

STATE OF RHODE ISLAND  
PROVIDENCE, SC

SUPERIOR COURT

ST. JOSEPH HEALTH SERVICES OF  
RHODE ISLAND, INC.

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v.

C.A. No.: PC-2017-3856

ST. JOSEPH'S HEALTH SERVICES OF  
RHODE ISLAND RETIREMENT PLAN,  
AS AMENDED

**THE RECEIVER'S MEMORANDUM IN SUPPORT OF HIS MOTION  
FOR CLARIFICATION OF ORDER ENTERED NOVEMBER 16, 2018**

Stephen Del Sesto, Esq., as Receiver (the "Receiver") for the St. Joseph Health Services of Rhode Island Retirement Plan (the "Plan") submits this memorandum in support of his motion for clarification of the Court's order entered November 16, 2018 (the "Order"), which approved Settlement A. Specifically, the Receiver seeks confirmation that the notice period imposed by the Order does not apply to the Receiver's right to direct CharterCARE Community Board ("CCCB") to exercise the Put Option to liquidate CCCB's interest in Prospect CharterCare, LLC ("PCC") if he so chooses, since that exercise is already subject to detailed and lengthy notice requirements imposed by the limited liability agreement between CCCB and Prospect East Holdings, Inc. (the "LLC Agreement"), and because such exercise poses no potential prejudice to the Prospect Entities or other objectors<sup>1</sup> to Settlement A. Indeed, exercise of the Put Option and the ensuing liquidation of CCCB's interests in PCC

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<sup>1</sup> Although CharterCARE Foundation ("CCF") objected to Settlement A, counsel for CCF has authorized us to state that CCF has no objection to this motion.

would moot the objections to the provisions in Settlement A concerning CCCB's interests in PCC and the Receiver's right to direct CCCB concerning such interests.

### **BACKGROUND**

On November 16, 2018 the Court issued its order (the "Order") which approved the Proposed Settlement Agreement ("PSA") between and among the Receiver and St. Joseph Health Services of Rhode Island ("SJHSRI"), Roger Williams Hospital (RWH), and CCCB ("Settlement A").<sup>2</sup> Settlement A included certain provisions obligating CCCB to hold its interest in PCC in trust for the Receiver and to follow the Receiver's directions with respect thereto. The Order imposed the following two conditions:

(1) The Receiver refrains from exercising any rights under the PSA prior to the federal-court's determination of whether to approve the PSA; and (2) prior to implementing, or directing that CCCB implement, any rights, whatsoever, in favor of the Receiver (or the Plan) derivative of CCCB's rights in CCF<sup>[3]</sup> or PCC, the Receiver must provide all parties, including but not limited to the Objectors<sup>[4]</sup>, with twenty (20) days written notice.<sup>[5]</sup>

This notice requirement was "designed to ensure the Objectors have an appropriate opportunity—in an appropriate proceeding—to contest objectionable terms prior to their implementation by the Receiver." St. Joseph Health Services of Rhode Island, Inc. v St. Josephs Health Services of Rhode Island Retirement Plan, No. PC-2017-3856, 2018 WL 5792151, at \*14 (R.I. Super. Oct. 29, 2018).

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<sup>2</sup> A copy of that Order is attached hereto as Exhibit 1.

<sup>3</sup> I.e. CharterCARE Foundation.

<sup>4</sup> The "Objectors" were the Prospect Entities, CharterCARE Foundation ("CCF"), and the Rhode Island Attorney General ("RIAG").

<sup>5</sup> See Exhibit 1.

Subsequently there have been several significant developments:

1. On October 3, 2019, Prospect Chartercare, LLC, Prospect Chartercare SJHSRI, LLC, Prospect Chartercare RWMC, LLC, Prospect Medical Holdings, Inc., Prospect East Holdings, Inc., and Prospect East Hospital Advisory Services, LLC (all collectively the “Prospect Entities”) and the Receiver, CCCB, and RWH agreed by stipulation “to modify the ninety (90) day period within which the put option created in Section 14.5 of the LLC Agreement can be exercised to the ninety-two (92) day period commencing October 21, 2019 and ending on January 21, 2020.” See CharterCARE Community Board v. Samuel Lee, et al., C.A. No.: PC-2019-3654 (R.I. Super.) (Stipulation and Consent Order entered October 3, 2019);
2. On October 9, 2019 the federal court approved Settlement A. See Del Sesto v. Prospect Chartercare, LLC, No. CV 18-328 WES, 2019 WL 5067200 (D.R.I. Oct. 9, 2019)
3. On November 22, 2019, the Prospect Entities and the Receiver, CCCB, and RWH agreed by stipulation to further extend the time for exercise of the Put Option to February 10, 2020. See CharterCARE Community Board v. Samuel Lee, et al., C.A. No.: PC-2019-3654 (R.I. Super.) (Stipulation and Consent Order entered November 22, 2019);
4. On December 13, 2019, CCCB, SJHSRI, and RWH filed a joint petition for judicial liquidation with the Rhode Island Superior Court. See In re CharterCARE Community Board, St. Joseph Health Services of Rhode Island, and Roger Williams Hospital, C.A. No. PB-2019-11756 (R.I. Super.) (Petition filed December 13, 2019)); and
5. On December 18, 2019, Thomas Hemmendinger, Esq. was appointed as Liquidating Receiver for CCCB, SJHSRI, and RWH, pursuant to R.I. Gen. Laws § 7-6-61. See In re CharterCARE Community Board, St. Joseph Health Services of Rhode Island, and Roger Williams Hospital, C.A. No. PB-2019-11756 (Order entered December 18, 2019)).<sup>6</sup>

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<sup>6</sup> Although not relevant to this motion, the Court is hereby informed that the period for appeal from the Court’s approval of Settlement B has expired and settlement documents, including releases, have been delivered to CCF per Attorney Wistow’s letter to Attorney Dennington attached hereto as Exhibit 2. Attorney Hemmendinger has ratified the execution of the releases and other settlement documents by CCCB, SJHSRI, and RWH per the email attached hereto as Exhibit 3.

## ARGUMENT

### **I. The LLC Agreement already contains adequate notice requirements concerning the exercise of the Put Option**

As a member of a limited liability company, CCCB has the full panoply of rights afforded such members under the Rhode Island Uniform Limited Partnership Act, R.I. Gen. Laws § 7-13-1 et seq. In addition, the LLC Agreement conferred specific rights upon CCCB. Those rights include the right to appoint members of the Board of Directors of PCC. See LLC Agreement at 3, 23.<sup>7</sup>

The LLC Agreement also gave CCCB an option to sell its interest in PCC to Prospect East. Section 14.5 of the LLC Agreement provides in pertinent part as follows:

#### 14.5 CCHP<sup>[8]</sup> Put Option.

(a) Within 90 days following either -- (i) the fifth (5th) anniversary of the date of this Agreement,<sup>[9]</sup> or (ii) the occurrence either of the conditions set forth in Section 3.2(c) of this Agreement -- CCHP shall have the option to sell to the Prospect Member, and the Prospect Member shall have the obligation to purchase, all of the Units held by CCHP in exchange for a payment in cash of a purchase price equal to the Appraised Value of the Units (as per Section 14.6 below)....

(b) Within the 90-day period referenced in Section 14.5(a) above, CCHP shall give written notice to the Prospect Member and the Company of its election to exercise the option to sell all of its Units to the Prospect Member (the "Put Election Notice"). If CCHP fails to give a Put Election Notice within the applicable ninety (90)-day time limit, the option to sell shall lapse. The closing of the purchase and sale of CCHP's Units to the

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<sup>7</sup> The LLC Agreement (without exhibits) is attached as Exhibit 4. In connection with their objections to Settlement A, the Prospect Entities especially complained of the Receiver's alleged threat to direct CCCB to appoint new directors supportive of the Receiver's interests in PCC. Of course, the exercise of the Put Option will eliminate any possibility of such interference in the operations of PCC, because once CCCB's ownership interest in PCC is sold, neither CCCB nor the Receiver will have any interest, rights or power in PCC.

<sup>8</sup> "CCHP" here refers to CharterCARE Community Board, which was formerly known as CharterCARE Health Partners. CharterCARE Community Board transferred the business name CharterCARE Health Partners to Prospect Chartercare, LLC in connection with the Prospect Entities' uninterrupted continuation of the business of the hospitals that were the subject of the 2014 Asset Sale.

<sup>9</sup> Formerly June 20, 2019.

Prospect Member shall be held at a mutually acceptable place on a mutually acceptable date not more than ninety (90) days after the date on which the Put Election Notice is received by the Prospect Member; provided that such time period shall be extended if needed such that the closing occurs within forty-five (45) days following the determination of the Appraised Fair Market Equity Value of the Company pursuant to Section 14.6 below. The Prospect Member shall make payment to CCHP for the Units being purchased by delivering immediately available funds to an account designated by CCHP in the full amount of the purchase price applicable to the Units. CCHP shall transfer to the Prospect Member all of the Units being sold, free and clear of all claims, liabilities, options, pledges or other encumbrances of any kind (other than those arising under this Agreement and applicable Law).

#### LLC Agreement § 14.5.

Section 14.6 provides:

##### 14.6 Appraised Value.

(a) For purposes of Section 14.4 and 14.5 above, the "Appraised Value of the Units" shall be the product determined by multiplying (i) the Appraised Fair Market Equity Value of the Company (hereinafter defined), times (ii) CCHP's Sharing Percentage. For purposes of this Agreement, the term "Appraised Fair Market Equity Value of the Company" shall mean the fair market value of the equity of the Company, as determined below.

(b) The Prospect Member and CCHP shall negotiate in good faith with one another following the Call/Put Election Notice (pursuant to Section 14.4(b) or 14.5(b) above, as applicable) to determine the Appraised Fair Market Value of the Company. The Prospect Member and CCHP agree to use their best efforts to negotiate and agree upon the Appraised Fair Market Value of the Company. If the Prospect Member and CCHP reach an agreement as to the Appraised Fair Market Value of the Company, then the Appraised Fair Market Value of the Company shall be the amount determined by the Prospect Member and CCHP.

(c) Either party may notify the other party that it is initiating the Appraisal Process described below, or such other appraisal process upon which the parties may mutually agree in writing within ten (10) days of the date on which either party has initiated the appraisal process (the "Alternate Appraisal Process"). If either the Prospect Member or CCHP shall have initiated the Appraisal Process (and the parties shall not have agreed in writing to an Alternate Appraisal Process within ten (10) days), then the Prospect Member and CCHP shall each engage a "Qualified Appraiser" as defined below (collectively, the "Initial Appraisers", and individually, an "Initial Appraiser") within twenty (20) days after the date upon which the party received notice of the other party's intent to initiate

the Appraisal Process (the "Initiation Date"). The Prospect Member and CCHP also shall engage jointly one additional Qualified Appraiser that is mutually acceptable to the parties (the "Third Appraiser", the Initial Appraisers and the Third Appraiser are referred to collectively as the "Appraisers"). If the parties cannot mutually agree upon the identity of the Third Appraiser within fifteen (15) days after the Initiation Date, the parties shall direct the Initial Appraisers to select and engage the Third Appraiser on behalf of the parties. Each of the Prospect Member and CCHP shall pay the fees and expenses of its respective Appraiser, and the fees and expenses of the Third Appraiser shall be shared equally by the Prospect Member and CCHP. For purposes of the Agreement, the term "Qualified Appraiser" shall mean an independent, third party, nationally recognized investment bank or MAI-certified appraiser who (i) has substantial experience in the valuation of health care entities comparable to the Company and (ii) has, within the twenty-four (24) month period preceding the date of the Election Notice, delivered appraisals and/or fairness opinions, on a going concern basis, in connection with at least three (3) other transactions involving the sales of hospitals. The Appraisers so selected shall each then conduct an appraisal to determine the Appraised Fair Market Equity Value of the Company (i) on a going concern basis, (ii) using valuation techniques then customary and accepted in the industry but without consideration of minority interest discounts, (iii) using performance information respecting the Facilities that is acceptable to the Prospect Member and CCHP and that has been supplied to each of the Appraisers, (iv) viewing the enterprise of the Company as a whole, (v) taking into account the future prospects or the Facilities, and (vi) assuming that the Company were to be sold on a stand-alone basis (and not as a part of a portfolio sale). Each Appraiser's determination of the Appraised Fair Market Equity Value of the Company (individually, a "Valuation" and collectively, the "Valuations") shall be expressed as a single value rather than a range of values. Each party shall cause the Initial Appraiser engaged by it to submit such Initial Appraiser's sealed Valuation to the other party within sixty (60) days of the Initiation Date, and both parties shall use their reasonable best efforts to cause the Third Appraiser to submit its sealed Valuation to both parties within such period. Once the Prospect Member and CCHP have received from all three Appraisers their respective Valuations, the Appraised Fair Market Equity Value of the Company shall be determined based upon the Valuations as follows:

- (i) if the three Valuations are within ten percent (10%) of one another (i.e., if each of the highest Valuation and the middle Valuation is no greater than 1.10 times the lowest Valuation); the Appraised Fair Market Equity Value of the Company shall be the average of all three Valuations;
- (ii) if subsection (i) above is inapplicable and two Valuations are within ten percent (10%) of one another, (i.e., if the higher of such two Valuations is no greater than 1.10 times

the lower of such two Valuations), the Appraised Fair Market Equity Value of the Company shall be the average of such two Valuations;

- (iii) if subsections (i) and (ii) above are inapplicable and the three Valuations are within twenty percent (20%) of one another (i.e., if each of the highest Valuation and the middle Valuation is no greater than 1.20 times the lowest Valuation), the Appraised Fair Market Equity Value of the Company shall be the average of all three Valuations;
- (iv) if subsections (i) through (iii) above are inapplicable and two Valuations are within twenty percent (20%) of one another (i.e., if the higher of such two Valuations is no greater than 1.20 times the lower of such two Valuations), the Appraised Fair Market Equity Value of the Company shall be the average of such two Valuations; and
- (v) if subsections (i) through (iv) above are inapplicable, the Appraised Fair Market Equity Value of the Company shall be the average of all three Valuations.

As can be seen, the LLC Agreement contains specific provisions concerning notice of exercise of the Put Option, and provides for at least a ninety (90) day period following such notice within which to close the sale of CCCB's interests, which can be further extended by forty-five (45) days after the determination of the Appraised Fair Market Equity Value of PCC, which itself can take well over an additional ninety-five (95) days.<sup>10</sup> Thus, if Prospect East chooses, the closing might not be required to take place until two-hundred and thirty (230) days after CCCB gives notice to exercise the

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<sup>10</sup> The sequence of events once notice of exercise of the Put Option is given is that the parties then have an indeterminate period not to exceed ninety (90) days to negotiate in good faith, after which if unsuccessful any party may initiate the appraisal process, which involves a thirty-five (35) day period for selection of arbitrators, a further sixty (60) day period for submission of appraisals by the parties' experts with the parties exercising their best efforts to have the neutral appraiser submit his report in that time period, but no requirement that the neutral appraiser do so. Only after the neutral appraiser submits his report can value be determined, whereupon the parties have forty-five (45) to close the sale. Thus, the closing might not take place until two-hundred and thirty (230) days after the Put Option is exercised.

Put Option. That would certainly allow the Prospect Entities “an appropriate opportunity” to contest the Receiver’s right to direct CCCB to exercise the Put Option.

**II. The Objectors will suffer no prejudice from the Receiver’s directing CCCB to exercise the Put Option**

The Prospect Entities’ objections to the provisions in the PSA granting the Receiver certain rights concerning CCCB’s interests in PCC are based on allegations of potential prejudice or illegality under the Hospital Conversions Act (“HCA”) that might arise out of the Receiver having an ownership interest in PCC,<sup>11</sup> or otherwise directing CCCB to take actions that would interfere with the operations of PCC. The RIAG objected to the provisions in the PSA that gave the Receiver claims against CharterCARE Foundation and the assets of CharterCARE Foundation.<sup>12</sup>

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<sup>11</sup> See Memorandum In Support of Joint Objection of Prospect Medical Holdings, Inc., Prospect East Medical Holdings, Inc., Prospect Chartercare, LLC, Prospect Chartercare SJHSRI, LLC and Prospect Chartercare RWMC, LLC To Receiver’s Petition For Settlement Instructions at 2-3 (“The Settlement Agreement effectively liquidates CCCB and places the Receiver in its shoes in connection with, among other things, the operation of the hospitals. Not only does this exceed the proper function of a court receiver, but it violates the approvals that Prospect Chartercare obtained from the Rhode Island Attorney General and the Rhode Island Department of Health in order to acquire the hospitals from CCCB. The Settlement Agreement’s transfer of authority to the Receiver implicates Prospect Chartercare’s voting authority under the LLC Agreement, and regulatory approval is required from the RIDOH to alter the voting authority of Prospect Chartercare...”). For the reasons previously discussed *in extenso* in connection with the proceedings for approval of Settlement A, the Receiver disagrees with all of these arguments, but those issues will become moot if the Put Option is exercised and CCCB’s interests in PCC are purchased by Prospect East.

<sup>12</sup> See Response of the Rhode Island Attorney General to the Receiver’s Petition for Instructions at 4-5 (“[I]t seems apparent that the implementation of the Proposed Settlement Agreement as currently drafted would at the very least violate Conditions #1 and #2, concerning the CharterCARE Foundation’s (‘the Foundation’) board membership, and Condition #9, which requires the Prospect/CharterCARE acquisition to ‘be implemented as outlined in the Initial Application.’ To illustrate the point, note that § 2.01 of the Foundation’s by-laws preclude the board’s membership from being ‘assigned or transferred or encumbered in any manner whatsoever, either voluntarily or by operation of law,’ and declares void any such ‘proposed or attempted assignment, transfer or termination of membership.’ The substitution of the Receiver as the Foundation’s sole member is impermissible under the current terms of § 2.01 of the by-laws. Further, the Proposed Settlement Agreement tries to bind the current board of the Foundation in order to alter § 2.01 of the by-laws even though the current board is not a party to the Proposed Settlement Agreement. In addition, the Agreement’s proposed changes to the by-laws, whereby the board is stacked with compliant members in order to redirect the use of the Foundation’s funds, creates conflicts of interest for these board members in terms of their fiduciary duty to the Foundation itself.



However, CCCB's exercise of the Put Option at the direction of the Receiver has nothing whatsoever to do with CharterCARE Foundation. Consequently, CCF has no objection to this motion. That exercise also would result in no potential prejudice to the Prospect Entities, since it will result in CCCB's (and the Receiver's) having no further say whatsoever in the operations of PCC. Accordingly, rather than creating obstacles to CCCB's exercise of the Put Option at the direction of the Receiver, the Prospect Entities (and the RIAG insofar as the RIAG should subscribe to the Prospect Entities' arguments concerning the HCA<sup>13</sup>) should welcome it. Thus, the notice period imposed by the Order should not apply to the Receiver's direction that CCCB exercise the Put Option.

### **CONCLUSION**

The Receiver respectfully requests that the Court enter an order clarifying that the notice requirement contained in Order entered on November 16, 2018 does not apply to the Receiver's direction for CCCB (through Thomas Hemmendinger, Esq. as Receiver) to exercise of the Put Option as extended by the Consent Orders and Stipulations, at such time (if any) as the Receiver may select.

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These proposed changes therefore appear to violate the overarching Condition #9, as well as the more specific Conditions # 1 and #2.").

<sup>13</sup> The RIAG has not taken a position on this issue.

Respectfully submitted,  
Stephen F. Del Sesto, Esq. in his capacity  
as and only as Receiver for the St. Joseph  
Health Services of Rhode Island, Inc.,  
By his Attorneys,

/s/ Max Wistow  
\_\_\_\_\_  
Max Wistow, Esq. (#0330)  
Stephen P. Sheehan, Esq. (#4030)  
Benjamin Ledsham, Esq. (#7956)  
WISTOW, SHEEHAN & LOVELEY, PC  
61 Weybosset Street  
Providence, RI 02903  
401-831-2700 (tel.)  
[mwistow@wistbar.com](mailto:mwistow@wistbar.com)  
[spsheehan@wistbar.com](mailto:spsheehan@wistbar.com)  
[bledsham@wistbar.com](mailto:bledsham@wistbar.com)

Dated: December 30, 2019

**CERTIFICATE OF SERVICE**

I hereby certify that, on the 30th day of December, 2019, I filed and served the foregoing document through the electronic filing system on the following users of record:

Stephen F. Del Sesto, Esq.  
As and only as Receiver for  
St. Joseph Health Services of  
Rhode Island, Inc.  
c/o Pierce Atwood LLP  
One Financial Plaza, 26<sup>th</sup> Floor  
Providence, RI 02903  
[sdelsesto@pierceatwood.com](mailto:sdelsesto@pierceatwood.com)

Rebecca Tedford Partington, Esq.  
Jessica D. Rider, Esq.  
Sean Lyness, Esq.  
Neil F.X. Kelly, Esq.  
Maria R. Lenz, Esq.  
Lauren S. Zurier, Esq.  
Office of the Attorney General  
150 South Main Street  
Providence, RI 02903  
[rpartington@riag.ri.gov](mailto:rpartington@riag.ri.gov)  
[jrider@riag.ri.gov](mailto:jrider@riag.ri.gov)  
[slyness@riag.ri.gov](mailto:slyness@riag.ri.gov)  
[nkelly@riag.ri.gov](mailto:nkelly@riag.ri.gov)  
[mlenz@riag.ri.gov](mailto:mlenz@riag.ri.gov)  
[lzurier@riag.ri.gov](mailto:lzurier@riag.ri.gov)

Richard J. Land, Esq.  
Robert D. Fine, Esq.  
Chace Rутtenberg & Freedman, LLP  
One Park Row, Suite 300  
Providence, RI 02903  
[rland@crllp.com](mailto:rland@crllp.com)  
[rfine@crllp.com](mailto:rfine@crllp.com)

Christopher Callaci, Esq.  
United Nurses & Allied Professionals  
375 Branch Avenue  
Providence, RI 02903  
[ccallaci@unap.org](mailto:ccallaci@unap.org)

Arlene Violet, Esq.  
499 County Road  
Barrington, RI 02806  
[genvio@aol.com](mailto:genvio@aol.com)

Robert Senville, Esq.  
128 Dorrance Street, Suite 400  
Providence, RI 02903  
[robert.senville@gmail.com](mailto:robert.senville@gmail.com)

Elizabeth Wiens, Esq.  
Gursky Wiens Attorneys at Law  
1130 Ten Rod Road, Suite C207  
North Kingstown, RI 02852  
[ewiens@rilaborlaw.com](mailto:ewiens@rilaborlaw.com)

Jeffrey W. Kastle, Esq.  
Olenn & Penza  
530 Greenwich Avenue  
Warwick, RI 02886  
[jwk@olenn-penza.com](mailto:jwk@olenn-penza.com)

George E. Lieberman, Esq.  
Gianfrancesco & Friedmann  
214 Broadway  
Providence, RI 02903  
[george@gianfrancescolaw.com](mailto:george@gianfrancescolaw.com)

Howard Merten, Esq.  
Partridge Snow & Hahn LLP  
40 Westminster Street, Suite 1100  
Providence, RI 02903  
[hm@psh.com](mailto:hm@psh.com)

Joseph V. Cavanagh, III, Esq.  
Blish & Cavanagh, LLP  
30 Exchange Terrace  
Providence, RI 02903  
[jvc3@blishcavlaw.com](mailto:jvc3@blishcavlaw.com)

David A. Wollin, Esq.  
Christine E. Dieter, Esq.  
Hinckley Allen & Snyder, LLP  
100 Westminster Street, Suite 1500  
Providence, RI 02903-2319  
[dwillin@hinckleyallen.com](mailto:dwillin@hinckleyallen.com)  
[cdieter@hinckleyallen.com](mailto:cdieter@hinckleyallen.com)

Stephen Morris, Esq.  
Rhode Island Department of Health  
3 Capitol Hill  
Providence, RI 02908  
[stephen.morris@ohhs.ri.gov](mailto:stephen.morris@ohhs.ri.gov)

Scott F. Bielecki, Esq.  
Cameron & Mittleman, LLP  
301 Promenade Street  
Providence, RI 02908  
[sbielecki@cm-law.com](mailto:sbielecki@cm-law.com)

Ekwan Rhow, Esq.  
Bird, Marella, Boxer, Wolpert Nessim,  
Drooks, Licenberg & Rhow, P.C.  
1875 Century Park East, 23<sup>rd</sup> Floor  
Los Angeles, CA 90067-2561  
[erhow@birdmarella.com](mailto:erhow@birdmarella.com)

Thomas S. Hemmendinger, Esq.  
Brennan Recupero Cascione Scungio  
McAllister LLP  
362 Broadway  
Providence, RI 02909

William M. Dolan, III, Esq.  
Adler Pollock & Sheehan P.C.  
One Citizens Plaza, 8<sup>th</sup> Floor  
Providence, RI 02903-1345  
[wdolan@apslaw.com](mailto:wdolan@apslaw.com)

Preston W. Halperin, Esq.  
Christopher J. Fragomeni, Esq.  
Dean J. Wagner, Esq.  
Shechtman Halperin Savage, LLP  
1080 Main Street  
Pawtucket, RI 02860  
[phalperin@shslawfirm.com](mailto:phalperin@shslawfirm.com)  
[jfragomeni@shslawfirm.com](mailto:jfragomeni@shslawfirm.com)  
[dwagner@shslawfirm.com](mailto:dwagner@shslawfirm.com)

Andrew R. Dennington, Esq.  
Conn Kavanagh Rosenthal Peisch &  
Ford  
One Federal Street, 15<sup>th</sup> Floor  
Boston, MA 02110  
[adennington@connkavanagh.com](mailto:adennington@connkavanagh.com)

Steven J. Boyajian, Esq.  
Robinson & Cole LLP  
One Financial Plaza, Suite 1430  
Providence, RI 02903  
[sboyajian@rc.com](mailto:sboyajian@rc.com)

W. Mark Russo, Esq.  
Ferrucci Russo P.C.  
55 Pine Street, 4<sup>th</sup> Floor  
Providence, RI 02903  
[mrusso@frlawri.com](mailto:mrusso@frlawri.com)

The document electronically filed and served is available for viewing and/or downloading from the Rhode Island Judiciary's Electronic Filing System.

/s/ Max Wistow

# EXHIBIT 1

STATE OF RHODE ISLAND  
PROVIDENCE, SC

SUPERIOR COURT

CHARTERCARE COMMUNITY BOARD

v.

C.A. No.: PC-2019-3654

SAMUEL LEE, ET AL

**STIPULATION AND CONSENT ORDER**

The Court having previously entered a Stipulation and Consent Order on April 25, 2019 and a Stipulation and Consent Order on October 3, 2019, and Prospect Chartercare, LLC ("PCC"), Prospect Chartercare SJHSRI, LLC, Prospect Chartercare RWMC, LLC, Prospect Medical Holdings, Inc., Prospect East Holdings, Inc., and Prospect East Hospital Advisory Services, LLC (all collectively the "Prospect Entities"), CharterCARE Community Board ("CCCB"), and Stephen Del Sesto in his capacity as Receiver for the St. Joseph Health Services of Rhode Island Retirement Plan (the "Receiver"), being desirous of a further extension of time, and having stipulated and consented to the entry of this Order, it is hereby:

**ORDERED:**

1. The parties to the LLC Agreement agree to modify the ninety (90) day period within which the put option created in Section 14.5 of the LLC Agreement can be exercised to the ninety-one (91) day period commencing November 11, 2019 and ending on February 10, 2020. If in the judgment of the Receiver the option cannot in good faith be appraised and exercised by February 10, 2020 based on the information received, then, prior to the expiration of the period, the Receiver reserves the right to seek a hearing on the already pending injunctive relief motion (filed on March 18, 2019) heard by the Court as soon as reasonably practical; and to ensure the exercise period does not expire while that motion is pending, the option exercise period shall be extended for an additional period extending for twenty (20) business days following the entry of an order by the Court on the request for a further extension of the option exercise period, provided, however that the extension during the pendency of the motion shall not exceed thirty (30) days from the date of the hearing on the request. The provisions of Section 14.6 of the LLC Agreement regarding the valuation process are not affected by this agreement except as expressly provided herein.

2. All other provisions of the Stipulation and Consent Order entered on April 25, 2019 remain in full force and effect.

ORDERED:

  
Brian P. Stern  
Associate Justice

Stern, J.

Dated: November 22, 2019

ENTERED:

/s/ Carin Miley

Dep. Clerk Deputy Clerk I

November 22, 2019

Dated:

Stipulated to and presented by:

PROSPECT CHARTERCARE, LLC  
PROSPECT CHARTERCARE SJHSRI, LLC, AND  
PROSPECT CHARTERCARE RWMC, LLC,

By their Attorneys,

/s/ W. Mark Russo

W. Mark Russo (#3937)  
Ferrucci Russo P.C.  
55 Pine Street, 3<sup>rd</sup> Floor  
Providence, RI 02903  
Tel.: (401) 455-1000  
[mrusso@frlawri.com](mailto:mrusso@frlawri.com)

PROSPECT MEDICAL HOLDINGS, INC.,  
PROSPECT EAST HOLDINGS, INC., AND  
PROSPECT EAST HOSPITAL ADVISORY SERVICES, LLC

By their Attorneys,

/s/ Christopher J. Fragomeni

Preston W. Halperin, Esq. (#5555)  
Dean J. Wagner, Esq. (#5426)  
Christopher J. Fragomeni, Esq. (#9476)  
Shechtman Halperin Savage LLP  
1080 Main Street  
Pawtucket, RI 02860  
Telephone: (401) 272-1400  
[phalperin@shslawfirm.com](mailto:phalperin@shslawfirm.com)  
[dwagner@shslawfirm.com](mailto:dwagner@shslawfirm.com)  
[cfragomeni@shslawfirm.com](mailto:cfragomeni@shslawfirm.com)

CHARTERCARE COMMUNITY BOARD  
By its Attorneys,

/s/ Robert D. Fine

Robert D. Fine (# 2447)  
Chace Ruttenberg & Freedman, LLP  
One Park Row, Suite 300  
Providence, RI 02903  
401-453-6400 Ext 115  
401-453-6411  
[rfine@crflp.com](mailto:rfine@crflp.com)

STEPHEN DEL SESTO,  
RECEIVER FOR THE ST. JOSEPH HEALTH  
SERVICES OF RHODE ISLAND RETIREMENT PLAN

By his Attorneys,

/s/ Max Wistow

Max Wistow (#0330)

Stephen P. Sheehan (#4030)

Benjamin Ledsham (#7956)

Wistow, Sheehan & Lovely, PC

61 Weybosset Street

Providence, RI 02903

401-831-2700

[mwistow@wistbar.com](mailto:mwistow@wistbar.com)

[spsheehan@wistbar.com](mailto:spsheehan@wistbar.com)

[bledsham@wistbar.com](mailto:bledsham@wistbar.com)



# EXHIBIT 2

**WISTOW, SHEEHAN & LOVELEY, PC**

ATTORNEYS AT LAW  
61 WEYBOSSET STREET  
PROVIDENCE, RHODE ISLAND 02903

MAX WISTOW  
STEPHEN P. SHEEHAN  
A. PETER LOVELEY  
BENJAMIN G. LEDSHAM  
SHAD M. MILLER  
KENNETH J. SYLVIA

TELEPHONE  
401-831-2700

FAX  
401-272-9752

E-MAIL  
MAIL@WISTBAR.COM

December 26, 2019

*VIA ELECTRONIC MAIL AND  
FEDERAL EXPRESS*

Andrew R. Dennington, Esq.  
Conn Kavanaugh  
One Federal Street, 15<sup>th</sup> Floor  
Boston, MA 02110

Re: Stephen Del Sesto, as Receiver and Administrator of the St. Joseph Health Services of Rhode Island Retirement Plan, et al v. Prospect Chartercare, LLC, et al., C.A. No. 1:18-cv-00328

Dear Mr. Dennington:

Enclosed please find originals of the following fully executed documents, to be held in escrow pending our receipt of full payment in accordance with the settlement agreement:

- (1) CCCB, SJHSRI, and RWH's Irrevocable Assignment of CCCB Foundation's Interests, to Stephen Del Desto as Receiver;
- (2) Stephen Del Sesto as Receiver's Irrevocable Assignment to CCF of CCCB Foundation's Interests;
- (3) Plaintiffs' Joint Tortfeasor Release of CharterCARE Foundation;
- (4) CCCB, SJHSRI, and RWH's Joint Tortfeasor Release of CharterCARE Foundation;
- (5) Plaintiffs' Joint Tortfeasor Release of Rhode Island Community Foundation; and
- (6) CCCB, SJHSRI, and RWH's Joint Tortfeasor Release of Rhode Island Community Foundation.

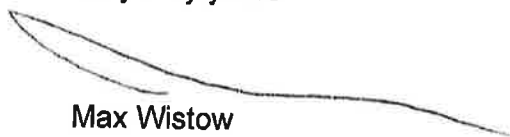
WISTOW, SHEEHAN & LOVELEY, PC  
ATTORNEYS AT LAW

2

Andrew R. Dennington, Esq.  
December 26, 2019

We look forward to receipt of \$600,000 on or before January 15, 2020 and thereafter the balance of \$3,900,000,00 not later than February 5, 2020.

Very truly yours



Max Wistow

MW/dls

Enclosures

cc (by e-mail):  
Richard Land, Esq.  
Robert Fine, Esq.  
David Wollin, Esq.  
Tom Hemmendinger, Esq.  
Stephen Del Sesto, Esq.

# EXHIBIT 3

## Stephen P. Sheehan

---

**From:** Thomas S. Hemmendinger <themmendinger@brscsm.com>  
**Sent:** Thursday, December 26, 2019 1:09 PM  
**To:** Stephen P. Sheehan  
**Cc:** Max Wistow; Stephen Del Sesto  
**Subject:** CharterCARE Community Board et al.

Steve, following up on our conversation, this confirms that as liquidating receiver of CharterCARE Community Board, St. Joseph's Health Care Services of RI, and Roger Williams Hospital:

- 1) As liquidating receiver of these entities, I ratify Settlement B and the documents that these receivership entities and their respective officers or directors have signed pursuant to the Settlement B Agreement.
- 2) You are authorized to deliver such documents as required by the Settlement B Agreement.

Cordially,  
Thomas S. Hemmendinger, liquidating receiver

Sent from my iPad

### Disclaimer

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# EXHIBIT 4

FINAL

**AMENDED & RESTATED  
LIMITED LIABILITY COMPANY AGREEMENT**

**OF**

**PROSPECT CHARTERCARE, LLC  
(a Rhode Island Limited Liability Company)**

**June 20, 2014**

THE MEMBERSHIP INTERESTS IN PROSPECT CHARTERCARE, LLC HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SUCH ACTS. EXCEPT AS SPECIFICALLY OTHERWISE PROVIDED IN THIS AGREEMENT, THE INTERESTS MAY NOT BE SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED WITHOUT REGISTRATION UNDER SUCH ACTS OR AN OPINION OF COUNSEL THAT SUCH TRANSFER MAY BE LEGALLY EFFECTED WITHOUT SUCH REGISTRATION. ADDITIONAL RESTRICTIONS ON TRANSFER AND SALE OF SUCH MEMBERSHIP INTERESTS ARE SET FORTH IN THIS AGREEMENT.

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- A Allocations of Profits and Loss and Other Tax Matters
- B Capital Accounts, Units and Sharing Percentages
- C Conflicts of Interest Policy

**AMENDED & RESTATED  
LIMITED LIABILITY COMPANY AGREEMENT  
OF  
PROSPECT CHARTERCARE, LLC**

This Amended & Restated Limited Liability Company Agreement (this "Agreement") is entered into and effective as of June 20, 2014, by and between CHARTERCARE HEALTH PARTNERS, a Rhode Island not-for-profit corporation ("CCHP"), and PROSPECT EAST HOLDINGS, INC., a Delaware corporation (the "Prospect Member"), and PROSPECT CHARTERCARE, LLC, a Rhode Island limited liability company (the "Company").

**WITNESSETH**

WHEREAS, the Company was formed on August 21, 2013 through the filing of Articles of Organization with the Office of the Secretary of State of Rhode Island;

WHEREAS, pursuant to the terms, and subject to the conditions, of that certain Asset Purchase Agreement, dated as of September 24, 2013, among CCHP, the CCHP Affiliates, Prospect Medical Holdings, Inc. ("Prospect"), the Prospect Member, the Company, Prospect CharterCare RWMC, LLC ("RWMC SMLLC"), Prospect CharterCare SJHSRI, LLC ("SJHSRI SMLLC"), Prospect CharterCare Elmhurst, LLC ("Elmhurst SMLLC"), and Prospect CharterCare Physicians, LLC ("Physicians SMLLC" and together with RWMC SMLLC, SJHSRI SMLLC, Elmhurst SMLLC, each a "Company Subsidiary" and collectively, "Company Subsidiaries") (the "Purchase Agreement"), CCHP and the CCHP Affiliates agreed to sell certain assets relating to Roger Williams Medical Center, Our Lady of Fatima Hospital, and certain other assets to the Company and/or the Company Subsidiaries, in exchange for both cash consideration of \$45 million (subject to adjustments and other terms and conditions as set forth in the Purchase Agreement) and a 15% membership interest in the Company;

WHEREAS, prior to the effective date hereof, the Prospect Member was the sole member (100%) of the Company, and in connection with the consummation of the transactions contemplated by the Purchase Agreement, the Members desire to enter into this Agreement to amend and restate any prior operating agreements with respect to the Company;

WHEREAS, the Members desire to enhance and improve the delivery of cost-effective, quality health care services in the greater Providence, Rhode Island metropolitan service area, to provide health care services to the indigent, and to offer services to an increased population more efficiently and cost-effectively; and

WHEREAS, subject to the terms and conditions hereof (and the Purchase Agreement), the Prospect Member will contribute \$50 million of additional capital to the Company over four (4) years.

NOW, THEREFORE, in consideration of the mutual promises, covenants and undertakings hereinafter contained, and other good and valuable consideration, the receipt and

sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

### AGREEMENT

I. DEFINITIONS. As used herein, including Exhibit A attached hereto, the following terms have the following meanings:

1.1 "Act" means the Rhode Island Limited Liability Company Act, Rhode Island General Laws Chapter 7-16, as amended from time to time.

1.2 "Additional Member" means a Person who is admitted into the Company as a Member pursuant to the terms of Section 13.4 hereof.

1.3 "Adjusted Capital Contribution" means, with respect to a Member, the actual Capital Contributions made by such Member (or its predecessors in interest); provided that with respect to the Prospect Member (and its successors in interest), the Prospect Member's Adjusted Capital Contribution shall be increased by the portion of its Long-Term Capital Commitment that has been funded. The Members' Adjusted Capital Contributions are set forth on Exhibit B hereto.

1.4 "Affiliate" means, as to the Person in question, any Person that directly or indirectly controls, is controlled by, or is under common control with, the Person in question and any successors or assigns of such Person; and the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person whether through ownership of voting securities, by appointment of trustees, directors, and/or officers, by contract or otherwise.

1.5 "Agreement" means this Amended & Restated Limited Liability Company Agreement of Prospect CharterCare, LLC, as from time to time amended pursuant to Section 17.11 hereof.

1.6 "Approval of the Board" or "Approved by the Board" means:

(a) In the event CCHP owns greater than 5% of the Units issued and outstanding, (i) the affirmative vote, consent or approval of at least a majority of those Category A Directors present at a meeting at which a Quorum of the Category A Directors exists, and (ii) the affirmative vote, consent or approval of at least a majority of those Category B Directors present at a meeting at which a Quorum of the Category B Directors exists. For purposes of this Section 1.6(a), a "Quorum" means a majority of the Category A Directors then serving and a majority of the Category B Directors then serving; and

(b) In the event CCHP owns 5% (or less) of the Units issued and outstanding, the affirmative vote, consent or approval of at least a majority of those Directors present at a meeting at which a Quorum exists. For purposes of this Section 1.6(b), a "Quorum" means a majority of all Directors then serving.

For purposes of this Agreement, the phrases "determined by the Board", "deemed by the Board", "consented to by the Board", or the like shall mean the same as "Approved by the Board."

1.7 “Articles” means the Articles of Organization of the Company, as amended from time to time.

1.8 “Bankruptcy” means, as to any Member, the Member's taking or acquiescing to the taking of any action seeking relief under, or advantage of, any applicable debtor relief, liquidation, receivership, conservatorship, bankruptcy, moratorium, rearrangement, insolvency, reorganization or similar Law affecting the rights or remedies of creditors generally, as in effect from time to time. For the purpose of this definition, the term “acquiescing” shall include, without limitation, the failure to file within the time specified by Law, an answer or opposition to any proceeding against such Member under any such Law and a failure to file, within thirty (30) days after its entry, a petition, answer or motion to vacate or to discharge any order, judgment or decree providing for any relief under any such Law.

1.9 “Borrowing Limit” means a loan or series of related loans in excess of Ten Million Dollars (\$10,000,000). For the avoidance of doubt, indebtedness of Affiliates of the Company (including, without limitation, the Prospect Member and Prospect) that is guaranteed by the Company or the Company Subsidiaries, or secured by a lien on the assets of the Company or the Company Subsidiaries, shall not count against the Borrowing Limit, so long as the Company and the Company Subsidiaries are not the primary obligor thereof.

1.10 “Capital Contribution” means, as to any Member, the amount of cash or the Agreed Value (as defined in Exhibit A attached hereto) of tangible or intangible property contributed or deemed contributed to the Company by the Member, which initial amount is set forth opposite such Member's name on the attached Exhibit B under the heading “Initial Capital Account”.

1.11 “Category A Directors” means the members of the Board of Directors elected or appointed from time to time by CCHP.

1.12 “Category B Directors” means the members of the Board of Directors elected or appointed from time to time by the Prospect Member.

1.13 “CCHP Affiliate” means any Affiliate of CCHP (other than a natural person).

1.14 “Code” means the Internal Revenue Code of 1986, as amended, or any successor thereto.

1.15 “Consumer Price Index” means the Consumer Price Index for All Urban Consumers, Medical Care Services (1982-84=100), published by the United States Bureau of Labor Statistics. In the event that such Index is discontinued or is so changed as not to reflect substantially the same information as it does in 2013, then the index to be used for these computations shall be the index then published by the United States Bureau of Labor Statistics that most clearly reflects the increase or decrease in consumer prices for the periods in question.

1.16 “Credit Agreement” means that certain Credit Agreement, dated as of May 3, 2012, by and among Prospect, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent, including any notes, mortgages, guarantees, collateral documents and other documents executed in connection therewith, in each case, as amended, restated,

modified, supplemented, renewed, replaced, extended, increased or refinanced in whole or in part from time to time.

1.17 "Days Cash on Hand" means (i) the sum of the Company's cash and investments, divided by (ii) the quotient of (x) the Company's rolling twelve (12) months operating expense minus (1) depreciation and amortization expense and (2) one-time non-cash operating expenses, divided by (y) the number of days in the rolling twelve month period. Days Cash on Hand is measured monthly as of month end. Expressed as a formula:  $(\text{cash and investments}) / ((\text{rolling 12-month operating expense minus depreciation and amortization expense minus one-time non-cash operating expenses}) / \text{days in rolling 12-month period})$ .

1.18 "Distributable Cash" shall be defined as the sum of (a) all cash of the Company on its balance sheet, minus (b) Reserves.

1.19 "Fatima Hospital" means Our Lady of Fatima Hospital located in North Providence, Rhode Island.

1.20 "Hospitals" means the general acute care hospitals Roger Williams Medical Center, located in Providence, Rhode Island, and Our Lady of Fatima Hospital, located in North Providence, Rhode Island.

1.21 "Indenture" means that certain Indenture, dated as of May 3, 2012, by and among Prospect, the Subsidiary Guarantors identified therein and U.S. Bank National Association, as Trustee, including any notes, mortgages, guarantees, collateral documents and other documents executed in connection therewith, in each case, as amended, restated, modified, supplemented, renewed, replaced, extended, increased or refinanced in whole or in part from time to time.

1.22 "Interim Management Advisory Agreement" means that certain Interim Management Advisory Agreement by and between Prospect and CCHP, dated as of September 24, 2013, as it may be amended from time to time.

1.23 "Joint Commission" means the national organization (formerly JCAHO) which issues standards for health care organizations for purposes of Medicare program accreditation.

1.24 "Law" means any federal, state, local, municipal, foreign or other law, common law, statute, ordinance, rule, regulation, requirement, interpretation, judgment, ruling, order or writ of any governmental entity.

1.25 "Liquidator" means the Person who liquidates the Company under Article XVI hereof.

1.26 "Long-Term Capital Commitment" means the Prospect Member's obligation to contribute additional capital to the Company in the aggregate amount of (i) \$50,000,000 over a four (4)-year period (which shall be in addition to the routine capital investment by the Company and the Company Subsidiaries of at least \$10,000,000 per year), less (ii) any amount or amounts with respect to which the Prospect Member exercises its right, from time to time, to an offset pursuant to the provisions of Section 17.2 below and Sections 2.9(e) and 14.8 of the Purchase Agreement.

1.27 “Management Agreement” means the Management Services Agreement, of even date herewith, between Prospect or an Affiliate thereof and the Company.

1.28 “Manager” means the manager of the Company, which shall be Prospect or an Affiliate thereof, and in all events shall be a Restricted Subsidiary as defined in the Indenture.

1.29 “Member” means the Prospect Member or any Prospect Affiliate that becomes a Member, CCHP, and any Substituted Member or Additional Member, but excluding any Person who ceases to be a member of the Company pursuant to this Agreement. “Members” means all of the Persons who are members of the Company as defined in this Section 1.29.

1.30 “Person” means any individual, partnership, corporation, trust, limited liability company or other entity.

1.31 “Prospect Affiliate” means any Affiliate of Prospect or the Prospect Member (other than a natural person).

1.32 “Prospect Member” means Prospect East Holdings, Inc., a Delaware corporation, and any other Prospect Affiliate or Affiliates that are Members from time to time.

1.33 “Reserves” shall mean the amount of cash established by the Board of Directors from time to time equal to the sum of (i) fifteen (15) Days Cash on Hand, plus (ii) the amount of capital expenditures set forth in the budget for the next quarter, plus (iii) any allocated unspent funded amount provided to the Company as part of the Long-Term Capital Commitment (but excluding any Initial Working Capital Amount and any amounts provided under Section 4.2(d) below); plus (iv) any agreed upon reserves for specific matters.

1.34 “Roger Williams” means Roger Williams Medical Center located in Providence, Rhode Island.

1.35 “Sharing Percentage” means, as to a Member, the percentage obtained by dividing the number of Units owned by such Member by the total number of Units owned by all Members (and Exhibit B sets forth the initial Sharing Percentages of the respective Members). The Members hereby agree that their Sharing Percentages shall constitute their “interests in the Company profits” for purposes of determining their respective shares of the Company’s “excess nonrecourse liabilities” (within the meaning of Section 1.752-3(a)(3) of the Regulations).

1.36 “Substituted Member” means any Person admitted to the Company as a Member pursuant to Section 13.3 hereof.

1.37 “Treasury Regulations” or “Regulations” means the regulations promulgated by the United States Department of the Treasury pursuant to and in respect of provisions of the Code. All references herein to sections of the Treasury Regulations or the Regulations shall include any corresponding provision or provisions of succeeding, similar or substitute proposed, temporary or final regulations.

1.38 “Units” shall mean a unit of undivided membership interest in the Company. Such interest includes any and all rights to which such Member may be entitled as provided in this



Agreement, together with all obligations of such Member to comply with the terms and provisions of this Agreement. All of a Member's Units shall constitute such Member's entire interest in the Company. The Units shall constitute ordinary voting common member interests in the Company. The Members' initial Units in the Company are set forth on Exhibit B hereto.

**1.39 Index of Other Defined Terms.**

<b>Term</b>	<b>Section</b>
Additional Capital Contribution	4.2(d)
Alternate Appraisal Process	14.6(c)
Appraised Fair Market Equity Value of the Company	14.6(a)
Appraised Value of the Units	14.6(a)
Appraiser; Appraisers	14.6(c)
Board of Directors	12.1
Capital Account	4.3
Capital Projects	4.2(b)
Call Election Notice	14.4(b)
CCHP	First paragraph
Company	First paragraph
Company Purposes	3.3
Company Subsidiaries	Recitals
Contributing Member	4.2(e)
Deadlock	12.5(b)
Elmhurst SMLLC	Recitals
Health Care Opportunity	10.3
Initial Appraisers	14.6(c)
Initial Working Capital Amount	4.2(c)
Initiation Date	14.6(c)
Interest	14.2
Liability	17.1(b)
Local Board	12.4
Noncontributing Member	4.2(e)
Non-Proposing Party	10.3
Offer	14.2
Offered Units	14.1
Offeror	14.2
Opportunity Decision Notice	10.3
Physicians SMLLC	Recitals
Proposing Party	10.3
Prospect	Recitals
Prospect Member	First paragraph
Purchase Agreement	Recitals
Put Election Notice	14.5(b)
Qualified Appraiser	14.6(c)

Representatives	17.1(a)
Required Investment Amount	10.3
Right of First Offer	14.1
Right of First Refusal	14.2
RWMC SMLLC	Recitals
Selling Member	14.2
SJHSRI SMLLC	Recitals
Tag-Along Right	14.3
Third Appraiser	14.6(c)
Transfer	13.1
Unpaid Indemnification Amount	17.2(a)
Valuation; Valuations	14.6(c)

## II. ORGANIZATION.

2.1 Formation. The Company was formed on August 21, 2013 via the filing of Articles of Organization with the Office of the Secretary of State of Rhode Island. The Member's respective Capital Accounts, Units, Sharing Percentages and Adjusted Capital Contributions as of the date hereof are set forth on Exhibit B hereto.

2.2 Name. The name of the Company is "Prospect CharterCare, LLC" and the business of the Company shall be conducted under that name or such other name or names as may be Approved by the Board from time to time; except that with respect to the Hospitals and other facilities and business operated by CCHP prior to the date hereof and that continue to be operated by the Company after the date hereof, the Company shall continue to operate them using their same (or similar) names and shall obtain authority (via filings with the Secretary of State of the State of Rhode Island) to use d/b/a names and/or alternate names with respect thereto.

2.3 Principal Office. The principal office of the Company shall be located at 825 Chalkstone Avenue, Providence, Rhode Island 02908, or at such other place or places in the State of Rhode Island as the Board of Directors may from time to time determine.

2.4 Term. The Company began on the date the Articles were filed with the Secretary of State of the State of Rhode Island as provided in Section 2.1 hereof, and shall continue until the date on which the Company is dissolved pursuant to Article XV hereof and thereafter, to the extent provided for by applicable Law, until wound up and terminated pursuant to Article XVI hereof.

2.5 Registered Agent and Office. The registered agent of the Company shall be Corporation Service Company and the registered office of the Company shall be located at 222 Jefferson Boulevard, Suite 200, Warwick, Rhode Island 02888. The registered office or the registered agent, or both, may be changed by the Manager from time to time upon filing the statement required by the Act. The Company shall maintain at its registered office such records, if any, as may be specified by the Act.

2.6 No State Law Partnership. The Members intend that the Company will not be a partnership or limited partnership, and that no Member will be a partner of any other Member, for any purposes other than federal and state tax purposes, and this Agreement shall not be construed to suggest otherwise.

2.7 Appointment of Manager. The day-to-day operation of the business of the Company shall be managed by the Manager in accordance with the terms of this Agreement and the Management Agreement, subject to the ultimate authority and control of the Board of Directors as provided herein. The Manager shall be Prospect or an Affiliate of Prospect.

2.8 Operation Through Company Subsidiaries. The parties agree and acknowledge that the business of the Company may be conducted both directly by the Company and through the Company Subsidiaries. Any such Company Subsidiary shall be operated in accordance with the terms of this Agreement and no actions may be taken through a Company Subsidiary that could not otherwise be taken by the Company. Unless otherwise determined by the Board, each Company Subsidiary: (i) shall be a limited liability company having the Company as its sole member; and (ii) shall be member-managed such that all governance and management authority resides in the Company as the sole member thereof. All rights and authority reserved hereunder to the Company's Board with respect to the Company's own assets and operations shall extend fully to each Company Subsidiary, as though owned or undertaken directly by the Company. Similarly, the rights and obligations of the Manager set forth herein with respect to the Company's own assets and operations shall apply fully to each Company Subsidiary, as though owned or undertaken directly by the Company.

### III. PURPOSES AND POWERS, NATURE OF THE COMPANY'S BUSINESS, OPERATING COMMITMENTS

#### 3.1 Purposes.

The purposes of the Company are: (i) to provide and promote the growth of health care services in the greater Providence, Rhode Island metropolitan service area (including charitable care and community health services); (ii) to provide efficient and cost-effective rendering of health care services for the benefit of health care consumers in the greater Providence, Rhode Island metropolitan service area; (iii) to provide quality medical care at competitive charges; (iv) to provide consumers of health care choice in providers of care; (v) to own, manage, operate, lease or take any other action in connection with operating the Hospitals and other health care related services and businesses; (vi) to acquire (through asset acquisition, stock acquisition, lease or otherwise) and develop other property, both real and personal, in connection with providing health care related services, including, without limitation, general acute care hospitals, specialty care hospitals, diagnostic imaging centers, ambulatory surgery centers, nursing homes, clinics, home health care agencies, psychiatric facilities and other health care providers; (vii) to deploy ambulatory locations of care; (viii) to recruit and integrate physicians; (ix) to institute safety and quality improvement initiatives; and (x) generally to engage in such other business and activities and to do any and all other acts and things that the Board of Directors deems necessary, appropriate or advisable from time to time in furtherance of the purposes of the Company as set forth in this Section 3.1.

Notwithstanding the foregoing, and notwithstanding any other provision of this Agreement, insofar as the purposes set forth above implicate both (i) CCHP's charitable purposes of serving the healthcare needs of the local area, and (ii) the Prospect Member's profit-making objectives, in the event that any aspect of the Company's activities and operations results in a direct conflict between such charitable purposes and such profit-making objectives, charitable purposes shall prevail in determining the Company's handling of such matter. In the event that CCHP invokes the foregoing provision as the basis for its objection to any aspect of the Company's activities and operations, the parties shall attempt in good faith to resolve the matter through meetings between the senior management of CCHP and Prospect over a period of not less than sixty (60) days. If, as of the conclusion of such discussion period, the matter remains unresolved to CCHP's satisfaction, CCHP may in its sole discretion submit the matter to non-binding mediation pursuant to Section 17.4(a)(ii) below. If, as of the conclusion of such mediation, the matter remains unresolved to CCHP's satisfaction, CCHP may in its sole discretion submit the matter to binding arbitration pursuant to Section 17.4(a)(iii) below; provided, however, that in such event, the Prospect Member shall have the option to purchase CCHP's Units in the Company pursuant to the process set forth in Section 14.4 below.

### 3.2 Nature of the Business.

(a) In furtherance of the purposes of the Company described in Section 3.1, the Board of Directors and the Manager shall conduct the business and operations of the Company and the Company Subsidiaries by, among other things: (i) accepting all Medicare and Medicaid patients; (ii) accepting all patients in an emergency condition in the emergency room without regard to source of payment or the ability of such emergency patients to pay; (iii) maintaining an open medical staff; (iv) providing public health programs of educational benefit to the community; (v) generally promoting the health, wellness and welfare of the community by providing quality health care at a reasonable cost; and (vi) providing indigent care in the manner described in Section 13.14 of the Purchase Agreement (collectively, the "Standards").

(b) The Company shall operate its business and that of the Company Subsidiaries in such a manner so that: (i) the financial results of the Company and the Company Subsidiaries can be consolidated with those of Prospect; (ii) the assets of and equity interests held by the Prospect Member in the Company and the equity interests in the Company Subsidiaries can be pledged as collateral security to (or otherwise serve as collateral for) Prospect's lenders and noteholders; (iii) CCHP can continue its tax-exempt status; and (iv) allocations of the Company's income and loss to CCHP are exempt from federal income taxation (*i.e.*, are treated as other than unrelated business taxable income under Code Sections 511-514).

(c) Notwithstanding Subsection 3.2(b)(iii) above, in the event that CCHP's tax-exempt status is jeopardized due to its ownership interest and/or involvement in the Company (as set forth in a written legal opinion of CCHP's experienced healthcare counsel, a copy of which shall be provided to the Prospect Member), or any of Prospect's lenders attempts to foreclose on the assets of the Company or any Company Subsidiaries, then if the Members cannot mutually agree on an acceptable resolution, CCHP shall have the option to sell its Units in the Company to the Prospect Member pursuant to the process set forth in Section 14.5 below.

3.3 Powers. Subject to the limitations contained in this Agreement and in the Act, the Company purposes and nature of the business as defined in Sections 3.1 and 3.2 (collectively, the "Company Purposes") may be accomplished by the Manager or the Board of Directors taking any action permitted under this Agreement that is customary or reasonably related to accomplishing such Company Purposes.

3.4 Conflicts of Interest Policy. The Board of Directors and the Manager shall cause the Company to adopt and maintain the policy concerning conflicts of interest attached as Exhibit C hereto (or any new and/or amended conflicts policies or practices hereafter adopted by the Board of Directors).

3.5 Conduct of Operations. The Company shall conduct its activities and those of the Company Subsidiaries consistent with the operating commitments set forth in Sections 13.13 through 13.17 of the Purchase Agreement, and in a manner that materially complies with all applicable Law.

#### IV. CAPITAL CONTRIBUTIONS, LOANS, CAPITAL ACCOUNTS.

4.1 Capital Contributions. The interests of the Members shall be divided into Units. Each of the Members and other Persons who may, from time to time, become Members has contributed to the capital of the Company the amount listed on Exhibit B attached hereto, as the same may be amended from time to time pursuant to Section 17.11 to reflect the admission of new Members, transfers and other appropriate revisions to the information set forth therein. Each of the Members has been issued the number of Units listed on Exhibit B.

#### 4.2 Additional Capital Contributions.

(a) The Company and the Company Subsidiaries shall fund additional capital expenditures related to the Hospitals and their facilities in an annual amount of at least \$10,000,000 per year, or such greater amount as Approved by the Board.

(b) The Prospect Member hereby commits to make additional Capital Contributions to the Company in an aggregate amount of the Long-Term Capital Commitment, to be made within four (4) years of the date of this Agreement at such times and in such increments as the Board of Directors causes the Manager to request. With respect to each request for a Capital Contribution from the Prospect Member pursuant to the Long-Term Capital Commitment: (i) such request shall be supported by a return-on-investment calculation or a material needs assessment (in each case, acceptable to both Members); and (ii) the Capital Contributions shall neither reduce CCHP's interest or Units in the Company nor increase the Prospect Member's interest or Units in the Company. Subject to the foregoing, and except as otherwise provided in Sections 4.2(c) and (d) below, the Company shall cause the Long-Term Capital Commitment to be used by the Company or the Company Subsidiaries on (x) the development and implementation of physician engagement strategies, and (y) projects related to facilities and equipment ("Capital Projects"). Capital Projects currently identified include the following: expansion of the cancer center at Roger Williams; expanding the emergency department at Roger Williams; renovating and/or reconfiguring the emergency department at Fatima Hospital; renovating the operating rooms at Roger Williams; converting all patient rooms

to private rooms at the Hospitals; renovating and expanding the ambulatory care center at Fatima Hospital; installing new windows at the Hospitals; installing a new generator at Fatima Hospital; providing a face lift for the facades at the Hospitals; and constructing handicap access at the front entrances of the Hospitals (with the specific Capital Projects to be funded as determined by the Board).

(c) Notwithstanding Section 4.2(b) above:

(i) In the event that, during the period between execution of the Purchase Agreement and the date hereof, Prospect or a Prospect Affiliate has advanced to CCHP any amounts pursuant to that certain Interim Management Advisory Agreement between Prospect and CCHP entered into concurrently with the Purchase Agreement, as of the date hereof, such amounts shall be treated as partial satisfaction of the Long-Term Capital Commitment;

(ii) In the event that, during the period commencing as of the date hereof and continuing for a period of up to three (3) months following the effective date hereof, the Company (including the Company Subsidiaries, for purposes of this Section 4.2(c)) requires cash to fund operations and the Prospect Member determines to provide such cash, then: (x) such amount shall not exceed Ten Million Dollars (\$10,000,000); (y) the aggregate amount of cash provided by the Prospect Member (the "Initial Working Capital Amount") shall be treated as partial satisfaction of the Long-Term Capital Commitment; and (z) for a period of up to four (4) years after the effective date hereof, if and as the Company and the Company Subsidiaries accrue excess cash beyond their collective budgeted operating and capital needs, including Reserves, such excess cash, in an amount (to the extent of such excess cash) equal to the amount of the Initial Working Capital Amount, shall be made available to be used for Capital Projects described in Section 4.2(b) above (and subject to the process and requirements therein). The foregoing shall be in addition to the annual commitment of the Company and the Company Subsidiaries to fund Capital Projects set forth in Section 4.2(a) above. The Company shall periodically report to the Board amounts provided by the Prospect Member which are included in the Initial Working Capital Amount, and the subsequent use of excess cash by the Company and the Company Subsidiaries for other Capital Projects as described in subpart (z) above; and

(iii) With respect to that certain capital lease obligation entered into by and between Roger Williams and Philips Medical dated December 27, 2012, with respect to Sellers' cardiac catheterization laboratory, which capital lease obligation is being assumed by the Company as of the effective date hereof pursuant to the Purchase Agreement, the long-term portion of such lease as of the date of the Purchase Agreement (*i.e.*, \$558,288), shall be treated as partial satisfaction of the Long-Term Capital Commitment.

(d) Outside of the circumstances contemplated by Section 4.2(c) above, if funds are required for any expenditure of the Company (including the Company Subsidiaries, for purposes of this Section 4.2(d)) necessary for the operation of the Company and/or any expansion of the Company as Approved by the Board, the Company shall seek such funds from sources in the following order of priority: (A) cash generated by the operations of the Company and the Company Subsidiaries; (B) from the Prospect Member pursuant to the Prospect Member's Long-Term Capital Commitment; (C) commercial loans from third parties on

mutually agreeable terms (and in compliance with the Indenture, the Credit Agreement and any other debt agreements of Prospect or an applicable Prospect Affiliate); (D) loans from Prospect or any Prospect Affiliate to the extent available at market rates and on mutually agreeable terms (and in compliance with the Indenture, the Credit Agreement and any other debt agreements of Prospect or such Prospect Affiliate); and (E) if the Company has made commercially reasonable efforts to obtain the needed funds as set forth above and has been unable to obtain such funds and the Prospect Member's Long-Term Capital Commitment has been fully satisfied, the Manager, with Approval of the Board, shall have the right to request that the Members make additional Capital Contributions pro rata in accordance with each Member's Sharing Percentage ("Additional Capital Contributions").

(e) Subject to (d) above, if the Manager, as Approved by the Board, makes a request to the Members for an Additional Capital Contribution, no Member shall be required to make such Additional Capital Contribution, provided that if any Member elects not to make a portion or all of the Additional Capital Contribution (a "Noncontributing Member"), the other Members (the "Contributing Members") shall have the right, but not the obligation, to contribute to the Company the amount of cash that the Noncontributing Member or Members failed to contribute. The Members shall have thirty (30) days after the Manager's request in which to elect to make or not make such Additional Capital Contributions. Effective as the end of such thirty (30)-day period, if some but not all of the Members make such Additional Capital Contributions, then the Members' Sharing Percentages shall be adjusted as follows (and a pro rata adjustment shall also be made to each Member's Units): Each Member's Sharing Percentage thereafter shall be equal to a fraction (converted to a percentage), the numerator of which is the amount of such Member's (including its predecessors in interest) Adjusted Capital Contributions (including the Additional Capital Contributions just made by such Member, if any) and the denominator of which is the aggregate amount of all Members' (including their predecessors in interest) Adjusted Capital Contributions (including the Additional Capital Contributions just made); provided that no change in Sharing Percentages shall occur by reason of the Prospect Member's Long-Term Capital Commitment; and provided further that in no event may the Sharing Percentage of CCHP be diluted to less than five percent (5%), and if CCHP's Sharing Percentage equals 5%, then any additional amounts contributed by the Prospect Member shall be treated as loans from the Prospect Member to the Company. The number of Units held by each Member shall be adjusted automatically to reflect any change in the Members' Sharing Percentages under this Section 4.2(e). No person other than a Member or Manager of the Company may enforce any provision of this Agreement relating to the payment of additional capital.

4.3 Capital Accounts. A capital account ("Capital Account") shall be established and maintained for each Member for the full term of this Agreement in accordance with the capital account maintenance rules of Section 1.704-1(b)(2)(iv) of the Regulations. The initial Capital Accounts of the Members are set forth on Exhibit B attached hereto. Each Member shall have only one Capital Account, regardless of the number or classes of Units or other interests in the Company owned by such Member and regardless of the time or manner in which such Units or other interests were acquired by such Member. Pursuant to the basic capital account maintenance rules of Section 1.704-1(b)(2)(iv) of the Regulations, the balance of each Member's Capital Account shall be:

(a) Increased by the amount of money contributed by such Member (or such Member's predecessor in interest) to the capital of the Company pursuant to this Article IV and decreased by the amount of money distributed to such Member (or such Member's predecessor in interest) pursuant to Articles VI and XVI hereof;

(b) Increased by the fair market value of each property (determined without regard to Section 7701(g) of the Code) contributed by such Member (or such Member's predecessor in interest) to the capital of the Company pursuant to this Article IV (net of all liabilities secured by such property that the Company is considered to assume or take subject to under Section 752 of the Code) and decreased by the fair market value of each property (determined without regard to Section 7701(g) of the Code) distributed to such Member (or such Member's predecessor in interest) by the Company pursuant to Article VI or XVI hereof (net of all liabilities secured by such property that such Member is considered to assume or take subject to under Section 752 of the Code);

(c) Increased by the amount of each item of Company profit allocated to such Member (or such Member's predecessor in interest) pursuant to Section 3.1 of Exhibit A hereto;

(d) Decreased by the amount of each item of Company loss allocated to such Member (or such Member's predecessor in interest) pursuant to Section 3.1 of Exhibit A hereto;

(e) Otherwise adjusted as follows:

(i) Effective immediately prior to any "Revaluation Event" (as defined in Exhibit A hereto), the balances of all Members' Capital Accounts shall be adjusted to reflect the manner in which items of profit or loss, as computed for book purposes, equal to the "Unrealized Book Gain Or Loss" (as defined in Exhibit A hereto) then existing with respect to each Company property (to the extent not previously reflected in the Members' Capital Accounts) would be allocated among the Members pursuant to Section 3.1 of Exhibit A hereto if there were a taxable disposition of such property immediately prior to such Revaluation Event, for its fair market value (as determined by the Manager taking into account Section 7701(g) of the Code);

(ii) With respect to items of Company profit and loss, the balances of all the Members' Capital Accounts shall be adjusted solely for allocations of such items, as computed for book purposes, under Section 3.1 of Exhibit A hereto and shall not be adjusted for allocations of correlative Tax Items under Section 3.2 of Exhibit A hereto;

(iii) Immediately before giving effect under Section 4.3(b) hereof to any adjustment attributable to the distribution of property to a Member, the balances of all the Members' Capital Accounts first shall be adjusted to reflect the manner in which items of profit or loss, as computed for book purposes, equal to the Unrealized Book Gain Or Loss existing with respect to the distributed property (to the extent not previously reflected in the Members' Capital Accounts) would be allocated among the Members pursuant to Section 3.1 of Exhibit A hereto if there were a taxable disposition of such property on the date of such distribution by the Company for its fair market value at the time of such distribution (as agreed to in writing by the Members) taking Section



7701(g) of the Code into account (i.e., such value shall not be agreed to be less than the amount of Nonrecourse Liabilities to which such property is subject); and

(f) Upon the transfer of all or part of any Unit or other interest in the Company, the Capital Account of the transferor Member, to the extent attributable to the transferred interest, shall carry over to the transferee Member; provided, however, if the transfer causes the termination of the Company for federal income tax purposes under Section 708(b)(1)(B) of the Code, the Capital Account that carries over to the transferee Member shall be subject to adjustment in accordance with Section 4.3(e)(i) hereof in connection with the resulting constructive liquidation of the Company for federal income tax purpose.

#### 4.4 Additional Provisions Regarding Capital Amounts.

(a) If, with the prior Approval of the Board, a Member pays any Company indebtedness or forgives any Company indebtedness owing to such Member, such payment or forgiveness shall be treated as a cash contribution by that Member to the capital of the Company, and the Capital Account of such Member shall be increased by the amount so paid or forgiven by such Member. No Member may, without the prior Approval of the Board, increase its Capital Account by paying any Company indebtedness or by forgiving any Company indebtedness owing to such Member.

(b) Except as otherwise provided herein, no Member may contribute capital to, or withdraw capital from, the Company. To the extent any monies that any Member is entitled to receive pursuant to the Agreement would constitute a return of capital, each of the Members consents to the withdrawal of such capital.

(c) A loan by a Member to the Company shall not be considered a contribution of money to the capital of the Company, and the balance of such Member's Capital Account shall not be increased by the amount so loaned. No repayment of principal or interest on any such loan, reimbursement made to a Member with respect to advances or other payments made by such Member on behalf of the Company, or payments of fees to a Member that are made by the Company shall be considered a return of capital or in any manner affect the balance of such Member's Capital Account.

(d) No Member with a deficit balance in its Capital Account shall have any obligation to the Company or any other Member to restore such deficit balance. In addition, no venturer or partner in any Member shall have any liability to the Company or any other Member for any deficit balance in such venturer's or partner's capital account in the Member in which it is a partner or venturer. Furthermore, a deficit Capital Account balance of a Member (or a capital account of a partner or venturer in a Member) shall not be deemed to be a liability of such Member (or of such venturer or partner in such Member) or a Company asset or property. The provisions of this Section 4.4(d) shall not affect any Member's obligation to make Capital Contributions to the Company that are required to be made by such Member pursuant to this Agreement.

(e) Except as otherwise provided herein, no interest shall be paid on any capital contributed to the Company or the balance in any Member's Capital Account.

(f) All of the provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with the Regulations. If the Board of Directors determines that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto (including, without limitation, debits or credits relating to liabilities that are secured by contributed or distributed property or that are assumed by the Company or any of the Members) are computed in order to comply with the Regulations, the Board of Directors may make such modifications, provided that such modifications are not likely to have a material effect on the amounts distributable to any Member from the Company. The Board of Directors shall also make appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Section 1.704-1(b) of the Regulations.

4.5 Loans. The Company may borrow money from, among others, any Member on such terms and conditions as shall be Approved by the Board of Directors and such Member; provided, however, such terms and conditions shall be no less favorable to the Company than the terms and conditions that could be obtained by the Company in an arm's length transaction from an independent third-party. If any Member makes any loan or loans to the Company, the amount of any such loan shall not be treated as a contribution to the capital of the Company, but shall be a debt due from the Company. Any Member's loan to the Company shall, as determined by the Board of Directors, be repayable out of the Company's excess cash, prior to any distribution of Distributable Cash. None of the Members nor any of their Affiliates shall be obligated to loan money to the Company.

#### V. ALLOCATIONS OF INCOME AND LOSSES.

All items of income or loss of the Company shall be allocated to the Members in accordance with the provisions of Exhibit A attached hereto, which is hereby incorporated by reference for all purposes of this Agreement or as otherwise provided in this Agreement.

#### VI. DISTRIBUTIONS.

6.1 Distribution of Distributable Cash. Except as may be otherwise provided in Section 6.5 hereof, or as may otherwise be prohibited or required by applicable Law, the Board of Directors in its discretion shall cause the Company to distribute Distributable Cash to the extent available to the Members from time to time, pro rata in accordance with their respective Sharing Percentages. The policy of the Company shall be to distribute Distributable Cash to the extent the Board of Directors deems such distributions advisable.

6.2 Compensation or Reimbursement to the Manager. Authorized amounts payable as compensation or reimbursement to the Manager or to any Person other than in its capacity as a Member, such as for services rendered, goods purchased or money borrowed, shall not be treated as a distribution for purposes of Section 6.1 hereof.

6.3 Amounts Withheld. All amounts withheld pursuant to the Code or any provision of any state or local tax Law with respect to any payment of taxes of Members or distribution to the Members shall be treated as amounts distributed to the Members pursuant to this Article VI for all purposes under this Agreement.

6.4 Distributions in Kind. No Member shall have the right to demand or receive distributions of property other than cash. Except as provided in Article XVI hereof, distributions in kind of Company property shall be made only with the Approval of the Board of Directors and only at a value Approved by the Board of Directors. Prior to any such distribution in kind, the difference between such agreed value and the book value of such property shall be credited or charged, as the case may be, to the Members' (or assignees') Capital Accounts in proportion to their Sharing Percentages. Upon the distribution of such Property, such agreed value shall be charged to the Capital Accounts of the Members (or assignees) receiving such distribution.

6.5 No Restrictions on Distributions. The foregoing provisions of this Article VI to the contrary notwithstanding, no distribution of Distributable Cash shall be declared by the Board of Directors or paid by the Company if and for so long as such distribution would violate any contract or agreement to which the Company, the Prospect Member or any Prospect Affiliate is then a party or any Law or directive of any governmental authority then applicable to the Company. Further, notwithstanding anything to the contrary in this Agreement, nothing in this Agreement shall encumber or restrict the Company's ability to make distributions, pay indebtedness or other obligations, make loans or advances, grant liens or transfer property or assets in compliance with, or as required by, the Indenture, Credit Agreement or other documents governing indebtedness of Prospect or a Prospect Affiliate.

## VII. BOOKS OF ACCOUNT, TAX COMPLIANCE, FISCAL YEAR.

7.1 Books and Records. The Company, whether through the Manager or otherwise, shall keep books of account and records relative to the business of the Company and the Company Subsidiaries. The books shall be prepared in accordance with "generally accepted accounting principles" using the accrual method of accounting. The accrual method of accounting shall also be used by the Company for income tax purposes. The Company shall also maintain books and records as required by Section 4.3 hereof and Exhibit A hereof. The Company's books and records shall at all times be maintained at the principal business office of the Company (and to the extent required by the Act, at the registered office of the Company) and shall be available for inspection by the Members or their duly authorized representatives during regular business hours. The books and records shall be preserved for four (4) years after the term of the Company ends.

7.2 Determination of Profit and Loss; Financial Statements. All items of Company income, expense, gain, loss, deduction and credit shall be determined with respect to, and allocated in accordance with, this Agreement for each Member for each Company fiscal year. Within one hundred eighty (180) days after the end of each Company fiscal year, the Manager shall cause to be prepared, at the Company's expense, audited financial statements of the Company and the Company Subsidiaries for the preceding fiscal year, including without limitation, a balance sheet, profit and loss statement, statement of cash flows and statement of the balances in the Members' Capital Accounts, prepared accordance with the terms of this Agreement and generally accepted accounting principles consistently applied with prior periods. The Manager shall also cause to be prepared, at Company expense, within ninety (90) days after the end of each Company fiscal year, unaudited financial statements meeting the preceding specifications. These financial statements shall be available for inspection and copying during ordinary business hours at the reasonable request of any Member, and will be furnished to any

other Member upon written request therefor. Any Member may obtain, at such Member's expense, such other reports on the operations and condition of the Company and the Company Subsidiaries as such Member may reasonably request.

7.3 Tax Returns and Information. The Members intend for the Company to be treated as a partnership for tax purposes, but not for any other purposes. The Members intend for each Company Subsidiary to be treated as a disregarded entity for tax purposes, but not for any other purposes. The Company shall prepare or cause to be prepared all federal, state and local income and other tax returns that the Company is required to file and shall furnish such returns to the Members, together with a copy of each Member's Form K-1 and any other information that any Member may reasonably request relating to such returns, within the time required by Law (including any applicable extension periods available under the Code).

7.4 Tax Audits. The Prospect Member shall be the "tax matters partner" of the Company under Section 6231(a)(7) of the Code. The Prospect Member shall inform the Members of all matters that come to its attention in its capacity as tax matters partner by giving the Members notice thereof within ten (10) days after becoming so informed. The Prospect Member shall not take any action contemplated by Sections 6222 through 6232 of the Code unless the Prospect Member has first given the Members notice. This provision is not intended to authorize the Prospect Member to take any action that is left to the determination of the individual Members under Sections 6222 through 6232 of the Code.

7.5 Fiscal Year. The fiscal year of the Company and each Company Subsidiary shall be the twelve (12) month period commencing on October 1st and ending on September 30th.

#### VIII. DUTIES OF AND LIMITATIONS ON THE MANAGER.

8.1 Duties of the Manager. Except as otherwise set forth in the Act, the Articles or this Agreement, the Board of Directors shall have overall oversight and ultimate authority over the affairs of the Company and the Company Subsidiaries. Subject to this general principle, and subject to the limitations imposed upon the Manager in this Agreement (including, without limitation, Section 8.3 hereof) and in the Management Agreement, and to the fiduciary obligations and limitations imposed upon it at law (to the extent not modified herein or in the Articles) and by general principles of equity, and subject to Article III above, the Manager shall manage the day-to-day operations of the Company and the Company Subsidiaries and act on behalf of the Company and the Company Subsidiaries pursuant to and in accordance with the terms of this Agreement and the Management Agreement, and in material compliance with applicable Law.

8.2 Rights to Rely on the Manager. No Person or governmental body dealing with the Company or any Company Subsidiary shall be required to, inquire into, or to obtain any other documentation as to, the authority of the Manager to take any action permitted under Section 8.1 hereof. Furthermore, any Person or governmental body dealing with the Company or any Company Subsidiary may rely upon a certificate signed by the Manager as to the following:

- (a) The identity of the Manager or any Member;

(b) The existence or nonexistence of any fact or facts that constitute a condition precedent to acts by the Manager or which are in any other manner germane to the affairs of the Company or the Company Subsidiary;

(c) The Persons who are authorized to execute and deliver any instrument document of the Company or the Company Subsidiary; or

(d) Any act or failure to act by the Company or a Company Subsidiary on any other matter whatsoever involving the Company, any Member thereof, or a Company Subsidiary.

8.3 Specific Limitations on the Manager. Notwithstanding anything to the contrary in the Management Agreement, this Agreement, the Act or the Articles, each of the following actions shall require Approval of the Board:

(a) Adopting any new and/or modified purposes, mission and values statement for the Company or any Company Subsidiary;

(b) Development and approval of a strategic plan for the Company (including the Company Subsidiaries), including any and all strategic initiatives and objectives;

(c) Approving the annual operating and capital budgets of the Company (including the Company Subsidiaries), which shall be consistent with the Company's strategic plan;

(d) Changing the charity care policy of the Company and the Company Subsidiaries, and overseeing the record of its implementation;

(e) Approving the appointment of the Chief Executive Officer of the Company recommended by the Manager;

(f) Approving the Manager's recommendation to terminate the employment of the Chief Executive Officer of the Company at any time prior to the second (2<sup>nd</sup>) anniversary of the date of this Agreement;

(g) Appointing individuals to serve on the Local Boards of the Hospitals (as per Section 12.4 below);

(h) Approving Medical Staff credentialing, other Medical Staff related decisions, and quality assurance and accreditation matters, all as per recommendations of the Local Boards of the Hospitals (subject to Section 12.4 below);

(i) Approving the process for managing conflicts among leadership groups at the Hospitals;

(j) Approving any reduction in Essential Services at either Hospital, if and as provided in Section 13.15 of the Purchase Agreement;

- (k) Approving any change in the medical staff bylaws and structure of the Hospitals, if and as provided in Section 13.17 of the Purchase Agreement;
- (l) Approving any change of a Hospital's name;
- (m) Requests for the Prospect Member to make an additional Capital Contribution to the Company in connection with its Long-Term Capital Commitment, as provided in Section 4.2(b) above;
- (n) Requests for the Members to make Additional Capital Contributions to the Company, as provided in Section 4.2(e) above;
- (o) Decisions to make Certificate of Need Filings or reverse Certificate of Need Filings;
- (p) Entering into a contract to incur an obligation to repay borrowed money; provided that Approval of the Board is not required for the Manager to cause the Company to borrow funds up to the Borrowing Limit;
- (q) Electing to distribute or not distribute the Distributable Cash;
- (r) Entering into or modifying any agreement, arrangement or business dealings between the Company (and/or any Company Subsidiary) and the Prospect Member or any Prospect Affiliate; provided, however, that such action shall require the approval of only the Category A Directors;
- (s) Admitting any additional Members or issuing additional Units, except in accordance with the provisions of Article XIII hereof;
- (t) Recognizing the transfer of a Member's interest in the Company, unless such transfer is in compliance with the provisions of Article XIII hereof;
- (u) Acquiring or disposing of any health care related facility and its related assets in a single transaction or series of related transactions;
- (v) Engaging in any merger, consolidation, share exchange or reorganization of the Company or any Company Subsidiary, or sale of all or substantially all of the assets of the Company or any Company Subsidiary;
- (w) Amendments to the Articles, this Agreement and other governing documents of the Company (except as otherwise expressly provided in Section 17.11 below or where required by Law); and
- (x) Approving a decision to dissolve or liquidate the Company or any Company Subsidiary.

8.4 Management Obligations of the Manager. Subject to the terms and conditions of the Management Agreement, the Manager shall devote such time to the Company and the

Company Subsidiaries as may be necessary to fulfill the Company Purposes, and manage and supervise the business and affairs of the Company and the Company Subsidiaries. Nothing in this Agreement shall preclude the Manager, at the expense of the Company, from contracting with or employing any Affiliate of a Member or a third party to provide management or other services to the Company or a Company Subsidiary, subject to Section 8.3(r) above.

8.5 Compensation of the Manager. As its sole compensation and consideration for the performance of its duties and responsibilities as Manager, the Manager (or an Affiliate thereof) shall be entitled to receive a management fee as set forth in the Management Agreement.

8.6 Independent Activities. The Manager and any of its Affiliates may engage in or possess interests in other business ventures of every nature and description, independently, and with others, whether such activities are competitive with the Company (including any Company Subsidiary, for purposes of this Section 8.6) or otherwise, subject to Section 10.3 below. The Members and any of their Affiliates may engage in or possess interests in other business ventures of every nature and description, independently and with others, whether such activities are competitive with the Company or otherwise, without having or incurring any obligation to offer any interest in such activities to the Company or any Member. The foregoing, however, does not relieve CCHP and its Affiliates from any restrictions set forth in the Purchase Agreement.

8.7 Prospect Debt Documents. Each of the Members acknowledges and agrees that, in connection with the formation of the Company and the consummation of the transactions contemplated by the Purchase Agreement, the Company and each Company Subsidiary shall (a) become a "Restricted Subsidiary" and a "Subsidiary Guarantor" in accordance with the terms of the Indenture and a "Guarantor" in accordance with the terms of the Credit Agreement and (b) grant a security interest in its assets to the Collateral Trustee (as defined in the Indenture and the Credit Agreement) to the extent required under the Indenture, the Credit Agreement or other indebtedness of Prospect or a Prospect Affiliate. From time to time from and after the date of this Agreement, without the further consent of any Member, the Manager shall be authorized to execute and deliver such documents, and take such other actions, in the name and on behalf of the Company and the Company Subsidiaries as may be reasonably necessary to cause the Company and each Company Subsidiary to continue as or become a Restricted Subsidiary, a Subsidiary Guarantor and a Guarantor (or similar terms), including, without limitation, in the event of any amendment, restatement, supplement, renewal, replacement, increase, extension or refinancing of the Indenture or the Credit Agreement or the incurrence of any other indebtedness of Prospect or a Prospect Affiliate. CCHP shall reasonably cooperate with the Manager, and shall execute and deliver such documents and take such other actions as may be reasonably requested by the Manager, to give effect to the foregoing.

## IX. RIGHTS AND STATUS OF MEMBERS.

9.1 General. Except to the extent expressly otherwise required by the Act or provided in this Agreement, the Members shall not take part in the management or control of the business of the Company or the Company Subsidiaries, such powers being vested exclusively in the Board of Directors and the Manager as provided herein.

9.2 Limitation of Liability. No Member shall have any personal liability whatever, solely by reason of its status as a Member of the Company, whether to the Company, the Company Subsidiaries, the Manager, another Member or any creditor of the Company, for the debts of the Company or the Company Subsidiaries or any of their collective losses beyond the amount of the Member's obligation to contribute its Capital Contribution to the Company; provided, however, the foregoing shall not limit or affect obligations undertaken and/or liabilities incurred by a Member pursuant to the Purchase Agreement.

#### X. SPECIAL COVENANTS OF THE MEMBERS.

10.1 Compliance with Debt Covenants. The Company and the Company Subsidiaries shall comply with, and take no action (or inaction) inconsistent with, the covenants, restrictions and requirements of the Indenture, Credit Agreement or other indebtedness of Prospect or a Prospect Affiliate.

10.2 AOB Ratio. At all times the Company will maintain, and will cause the Company Subsidiaries (as applicable) to maintain, a full-time equivalent to adjusted occupied bed ratio consistent with prevailing industry best practice.

10.3 Pursuit of Health Care Opportunities in Rhode Island. If either Member or any Affiliate of a Member desires to purchase, invest in, own (in whole or in part), lend funds to, manage, consult for, or in any other manner participate with, a health care service, facility or related business in Rhode Island (a "Health Care Opportunity"), then such Member or its Affiliate (the "Proposing Party") shall first provide written notice of such Health Care Opportunity to the other Member (the "Non-Proposing Party"), containing all material terms, including the total amount of funds needed to pursue the Health Care Opportunity, purchase price, capital commitment, amount to be loaned and working capital requirements (collectively, the "Required Investment Amount"). The Non-Proposing Party shall have thirty (30) days thereafter to provide written notice (the "Opportunity Decision Notice") to the Proposing Party that either:

(a) The Health Care Opportunity should be pursued by the Company (either directly or through a Company Subsidiary), in which case: (i) the Non-Proposing Party must also agree in writing (in the same notice) to fund, through Additional Capital Contributions to the Company, its pro rata share of the Required Investment Amount; (ii) the Company (as opposed to the Proposing Party) shall proceed to pursue the Health Care Opportunity; and (iii) within twenty (20) days thereafter, the Members shall fund, through Additional Capital Contributions to the Company, their respective pro rata shares of the Required Investment Amount; or

(b) The Health Care Opportunity should not be pursued by the Company (either directly or through a Company Subsidiary), in which case the Proposing Member shall be free to pursue the Health Care Opportunity on its own or through another entity.

In the event the Non-Proposing Party fails to provide the Opportunity Decision Notice on a timely basis, the Proposing Member shall be free to pursue the Health Care Opportunity on its own or through another entity.

#### XI. MEETINGS OF MEMBERS AND MEANS OF VOTING.



11.1 Actions by the Members. The Members agree that all decisions regarding the Company and the Company Subsidiaries shall be made by the Manager or the Board of Directors, as described in Article VIII. If, notwithstanding the foregoing, the Members are required by the Act to vote on any Company matter (after due consideration of whether the Act's provisions have been effectively superseded by the express provisions set forth in this Agreement), then such vote shall be conducted in accordance with this Article XI.

11.2 Meetings of the Members. Meetings of the Members may be called by the Manager and shall be promptly called upon the written request of any one or more Members that own in the aggregate five percent (5%) or more of the aggregate Units in the Company. The notice of a meeting shall state the nature of the business to be transacted at such meeting, and actions taken at any such meeting shall be limited to those matters specified in the notice of the meeting. Notice of any meeting shall be given to all Members not less than ten (10), and not more than thirty (30), days prior to the date of the meeting. Members may vote in person at such meeting; notwithstanding the provisions of the Act, voting by proxy shall not be permitted.

Except as required by the express provisions of the Act, the requisite vote of the Members shall be the approval of Members holding at least a majority of the Units issued and outstanding at the time of the vote. Each Member's voting rights shall be the same as that Member's number of Units at the time of the vote. The presence of any Member at a meeting shall constitute a waiver of notice of the meeting with respect to such Member unless, such Member attends the meeting for the sole purpose of objecting to the holding of such meeting. The Members may, at their election, participate in any regular or special meeting by means of conference telephone or similar communications equipment by means of which all Persons participating in the meeting can hear each other. A Member's participation in a meeting pursuant to the preceding sentence shall constitute presence in person at such meeting for all purposes of this Agreement.

11.3 [Intentionally omitted]

11.4 Conduct of Meeting. Each meeting of Members shall be conducted by the Chairman of the Board of Directors or by a Person appointed by the Board of Directors. The meeting shall be conducted pursuant to such rules (if any) as may be adopted by the Board of Directors or the Person appointed by the Board of Directors for the conduct of the meeting.

11.5 Action Without a Meeting. Notwithstanding anything to the contrary in this Agreement, any action that may be taken at a meeting of the Members may be taken without a meeting if there is a consent in writing signed by Members holding at least a majority of the Units, setting forth the action so taken. In the event any action is taken pursuant to this Section 11.5, it shall not be necessary to comply with any notice or timing requirements set forth in Section 11.2 hereof. Prompt written notice of the taking of action without a meeting shall be given to the Members who have not consented in writing to such action.

11.6 Closing of Transfer Record; Record Date. For the purpose of determining the Members entitled to notice of or to vote at any meeting of Members, any reconvening thereof, or to act by consent, the Manager may provide that the transfer record shall be closed for at least ten (10) days immediately preceding such meeting (or such shorter time as may be reasonable in

light of the period of the notice) or the first solicitation of consents in writing. If the transfer record is not closed and if no record date is fixed for determining the Members entitled to notice of or to vote at a meeting of Members or by consent, the date on which the notice of the meeting is mailed, or the first written consent is received by the Manager, shall be the record date for such determination.

## XII. BOARD OF DIRECTORS.

12.1 Board of Directors. Effective for all purposes on the date of this Agreement, the Members shall form a board of directors of the Company (the "Board of Directors"), comprised of natural Persons (the "Directors" and each a "Director"), to have overall oversight and ultimate authority over the affairs of the Company and the Company Subsidiaries, to consider those matters pertaining to the business of the Company and the Company Subsidiaries for which Approval of the Board is required (see Section 8.3 above) or appropriate, and to oversee the activities of the Manager and the Local Boards (see Section 12.4) including: (i) evaluations of the CEO; (ii) strategic plans and operating and capital budgets; (iii) compliance with Joint Commission criteria; and (iv) fostering community relationships and opportunities.

The Board of Directors shall consist of eight (8) members, with four (4) Category A Directors (including at least one (1) physician) and four (4) Category B Directors; provided, however, that if CCHP's Sharing Percentage is reduced to 5%, then the Board of Directors shall consist of seven (7) members, with three (3) Category A Directors and four (4) Category B Directors, and CCHP shall submit to the Company the name of such Class A Director who shall resign and shall cause such Director to tender his or her resignation effective immediately (and if CCHP fails to do so within 5 days, then the Company by action of the Class B Directors in their sole and absolute discretion shall remove one Class A Director effective immediately upon written notice to CCHP). Each individual selected to serve on the Board of Directors shall serve for a term of one (1) to three (3) years, at the discretion of the Member that elected or appointed such individual, and thereafter until his successor is elected or appointed, unless he sooner resigns or is removed. A member of the Board of Directors may be removed at any time, with or without cause, by the Member that elected or appointed such director. The unexpired term of a removed director shall be filled by an individual appointed by the Member that appointed or elected the removed director. The Board of Directors shall elect annually the Chairman of the Board of Directors. The Chairman of the Board of Directors shall preside over all the meetings of the Board of Directors.

12.2 Manner of Exercise of Board of Directors' Authority. All actions or exercise of authority or responsibility of the Board hereunder shall be Approved by the Board. All responsibilities of the Board of Directors under this Agreement shall be exercised by the Board of Directors as a body and, accordingly: (i) no member of the Board of Directors, acting alone, shall have the authority to act on behalf of the Board of Directors; and (ii) except as otherwise expressly provided herein, neither Category of directors, by itself, shall have the authority to act on behalf of the Board of Directors. In no event shall the Board of Directors be deemed a manager under the Act or have the authority to act on behalf of, or to bind in any way, the Company or any Company Subsidiary. The actions of the Board of Directors shall be carried out by the Manager as provided for in this Agreement and the Management Agreement.

12.3 Meetings of the Board of Directors. The Board of Directors shall hold regular meetings on at least a quarterly basis, with at least one (1) meeting per year held in person (face-to-face). In addition, each member of the Board of Directors shall be available at all reasonable times to consult with other members of the Board of Directors on matters relating to the duties of the Board of Directors. Meetings of the Board of Directors shall be held at the call of the Manager, the Chairman of the Board of Directors, or any three (3) members of the Board of Directors requesting such meeting through such Chairman, upon not less than ten (10) business days' written or telephonic notice to the members of the Board of Directors, such notice specifying all matters to come before the Board of Directors for action at such meeting. The presence of any member of the Board of Directors at a meeting shall constitute a waiver of notice of the meeting with respect to such member unless such member attends the meeting for the sole purpose of objecting to the holding of such meeting. The members of the Board of Directors may, at their election, participate in any regular or special meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. A member's participation in a meeting pursuant to the preceding sentence shall constitute presence in person at, such meeting for all purposes of this Agreement. No action taken shall be valid unless a Quorum, as defined in Section 1.6 above, exists. Members of the Board may vote in person at such meeting; voting by proxy shall not be permitted.

12.4 Local Boards. Effective for all purposes on the date of this Agreement, the Board of Directors shall form a Local Board for each Hospital (each such Board being referred to as a "Local Board"). The Board of Directors shall have the authority to appoint additional or replacement individuals to each of the Local Boards. The Local Boards shall be comprised of at least six (6) individuals, and 50% of each Local Board shall consist of physicians on the Hospital's medical staff, and the other 50% shall consist of the Hospital's local CEO and community representatives. Each individual selected to serve on the Local Board shall serve for a term of three (3) years and thereafter until his successor is elected or appointed, unless he sooner resigns or is removed. No individual may serve on a Local Board for more than three (3) consecutive full three (3)-year terms; such individual may again serve on a Local Board after an absence of at least two (2) years. Each Local Board shall meet on a regular basis and have the following responsibilities: (a) recommendations regarding medical staff credentialing, quality assurance and accreditation; (b) reviewing, and making recommendations with respect to, strategic and capital plans; (c) providing guidance and support on local market and community concerns, considerations, strategies, issues and politics; and (d) performing such other duties, and providing review and recommendations with respect to other matters, as requested by the Company's Board of Directors.

12.5 Board of Directors Deadlock.

(a) It is the intention of the Board of Directors to make a good faith effort to resolve Deadlocks (as defined below) between the Category A Directors and the Category B Directors; provided, however, that this provision shall apply only with respect to Deadlocks regarding decisions set forth in:

- (i) Sections 8.3(f) through (m), and Sections (o) through (r);

(ii) Section 8.3(n), but only at such time after which the Long-Term Capital Commitment has been satisfied and only to the extent that the additional capital will be spent on projects that are supported by a return on investment calculation or a material needs assessment (including operational needs) with respect to the Company Subsidiaries in the State of Rhode Island; and

(iii) Section 8.3(u), in the case of transactions having an aggregate value of less than Seven Hundred Fifty Thousand Dollars (\$750,000).

(b) For purposes of this Agreement, the term "Deadlock" shall mean the failure or inability to obtain on a timely basis the Approval of the Board with respect to any resolution or proposal that is reasonably necessary for the Company or a Company Subsidiary to continue to carry on its business activities or to comply with applicable Law, where such resolution or proposal has been approved by one Category of directors but not the other (accordingly, Deadlock may not occur if CCHP's interest is reduced to 5% and class voting no longer applies). In the event of any such Deadlock, the parties shall act in accordance with the following procedures:

(i) First, each category of Directors shall negotiate in good faith with the other category of Directors to try to settle any dispute for a period of thirty (30) days (which time period shall be reduced as may be necessary to address urgent and/or imminent circumstances, timeframes or deadlines). The Board of Directors shall meet at least once during such period (in person to the extent practicable) to attempt to resolve the dispute (beyond the meeting at which the deadlock became apparent).

(ii) In the event that by the end of the 30-day (or such lesser) period referred to in (i) above, the dispute is not settled pursuant to the procedures set forth in (i) above, then one designee from each of CCHP and Prospect shall meet (in person to the extent practicable, or via telephone) to attempt to resolve the dispute. If the dispute is still not resolved after such meeting and conferences, then the decision of the Category B Directors shall constitute the decision of the Board of Directors of the Company, notwithstanding any provision of this Agreement that specifically requires a majority vote of the Category A Directors or a majority vote of all Directors (and notwithstanding any other rights of the Category A Directors and CCHP hereunder).

(c) Notwithstanding the foregoing, in the event the Board of Directors should be Deadlocked with respect to the approval of an annual capital budget or an annual operating budget as described in Section 8.3(c) above, the Manager shall have the right, power and authority to make expenditures on behalf of the Company for budgeted items in amounts up to the following:

(i) With respect to each item of operating expense other than taxes and insurance, an amount equal to the amount set forth in the most recent annual operating budget that has received the Approval of the Board, increased by the percentage increase, if any, in the Consumer Price Index for the period beginning on the first day of the fiscal year to which the most recent annual budget approved by the Board

relates and ending on the first day of the fiscal year in which such expenditure is to be made;

(ii) With respect to each item relating to taxes and insurance, an amount equal to the amount of the actual expense incurred by the Company or a Company Subsidiary in respect of such item; and

(iii) With respect to each item of capital improvement or capital expenditure, an amount equal to the amount deemed reasonably necessary by the Manager to preserve the safety of the Hospitals, their patients and other occupants, to avoid the suspension of any services provided by the Hospitals or to preserve the accreditation of the Hospitals and their services.

Notwithstanding the foregoing, if any emergency involving manifest danger to life or property exists with respect to which expenditures are necessary for the preservation or safety of the Hospitals, for the safety of the patients and other occupants of the Hospitals, or to avoid the suspension of any necessary service to the Hospitals, such expenditures may be made by the Manager without the prior Approval of the Board. Any expenditure made by the manager in accordance with the authority granted by this section shall be deemed to have received Board approval for all purposes under this Agreement.

### XIII. TRANSFER OF RIGHTS AND ADDITIONAL MEMBERS.

13.1 Transfers by Members. Except as otherwise set forth in this Article XIII, a Member may not sell, assign (by operation of Law or otherwise), transfer, pledge or hypothecate ("Transfer") all or any part of its interest in the Company (either directly or indirectly through the transfer of the power to control, or to direct or cause the direction of the management and policies of, such Member). If a transfer is otherwise permitted by this Article XIII, then a Member may sell its interest in the Company if each of the following conditions is satisfied:

- (a) The sale, transfer or assignment is with respect to one or more Units;
- (b) The Member and its transferee execute, acknowledge and deliver to the Manager such instruments of Transfer and assignment with respect to such transaction as are in form and substance satisfactory to the Manager;
- (c) Unless waived in writing by the Manager, the Member delivers to the Manager an opinion of counsel satisfactory to the Manager covering such federal and state securities, healthcare (e.g., Medicare and DOH) and tax Laws and other aspects of the proposed Transfer as the Manager may reasonably request;
- (d) The Member has furnished to the transferee a written statement showing the name and taxpayer identification number of the Company in such form and together with such other information as maybe required under Section 6050K of the Code and the Regulations thereunder; and

(e) The Member pays the Company a transfer fee that is sufficient to pay all reasonable expenses of the Company (which shall include any and all expenses of the Manager) in connection with such transaction.

### 13.2 Permitted Transfers.

(a) Notwithstanding the restriction in Section 13.1, the following Transfers are permitted and shall not be deemed to violate the restrictions contained in Section 13.1:

(i) Transfers pursuant to Article XIV; provided that the Prospect Member may not sell its Units pursuant to Article XIV for a period of five (5) years from the initial date of this Agreement;

(ii) Transfers by a Member to one or more of its Affiliates, or a Transfer by CCHP to CharterCARE Health Partners Foundation (f/k/a St. Joseph Health Services Foundation), with any such transferee automatically becoming a Substituted Member; and

(iii) pledges or hypothecations by the Prospect Member of its interest in the Company to a financial institution, lender or other party as collateral for loans or other indebtedness of Prospect or any Affiliate thereof, including, without limitation, pursuant to the Indenture, Credit Agreement or other indebtedness, and any Transfer occurring upon the enforcement of such pledges or hypothecations and other indebtedness.

(b) Notwithstanding anything to the contrary in this Agreement, any change in control or change in the ownership of (i) Prospect or the Prospect Member, or any other direct or indirect parent of the Company (including, without limitation, upon the exercise of remedies pursuant to the Indenture, Credit Agreement and other indebtedness) or (ii) the Company upon the exercise of remedies pursuant to the Indenture, Credit Agreement or other indebtedness shall not constitute a Transfer of an interest in the Company for purposes of this Agreement, such changes will not be subject to the provisions of Sections 14.2 and 14.3 and such changes are permitted without the consent of the Manager or any Member or any approval of the Board. Any change in control or change in the ownership of a Company Subsidiary upon the exercise of remedies pursuant to the Indenture, Credit Agreement or other indebtedness are permitted without the consent of the Manager or any Member or any approval of the Board.

Any Member who Transfers all or any portion of its interest in the Company shall promptly notify the Manager of such Transfer and shall furnish to the Manager the name and address of the transferee and such other information as may be required under Section 6050K of the Code and the Regulations thereunder.

13.3 Substituted Member. No Person taking or acquiring, by whatever means, the interest of any Member in the Company, except as provided in Section 13.2 hereof, shall be admitted as a Substituted Member without the Approval of the Board (which consent may be withheld in the Board's sole discretion), and unless such Person:

(a) Elects to become a Substituted Member by delivering notice of such election to the Company;

(b) Executes, acknowledges and delivers to the Company such other instruments as the Manager may deem necessary or advisable to effect the admission of such Person as a Substituted Member, including, without limitation, the written acceptance and adoption by such Person of the provisions of this Agreement;

(c) Pays a transfer fee to the Company in an amount sufficient to cover all reasonable expenses (including legal fees) connected with the admission of such Person as a Substituted Member; and

(d) the requirements of Section 13.1 have been satisfied.

13.4 Additional Member. The Company may not issue Units to any Person who will be a new Member without the Approval of the Board.

13.5 Basis Adjustment. Upon the Transfer of all or part of an interest in the Company, the Manager may, in its reasonable discretion, cause the Company to elect, pursuant to Section 754 of the Code or the corresponding provisions of subsequent Law, to adjust the basis of the Company properties as provided by Sections 734 and 743 of the Code.

13.6 Invalid Transfer. No Transfer of an interest in the Company that is in violation of this Article XIII shall be valid or effective, and the Company shall not recognize any improper transfer for the purposes of making allocations, payments of profits, return of capital contributions or other distributions with respect to such Company interest or part thereof. The Company may enforce the provisions of this Article XIII, either directly or indirectly or through its agents, by entering an appropriate stop transfer order on its books or otherwise refusing to register or transfer or permit the registration or transfer on its books of any proposed transfers not in accordance with this Article XIII.

13.7 Distributions and Allocations in Respect of a Transferred Unit. If any Member Transfers any part of its interest in the Company during any accounting period in compliance with the provisions of this Article XIII, Company income, gain, deductions and losses attributable to such interest for the respective period shall be divided and allocated between the transferor and the transferee by taking into account their varying interests during the applicable accounting period in accordance with Section 706(d) of the Code. All Company distributions on or before the effective date of such Transfer shall be made to the transferor, and all Company distributions thereafter shall be made to the transferee. Solely for purposes of making Company tax allocations and distributions, the Company shall recognize a Transfer on the day following the day of Transfer. Neither the Company nor the Manager shall incur any liability for making Company allocations and distributions in accordance with the provisions of this Section 13.7, whether or not the Manager or the Company has knowledge of any Transfer of any interest in the Company or part thereof where the transferee is not admitted as a Substituted Member.

13.8 Additional Requirements of Admission to Company. The Manager shall not admit any Person as a Member if such admission would have the effect of causing the Company to be re-classified for federal income tax purposes as an association (taxable as a corporation under the

Code), or would violate any Medicare or other health care Law (assuming applicable notices, filings, etc.), or would violate applicable exemptions from securities registration and securities disclosure provisions under federal and state securities Laws.

13.9 Amendment to Exhibit B. The Manager shall amend Exhibit B attached to this Agreement from time to time to reflect the admission of any Substituted Members or Additional Members, or the termination of any Member's interest in the Company.

#### XIV. RIGHT TO LIQUIDATE OR PURCHASE COMPANY INTERESTS.

14.1 Right of First Offer. In the event that CCHP at any time wishes to Transfer any Units to any third party, CCHP shall give written notice to the Company and the Prospect Member of CCHP's intention to seek a purchaser for such Units (the "Offered Units"). The Prospect Member shall have until the thirtieth (30<sup>th</sup>) day following delivery of such notice to determine whether or not to submit an offer to purchase the Offered Units and to determine the terms and conditions of any such offer (the "Right of First Offer"). During such thirty (30)-day period, CCHP shall not Transfer the Offered Units. If an offer to purchase is made by the Prospect Member, CCHP may accept or reject such offer in its sole discretion, and in the latter case, the Transfer of Units by CCHP shall be further subject to compliance with the Right of First Refusal of the Prospect Member as set forth in Section 14.2 below.

14.2 Right of First Refusal. Subject to the restriction in Section 13.2(a)(i), if any Member (the "Selling Member") receives or obtains an offer from a third party (the "Offeror") to acquire in any manner all or any part of its Units in the Company (the "Interest"), which offer the Member intends to accept, the Member shall promptly notify the other Members in writing of the offer received, including the name of the Offeror, the number of whole or partial Units offered to be purchased, the proposed purchase price and the other terms and conditions of the offer. Such notice shall include a copy of the offer, which shall (i) be in writing; (ii) set forth with specificity all of the material terms and conditions of the offer; (iii) be made by a Person that is financially capable of completing such offer (and attaches documents supporting same); and (iv) provide for closing no later than one hundred eighty (180) days after the date on which such offer is received (the "Offer"). The other Member(s) shall have the right (the "Right of First Refusal") for a period of sixty (60) days from the day it receives notice of such Offer to purchase the Interest subject to the Offer on the same terms and conditions contained in the Offer, provided that for the purposes of this Agreement, any provisions in the Offer requiring payment of non-cash or non-promissory note consideration, any security therefore and any ancillary agreements shall be null, void and of no effect. The other Member(s) may exercise such Right of First Refusal by notifying the Selling Member prior to the end of the sixty (60)-day period of its intent to exercise such right. If the other Member(s) fails to exercise the Right of First Refusal or indicates in writing that it will not exercise the Right of First Refusal within the period provided, or if the other Member(s) exercises the Right of First Refusal but fails to effect the purchase within one hundred eighty (180) days thereafter, then the Selling Member may convey or dispose of the Interest, but only at the price, terms and conditions contained in the Offer, and only to the Offeror. If the Selling Member agrees to terms and conditions that are different in any material respects from those offered to the other Member(s), the other Member(s) shall again have the right to purchase the Selling Member's interest in the Company which is subject to the more favorable or different purchase terms in accordance with this Section 14.2 (under the timeframes



described above, as if a new Offer was provided). The other Member(s) may assign its rights under this Section 14.2 to the Company, in which event the Member's interest may be liquidated (rather than purchased) by the Company. The Member(s) and the Company shall not be liable or accountable to any Selling Member that attempts to transfer its interest in the Company for any loss, damage, expense, cost or liability resulting from the Member's exercise or failure to exercise the Right of First Refusal under this Section 14.2; delay in notifying the Selling Member of its intention not to exercise the Right of First Refusal, or its enforcement of the requirements of this Section 14.2 in the event that it elects not to exercise the Right of First Refusal. A Member's failure to exercise the Right of First Refusal or to indicate in writing that it is electing not to exercise the Right of First Refusal shall not be deemed a consent of the Member to allow any third party transferee to become a Substituted Member, such consent being controlled by the provisions of Sections 13.1 and 13.3 hereof.

14.3 Tag-Along Rights. If at any time after the fifth (5<sup>th</sup>) anniversary of the date of this Agreement, a Selling Member that holds a Sharing Percentage greater than fifty percent (50%) gives the notice required by Section 14.2 hereof in connection with an Offer to acquire in any manner all or any part of such Selling Member's Units in the Company, and the other Member(s) does not exercise its Right of First Refusal (or assign such right to the Company) with respect to such Offer, the other Member shall have (in addition to its Right of First Refusal under Section 14.2 hereof) the right (the "Tag-Along Right") to require, as a condition to any sale or disposition to the Offeror, that the Offeror purchase from the other Member, at the same price and on the same terms and conditions as specified in the notice given pursuant to Section 14.2 hereof, the number of Units owned by the other Member multiplied by a fraction, the numerator of which is the number of Units proposed to be sold by the Selling Member and the denominator of which is the total number of Units owned by the Selling Member. Such other Member shall have the Tag-Along Right for a period of sixty (60) days from the day it receives the notice required by Section 14.2 hereof (which is the same 60-day period for purposes of exercising its Right of First Refusal), and in the event that a Member shall elect to exercise such Tag-Along Right, such Member shall communicate such election in writing to the Selling Member within such time period.

14.4 Prospect Member Call Option.

(a) Within 90 days following a determination by CCHP to submit a matter to binding arbitration pursuant to Section 3.1(b) above, the Prospect Member shall have the option to purchase from CCHP, and CCHP shall have the obligation to sell to the Prospect Member, all of the Units held by CCHP in exchange for a payment in cash of a purchase price equal to the Appraised Value of the Units (as per Section 14.6 below).

(b) Within the 90-day period referenced in Section 14.4(a) above, the Prospect Member shall give written notice to CCHP of its election to exercise the option to purchase all of CCHP's Units (the "Call Election Notice"). If Prospect fails to give a Call Election Notice within the applicable ninety (90)-day time limit, the option to purchase shall lapse. The closing of the purchase and sale of CCHP's Units to the Prospect Member shall be held at a mutually acceptable place on a mutually acceptable date not more than ninety (90) days after the date on which the Call Election Notice is received by CCHP; provided that such time period shall be extended if needed such that the closing occurs within forty-five (45) days following the

determination of the Appraised Fair Market Equity Value of the Company pursuant to Section 14.6 below. The Prospect Member shall make payment to CCHP for the Units being purchased by delivering immediately available funds to an account designated by CCHP in the full amount of the purchase price applicable to the Units. CCHP shall transfer to the Prospect Member all of the Units being sold, free and clear of all claims, liabilities, options, pledges or other encumbrances of any kind (other than those arising under this Agreement and applicable Law).

#### 14.5 CCHP Put Option.

(a) Within 90 days following either -- (i) the fifth (5<sup>th</sup>) anniversary of the date of this Agreement, or (ii) the occurrence either of the conditions set forth in Section 3.2(c) of this Agreement -- CCHP shall have the option to sell to the Prospect Member, and the Prospect Member shall have the obligation to purchase, all of the Units held by CCHP in exchange for a payment in cash of a purchase price equal to the Appraised Value of the Units (as per Section 14.6 below). The Prospect Member shall give the Company and CCHP written notice of the foreclosure referenced in Section 3.2(c) as soon as practicable, but in no event later than thirty (30) days after such event has occurred. The Prospect Member's failure to give such notice shall not affect CCHP's rights granted herein.

(b) Within the 90-day period referenced in Section 14.5(a) above, CCHP shall give written notice to the Prospect Member and the Company of its election to exercise the option to sell all of its Units to the Prospect Member (the "Put Election Notice"). If CCHP fails to give a Put Election Notice within the applicable ninety (90)-day time limit, the option to sell shall lapse. The closing of the purchase and sale of CCHP's Units to the Prospect Member shall be held at a mutually acceptable place on a mutually acceptable date not more than ninety (90) days after the date on which the Put Election Notice is received by the Prospect Member; provided that such time period shall be extended if needed such that the closing occurs within forty-five (45) days following the determination of the Appraised Fair Market Equity Value of the Company pursuant to Section 14.6 below. The Prospect Member shall make payment to CCHP for the Units being purchased by delivering immediately available funds to an account designated by CCHP in the full amount of the purchase price applicable to the Units. CCHP shall transfer to the Prospect Member all of the Units being sold, free and clear of all claims, liabilities, options, pledges or other encumbrances of any kind (other than those arising under this Agreement and applicable Law).

#### 14.6 Appraised Value.

(a) For purposes of Section 14.4 and 14.5 above, the "Appraised Value of the Units" shall be the product determined by multiplying (i) the Appraised Fair Market Equity Value of the Company (hereinafter defined), times (ii) CCHP's Sharing Percentage. For purposes of this Agreement, the term "Appraised Fair Market Equity Value of the Company" shall mean the fair market value of the equity of the Company, as determined below.

(b) The Prospect Member and CCHP shall negotiate in good faith with one another following the Call/Put Election Notice (pursuant to Section 14.4(b) or 14.5(b) above, as applicable) to determine the Appraised Fair Market Value of the Company. The Prospect Member and CCHP agree to use their best efforts to negotiate and agree upon the Appraised Fair

Market Value of the Company. If the Prospect Member and CCHP reach an agreement as to the Appraised Fair Market Value of the Company, then the Appraised Fair Market Value of the Company shall be the amount determined by the Prospect Member and CCHP.

(c) Either party may notify the other party that it is initiating the Appraisal Process described below, or such other appraisal process upon which the parties may mutually agree in writing within ten (10) days of the date on which either party has initiated the appraisal process (the "Alternate Appraisal Process"). If either the Prospect Member or CCHP shall have initiated the Appraisal Process (and the parties shall not have agreed in writing to an Alternate Appraisal Process within ten (10) days), then the Prospect Member and CCHP shall each engage a "Qualified Appraiser" as defined below (collectively, the "Initial Appraisers", and individually, an "Initial Appraiser") within twenty (20) days after the date upon which the party received notice of the other party's intent to initiate the Appraisal Process (the "Initiation Date"). The Prospect Member and CCHP also shall engage jointly one additional Qualified Appraiser that is mutually acceptable to the parties (the "Third Appraiser", the Initial Appraisers and the Third Appraiser are referred to collectively as the "Appraisers"). If the parties cannot mutually agree upon the identity of the Third Appraiser within fifteen (15) days after the Initiation Date, the parties shall direct the Initial Appraisers to select and engage the Third Appraiser on behalf of the parties. Each of the Prospect Member and CCHP shall pay the fees and expenses of its respective Appraiser, and the fees and expenses of the Third Appraiser shall be shared equally by the Prospect Member and CCHP. For purposes of the Agreement, the term "Qualified Appraiser" shall mean an independent, third party, nationally recognized investment bank or MAI-certified appraiser who (i) has substantial experience in the valuation of health care entities comparable to the Company and (ii) has, within the twenty-four (24) month period preceding the date of the Election Notice, delivered appraisals and/or fairness opinions, on a going concern basis, in connection with at least three (3) other transactions involving the sales of hospitals. The Appraisers so selected shall each then conduct an appraisal to determine the Appraised Fair Market Equity Value of the Company (i) on a going concern basis, (ii) using valuation techniques then customary and accepted in the industry but without consideration of minority interest discounts, (iii) using performance information respecting the Facilities that is acceptable to the Prospect Member and CCHP and that has been supplied to each of the Appraisers, (iv) viewing the enterprise of the Company as a whole, (v) taking into account the future prospects of the Facilities, and (vi) assuming that the Company were to be sold on a stand-alone basis (and not as a part of a portfolio sale). Each Appraiser's determination of the Appraised Fair Market Equity Value of the Company (individually, a "Valuation" and collectively, the "Valuations") shall be expressed as a single value rather than a range of values. Each party shall cause the Initial Appraiser engaged by it to submit such Initial Appraiser's sealed Valuation to the other party within sixty (60) days of the Initiation Date, and both parties shall use their reasonable best efforts to cause the Third Appraiser to submit its sealed Valuation to both parties within such period. Once the Prospect Member and CCHP have received from all three Appraisers their respective Valuations, the Appraised Fair Market Equity Value of the Company shall be determined based upon the Valuations as follows:

(i) if the three Valuations are within ten percent (10%) of one another (i.e., if each of the highest Valuation and the middle Valuation is no greater than 1.10 times the lowest Valuation); the Appraised Fair Market Equity Value of the Company shall be the average of all three Valuations;

(ii) if subsection (i) above is inapplicable and two Valuations are within ten percent (10%) of one another, (i.e., if the higher of such two Valuations is no greater than 1.10 times the lower of such two Valuations), the Appraised Fair Market Equity Value of the Company shall be the average of such two Valuations;

(iii) if subsections (i) and (ii) above are inapplicable and the three Valuations are within twenty percent (20%) of one another (i.e., if each of the highest Valuation and the middle Valuation is no greater than 1.20 times the lowest Valuation), the Appraised Fair Market Equity Value of the Company shall be the average of all three Valuations;

(iv) if subsections (i) through (iii) above are inapplicable and two Valuations are within twenty percent (20%) of one another (i.e., if the higher of such two Valuations is no greater than 1.20 times the lower of such two Valuations), the Appraised Fair Market Equity Value of the Company shall be the average of such two Valuations; and

(v) if subsections (i) through (iv) above are inapplicable, the Appraised Fair Market Equity Value of the Company shall be the average of all three Valuations.

## XV. DISSOLUTION.

15.1 Causes. Each Member expressly waives any right that it might otherwise have to dissolve the Company except as set forth in this Article XV. The Company shall be dissolved upon the first to occur of the following:

- (a) The Approval of the Board of an instrument dissolving the Company;
- (b) The dissolution of the Company by judicial decree; or
- (c) The Approval of the Board of the dissolution of the Company after having determined that a rule, ordinance, regulation, statute or government pronouncement has or may be enacted that would make any material aspect of this Agreement or the activities conducted by the Company unlawful or eliminate or substantially reduce, either directly or indirectly, the benefits that would accrue to the Members with respect to continuing the Company's business operations; provided, however, that the Members agree to first use their best efforts to restructure the Company in such a manner that will avoid the unlawful or adverse effect and, to the extent practicable, will preserve the existing financial and business relationships among them; and provided further that the foregoing shall not apply in the event CCHP's tax-exempt status is impacted (but rather in such event CCHP's sole remedy is exercising its rights under Section 14.5).

15.2 Limitation. Nothing contained in Section 15.1 is intended to grant to any Member the right to dissolve the Company at will (by retirement, resignation, withdrawal or otherwise), or to exonerate any Member from liability to the Company and the remaining Members if it dissolves the Company at will. Any dissolution at will of the Company shall be in contravention

of this Agreement for purposes of the Act. Dissolution of the Company under Section 15.1(c) shall not constitute a dissolution at will.

## XVI. WINDING UP AND TERMINATION.

16.1 General. If the Company is dissolved and is not reconstituted, the Members who own at least eighty percent (80%) of the aggregate Members' Sharing Percentages shall select an independent third party (meaning, for these purposes, a person or persons other than Prospect, the Prospect Member, the Manager or any other Prospect Affiliate) to serve as liquidator or liquidating committee (herein referred to as the "Liquidator"). The Liquidator shall commence to wind up the affairs of the Company and to liquidate and sell the Company's assets, with an obligation to treat Members equally in proportion to their membership interest. The Liquidator shall have sufficient business expertise and competence to conduct the winding up and termination of the Company and, in the course thereof, to cause the Company to perform any contracts that the Company has or thereafter enters into. The Liquidator shall have full right and unlimited discretion to determine the time, manner and terms of any sale or sales of Company property under such liquidation, having due regard for the activity and condition of the relevant market and general financial and economic conditions. The Liquidator shall be entitled to receive such reasonable compensation for its services as shall be agreed upon by the Liquidator and those Members who own at least eighty percent (80%) of the aggregate Members' Sharing Percentages. The Liquidator may resign at any time by giving fifteen (15) days prior written notice and may be removed at any time, with or without cause, by written notice of Members who own at least eighty percent (80%) of the aggregate Members' Sharing Percentages. Upon the death, dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all the rights, powers and duties of the original Liquidator) will, within thirty (30) days thereafter, be appointed by those Members who own at least eighty percent (80%) of the aggregate Members' Sharing Percentages, evidenced by written appointment and acceptance. The right to appoint a successor or substitute Liquidator in the manner provided herein shall be recurring, and continuing for so long as the functions and services of the Liquidator are authorized to continue under the provisions hereof, and every reference herein to the Liquidator will be deemed to refer also to any such successor or substitute Liquidator appointed in the manner herein provided. The Liquidator shall have and may exercise, without further authorization or consent of any of the parties hereto or their legal representatives or successors in interest, all of the powers conferred upon the Manager under the terms of this Agreement to the extent necessary or desirable in the good faith judgment of the Liquidator to perform its duties and, functions. The Liquidator shall not be liable to the Members except to the extent provided in the Act and shall, while acting in such capacity on behalf of the Company, be entitled to the indemnification rights set forth in Section 17.1 hereof.

16.2 Court Appointment of Liquidator. If, within ninety (90) days following the date of dissolution or other time provided in Section 16.1 hereof, a Liquidator or successor Liquidator has not been appointed in the manner provided therein, any interested party shall have the right to make application to any United States Federal District Judge (in his individual and not judicial capacity) for the District of Rhode Island for appointment of a Liquidator or successor Liquidator, and the Judge, acting as an individual and not in his judicial capacity, shall be fully authorized and empowered to appoint and designate a Liquidator or successor Liquidator who shall have all the powers, duties, rights and authority of the Liquidator herein provided.

16.3 Liquidation. The Liquidator shall give all notices to creditors of the Company and shall make all publications required by the Act. In the course of winding up and terminating the business and affairs of the Company, the assets of the Company (other than cash) shall be sold or distributed in kind to the Members, in the reasonable discretion of the Liquidator, its liabilities and obligations to creditors, including any Members who made loans to the Company as provided in Section 4.5 hereof, and all expenses incurred in its liquidation shall be paid, and all resulting items of Company income, gain, loss or deduction shall be credited or charged to the Capital Accounts of the Members in accordance with Article V hereof. The fair market value of any assets of the Company distributed in kind to the Members shall be determined by an independent appraiser chosen by the Board of Directors. Any distribution in kind need not be made on a pro rata basis so long as the value of the assets and cash (if any) distributed to each Member is in compliance with this Article. All Company assets (except to the extent reserves have been established pursuant to Section 16.4 hereof) shall be distributed among all Members having positive Capital Account balances (as determined after giving effect to all adjustments attributable to allocations of items of profit and loss realized by the Company during the fiscal year in question (including items of profit and loss realized on the liquidation) and all adjustments attributable to contributions and distributions of money and property effected prior to such distribution), pro rata in accordance with such positive Capital Account balances. This distribution shall be made no later than the end of the Fiscal Year during which the Company is liquidated (or, if later, ninety (90) days after the date on which the Company is liquidated). Upon the completion of the liquidation of the Company and the distribution of all the Company assets, the Company shall terminate and the Liquidator shall have the authority to execute and record all documents required to effectuate the dissolution and termination of the Company. In the discretion of the Liquidator, a pro rata portion of the distributions that would otherwise be made to the Members may instead be distributed to a trust established for the benefit of the Members for the purposes of liquidating Company property, collecting amounts owed to the Company, and paying any contingent or unforeseen liabilities or obligations of the Company or of the Members arising out of or in connection with the, Company. The assets of any such trust shall be distributed to the Members from time to time, in the reasonable discretion of the Liquidator, in the same proportions as the amount distributed to such trust by the Company would otherwise have been distributed to the Members pursuant to this Agreement.

16.4 Creation of Reserves. After making payment or provision for payment of all debts and liabilities of the Company and all expenses of liquidation, the Liquidator may set up such cash reserves as the Liquidator may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company.

16.5 Final Statement. Within a reasonable time following the completion of the liquidation, the Liquidator shall supply to each of the Members a statement that sets forth the assets and the liabilities of the Company as of the date of complete liquidation; each Member's pro rata portion of distributions under Section 16.3 hereof, and the amount retained as reserves by the Liquidator under Section 16.4 hereof.

## XVII. MISCELLANEOUS.

17.1 Standard of Care; Indemnification.

(a) The members of the Board of Directors, the Members and the Manager (the "Representatives") shall not be liable, responsible or accountable in damages to any Member or the Company for any act or omission on behalf of the Company performed or omitted by them in good faith and in a manner they reasonably believed to be in the best interests of the Company and, in the case of a criminal proceeding, if they had no reasonable cause to believe that the conduct was unlawful.

(b) To the fullest extent permitted by the Act, the Company shall indemnify each Representative against reasonable expenses (including reasonable attorneys' fees), judgments, taxes, penalties, fines (including any excise tax assessed with respect to an employee benefit plan) and amounts paid in settlement (collectively "Liability"), incurred by the Representative in connection with defending any threatened, pending or completed action, suit or proceeding (whether civil, criminal, administrative or investigative, and whether formal or informal) to which the Representative is, or is threatened to be made, a party because they are or were a Representative, provided that (i) the Representative acted in good faith and in a manner reasonably believed by the Representative to be in the best interest of the Company; (ii) in the case of a criminal proceeding, the Representative had no reasonable cause to believe the conduct was unlawful; (iii) in connection with a proceeding brought by or in the right of the Company, the Representative was not adjudged liable to the Company; and (iv) the Representative was not adjudged liable in a proceeding charging improper personal benefit.

(c) To the fullest extent authorized or permitted by the Act, the Company shall pay or reimburse reasonable expenses (including reasonable attorneys' fees) incurred by a Representative who is a party to a proceeding in advance of final disposition of such proceeding if (i) the Representative furnishes the Company a written affirmation of its, his or her good faith belief that it, he or she has met the standard of conduct described in Section 17.1(b) hereof; (ii) the Representative furnishes the Company a written undertaking, executed personally or on the Representatives behalf, to repay the advance if it is ultimately determined that the Representative did not meet the standard of conduct and the Board reasonably believes such Representative would have the ability to repay such advance; and (iii) a determination is made that the facts then known to those making the determination would not preclude indemnification under the provisions of Section 17.1(b) hereof.

(d) The indemnification against Liability and advancement of expenses provided by, or granted pursuant to, this Section 17.1 shall not be deemed exclusive of any other rights to which these seeking indemnification or advancement may be entitled under any agreement, action of Members or otherwise, both as to action in their official capacity and as to action in another capacity while holding such office of the Company, shall continue as to an entity or person who has ceased to be a Representative, and shall inure to the benefit of the successors, assigns, heirs, executors and administrators of such an entity or person.

(e) Any repeal or modification of this Section 17.1 by the Members shall not adversely affect any right or protection of the Representatives under this Section 17.1 with respect to any act or omission occurring prior to the time of such repeal or modification.

## 17.2 Purchase Agreement Indemnification Obligations.

(a) In the event that CCHP is required to pay the Company or Prospect an amount pursuant to the indemnification provisions of the Purchase Agreement (an "Unpaid Indemnification Amount"), and fails to pay all of such amount within thirty (30) days, then Prospect may, in its sole and absolute discretion, recoup or offset, as applicable, on a dollar-for-dollar basis, all or a portion of the Unpaid Indemnification Amount in the following order of priority to the extent amounts are available in each such category: (x) by receiving distributions from the Company otherwise due to CCHP in respect of its Units (pursuant to the provisions of Section 17.2(b) below), (y) by reducing the Long-Term Capital Commitment, or (z) by treating such amount as an additional capital contribution by Prospect to the Company and adjusting the Prospect Member's and the Seller Members' respective Sharing Percentages (pursuant to the provisions of Section 17.2(c) below), or any combination of the foregoing, all pursuant to the terms of the Amended and Restated Agreement.

(b) If and to the extent Prospect elects to receive distributions in respect of an Unpaid Indemnification Amount as provided for in clause (x) of Section 17.2(a) above, if the Unpaid Indemnification Amount is due to Prospect, the Company shall pay to Prospect all distributions due hereunder to CCHP until the Unpaid Indemnification Amount due to Prospect from CCHP has been fully satisfied; and (ii) if the Unpaid Indemnification Amount is due to the Company, the Company shall offset all distributions due hereunder to CCHP until the Unpaid Indemnification Amount due to the Company has been fully satisfied, and shall make a special distribution to Prospect equal to the Unpaid Indemnification Amount. In such an event, the distributions which would have otherwise been made to CCHP shall be treated as if they were actually made to CCHP and then paid by CCHP to Prospect or to the Company, as applicable.

(c) If and to the extent Prospect elects to receive distributions in respect of an Unpaid Indemnification Amount as provided for in clause (z) of Section 17.2(a) above, the Unpaid Indemnification Amount (including interest thereon) shall be treated as an Additional Capital Contribution by Prospect to the Company pursuant to Section 4.2(e) above, and CCHP's and the Prospect Member's Sharing Percentage (and Units) shall be adjusted as per such provision, as if CCHP were a Non-Contributing Member (provided, however, that this provision shall not cause CCHP's Sharing Percentage to fall below 5%).

17.3 Notices. All notices given pursuant to this Agreement shall be in writing and shall be deemed effective when personally delivered or when placed in the United States mail, registered or certified with return receipt requested, when sent by nationally recognized overnight courier service, or when sent by prepaid telegram or facsimile followed by confirmatory letter. For purposes of notice, the addresses of the Members shall be as stated under their names on the attached Exhibit B; notices to the Company shall be sent to 825 Chalkstone Avenue, Providence, RI 02908, to the attention of the Chief Executive Officer, with a copy to the Prospect Member. Notwithstanding the foregoing, each Member shall have the right to change its address for notice hereunder to any other location by the giving of thirty (30) days' notice to the Manager in the manner set forth above.

#### 17.4 Choice of Law and Dispute Resolution.

(a) Choice of Law. The parties agree that this Agreement shall be governed by and construed in accordance with the Laws of the State of Rhode Island, without giving effect



to any choice or conflict of law provision or rule thereof that would require the application of any other law.

(b) Dispute Resolution. In the event that any dispute, controversy or claim arises among the parties, including any dispute, controversy or claim arising out of this Agreement or any other relevant document, or the breach, termination or invalidity thereof (a "Dispute"), the parties shall attempt in good faith to resolve such Dispute promptly by negotiation (including at least one in-person meeting) over a period of not less than thirty (30) days, commencing upon one party's delivery of a written notice of Dispute to the other parties.

(i) If the Dispute has not been resolved by negotiation as provided above and such Dispute involves claims of One Million Dollars (\$1,000,000) or more, a party may submit the matter to a court of law or equity through the filing of a claim. The parties agree that, except as otherwise expressly provided in Section 17.4(b)(ii)(2) and Section 17.5 below, venue for any and all claims associated with a Dispute between the parties shall rest with the state courts of the State of Delaware; provided, however, that such court shall construe and apply the Laws of the State of Rhode Island as provided in Section 17.4(a) above.

(ii) If the Dispute has not been resolved by negotiation as provided above and such Dispute involves claims of less than One Million Dollars (\$1,000,000), such Dispute shall be settled solely and finally pursuant to the following procedures:

(1) Either party may submit the Dispute to non-binding mediation. Such mediation shall be conducted by JAMS by a neutral mediator, which shall be selected from a list of 10 potential candidates provided by JAMS' office in New York City (none of whom work or reside in Rhode Island or California, or any State contiguous to either of the foregoing). If complete agreement cannot be reached within 45 calendar days of submission to mediation, any remaining issues will be resolved by binding arbitration as provided below.

(2) If the Dispute has not been resolved by mediation as provided above, then either party may submit the Dispute to binding arbitration. Such arbitration shall be conducted by JAMS pursuant to its Comprehensive Arbitration Rules and Procedures, by one neutral arbitrator, which shall be selected from a list of 10 potential candidates provided by JAMS' office in New York City (none of whom work or reside in Rhode Island or California, or any State contiguous to either of the foregoing). Unless otherwise agreed by the parties, the arbitration shall be held in Providence, Rhode Island. In conducting such arbitration, the arbitrator shall be bound to adhere to the Laws of the State of Rhode Island, as well as the precedents established by decisions of the state courts of Rhode Island. The award made by the arbitrator shall be final and binding upon the parties thereto and the subject matter, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof. The arbitrator shall not have the authority to award punitive or exemplary damages. The costs and fees of the arbitration shall be borne responsible for its own attorneys' fees; provided, however, that the prevailing party in any such arbitration shall be entitled to recover its reasonable attorneys' fees, expert witness fees, costs and expenses (including, without limitation arbitration fees) incurred in connection with the arbitration to the extent such recovery is permitted by the Law(s) governing the claim(s) asserted. Notwithstanding anything in this Section 17.4(b)(ii) to the contrary, either party shall be entitled to seek enforcement of the

arbitrator's final rulings, and to pursue injunctive relief, in a court of competent jurisdiction in the State of Rhode Island.

(c) Waiver of Trial by Jury or Judge. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHTS IT MAY HAVE TO DEMAND THAT ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR, IN ANY WAY RELATED TO THIS AGREEMENT OR THE RELATIONSHIPS OF THE PARTIES HERETO BE TRIED BY JURY OR A JUDGE. THIS WAIVER EXTENDS TO ANY AND ALL RIGHTS TO DEMAND A TRIAL BY JURY OR JUDGE ARISING FROM ANY SOURCE INCLUDING, BUT NOT LIMITED TO, THE CONSTITUTION OF THE UNITED STATES OR ANY STATE THEREIN, COMMON LAW OR ANY APPLICABLE STATUTE OR REGULATIONS. EACH PARTY HERETO ACKNOWLEDGES THAT IT IS KNOWINGLY AND VOLUNTARILY WAIVING ITS RIGHT TO DEMAND TRIAL BY JURY OR JUDGE.

17.5 Specific Performance. Notwithstanding anything to the contrary contained herein, each party acknowledges and agrees that the non-breaching parties would be irreparably damaged if any of the provisions of this Agreement are not performed in accordance with their specific terms and that any breach of this Agreement by a party could not be adequately compensated in all cases by monetary damages alone. Accordingly, in addition to any other right or remedy to which the non-breaching parties may be entitled, at law or in equity, they shall be entitled to enforce any provision of this Agreement by seeking, from a court of competent jurisdiction in the State of Rhode Island, a decree of specific performance and temporary, preliminary and permanent injunctive relief to prevent breaches or threatened breaches of any of the provisions of this Agreement, without posting any bond or other undertaking.

17.6 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Members, and their respective heirs, legal representatives, successors and permitted assigns; provided, however, that nothing contained herein shall negate or diminish the restrictions set forth in Articles XIII or XIV hereof.

17.7 Construction. Every covenant, term, and provision of this Agreement shall be construed simply according to its fair meaning and not strictly for or against any Member. The failure by any party to specifically enforce any term or provision hereof or any rights of such party hereunder shall not be construed as the waiver by that party of its rights hereunder. The waiver by any party of a breach or violation of any provision of this Agreement shall not operate as, or be construed to be, a waiver of any subsequent breach of the same or other provision hereof.

17.8 Time. Time is of the essence with respect to this Agreement.

17.9 Waiver of Partition. Notwithstanding any statute or principle of Law to the contrary, each Member hereby agrees that, during the term of the Company, it shall have no right (and hereby waives any right that it might otherwise have had) to cause any Company property to be partitioned and/or distributed in kind.

17.10 Entire Agreement. This Agreement, together with the Purchase Agreement, contain the entire agreement among the Members relating to the subject matter hereof, and all prior agreements relative hereto that are not contained herein are terminated.

17.11 Amendments. Except as otherwise expressly provided in this Section 17.11, amendments or modifications may be made to this Agreement only by setting forth such amendments or modifications in each document receiving Approval of the Board, and any alleged amendment or modification herein that is not so documented and approved shall not be effective as to any Member. The Manager may, without the approvals set forth in this Section 17.11, amend any provision of this Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith to the extent necessary to reflect:

(a) a change in the location of the principal place of business of the Company not inconsistent with the provisions of Section 2.3, or a change in the registered office or the registered agent of the Company;

(b) admission of a Member into the Company or termination of any Member's interest in the Company in accordance with this Agreement;

(c) qualification of the Company as a limited liability company under the Laws of any state or that is necessary or advisable in the opinion of the Manager to ensure that the Company will not be treated as an association taxable as a corporation for federal income tax purposes, provided, in either case, such action shall not adversely affect any Member; or

(d) a change that is required or contemplated by this Agreement.

17.12 Severability. This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all applicable Law. If any provision of this Agreement or the application thereof to any Person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, but the extent of such invalidity or unenforceability does not destroy the basis of the bargain among the Members as expressed herein, the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected thereby, but rather shall be enforced to the greatest extent permitted by Law.

17.13 Gender and Number. Whenever required by the context, as used in this Agreement, the singular number shall include the plural and the neuter shall include the masculine or feminine gender and vice versa.

17.14 Exhibits. Each Exhibit to this Agreement is incorporated herein for all purposes.

17.15 Additional Documents. Each Member, upon the request of the Manager, agrees to perform all further acts and execute, acknowledge and deliver any documents that may be reasonably necessary, appropriate or desirable to carry out the provisions of this Agreement.

17.16 Headings. The section headings appearing in this Agreement are for convenience of reference only and are not intended, to any extent or for any purpose, to limit or define the text of any section.

17.17 Counterpart. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute but one document.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Members have entered into this Agreement as of the date first written above.

CHARTERCARE HEALTH PARTNERS

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

PROSPECT EAST HOLDINGS, INC.

By: \_\_\_\_\_  
Name: Sam Lee  
Title: CEO

PROSPECT CHARTERCARE, LLC

By: \_\_\_\_\_  
Name: Sam Lee  
Title: CEO