the implementation and ongoing operation of these review and evaluation activities.

14.2. Accountability to the Governing Board. Each Medical Staff shall be accountable to the Governing Board for conducting activities that contribute to the preservation and improvement of the quality and efficiency of patient care provided in each Hospital. These activities shall include:

(a) The conduct of periodic meetings at regular intervals to review and evaluate the quality of patient care through a valid and reliable patient care audit procedure based upon a review of patient medical records;

(b) Ongoing monitoring of patient care practices through the defined functions of the Medical Staff, the other professional services and ministry administration;

(c) Definition of the clinical privileges which may be appropriately granted within the ministry and within each department, delineation of clinical privileges for members of the Medical Staff commensurate with individual credentials and demonstrated ability and judgment, and assignment of patient care responsibilities to other health care professionals consistent with individual licensure, qualifications and demonstrated ability;
(d) Provision of continuing professional education, shaped primarily by the needs identified through the review and evaluation activities;

(e) Review of utilization of the Hospital's medical resources to provide for their allocation to meet the needs of the patients;

(f) Provision of input to and consultation on quality of care issues at the Hospital; and

(g) Such other measures as the Governing Board may, after considering the advice of the Medical Staff and other professional services and ministry administration, deem necessary for the preservation and improvement of the quality and efficiency of patient care.

14.3. Documentation. The Governing Board shall receive, consider and act upon the findings and recommendations emanating from the activities required by Section 14.2. All such findings and recommendations shall be in writing, signed by the persons responsible for conducting the review activities and supported and accompanied by appropriate documentation upon which the Governing Board can take informed action.

15. Indemnification. The Company shall indemnify the Member and each Manager from and against any loss, liabilities, judgments, settlements, penalties, fines or expenses (including legal fees and expenses) incurred in a proceeding to which the Member (and the Member's officers, directors, trustees, members, officers and employees) or a Manager is a party because he, she or it is, or was, a Member or a Manager; provided, that a Member or a Manager shall not be indemnified from or on account of acts or omissions of the Member or the Manager finally adjudicated to be a breach of this Agreement, gross negligence or reckless or intentional misconduct or a knowing violation of law by the Member or the Manager, conduct of a Member or a Manager adjudged to be in violation of the Act, or any transaction with respect to which it was finally adjudged that such Member or Manager received a benefit in money, property or services to which such Member or Manager was not legally entitled. The right to indemnification conferred in this Section 15 shall be a contract right and shall include the right to be paid by the Company the expenses incurred in defending any such proceeding in advance of its final disposition; provided, that the payment of such expenses in advance of the final disposition of a proceeding shall be made only upon delivery to the Company of an undertaking, by or on behalf of such Member or Manager to repay all amounts so advanced if it shall ultimately be determined that such Member or Manager is not entitled to be indemnified under this Section 15 or otherwise; provided, further, no Member or Manager shall be entitled to be paid such expenses in advance of final disposition in a proceeding that is brought against such Member or Manager by the Company or the Member.

The right to indemnification and payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section 15 shall not be exclusive of any other right; any Member or Manager may have or hereafter acquire under any statute, this Agreement, vote of the Member or otherwise.

No repeal or modification of the Act or this Section 15 shall adversely affect any right of a Member or a Manager to indemnification existing at the time of such repeal or modification for
or with respect to indemnification related to an act or omission of such Member or Manager occurring prior to such repeal or modification.

The Governing Board may purchase insurance with respect to its indemnity obligations under this Section 15.

16. Limitation of Liability. No Member or Manager shall have liability to the Company or its Member for monetary damages for conduct as a Member or a Manager, except for acts or omissions that involve a breach of this Agreement, gross negligence or reckless or intentional misconduct, a knowing violation of law, conduct violating the Act, or for any transaction from which the Member or the Manager has personally received a benefit in money, property or services to which the Member or the Manager was not legally entitled. If the Act is hereafter amended to authorize Company action further limiting the personal liability of the Member or Managers, then the liability of each Member or Manager shall be eliminated or limited to the full extent permitted by the Act, as so amended. No repeal or modification of the Act or this Section 16 shall adversely affect any right or protection of a Member or a Manager existing at the time of such repeal or modification for or with respect to an act or omission of such Member or Manager occurring prior to such repeal or modification.

17. Miscellaneous.

17.1. Assignment. The Member may assign in whole or in part its membership interest in the Company, subject to the reserved powers of PSJH.

17.2. Governing Law. This Agreement shall be construed and enforced in accordance with the internal laws of the State of California, including without limitation, the Act, without regard to the conflict of law's provisions thereof.

17.3. Amendments. This Agreement may not be amended except by the written agreement of the Member.

17.4. Construction. Whenever the singular number is used in this Agreement and when required by the context, the same shall include the plural and vice versa, and the masculine gender shall include the feminine and neuter genders and vice versa.

17.5. Headings. The headings in this Agreement are inserted for convenience only and shall not affect the interpretation of this Agreement.

17.6. Waivers. The failure of any person to seek redress for violation of or to insist upon the strict performance of any covenant or condition of this Agreement shall not prevent a subsequent act, which would have originally constituted a violation, from having the effect of an original violation.

17.7. Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid, illegal or unenforceable to any extent, the remainder of this Agreement and the application thereof shall not be affected and shall be enforceable to the fullest extent permitted by law.
17.8. Counterparts; Electronic Signature. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same agreement. This Agreement may be executed by facsimile or pdf signature by any party and such signature shall be deemed binding for all purposes hereof.

17.9. Successors and Assigns. Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Agreement, their respective legal representatives, successors and assigns.

17.10. Entire Agreement. This Agreement, together with Appendices A and B, constitutes the entire Agreement between the parties hereto and supersedes any prior agreements, understandings and arrangements, oral or written, between the parties hereto with respect to the subject matter hereof.

17.11. Notices. All notices, demands, requests, consents, reports, approvals, or other communications which may be or are required to be given, served, or sent pursuant to this Agreement shall be in writing and shall be (i) provided through Electronic Transmission by the Company or Electronic Transmission to the Company, (ii) mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, (iii) hand-delivered, or (iv) delivered by overnight carrier. Notices shall be addressed to the Member as set forth in this Agreement, and addressed to the Company at the principle offices of the Company specified in this Agreement. Each Member or Company may designate by notice in writing a new address to which any such notice may thereafter be so given, served, or sent. Each notice which shall be mailed or transmitted in the manner described above shall be deemed sufficiently given, served, sent, or received for all purposes at such time as it is delivered to the addressee (with the return receipt of the delivery receipt being deemed conclusive evidence of such delivery) or at such time as delivery is refused by the addressee upon presentation.

(Signatures on Following Page)
IN WITNESS WHEREOF, the Member and the Company have adopted this Agreement effective as of the date first set forth above.

COMPANY: ST. JOSEPH HEALTH NORTHERN CALIFORNIA, LLC, a California limited liability company

By: [Signature]
Name: Kevin Klockenga
Title: President

MEMBER: ST. JOSEPH HEALTH SYSTEM, a California nonprofit public benefit corporation

By: [Signature]
Name: Annette M. Walker
Title: Chief Executive
Appendix A

Definitions

For purposes of this Agreement, the following terms shall have the meanings set forth in this Appendix A.

"Act" means California Revised Uniform Limited Liability Company Act, codified in California Corporations Code Section 17701.01 et seq., as it may be amended from time to time.

"Agreement" means this Operating Agreement, as originally executed and as may be amended in the future from time to time.

"Authority Matrix" means the Member's Sponsorship/Governance/Management Authority matrix as the same may be amended from time to time.

"California Tax Code" has the meaning set forth as Section 3.4(a)(i) of the Agreement.

"Company" has the meaning set forth in the preamble to this Agreement.

"Compliance Issue" means any event relating to the business or operations of Company, form or structure of the Company, or the performance by any person of any term, covenant, condition or provision of this Agreement that is likely to expose Company or the Member to a material risk of non-compliance with applicable laws and regulations and governmental guidelines and pronouncements, including but not limited to the Health Care Laws.

"Conflict of Interest Policy" has the meaning set forth in Section 9.2(ii) of this Agreement.

"Congregation" has the meaning set forth in Section 3.4(c)(iii) of this Agreement.

"Contribution Agreements" means the contribution agreements with each of Santa Rosa Memorial Hospital, Queen of the Valley Medical Center, St. Joseph Hospital of Eureka and Redwood Memorial Hospital of Fortune.

"Electronic Transmission by the Company" means a communication (i) delivered by facsimile telecommunication or electronic mail when directed to the facsimile number or electronic mail address, respectively, for that recipient on record with the Company, (ii) delivered to a recipient who has provided an unrevoked consent to the use of those means of transmission for communications under or pursuant to this Agreement, and (iii) that creates a record that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form.

"Electronic Transmission to the Company" means a communication (i) delivered by facsimile telecommunication or electronic mail when directed to the facsimile number or electronic mail address, respectively, that the Company has provided from time to time to the Member or Managers for sending communications to the Company, and (ii) that creates a record that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form.
"ERDs" means The Ethical and Religious Directives of Catholic Health Care Services issued by the United States Conference of Catholic Bishops ("USCCB"), modified or amended from time to time by the USCCB, and applied or promulgated by the local Bishops.


"Governing Board" has the meaning set forth in Section 9.1 of this Agreement.

"Health Care Laws" means, to the extent applicable, (i) the False Claims Act, 31 U.S.C. §§3729 et seq.; (ii) Civil Monetary Penalties Law, 42 U.S.C. §1320a 7a; (iii) federal and state anti-kickback statutes, including, but not limited to, 42 U.S.C. §1320a 7b (also known as the “Anti-Kickback Statute”); (iv) federal and state referral laws, including, but not limited to 42 U.S.C. §1395mm (also known as the “Stark Law”); (v) criminal false claims statutes (e.g., 18 U.S.C. §§ 287 and 1001); (vi) the Program Fraud Civil Remedies Act of 1986 (31 U.S.C. § 3801 et seq.), (vii) the anti-fraud and related provisions of the Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology Economic Clinical Health Act of 2009 (e.g., 18 U.S.C. §§ 1035 and 1347), (viii) TRICARE Laws (10 U.S.C. § 1071 et seq.), (ix) rules or regulations promulgated pursuant to any of the foregoing statutes; (x) the laws regulating insurance, health benefit plans, carriers, insurers and issuers contained in Title 48 of the Revised Code of Washington, or (xi) any other federal or state law or regulation of general applicability to health care services fraud and kickback/fee-splitting prohibitions governing or regulating the delivery of health care services and management of health care providers, or regulating medical billing or reimbursement, including but not limited to all applicable Medicare and Medicaid statutes and regulations, in each case including the regulations promulgated under such laws, as amended and superseded from time to time.

"Hospitals" has the meaning set forth in Section 2 of the Agreement.

"Managers" has the meaning set forth in Section 9.3(a) of this Agreement.

"Member" means St. Joseph Health System, a California nonprofit public benefit corporation.

"Principles for Governance Redesign" means the Principles for Redesigned Governance Model within St. Joseph Health adopted by the Member.


"SJHM" means St. Joseph Health Ministry.
Appendix B

Initial Governing Board

1. James Houser
2. Sr. Mary Bernadette McNulty, CSJ
3. Conrad Hewitt
4. John Gierek, Jr.
5. George Bo-Linn, M.D.
Applicant's Plan for Use of Net Proceeds

The proposed transaction will not involve any sale, transfer, merger or other disposition of any of the assets of the Applicant. Accordingly, there will be no net proceeds as result of the proposed transaction.