



Exceptional Partners. Exceptional Performance.

July 18, 2019

Mr. Chris Christensen
Interim Chief Executive Officer
Desert Healthcare District
1140 N. Canyon Drive
Palm Springs, California 92262

Dear Chris:

Kaufman, Hall & Associates, LLC (“Kaufman Hall”) is pleased to present our proposal to assist Desert Healthcare District (“Desert Health” or the “District”) in negotiating and evaluating a potential lease or a sale of Desert Regional Medical Center and its related assets (the “Hospital”) to Tenet Health (or “Tenet”) (the “Transaction”). We understand that the District has received a proposal from Tenet to acquire the assets of the Hospital, which they currently are leasing from the District. The District intends to create a special Ad-Hoc committee (the “Committee”) to oversee this project and is seeking support from Kaufman Hall in evaluating Tenet’s proposal and negotiating terms of a transaction for the Board to consider.

As you are aware, Kaufman Hall is very active in providing merger and acquisition advisory and consulting services to the healthcare services industry on a national basis and we believe we are especially qualified to provide objective advisory services to the District for the following key reasons.

1. **National Expertise in Healthcare Mergers and Acquisitions.** Kaufman Hall is a leading provider of merger and acquisition (“M&A”) advisory services to the healthcare services industry. We have been involved in hundreds of M&A-related transactions and our expertise includes all forms of affiliations, including member substitutions, asset sales, leases, joint-ventures, partnerships, and joint operating agreements. Our M&A experience with hospitals and health systems ranges from small community hospitals to multi-hospital health systems as well as publicly owned hospitals. It is this experience, coupled with our understanding of the broader healthcare marketplace, that positions us to provide a unique perspective on the partnership opportunities for providers across the continuum of care.
2. **Focus on the Healthcare Services Industry.** Since our inception over 30 years ago, Kaufman Hall has been dedicated to providing consulting services and software tools to the healthcare services industry. As such, we are intimately familiar with the issues and challenges healthcare services providers are facing on a day-to-day basis. We believe our deep knowledge of hospitals and health systems makes us uniquely qualified to advise the District in its lease negotiation.
3. **Familiarity with California District Affiliation Projects.** The lead transaction adviser assigned to this project, Steve Hollis, has served a number of the leading Districts in California on very similar assignments – notable examples are Grossmont (lessee: Sharp Healthcare), Eden Township (counterparty: Sutter Health), and Sequoia (counterparty: Dignity Health). Steve’s history with

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districts means that he is very familiar with managing an affiliation process within the constraints of the California code, as well as supporting elected Board members through the complex decision-making process.

4. **Familiarity with Desert Health.** The lead executives on this assignment, Steve Hollis and Jody Hill-Mischel, have had the pleasure of serving the District as its advisor in 2018 and 2019. This history with the District ensures that the Kaufman Hall team enters this project with an in-depth understanding of the financial, operational, and strategic position of the District, as well as great familiarity with the existing relationship with Tenet. This knowledge base equips us to provide a unique level of support in the proposed negotiation process.
5. **Client-Driven Approach.** Kaufman Hall has built a very successful and nationally recognized consulting practice and software business based on our fundamental commitment to a client-driven approach. We work closely with a broad range of healthcare providers, including the largest multi-state hospital systems in the country, complex academic medical centers, public hospitals, urban tertiary care providers, stand-alone community providers, specialty providers, and large physician group practices. Any contemplated transaction is evaluated within the context of achieving the long-term mission and vision of our clients.
6. **Independence.** Supporting our client-driven approach, Kaufman Hall has maintained a long-standing practice of providing objective and independent advice in the long-term best interests of our clients. We do not take a financial interest in our clients, nor do we work on a contingency basis or have specific business ventures with any party that would introduce a conflict of interest. We have structured our firm to provide independent and objective advice to our clients at all times.
7. **Quality, Expertise, and Hard Work.** Kaufman Hall adds value to its transactions through commitment and hard work. Our clients will testify that Kaufman Hall provides real quality and expertise throughout each and every M&A engagement. Unlike some other firms that provide M&A services, our consultants do not “hand off” the transaction to attorneys once a preferred partner is identified. We believe any transaction contemplated should be evaluated within the context of achieving the long term mission and vision of our client and remain deeply involved in all aspects of the transaction process so that this focus is maintained. Our consultants provide exceptional financial and strategic analysis, contribute to the development of all transaction documents (e.g., letter of intent and definitive agreements) and, most importantly, we assure our client’s goals and objectives are met as a result of the transaction.

SCOPE OF SERVICES

Kaufman Hall is able to assist Desert Health in all phases of the evaluation and negotiation of a potential transaction with Tenet. During the course of this engagement, Kaufman Hall may provide the following services.

- A. **Coordination of Activities.** Kaufman Hall will coordinate all aspects of the Transaction. We will develop a transaction timetable and ensure the process continues according to this timetable. The timetable so developed shall be subject to approval by management and will reflect the inter-relationships that arise between this affiliation process and all other key related initiatives

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of the District. The District acknowledges that circumstances out of the control of the District or Kaufman Hall may extend this engagement beyond the original timetable. We anticipate that the timetable will be a “living document” which will necessarily be adapted during the course of the process to reflect external events.

- B. **Negotiation of Term Sheet and/or Letter of Intent.** Kaufman Hall will assist legal counsel and the District in negotiating with Tenet a term sheet and/or letter of intent which memorializes all the key business and governance terms of the Transaction. This process will involve both in-person meetings with District management, transaction counsel, the Committee, and representatives from Tenet, as well as conference calls among the parties. We will present all our work at all appropriate stages, as requested by the District, to the Ad-Hoc committee and the full Board to ensure that the committee and the Board is informed throughout of progress being made and to receive input into the preferred terms. Kaufman Hall will ensure at all times that the negotiated structure and terms are measured against the defined goals and objectives of the District.
- C. **Negotiation of Definitive Documentation.** Should the District Board, after appropriate public input, choose to proceed to negotiate final documentation memorializing the proposed Transaction, Kaufman Hall will assist the District and its legal counsel in the negotiation of appropriate definitive documentation as well as provide support in coordinating the due diligence process that Tenet will undertake before closing an affiliation transaction.
- D. **Presentation of Negotiated Transaction at Public Board Meetings.** Should the District Board decide to proceed with a transaction, Kaufman Hall will support the Board in presenting the terms of, and rationale for, the Transaction at a number of public meetings within the District boundaries to solicit public input into the Transaction and address questions that may arise in the community.

For the avoidance of doubt, Desert Health understands that in rendering services hereunder, Kaufman Hall will not provide accounting, audit, tax, investment, legal, compliance, or regulatory advice and will rely upon the advice of counsel to Desert Health and other advisors to Desert Health for such matters, as applicable.

TRANSACTION TEAM

Jody Hill-Mischel, Managing Partner, and Steve Hollis, Senior Vice President, will be the co-lead advisors on this engagement, responsible for leading all phases of this assignment. Mr. Hollis and Ms. Hill-Mischel will be assisted by other Kaufman Hall staff as necessary and appropriate.

ENGAGEMENT TIMING, TERMINATION, AND FEES

The professional fees for this engagement will consist of fixed fees of \$120,000 per month (the “Monthly Fee”), billed at the end of each month beginning in August 2019. At any time, should the District decide not to proceed with the Transaction, or otherwise elect to terminate this Engagement Letter, Kaufman Hall’s Monthly Fee for the month would be prorated to the date of written notification by the District of its decision to terminate (“Notification Date”). Kaufman Hall will also be entitled to reimbursement of any expenses (as described below) incurred by Kaufman Hall through the Notification Date.

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At any time, the District may exercise the option to pause (“Pause”) the engagement upon written notice to Kaufman Hall specifying the effective date of the “pause period” (the “Pause Notification Date”). Kaufman Hall’s Monthly Fee for the month would be prorated through the Pause Notification Date and Kaufman Hall will cease billing fees until the District exercises its option to reopen negotiations. Kaufman Hall would be entitled to reimbursement of any expenses (as described below) incurred by Kaufman Hall through the Pause Notification Date, but not during any period of time the District pauses this engagement. From the period following the Pause Notification Date and until the District exercises its option to reopen negotiations, Kaufman Hall will not be obligated to conduct any work associated with this scope of services. The parties agree that during any Pause of the engagement, the District and Kaufman Hall will revisit the Pause on a monthly basis (or other mutually agreed upon basis). Billing would resume, subject to the terms and conditions set forth in this engagement letter, upon expiration of the Pause.

In addition to professional fees, Kaufman Hall charges for reimbursable travel, office, and any third-party data/analytics expenses. Travel and third-party data/analytics expenses are billed as incurred and are not subject to markup. Office expenses of \$3,000 per month include report preparation, communication expenses, and express shipments, among other overhead costs. Invoices are sent at the end of each month and are due upon receipt.

Engagement fees will remain fixed unless the scope or timing of this engagement materially changes for reasons beyond the control of Kaufman Hall. In the unlikely event that would occur, Kaufman Hall may be entitled to additional fees subject to the mutual agreement of the parties.


AUTHORIZATION

We very much appreciate the opportunity to present this proposal and look forward to serving Desert Health on this important assignment. Your signature below will indicate your agreement with this proposal and the attached terms and conditions, which are incorporated herein by reference. Please sign and return via email or by fax to (847) 965-3511.

If you have additional questions or require further information, please feel free to contact Steve or Jody.

Sincerely,
KAUFMAN, HALL & ASSOCIATES, LLC

This proposal is accepted.
DESERT HEALTHCARE DISTRICT



/sd
Attachment

Authorizing Signature / Date

cc: Jody Hill-Mischel
Steve Hollis

Printed Name / Title

TERMS AND CONDITIONS FOR CONSULTING SERVICES

The following are the terms and conditions by which Kaufman, Hall & Associates, LLC (“Consultant”) will provide services to Desert Healthcare District (“Desert Health”) pursuant to the engagement letter (the “Engagement Letter”) (the “Services”) to which these Standard Terms and Conditions relate. To the extent there is any conflict or discrepancy between the terms of the Engagement Letter and these Standard Terms and Conditions, these Standard Terms and Conditions shall control.

1. **Compensation.** Desert Health shall pay Consultant the compensation for Services and reimbursement for expenses incurred in the performance of Services. Consultant will issue invoices for fees and expenses monthly. Invoices shall be due and payable upon receipt thereof. In the event Desert Health in good faith disputes an invoiced charge, payment of such disputed charge shall be due within fifteen (15) days after resolution of such dispute. All fees are exclusive of taxes. Desert Health agrees to pay any and all applicable taxes, including, without limitation, sales, use, and excise taxes, except to the extent payment of taxes is excused due to Desert Health’s tax exempt status. If applicable, Desert Health shall submit a copy of its tax exempt certificate to Consultant along with the signed Engagement Letter.
2. **Warranties.** Consultant warrants to Desert Health that (i) Consultant will perform the Services in good faith with qualified personnel in a competent and professional manner in accordance with the Engagement Letter and subject to these Standard Terms and Conditions and (ii) Consultant is not excluded from participation in any federal or state healthcare program for the provision of items or services for which payment may be made under such federal or state healthcare program, and has not arranged or contracted with any employee, contractor, or agent that is excluded from participation in any federal or state healthcare program, to provide items or services hereunder.
3. **Ownership and Use of Materials.** In the course of rendering the Services, Consultant may create and provide to Desert Health documents which include (i) Desert Health internal data, analyses, recommendations, and similar items (collectively, “Client Content”), and (ii) data and/or recommendations that have been created by Consultant for the benefit of Desert Health as part of the Services (collectively, “Consulting Data”). In the development of Consulting Data, Consultant may use algorithms, software systems, plans, processes, tracking tools, contract assessment/modeling tools, formulas, or data from 3rd party vendors, and other intellectual property owned by Consultant or which Consultant has the right to use as of or after the date hereof (including, without limitation, the format of Consultant’s reports and any improvements or knowledge Consultant develops, whether alone or with others, in the performance of the Services) (collectively, “Consultant Tools”). Desert Health shall own, solely and exclusively, the Client Content delivered under the Engagement Letter and any and all of Desert Health’s Confidential Information (as defined below). Desert Health agrees that Consultant shall own, solely and exclusively, all Consultant Tools and all intellectual property rights therein whether or not registerable (including without limitation patents and inventions, trademarks, service marks, logos and domain names and all associated goodwill, copyrights and copyrightable works and rights in data and databases, and trade secrets, know-how and other confidential information). Client acknowledges and agrees that Consultant may, and reserves the right to, use the Client Content and any information and data generated by the Consultant Tools, solely in an aggregated, non-personally identifiable manner in order to create and improve the compilations, statistical analyses, or benchmarks provided by Consultant in any services (collectively, “Aggregate Data”) as long as the resulting information does not identify Desert Health and Desert Health hereby grants to Consultant a perpetual, irrevocable, royalty-free license to use the Client Content, solely as described herein. All right, title and interest in and to the Aggregate Data shall inure to the sole and exclusive benefit of Consultant. With respect to any Consulting Data that is contained in any documents delivered by Consultant to Client, Consultant grants Desert Health a royalty free, paid up, non-exclusive, perpetual license to use the Consulting Data solely in connection with Desert Health’s internal use of the documents and for no other purpose. Desert Health acknowledges and agrees that all Consulting Data (including any advice, recommendations, information, or work product incorporated into the

Consulting Data) provided to Desert Health by Consultant in connection with the engagement is for the sole internal use of Desert Health, including all subsidiaries of Desert Health, and may not be used or relied upon by any third party; provided that Desert Health may incorporate into documents that Desert Health intends to disclose externally Consultant summaries, calculations or tables based on Desert Health information contained in Client Content, but not Consultant's recommendations or findings. Consultant retains all rights not expressly granted to Client hereunder.

4. **Confidentiality**

4.1 **Desert Health Confidential Information.**

- a. Any and all documentation, data, opinions, information, and communications made or furnished by Desert Health to Consultant in connection with the Services shall remain proprietary to Desert Health and shall be held by Consultant and any Consultant subcontractor in strict confidence and shall not be released, copied, or disclosed by Consultant or any Consultant subcontractor without the prior written consent of Desert Health ("Desert Health Confidential Information").
- b. Notwithstanding the foregoing or anything to the contrary herein, Desert Health's Confidential Information shall not include any information that:
 - i. At the time of disclosure is or thereafter becomes available to the general public (other than as a result of a disclosure by Consultant in violation of this agreement);
 - ii. Is received by Consultant on a non-confidential basis from a third-party without a known duty of confidentiality to Desert Health; or
 - iii. Is independently developed by Consultant without reliance on Desert Health's confidential information.
- c. Upon completion of the Services, upon Desert Health's written request, Consultant will return to Desert Health (or destroy) all tangible copies of Desert Health's Confidential Information in Consultant's possession as a result of the Services.
- d. Notwithstanding the foregoing, Consultant shall be permitted to retain a copy of the Client Content and work papers created by Consultant in the provision of the Services for archival purposes. Consultant agrees to be bound by the confidentiality provisions herein for so long as Desert Health's Confidential Information remains in Consultant's possession.

4.2 **Consultant Confidential Information.** The Consulting Tools and the Engagement Letter, including the terms therein (including, without limitation, pricing) and these Standard Terms and Conditions, shall remain proprietary to Consultant and shall be held by Desert Health in strict confidence and shall not be released, copied, or disclosed by Desert Health without the prior written consent of Consultant ("Consultant Confidential Information").

4.3 **Restrictions on Use.** The parties agree to use the same degree of care in the handling of the other party's Confidential Information that each party employs to protect its own confidential information, but no less than a reasonable degree of care.

4.4 **Compelled Disclosures.** In the event a party is compelled to disclose the Confidential Information of the other party to comply with any applicable law, order, regulation, or ruling, the compelled party shall (if not prohibited by applicable law, order, regulation, or ruling) provide prompt notice of the same to the disclosing party in order to allow such party to take necessary action to protect its confidential information, including to seek a protective order, as appropriate, and will cooperate with the disclosing party, at disclosing party's expense, in protecting the confidentiality of the confidential information in a lawful manner; provided however, that if such legal or regulatory process is pursuant to the regulatory examination requirements of a regulator with jurisdiction over the party so compelled, no notice shall be required. Notwithstanding the foregoing, nothing in these Standard Terms and Conditions shall prevent either party from complying with all such compelled legal disclosures.

5. **Audit.** Until the expiration of four (4) years after the furnishing of the Services, Consultant shall make available upon request of the Secretary of Health and Human Services, or upon request of the Comptroller General, or any of their duly authorized representatives, the Engagement Letter, these Standard Terms and Conditions, books, documents, and records of Consultant that are necessary to certify the nature of the cost claimed to Medicare with respect to the Services.
6. **Responsibilities, Liabilities, and Indemnification.** Desert Health recognizes that this engagement is not intended to shift to Consultant risks that are normally borne by Desert Health. It is therefore understood and agreed that:
 - a. The Services may include advice and recommendations, but all decisions to implement or not implement any such advice and recommendations shall be the sole responsibility of, and made solely by, Desert Health. Desert Health shall make all management decisions on its own behalf and shall designate individual(s) who possess suitable skill, knowledge, and experience to oversee the engagement and evaluate Client Content on Desert Health's own behalf. Desert Health will cooperate with Consultant in the performance of the Services and will provide or arrange to provide timely access to and use of Desert Health personnel, facilities, equipment, data, and information to the extent necessary for Consultant to perform the Services. Desert Health acknowledges that Consultant will base its conclusions and recommendations on the material, data, and information furnished by Desert Health and third parties, and Consultant has no responsibility to independently validate such material, data, and other information, and may rely upon the accuracy and completeness of such data, material, and other information, and Consultant does not warrant that any particular result will occur.
 - b. Desert Health further understands that certain statements and recommendations made by the Consultant will be based on or may contain projections and forward-looking statements, including, without limitation, statements as to trends, Desert Health management's or the Consultant's beliefs and expectations regarding future circumstances and events, and opinions (based upon a number of assumptions and recommendations) that ultimately may prove to be inaccurate. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on current beliefs, expectations and events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Desert Health's actual results may differ materially from those indicated in the forward-looking statements. Consultant undertakes no obligation to update any forward-looking statement.
 - c. Except to the extent otherwise provided in Paragraph 6(d) below, in no event shall Consultant's liability to Desert Health under or with respect to this agreement exceed the amount of payments actually received by Consultant from Desert Health for the Services. Desert Health agrees that this limitation applies: (i) regardless of the nature of the claim, whether alleged as a breach of contract, tort, negligence, strict liability, or any other legal theory; (ii) whether or not Desert Health has been advised of the possibility of such damages; and (iii) notwithstanding any failure of essential purpose of any limited remedy provided. In no event shall Consultant be liable to Desert Health for any lost profits, or for any indirect, special, consequential, reliance, incidental, or punitive damages whatsoever.
 - d. Consultant will indemnify, hold harmless, and defend (by employment of competent legal counsel selected by Consultant reasonably acceptable to Desert Health), Desert Health and its employees, officers, directors, and agents, from and against any and all claims, demands or actions brought by third parties, and any resulting losses, liabilities, costs, and expenses of any kind or nature whatsoever (including, without limitation, reasonable attorney's fees and expenses) (hereinafter individually and collectively referred to as "Claims") that arise out of bodily injury or damage to tangible personal property suffered by a third party directly and proximately caused by the acts or omissions of Consultant or any employee or

agent of Consultant while physically present on the premises of Desert Health. Obligations arising out of this section 6(d) shall apply only in proportion to the extent of the act or omission of the employee or agent.

- e. Desert Health will indemnify, hold harmless, and defend (by employment of competent legal counsel selected by Desert Health reasonably acceptable to Consultant) Consultant and its employees, officers, directors, and agents, from and against any and all Claims that arise out of, or are directly or indirectly related to the Transaction.
 - f. Desert Health agrees to pay all costs and expenses that are incurred by Consultant (including expenses of Consultant's counsel) to deal with or otherwise respond to any regulatory inquiries, legal investigations, or other legal process of any kind (a "Proceeding") that is connected with, arises out of, or relates to the Transaction, unless Consultant is the subject of any such Proceeding.
 - g. An indemnifying party hereunder may not agree to settle or dispose of any claims against an indemnified party if such settlement or disposal imposes an affirmative obligation on the indemnified party, except with indemnified party's express written consent.
7. **Governing Law.** The Engagement Letter and these Standard Terms and Conditions shall be governed in accordance with the laws of the State of Illinois, without regard to conflicts of law provisions.
 8. **Non-Solicitation.** The parties agree not to solicit or cause to be solicited the employment of any personnel of the other without first obtaining the written authorization of the other, during the term of this agreement and continuing for a period of twelve (12) months thereafter. Solicitations via any media of general availability, such as newspapers or trade publication advertisements, internet listing or similar solicitations not targeted at specific employees, and to which individuals choose to respond, shall not constitute a violation of this provision.
 9. **Independent Contractor.** It is understood and agreed that Consultant is an independent contractor and not an agent, employee, or representative of Desert Health. Any conduct in which Consultant engages in connection with or in the performance of the engagement shall be solely in its capacity as an independent contractor, and nothing in the Engagement Letter or these Standard Terms and Conditions shall be construed to the contrary.
 10. **Assignment.** Neither party may assign the Engagement Letter without the written consent of the other party, which consent will not be unreasonably withheld; provided, however, that Consultant may assign or transfer its rights, or delegate its duties, under this agreement, in whole or in part, to an affiliate of Consultant or to any successor to, or purchaser of Consultant's assets or pursuant to a change in control.
 11. **Severability.** In the event that any term or provision of the Engagement Letter or these Standard Terms and Conditions shall be held to be invalid, void, or unenforceable, then the remainder of the Engagement Letter and these Standard Terms and Conditions shall not be affected. Upon such determination that any term or provision is invalid, void, or unenforceable, the parties shall negotiate in good faith to modify the affected term or provision to effect the original intent of the parties as closely as possible in a mutually acceptable manner so that the transactions contemplated thereby and hereby may be consummated as originally contemplated to the greatest extent possible.
 12. **Amendment; Waiver.** The Engagement Letter and these Standard Terms and Conditions may only be amended, modified, or supplemented by an agreement in writing signed by the duly authorized representative of the parties. No waiver of breach of any provision of the Engagement Letter or these Standard Terms and Conditions by either Desert Health or Consultant shall constitute a waiver of any subsequent breach of the same or any other provision, and no waiver shall be effective unless made in writing and signed by an officer of the other party.

13. **Entire Agreement.** It is understood and agreed that the Engagement Letter together with all exhibits and schedules, and these Standard Terms and Conditions, constitute the entire agreement between Desert Health and Consultant regarding the Services and supersede all other prior or contemporaneous oral and written representations, understandings, or agreements related thereto, including any confidentiality agreements previously entered into, none of which prior or contemporaneous matters shall be binding.
14. **Form of Signature.** The parties agree that the Engagement Letter and these Standard Terms and Conditions shall be deemed fully executed by affixing a duly authorized Desert Health representative and a duly authorized Consultant representative signature to the Engagement Letter attached hereto, whether by original, electronic, or facsimile signature.
15. **Data Submissions.** Consultant may from time to time, in support of the Services, require data files from Desert Health. Consultant and Desert Health agree to the following:
 - a. Consultant will not accept any file that contains a person's Social Security Number ("SSN") or patient name;
 - b. Consultant will only accept Protected Health Information ("PHI" as defined by the HIPAA/HITECH rules 45 C.F.R. Parts 160 and 164) if such PHI is required to provide the Services;
 - c. Files received by Consultant containing SSN, patient name, or unnecessary PHI will be deleted from all locations in the Consultant's email, network, website, and computers and Desert Health will receive email notification of the steps taken;
 - d. If Consultant has been or is granted access to PHI, Consultant and Desert Health shall enter into a mutually agreeable, HIPAA/HITECH compliant Business Associate Agreement prior to Consultant receiving any data that includes PHI; and
 - e. Consultant will only accept files containing PHI via Consultant's FTP site or Desert Health's FTP site and:
 - i. These files must require a password to open which needs to be sent to the Consultant representative via a separate email; and
 - ii. These files must contain only the minimum necessary data for Consultant to provide the Services.

Failure by either party to comply with the provisions of this Section 15 may result in a Security Incident as such is defined in the HIPAA/HITECH rules.