

March 1, 2014

Saint John's Hospital and Health Center Foundation  
Santa Monica, CA

Re: Side Letter – Local Governance

Ladies and Gentlemen:

This letter (the or this “Side Letter”), effective as of the date above, sets forth the understandings reached between Providence Health System – Southern California, a California nonprofit religious corporation (“PHS-SC”), and Providence Saint John’s Health Center, a California nonprofit public benefit corporation (“SJHC”), and Saint John’s Hospital and Health Center Foundation, a California nonprofit public benefit corporation (the “Foundation”), regarding the local governance of SJHC and the participation by the Foundation in such governance. We appreciate your continuing support of SJHC and your interest in participating in a meaningful way in such local governance.

In this regard, PHS-SC, SJHC and the Foundation have agreed as follows:

- 1) the Foundation has agreed to amend the Articles and Bylaws of the Foundation to read in full as set forth in Exhibits A-1 and A-2 hereof, respectively, such amendments to be effective as of the Effective Time of the Affiliation contemplated by that certain Affiliation Agreement, dated September 13, 2013 (the “Affiliation Agreement”), amongst PHS-SC, Sisters of Charity of Leavenworth Health System, Inc. and SJHC.
- 2) PHS-SC has agreed to serve as one of the two corporate members of the Foundation; the other corporate member shall be Saint John’s Health Center Foundation Governance, Inc., whose Articles of Incorporation and Bylaws shall read in full as set forth in Exhibits B-1 and B-2 hereof, respectively.
- 3) The Catholic sponsor, corporate member and Board of Directors of SJHC shall be as contemplated in Section 1.1 of the Affiliation Agreement.
- 4) The Providence Saint John’s Health Center Community Ministry Board Bylaws shall be as set forth on Exhibit C hereto (the “Community Ministry Board Bylaws”).
- 5) The Community Ministry Board shall be known and identified and operate locally as the “Providence Saint John’s Local Board of Directors.”
- 6) As to the composition of the Providence Saint John’s Health Center Community Board (the “Community Ministry Board”),

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- a. The initial Community Ministry Board shall consist of twenty-one (21) members (with at least seven (7) members in place by March 1, 2014); and PHS-SC and the Foundation shall agree to any further change in the number of Community Ministry Board members.
  - b. The initial Community Ministry Board members (who are not ex-officio members) shall be appointed from nominees selected by the Nominating Committee described in Exhibit D hereto. Thereafter, the Community Ministry Board shall agree upon a nomination process to develop nominees to serve on the Community Ministry Board and any such process shall (i) include the Chair of the Board of Trustees of the Foundation and the Chair of the Board Affairs Committee of the Foundation and (ii) solicit nominees from the Foundation.
  - c. At all times, either the Providence Region's Chief Executive or Chief Operating Officer shall be an ex-officio (voting) member of the Community Ministry Board; in addition, the current Chief Operating Officer of Providence Health & Services (Michael Butler) shall serve as an ex officio (voting) member of the Community Ministry Board for so long as he holds that position of Chief Operating Officer.
  - d. The Community Ministry Board shall confidentially consult with Foundation leadership concerning any representatives nominated to serve on the Community Ministry Board from the SJHC Medical Staff; provided, at all times, the SJHC Medical Staff President shall be an ex-officio (voting) member of the Community Ministry Board;
  - e. At all times, at least seven members of the Community Ministry Board (or, if there are less than 21 members, then at least 37.5% of the Community Ministry Board) shall be persons who were nominated by the Foundation, which nominees meet the qualifications for such Community Ministry Board membership; and
  - f. At all times, the Chair of the Board of Trustees of the Foundation shall be an ex officio (voting) member of the Community Ministry Board.
- 7) In addition to the powers delegated in Section 2.1 of the Community Ministry Board Bylaws, the Community Ministry Board shall also have delegated to it the principal responsibility to review, evaluate, receive and provide input on, approve (including approval to terminate where applicable), modify and exercise governance oversight of (subject to the ultimate authority of the Board of Directors of SJHC to disapprove such action):
- a. the capital and operating budgets for SJHC and unbudgeted requests for expenditures over a dollar threshold consistent with PHS-SC policy;
  - b. the strategic direction, plans, initiatives and transactions for or involving SJHC;

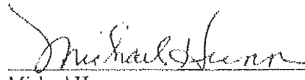
- c. joint ventures (or like contractual, strategic or operational arrangements) as to which SJHC will be a party or which involve SJHC;
  - d. physician strategies and relationships at SJHC or which involve SJHC;
  - e. the purchase, disposition and development of real estate owned or to be owned by SJHC or to be used by SJHC;
  - f. existing and new clinical or health services and programs at or involving SJHC;
  - g. In addition, the Community Ministry Board shall
    - i. collaborate with the Search Committee in the search for and selection of the Local Executive, subject to final approval and appointment by Providence’s President, Operations & Services;
    - ii. Participate in the annual evaluation of Medical Directors of SJHC;
    - iii. Participate in evaluations of the Local Executive and decisions regarding his/her termination in collaboration with the Local Executive’s employer, PHS-SC; and
    - iv. Exercise governance oversight over the implementation of the corporate compliance plan at SJHC.
- 8) The Local Executive and the SJHC CFO shall report regularly, at the Community Ministry Board regular meetings and any special meetings, on the status of operations and performance of SJHC and on other business matters within the Community Ministry Board’s purview.
- 9) Miscellaneous.
- a. The terms and conditions of this Side Letter shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto. Nothing in this Side Letter, expressed or implied, is intended to confer upon any third party any rights, remedies, obligations, or liabilities under or by reason of this Side Letter, except as expressly provided in this Side Letter.
  - b. This Side Letter shall be governed by and construed under the laws of the State of California as applied to agreements among California residents, made and to be performed entirely within the State of California, without giving effect to conflicts of laws principles; and, in this regard, the parties hereto shall be entitled to seek any appropriate remedies and relief available at law or in equity in the event of any dispute or default hereunder.

- c. This Side Letter may be executed in two or more counterparts, in original or facsimile or electronic counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
- d. This Side Letter and the attachments constitute the full and entire understanding and agreement between the parties hereto with regard to the subject matter hereof and no party shall be liable or bound to any other party in any manner by any representations, warranties, covenants and agreements except as specifically set forth herein.

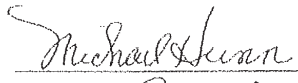
If the foregoing accurately reflects our understandings and agreements with respect to the foregoing, please signify your acceptance by executing and returning to us the enclosed copy of this letter.

Very truly yours,

PROVIDENCE HEALTH SYSTEM  
SOUTHERN CALIFORNIA

By:   
Michael Hunn  
Its: SVP/Regional Chief Executive

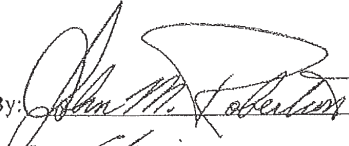
PROVIDENCE SAINT JOHN'S HEALTH  
CENTER

By:   
Its: SVP-Regional Chief Executive

[The Foundation's Signature appears on next page]

*(Signature Page to Side Letter)*

READ AND AGREED TO  
SAINT JOHN'S HOSPITAL AND  
HEALTH CENTER FOUNDATION

By:   
Its: Chairman

Dated: March 7, 2014

*(Signature Page to Side Letter)*