



- b. Over the past 6 years, under its current executive leadership, L&M has reported consistent year-over-year improvements in its operating margin and further strengthening of its balance sheet.
- c. In 2011, L&M had an operating margin of 6.73% – among the top 10% of all Connecticut hospitals -- while the entire L&M "system" projects a combined operating margin of 3% for 2012.
- d. In August of 2011, L&M sought and received an A+ debt rating from S&P and Fitch – one of only a handful of community hospitals of similar size and complexion in the nation to have been so rated.
- e. In September of 2011, demand for L&M's bond offering was more than twice as great as the \$58.9 million available.
- f. For 5 out of the last 6 years, L&M has been named by the National Research Corporation as the top rated hospital in eastern Connecticut for overall quality and public image.
- g. In addition to its strong financial position, L&M is recognized for its leadership in community service and community benefits.
- h. In 2011, L&M provided \$15.6 million in community education, outreach, and prevention at free or substantially reduced cost. During FY 2010, L&M also absorbed almost \$14.4 million in bad debt; \$11.8 million in Medicare shortfall; and, nearly another \$9 million in other services that are not counted in the annual community benefits inventory. L&M expects its FY 2011 results to be similar.
- i. In the past three years, L&M's employee giving to the United Way of Southeastern Connecticut has doubled to \$120,000, making L&M's the region's fourth-largest institutional donor.
- j. L&M is currently in the "quiet" phase of a capital campaign and has already raised nearly \$13.5 million toward its \$30 million goal. More than 1,000 members of the community – including physicians, employees, board members, senior administrators, corporate backers and individual donors – will likely help L&M net more than \$200,000 toward the Centennial Capital Campaign and the hospital's new Cancer Center (in affiliation with Dana-Farber Community Cancer Care) that will open October 2013. For its efforts, L&M was awarded the prestigious Community Service Award and the John D. Thompson Award, both in 2009, by the Connecticut Hospital Association.

The Mastership's consultants have requested, received and reviewed the following financial data from L&M: (a) two (2) years of L&M's audited financials; (b) year-to-date internal

financials through March of 2012; and (c) the debt service compilation appended to the audited financials. The financial data was supplied to the Special Master under the terms of a Confidentiality Agreement.

The Mastership's consultants have advised the Mastership that L&M has the financial wherewithal to honor its commitments and sustain its proposed model. Certain creditors will request to perform their own diligence in this regard and the Mastership will assist in accomplishing that task.

In recommending acceptance of what has been termed a "Stalking Horse Offer", the Special Master must exercise and be prepared to explain some modicum of business judgment. In this case, with the assistance of a broad range of stakeholder interests, business judgment is framed by the Mastership Transaction Process Order dated March 12, 2012, attached hereto as Exhibit B. Accordingly, the first step in determining whether such business judgment should be exercised is to determine whether the offer addresses certain elements identified in the Mastership Transaction Process Order.

It is the Mastership's position that the offer advanced by L&M and attached hereto does address the elements identified in the Mastership Transaction Process Order. In accord with that statement, the offer submitted by L&M provides for total consideration equal to \$69,138,653.00, payable as follows:

1. L&M has proposed to assume over \$22M in Westerly Hospital liabilities;
2. L&M has committed to pay for a "tail" malpractice insurance policy that Westerly Hospital will require upon sale. The estimated cost of the "tail" policy is approximately \$2 million;
3. L&M has committed to pay closing costs that Westerly Hospital will incur in this proceeding in the estimated amount of \$1.5 million;
4. L&M has committed to fund "cure" costs which are not captured in assumed liabilities;

5. L&M has committed to continue the Westerly Hospital identity and name, including its non-profit status and community mission;
6. L&M has committed to establish a Hospital Board with Westerly residents. Moreover, L&M has committed to put Westerly residents on its Parent Board;
7. L&M will carry out a broad-based community capital campaign in support in support of the Westerly Hospital and has committed that all such funding will be raised in the Hospital's name and remain for the benefit of the Hospital's non-profit and community mission;
8. L&M has committed to maintain the Westerly Hospital as an acute care, community hospital for a minimum of 5 years after the closing. Included within that important commitment, is a commitment not to discontinue any clinical services (including maternity) being provided by the Westerly Hospital for 2 years after the closing;
9. L&M has committed to inject \$6.5 million of working capital into the Westerly Hospital during the first 2 years after closing to fund the turnaround plan that the Mastership has begun to bring the Westerly Hospital to a state of profitability. Therefore, L&M is not only committing to maintain existing lines of service, but to expand those lines of service;
10. Consistent with its commitments to continue the mission of the Westerly Hospital and maintain it as an acute care, community hospital, L&M has committed during the first 5 years after closing, to invest \$30 million in capital expenditures including without limitation, investment technology, equipment, and expanded services. These last two commitments are critical, because a buyer is not going to invest \$36.5M then close Westerly Hospital in year 6;
11. As consistent with L&M's commitments, L&M shall offer employment, commencing on the Closing Date to all union and non-union clinical, trade and services personnel of the Sellers (excluding certain management personnel and general and administrative support services personnel) and, after satisfactory review of the Westerly Hospital turnaround plan and employment data, L&M expects to offer employment to substantially all of the Westerly Hospital's other employees;
12. L&M is committed to assume physician contracts (subject to due diligence) and to strengthen the Westerly Hospital's relationship with physician community;
13. L&M has committed to expedite the Rhode Island Hospital Conversion Act and Change in Effective Control process;
14. In between the Sale Hearing and the completion of the Hospital Conversion Act process, L&M has committed to loan monies to the Westerly Hospital to cover operational losses during the all-important time period;
15. The availability of funds to satisfy operational losses between the a Sale Hearing and closing is critical. Under the terms of the offer, the Mastership retains over \$5M in

cash as per the February 29, 2012 "PEG Balance Sheet". Funding operational losses will allow the Mastership to retain that cash at Closing. In turn, at Closing, the loan will be forgiven which is an additional value to the Mastership Estate; and

16. L&M has committed to fund the lease obligations (approximately \$68,000 per month) for the North Stonington Health Center up and until Closing.

The next step in the analysis is to identify and examine other potential benefits to the Mastership Estate and its various constituencies which include employees, physicians, vendors and the community which comprises The Westerly Hospital's primary service area. The Mastership, with deference and respect for the various stakeholder interests, submits the following advantages to the Mastership Estate and its various constituencies:

1. The L&M offer is an extremely credible offer that addresses the weighed criteria in the Mastership Transaction Process Order. Thus, if there is no further competitive bidding, The Westerly Hospital and Related Entities are assured of a successful emergence from Mastership;
2. The L&M offer will provide some direction and confidence to the employees of The Westerly Hospital and the Related Entities, the physicians who provide the highest level of healthcare in very uncertain circumstances, and the community of Westerly and the 66,000 people in The Westerly Hospital primary service area, who need convenient access to high quality healthcare;
3. The L&M offer will provide some reassurance to a number of vendors, who have stayed with The Westerly Hospital and Related Entities through this Mastership; and
4. The L&M offer will inject needed energy into The Westerly Hospital and the Related Entities, as well as this process by clearly indicating to competing hospital systems what will be required to "acquire" The Westerly Hospital and Related Entities.

Finally, the Special Master must analyze whether a Stalking Horse Offeror will encourage competitive bidding or suppress competitive bidding. Any Stalking Horse Offer will request and will receive so-called "Stalking Horse Protections". Stalking Horse Protection incent the Stalking Horse to make its highest and best offer. The offer being recommended here is no different. L&M is requiring and the Special Master is recommending three (3) basic forms of Stalking Horse Protection: a break-up fee of \$1.5M, which can increase if the Special Master

requests and receives additional investment from L&M prior to a Sale Hearing, which allows the Mastership Estate to maintain the North Stonington Health Center as a strategic location and a valuable asset and/or helps the Mastership Estate eliminate certain liabilities that no buyer will seek to assume; topping bid protection of \$1.5M; and that L&M be provided a period of time where it alone will have an opportunity to resolve non-regulatory contingencies. That said, the Mastership submits to the following points support the conclusion that this Stalking Horse Offer will encourage competitive bidding:

1. The Stalking Horse Offer addresses the weighted elements in a Mastership Transaction Process Order, so it sets a very credible floor for competitive bidding;
2. The Stalking Horse Offer is "real". Even though L&M has forty-five (45) days to complete due diligence. The due diligence standard is meaningful. The due diligence "out" is only allowed, if due diligence uncovers the previously unknown impact on the assets that would cost \$2M or more to address;
3. The standstill period, or the period of time reserved to L&M to resolve non-regulatory contingencies is aggressive. L&M has up and until July 30, 2012, to resolve non-regulatory contingencies. At that time, competitive bids are due and if non-regulatory contingencies are not resolved by L&M, that fact shall clearly be weighed against L&M, when competitive bids are considered. In turn, L&M has identified for competitive bidders, those non-regulatory contingencies to be addressed or waived. If one combines this with an offer that addresses the weighed factors in the Mastership Transaction Process Order, then you have the best case for an apples-to-apples competitive bid. With that said, however, the Asset Purchase Agreement appended hereto addresses the possibility of an "Alternate Transaction" as discussed by this Court on the record in its May 24, 2012 decision authorizing the Special Master to present a Stalking Horse Offer in the Special Master's discretion;
4. During the "standstill", the Special Master cannot "negotiate" with competitive bidders. However, competitive bidders can continue to undertake their due diligence. Then, on and after July 30, 2012, the Special Master can negotiate with competitive bidders;
5. The process has remained open, transparent and rigorous. The Special Master has met with and vetted various aspects of a marketing process, including the Stalking Horse concept with **all** stakeholder interest, repeatedly. The Special Master communicated with all potential bidders. Moreover, the Stalking Horse bid procedures are wholly consistent with the Mastership Transaction Process Order which has been in place since March 12, 2012. The Mastership Transaction Process

Order wanted non-binding, initial proposals by June 1, 2012. The Mastership **now** has an initial, binding proposal. Furthermore, the Mastership Transaction Process Order then gave the marketplace up to sixty (60) days to submit binding proposals. The Asset Purchase Agreement appended hereto, sets forth that competitive bids are due on July 30, 2012;

6. The process being suggested by which this Court will ultimately select a highest and best offer, is extremely clear and consistent with the ideas gathered by the Special Master after numerous meetings/conferences with **all** stakeholder interests. The procedure set forth in the Asset Purchase Agreement by which the Court would consider highest and best bids at a sale hearing that is targeted for August 13, 2012, would be as follows:
  - a. Proponents of the Stalking Horse Offer and competing bids would put a representative on the stand, who would explain the bids and be prepared for examination by all stakeholder interests;
  - b. After examination by all stakeholder interests, bidders would be able to present a sealed, final and best bid to be opened by the Court and read to all parties in interest;
  - c. After final and best bids are presented, and the Court engages in whatever final discussions with bidders that the Court so chooses, all stakeholder interests will be invited to make recommendations to the Court as to the highest and best offer; and
  - d. The Court would then determine the highest and best offer for the Westerly Hospital and Related Entities.

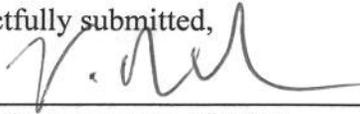
Certainly, the Court has discretion to modify the procedure after hearing and considering the instant petition. Nevertheless, the proposed procedure which was incorporated into the Asset Purchase Agreement by the Special Master only after getting input from all interest groups further supports the Mastership's conclusion that acceptance of the L&M Stalking Horse Offer will encourage competitive bidding.

There has been discussion, at times, by the Regulatory Committee herein, that a Stalking Horse Offer, in itself, should be the product of competitive bidding. The Regulatory Committee does so in absolute good faith, in an effort to ensure an open process and level playing field. However, the Special Master cannot recommend or entertain more than one Stalking Horse Offer

at this point in time, as credibility in this process is also paramount. Moreover, a Stalking Horse would never advance its highest and best offer, if such an offer was the product of competitive bidding. Although advanced in good faith, the concept is contrary to that of a Stalking Horse. As this Court observed in its decision allowing the Special Master to advance a stalking Horse Offer, the Stalking Horse is used, so that the birds do not fly away.

For all the reasons set forth above, it is the Special Master's business judgment and recommendation to accept the L&M offer as set forth in the attached Asset Purchase Agreement appended hereto, subject to higher and better offers in accord with the procedure outlined in said Asset Purchase Agreement .

Respectfully submitted,



---

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As and only as Special Master for Westerly  
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Atlantic Medical Group, Inc., Ocean Myst MSO,  
LLC, Women's Health of Westerly, LLC, and North  
Stonington Health Center, Inc.,  
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Dated: May 30, 2012

**CERTIFICATE OF SERVICE**

I hereby certify that a true and accurate copy of the within was served via e-mail upon the following that is referenced in Schedule A attached hereto on this 30<sup>th</sup> day of May, 2012



*k:\w\westerly hospital\pleadings\petition for instructions re stalking horse bid clean 5-30-12.doc*

## SCHEDULE A

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# Exhibit A

**ASSET PURCHASE AGREEMENT**

**AMONG**

**W. MARK RUSSO, ESQ., THE COURT-APPOINTED SPECIAL MASTER  
FOR WESTERLY HOSPITAL HEALTHCARE, INC.;  
THE WESTERLY HOSPITAL;  
ATLANTIC MEDICAL GROUP, INC.;  
OCEAN MYST, MSO, LLC;  
WOMEN'S HEALTH OF WESTERLY, LLC; AND  
NORTH STONINGTON HEALTH CENTER, INC.  
Washington County Superior Court, WB2011-0178  
(Stern, J)**

**AND**

**LMW Healthcare, Inc., a Rhode Island nonprofit Corporation, and**

**LMW Physicians, Inc., a Rhode Island nonprofit Corporation**

**[SUBJECT TO THE APPROVAL OF THE COURT]**

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**ASSET PURCHASE AGREEMENT**

THIS ASSET PURCHASE AGREEMENT (as may be amended from time to time hereafter this "Agreement"), is made as of the \_\_\_ day of June, 2012, by and among W. Mark Russo, Esq. solely in his capacity as the Court-appointed Special Master (the "Special Master") for Westerly Hospital Healthcare, Inc., The Westerly Hospital, Atlantic Medical Group, Inc., Ocean Myst, MSO, LLC, Women's Health of Westerly, LLC and North Stonington Health Center, Inc. (collectively, "The Westerly Hospital and the Related Entities") (The Westerly Hospital and the Related Entities are referenced herein individually as a "Seller" and collectively as the "Sellers"), and LMW Healthcare, Inc., a Rhode Island nonprofit Corporation, and LMW Physicians, Inc., a Rhode Island nonprofit Corporation (collectively the "Buyer").

On December 9, 2011, the Special Master was appointed by the Superior Court of Rhode Island (the "Mastership Court") to oversee the operations of The Westerly Hospital and the Related Entities. In accordance with the orders appointing the Special Master and subject to the Mastership Court's approval, the Special Master has been granted authority by the Mastership Court to negotiate for the sale of the assets of the Sellers.

**WITNESSETH:**

WHEREAS, the Special Master operates and holds all right, title and interest in the assets of The Westerly Hospital, currently licensed as a 125-bed general acute care hospital located in Westerly, Rhode Island (the "Hospital") and the Related Entities;

WHEREAS, Atlantic Medical Group, Inc. is a 30-plus, multi-specialty physician group practice with offices in Westerly and Charlestown, Rhode Island, and Stonington and Mystic, Connecticut;

WHEREAS, North Stonington Health Center, Inc. operated and/or operates urgent care, physical therapy, laboratory/radiology, and primary care practices in North Stonington, Connecticut;

WHEREAS, Women's Health of Westerly, LLC, operates an obstetric/gynecological practice in Westerly, Rhode Island;

WHEREAS, Ocean Myst, MSO, LLC, is an entity that provides billing and administrative services to the above-referenced practices;

WHEREAS, the facilities operated by The Westerly Hospital and the Related Entities are collectively referenced herein as the "Facilities";

WHEREAS, Lawrence & Memorial Corporation and its Affiliates consistently provides quality healthcare services to the residents of eastern Connecticut, western Rhode Island, and Fisher's Island (New York), as a non-profit community service organization for over 100 years and has reported consistent year-over-year improvements in its operating margin and further strengthening of its balance sheet so that in 2011, Buyer was among the top 10% of all

Connecticut hospitals for operational effectiveness and Buyer now desires to expand its care and operations to the Westerly, Rhode Island community;

WHEREAS, this Agreement provides for the sale by Sellers to Buyer of substantially all of the Seller's assets, real and personal, tangible and intangible, associated with owning, leasing, managing and operating the Facilities (collectively, the "Business"); and

WHEREAS, as of the date hereof, Buyer has placed in escrow pursuant to Section 1.11 with the Special Master, the sum of Five Hundred Thousand Dollars (\$500,000.00) as a deposit hereunder (the "Deposit").

NOW, THEREFORE, for and in consideration of the foregoing promises and the agreements, covenants, representations and warranties hereinafter set forth and for other good and valuable consideration, the receipt and adequacy of all of which are acknowledged and agreed, the parties hereto agree as follows:

1. SALE OF ASSETS AND CERTAIN RELATED MATTERS.

1.1 Definitions

Unless otherwise indicated in this Agreement, the following terms shall have the following meanings:

"Accrued Payroll" shall mean that liability in an amount at the Effective Time not to exceed the amount as set forth in the Peg Balance Sheet.

"Affiliates" shall mean, as to the entity in question, any person or entity that, directly or indirectly, Controls, is Controlled by or is under common Control with the entity in question.

"Agents" shall have the meaning set forth in Section 13.8.

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

"Aggregate Damage" shall have the meaning set forth in Section 1.10(a).

"ALTA" shall mean the American Land Title Association.

"Alternative Transaction" shall mean any one of the following transactions with or by a Third Party: (a) a merger, consolidation or similar transaction involving any Seller, or (b) a sale, lease or other disposition directly or indirectly by merger, consolidation, tender offer, share exchange or otherwise of assets of Sellers representing 5% or more of the consolidated assets of Sellers.

"Antitrust Filings" shall have the meaning set forth in Section 5.17(a).

"Antitrust Laws" shall have the meaning set forth in Section 5.17(a).

"Application" shall have the meaning set forth in Section 3.7.

“Asbestos Abatement Obligations” shall mean those liabilities set forth in the Peg Balance Sheet as Asset Retirement Obligations.

“Assets” shall have the meaning set forth in Section 1.2.

“Assignment and Assumption Agreement” shall have the meaning set forth in Section 1.4(b).

“Assignment and Undertaking Agreement” shall have the meaning set forth in Section 1.4(c).

“Assumed Contracts” shall have the meaning set forth in Section 1.2(h).

“Assumed Leases” shall mean, collectively, the Seller’s Real Property Expenses Leases and the Sellers’ Real Property Income Leases.

“Assumed Liabilities” shall have the meaning set forth in Section 1.4(a).

“Assumed AP Liability Cap” shall have the meaning set forth in Section 1.4(a).

“Assumed AP Liability Cap Increase” shall have the meaning set forth in Section 1.4(a).

“Bank Debt of Sellers” shall mean that liability to the Washington Trust Company not to exceed as of the Effective Time an aggregate amount together with the Bond Debt of the Sellers as set forth in the Peg Balance Sheet.

“Benefit Plans” shall mean all “employee benefit plans” as defined in Section 3(3) of ERISA, all specified fringe benefit plans as defined in Section 6039D of the Code, and all other pension, profit sharing, stock bonus, stock option, deferred compensation, or other retirement plans; welfare benefit plans, including group health and group insurance plans; cafeteria, flexible benefit or tuition assistance plans; executive compensation, bonus, or incentive plans; severance plans; salary continuation plans, programs, or arrangements; vacation, holiday, sick-leave, paid-time-off, or other employee compensation plans, procedures, programs, payroll practices, policies, agreements, commitments, contracts, or understandings; or any annuity contracts, custodial agreements, trusts, escrows or other funding arrangements related thereto, whether oral or written, qualified or nonqualified, funded or unfunded, and all employment agreements, programs, policies or other arrangements that are (i) currently, or have been within the past six (6) years, sponsored, maintained or contributed to by Sellers or any Affiliate of Sellers thereof; (ii) with respect to which any Seller or any Affiliate of Sellers thereof has any Liability to any current or former officer, employee or service provider, or the dependents of any thereof; or (iii) which could result in the imposition of Liability of any kind or nature whether accrued, absolute, contingent, direct, indirect, perfected or inchoate or otherwise, and whether or not now due or to become due, on Sellers or any Affiliate thereof.

“Bill of Sale” shall have the meaning set forth in Section 2.2(d).

“Bond Debt of Sellers” shall mean that liability to the Bondholders not to exceed as of the Effective Time an aggregate amount together with the Bank Debt of the Sellers as set forth in the Peg Balance Sheet.

“Break-Up Fee” shall have the meaning set forth in Section 6.1.

“Break-Up Fee Increase” shall have the meaning set forth in Section 6.1.

“Business” shall have the meaning set forth in the recitals.

“Business Day” shall mean any day of the year on which national banking institutions in Rhode Island are open to the public for conducting business and are not required or authorized to close.

“Buyer” shall have the meaning set forth in the introduction.

“Buyer Indemnified Parties” shall have the meaning set forth in Section 7.1(a).

“Capital Expenditure Commitment” shall have the meaning as set forth in Section 10.4.

“Cash” shall have the meaning set forth in Section 1.3.

“Cash Excess” shall have the meaning set forth in Section 1.3.

“Casualty Assets” shall have the meaning set forth in Section 1.10(b).

“Casualty Notice” shall have the meaning set forth in Section 1.10(a).

“CBA” shall have the meaning set forth in Section 8.1(d).

“Certificate of Need” shall mean a written statement issued by the Rhode Island Department of Health or other applicable state health agency evidencing community need for a new, converted, expanded or otherwise significantly modified health care facility, health service or hospice.

“Charles A. Morgan Trust” shall mean the Charles A Morgan Trust as recorded on the Financial Statements.

“Closing” shall have the meaning set forth in Section 2.1.

“Closing Date” shall have the meaning set forth in Section 2.1.

“Closing Deficiency” shall have the meaning set forth in Section 1.7(f).

“Closing Overage” shall have the meaning set forth in Section 1.7(f).

“CMS” shall mean Centers for Medicare and Medicaid Services.

“COBRA” shall mean the Consolidated Omnibus Budget Reconciliation Act of 1985, as set forth in Title 42 U.S.C., Section 300bb or, as applicable, Title I, Part 6, of ERISA.

“COBRA Coverage” shall have the meaning set forth in Section 10.6(c).

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

“Commitment to Fund the Plan of Profitability” shall have the meaning as set forth in Section 10.5.

“Competing Agreement” shall have the meaning set forth in Section 6.3(b).

“Competing Bid” shall have the meaning set forth in Section 6.2.

“Confidential Information” shall have the meaning set forth in Section 13.8.

“Contracts” shall have the meaning set forth in Section 3.17(a).

“Control” means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any entity, whether through the ownership of voting securities, by contract or otherwise.

“Cost Reports” means all cost and other reports filed pursuant to the requirements of Government Reimbursement Programs for payment or reimbursement of amounts due from such programs for services provided.

“Damages” shall have the meaning set forth in Section 7.1(a).

“DEA Power of Attorney” shall have the meaning set forth in Section 2.2(i).

“Deadline for Qualified Bids” shall have the meaning set forth in Section 6.3(a).

“Deposit” shall have the meaning set forth in the recitals.

“DNV” shall have the meaning set forth in Section 3.8.

“DSH Payments” shall have the meaning set forth in Section 1.2(r).

“Effective Date” shall have the meaning set forth in Section 2.1.

“Effective Time” shall have the meaning set forth in Section 2.1.

“Employee” shall include individuals rendering personal services to Sellers with respect to the Business or the Facilities as employees, including individuals who are treated as “leased employees” under Code Section 414(n).

“Environmental Claim” means any written claim, action, cause of action, or notice by any person or entity alleging potential liability (including, without limitation, potential liability for

investigatory costs, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, or penalties) arising out of, based on or resulting from (a) the currently unlawful presence, or currently unlawful release into the environment, of any Material of Environmental Concern at any location which is or has been owned or leased by the Sellers and is being sold to the Buyer or for which the Buyer is assuming a lease or operated by Sellers or (b) any violation, or alleged violation, of any Environmental Law.

“Environmental Laws” means the applicable federal, state (including specifically, but not by way of limitation, the State of Rhode Island), and local environmental, or health laws, regulations, ordinances, rules and common law in effect on the date hereof and the Closing Date governing the use, refinement, handling, treatment, removal, storage, production, manufacture, transportation or disposal, emissions, discharges, releases or threatened releases of Materials of Environmental Concern, or otherwise governing protection of the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata), as the same may be amended or modified to the date hereof and the Closing Date, including, without limitation, the statutes listed below:

(a) Federal Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901, et seq.;

(b) Federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. Section 9601, et seq.;

(c) Federal Clean Air Act, 42 U.S.C. Section 7401, et seq.;

(d) Federal Water Pollution Control Act, Federal Clean Water Act of 1977, 33 U.S.C. Section 1251, et seq.;

(e) Federal Insecticide, Fungicide, and Rodenticide Act, Federal Pesticide Act of 1978, 7 U.S.C. Section 136, et seq.;

(f) Federal Hazardous Materials Transportation Act, 48 U.S.C. Section 1801, et seq.;

(g) Federal Toxic Substances Control Act, 15 U.S.C. Section 2601, et seq.;

and

(h) Federal Safe Drinking Water Act, 42 U.S.C. Section 300f, et seq.

“ERISA” shall mean, collectively, the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

“Escrow Agreement” shall mean the escrow agreement between the Sellers, the Buyer and the Special Master, acting as escrow agent, dated as of the date hereof.

“Estimate of the Master” shall have the meaning set forth in Section 1.10(a).

“Excluded Assets” shall have the meaning set forth in Section 1.3.

“Excluded Contracts” shall have the meaning set forth in Section 1.5(d).

“Excluded Liabilities” shall have the meaning set forth in Section 1.5.

“Exemption Certificate” shall mean a written statement from the RIDOH or other applicable state health agency stating that a health care project is not subject to the Certificate of Need requirements under applicable state law.

“Existing TI Obligations” shall mean tenant improvement expenses (including all hard and soft construction costs, whether payable to the contractor or tenant) and tenant allowances which are the obligation of the landlord under any of Sellers’ Real Property Income Leases.

“Facilities” (each individually a “Facility”) shall have the meaning set forth in the recitals.

“Final Order” means an order of the Mastership Court (a) as to which the time to appeal shall have expired and as to which no appeal shall then be pending, or (b) if an appeal shall have been filed or sought, either (i) no stay of the order shall be in effect or (ii) if such a stay shall have been granted by the Mastership Court, then (A) the stay shall have been dissolved or (B) a final order of the court having jurisdiction to hear such appeal shall have affirmed the order and the time allowed to appeal from such affirmance or to seek review or rehearing thereof shall have expired and the taking or granting of any further hearing, appeal or petition for certiorari shall not be permissible, and if a timely appeal of such district court order or timely motion to seek review or rehearing of such order shall have been made, any court of appeals having jurisdiction to hear such appeal or motion (or any subsequent appeal or motion to seek review or rehearing) shall have affirmed the district court’s (or lower appellate court’s) order upholding the order of the Mastership Court and the time allowed to appeal from such affirmance or to seek review or rehearing thereof shall have expired and the taking or granting of any further hearing, appeal or petition for certiorari shall not be permissible; provided, however, that Buyer in its sole discretion may treat as not being a Final Order, any order for which an appeal, motion to seek review, motion to seek rehearing, or any similar motion is pending notwithstanding that such order is not then subject to stay.

“Final Purchase Price” shall have the meaning set forth in Section 1.7(f).

“Financial Statements” shall have the meaning set forth in Section 3.4.

“FTC” shall mean the Federal Trade Commission.

“FTC Red Flag Rules” shall mean the regulations set forth in 16 CFR Part 681.

“GAAP” shall mean accounting principles generally accepted in the United States.

“Governmental Authority” shall mean any government or any agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

“Government Patient Receivables” shall have the meaning set forth in Section 1.2(l).

“Government Reimbursement Programs” shall mean Medicare, Medicaid and CHAMPUS/TRICARE and any other federal or state healthcare programs.

“Guarantor” shall mean Lawrence & Memorial Corporation.

“Guaranty” shall mean the guaranty of Buyer’s obligations by Guarantor.

“Hazardous Substances” means any (i) any Medical Waste or (ii) toxic or hazardous waste, pollutants or substances, including without limitation asbestos, PCBs, petroleum products and byproducts, substances defined or listed as “hazardous substance,” “toxic substance,” “toxic pollutant,” or similarly identified substance or mixture, in or pursuant to any Environmental Law.

“HCA” shall have the meaning set forth in Section 10.6(d).

“Health Care Laws” shall mean Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395hhh (the Medicare statute), including specifically, the Ethics in Patient Referrals Act, as amended (the “Stark Law”), 42 U.S.C. § 1395nn; Title XIX of the Social Security Act, 42 U.S.C. §§ 1396-1396v (the Medicaid statute); the Federal Health Care Program Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b); the False Claims Act, 31 U.S.C. §§ 3729-3733 (as amended); the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the Anti-Kickback Act of 1986, 41 U.S.C. §§ 51-58; the Civil Monetary Penalties Law, 42 U.S.C. §§ 1320a-7a and 1320a-7b; the Exclusion Laws, 42 U.S.C. § 1320a-7; HIPAA and all applicable implementing regulations, rules, ordinances, judgments, and orders; and any similar state and local statutes, regulations, rules, ordinances, judgments, and orders, and any corresponding Rhode Island state statutes and applicable implementing regulations that address the subject matter of the foregoing, including, without limitation, R.I. General Law, §§ 40-8.2-3, 5-48.1-3, 5-37-21, 5-30-16, 23-17-46, 9-1.1-3, 40-8.2-3(a) and Department of Health Rule and Regulation K23-17-HOSP.

“Healthcare Providers” means physicians or other healthcare providers that provide healthcare services reimbursable by federal or private healthcare plans, or entities in which physicians or other healthcare providers are equity owners.

“HIPAA” means the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations as amended by the Health Information Technology for Economic and Clinical Health Act.

“Hill-Burton Act” shall mean The Hospital Survey and Construction Act, 42 U.S.C. Section 291(i).

“Hospital” shall have the meaning set forth in the recitals.

“HHS” shall mean the United States Department of Health and Human Services.

“Hospital Board” shall have the meaning as set forth in Section 10.3.

“HSR” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

“Information Privacy or Security Laws” means HIPAA and regulations as set forth in Section 3.9(b) and any other laws concerning the privacy and/or security of Personal Information, including but not limited to state data breach notification laws, state health information privacy and security laws, the FTC Act, the FTC Red Flag Rules and state consumer protection laws.

“Initial Overbid” shall have the meaning set forth in Section 6.3(a).

“Intercompany Obligations” means all intercompany loans, advances, payables and receivables between any Seller or Affiliate of a Seller which were made or arose out of transactions occurring prior to the Closing.

“Interim Advisory Agreement” shall have the meaning as set forth in Section 10.8.

“Interim Operations” shall mean the business operations of The Westerly Hospital and Related Entities from the date of the entry of the Sale Order through the Closing Date.

“IRS” shall mean the Internal Revenue Service.

“Inventories” shall have the meaning set forth in Section 1.2(c)(iii).

“Justice Department” shall mean the United States Department of Justice.

“Knowledge” shall mean (a) all matters with respect to which any of the Sellers has received written notice or (b) the actual knowledge of each of the Special Master, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer of each of the Sellers. In all events, the knowledge of such persons shall be after reasonable inquiry, which inquiry includes making reasonable inquiries of those persons responsible for those aspects of the Business or the business of the party covered in a particular representation or warranty.

“Legal Proceeding” means any judicial, administrative or arbitral actions, suits, alternative dispute resolution, proceedings (public or private) or claims or any proceedings by or before a Governmental Authority.

“Liability” means any debt, loss, damage, adverse claim, fine, penalty, liability or obligation (whether known or unknown, direct or indirect, asserted or unasserted, matured or unmatured, determined or determinable, absolute or contingent accrued or unaccrued, liquidated or unliquidated, due or to become due and regardless of when asserted and whether in contract, tort, strict liability or otherwise) and including all costs and expenses relating thereto including all fees, disbursements and expenses of legal counsel, experts, engineers and consultants and cost of investigation.

“Lien” means any lien, encumbrance, pledge, mortgage, deed of trust, security interest, claim, lease, charge, option, right of first refusal, put, call, easement, servitude, proxy, covenant, hypothecation, voting trust, or agreement and transfer restriction under any agreement, against or with respect to tangible or intangible property or rights, whether imposed by agreement, understanding, law, equity or otherwise.

“Mastership” shall mean the estate administered in the Mastership Case.

“Mastership Case” shall mean *Charles S. Kinney, Chief Executive Officer and Trustee v. Westerly Hospital Healthcare, Inc. The Westerly Hospital, Atlantic Medical Group, Inc., Ocean Myst, MSO LLC, Women’s Health of Westerly, LLC and North Stonington Health Center, Inc., C.A. WB2011-0781.*

“Mastership Court” shall have the meaning set forth in the introduction.

“Material Adverse Effect” shall mean an event, occurrence, condition, change or effect or a series of events, occurrences, conditions, changes or effects that, individually or in the aggregate, is or may be reasonably expected to be materially adverse to the business, financial condition, operations, prospects or properties of the Person or Business which has suffered such event, occurrence, condition, change or effect, including without limitation, the (x) relocation, retirement, departure or practice pattern change by a material number of physicians comprising the current physician workforce of The Westerly Hospital and Related Entities (including members of the medical staff as well as employed physicians), (y) the loss, revocation, limitation or restriction of: (a) any licenses or permits required by any Governmental Authority to operate any of the Facilities as currently operated, or (b) the participation of any of the Facilities in any Government Reimbursement Programs, which such Facility currently participates in, or (z) monthly operating losses of the Sellers as determined by Buyer in its sole discretion in an amount exceeding an aggregate Two Million Dollars (\$2,000,000.00) in any trailing three month period prior to the Effective Time; provided, however, that Material Adverse Effect shall exclude any changes or conditions as and to the extent such changes or conditions relate to or result from general economic conditions in the United States of America and such other conditions that affect the healthcare industry generally.

“Material Consents” shall have the meaning set forth in Section 8.6.

“Material Contracts” shall have the meaning set forth in Section 8.1(c).

“Material Loss” shall have the meaning set forth in Section 1.10(b).

“Materials of Environmental Concern” shall mean chemicals, pollutants, contaminants, wastes, toxic substances, petroleum and petroleum products, including Hazardous Substances.

“Medical Waste” includes, but is not limited to, (a) pathological waste, (b) blood, (c) sharps, (d) wastes from surgery or autopsy, (e) dialysis waste, including contaminated disposable equipment and supplies, (f) cultures and stocks of infectious agents and associated biological agents, (g) contaminated animals, (h) isolation wastes, (i) equipment contaminated with Medical Waste which cannot be decontaminated in the Ordinary Course of Business, (j) laboratory waste and (k) various other biological waste and discarded materials contaminated with or exposed to blood, excretion, or secretions from human beings or animals. “Medical Waste” also includes any substance, pollutant, material or contaminant listed or regulated as “Medical Waste,” “Infectious Waste,” or other similar terms by federal, state, regional, county, municipal or other local laws, regulations and ordinances insofar as they regulate Medical Waste or impose requirements relating to Medical Waste and includes “Regulated Waste” governed by the Occupational Safety and Health Act, 29 U.S.C. Section 651 *et seq.*

“Non-Mastership Estate Related Entities” shall mean Westerly Hospital Energy Company LLC, a Rhode Island limited liability company; The Westerly Hospital Auxiliary Inc. a Rhode Island corporation; The Westerly Hospital Foundation, a Rhode Island foundation; Eldereval, LLC, a Connecticut limited liability company; and Mastuxet Realty Inc., a Rhode Island corporation.

“North Stonington Bankruptcy Case” shall mean that certain Chapter 11 bankruptcy case entitled *In re North Stonington Health Center, Inc.*, Case No. 1:12-bk-11508 pending in the United States Bankruptcy Court for the District of Rhode Island.

“North Stonington Health Center Lease” shall mean that certain Indenture of Lease by and between North Stonington Properties, LLC and TWH Community Health Center entered into on October 5, 2009.

“Original Schedules” shall have the meaning set forth in Section 13.1.

“Ordinary Course of Business” shall mean the ordinary and usual course of normal day-to-day operations of the Business through the date hereof consistent with past practice, subject, however, in respect of the period after the commencement of the Mastership Case, those actions necessary and incident to the Mastership Case.

“Other Intellectual Property” shall have the meaning set forth in Section 3.26(b).

“Outside Closing Date” shall have the meaning set forth in Section 2.1.

“Over Bidder’s Deposit” shall have the meaning set forth in Section 6.3(b).

“Owned Intellectual Property” shall have the meaning set forth in Section 3.26(a).

“PCBs” shall mean polychlorinated biphenyls.

“Peg Balance Sheet” shall mean the Consolidating Balance Sheet (of The Westerly Hospital and the Related Entities) dated February 29, 2012.

“Peg Balance Sheet Date” shall mean February 29, 2012.

“Peg Cash Amount” shall have the meaning set forth in Section 1.3.

“Pension Plan” shall have the meaning set forth in Section 5.12.

“Personal Information” means any information with respect to which there is a reasonable basis to believe that the information can be used to identify an individual, including without limitation “individually identifiable health information” as defined in 45 C.F.R. 160.103, demographic information, and social security numbers.

“Person” shall mean any natural person, corporation, general partnership, limited partnership, limited liability company, union, association, court, agency, government, tribunal, instrumentality, commission, arbitrator, board, bureau, trust, or other entity or authority.

“Plan of Profitability” shall have the meaning as set forth in Section 10.5.

“Post-Closing Statement” shall have the meaning set forth in Section 1.7(c).

“Post-Closing Tax Period” shall have the meaning set forth in Section 1.8(b).

“Pre-Closing Balance Sheet” shall have the meaning set forth in Section 1.7(b).

“Pre-Closing Tax Period” shall have the meaning set forth in Section 1.8(b).

“Prepaid Expenses” shall have the meaning set forth in Section 1.2(j).

“Providing Party” shall have the meaning set forth in Section 13.8.

“Purchase Price” shall have the meaning set forth in Section 1.6.

“Purchased Accounts Receivable” shall have the meaning set forth in Section 1.2 (l).

“Qualified Bid” shall have the meaning set forth in Section 6.3 (b).

“RAC” means Recovery Audit Contractors.

“Real Property” shall mean, collectively, the Sellers’ Owned Real Property and the Sellers’ Leased Real Property.

“Real Property Permitted Encumbrances” shall have the meaning set forth in Section 3.10.

“Receivables” shall have the meaning set forth in Section 1.2(k).

“Receiving Party” shall have the meaning set forth in Section 13.8.

“Regulatory Approvals and Governmental Consents” shall have the meaning set forth in Section 8.1(f).

“Reviewing Accountants” shall mean the office of an internationally recognized firm of independent public accountants acceptable to both Buyer and Special Master on behalf of Sellers.

“RIAG” shall mean the Department of the Attorney General of the State of Rhode Island.

“RIDOH” shall mean the Rhode Island Department of Health.

“Sale Hearing” shall have the meaning set forth in Section 6.3(c).

“Sale Order” means an order of the Mastership Court with such terms as may be ordered by the Mastership Court and as agreed to between Buyer and Sellers, such agreement in the case of ministerial or other immaterial changes not to be unreasonably withheld or delayed, provided that notwithstanding the foregoing nothing in the Sale Order, unless otherwise agreed by the

Buyer and Sellers, shall alter or amend this Agreement (for the avoidance of doubt, including all exhibits and schedules thereto) or the underlying commercial understanding reflected herein (and therein), that, among other things, finds and provides that (i) this Agreement is the winning bid; (ii) the Assets, including without limitation, the Facilities sold to the Buyer pursuant to this Agreement shall be transferred to Buyer free and clear of all Liens (other than Liens created or assumed by the Buyer) and all liabilities, causes of action, obligations, demands, guaranties, rights, restrictions, remedies, claims and matters of any kind or nature whatsoever, whether at law or in equity, including without limitation, free and clear of any rights or claims based on theories of transferee or successor liability under any applicable law, statute, rule, regulation, common law or equitable principle including, without limitation, ERISA and the Code of any Governmental Authority including, without limitation, the Pension Benefit Guaranty Corporation, the IRS, state and local taxing authority, Government Reimbursement Programs and any Governmental Authority, whether arising before or after the commencement of the Mastership Case and whether imposed by agreement, understanding, law, equity, regulation custom or otherwise, including, without limitation, the Benefit Plans, save and excepting only those Liabilities expressly assumed by the Buyer in writing under this Agreement; (iii) this Agreement was negotiated, proposed and entered into by the parties without collusion, in good faith and from arm's length bargaining positions; (iv) the Mastership Court shall retain jurisdiction to resolve any controversy or claim arising out of or relating to this Agreement, or the breach hereof, as provided in Section 13.4 hereof, and over any claims against the Buyer that are not Assumed Liabilities hereunder; (v) this Agreement and the transactions contemplated hereby may be specifically enforced against and binding upon each Seller; (vi) the Assumed Contracts and Assumed Leases have been properly assumed and assigned to the Buyer, with only such exceptions as the Buyer may agree in writing.

"Sales Procedures Order" shall have the meaning set forth in Section 6.3.

"Seller Indemnified Parties" shall have the meaning set forth in Section 7.2(a) and, with respect to indemnification arising pursuant to Section 7.2(a).

"Seller Indemnifying Parties" shall have the meaning set forth in Section 7.2(a).

"Sellers" shall have the meaning set forth in the introduction.

"Sellers' Indemnification Escrow" shall have the meaning set forth in Section 1.6.

"Sellers' Indemnification Escrow Agreement" shall have the meaning set forth in Section 1.6.

"Sellers' Intellectual Property" shall have the meaning set forth in Section 1.2(m).

"Sellers' Leased Real Property" shall have the meaning set forth in Section 1.2(b).

"Sellers' Owned Real Property" shall have the meaning set forth in Section 1.2(a).

"Sellers' Real Property Expense Leases" shall have the meaning set forth in Section 1.2(b).

“Sellers’ Real Property Income Leases” shall have the meaning set forth in Section 1.2(g).

“Sellers’ Transaction Expense” shall mean the fees due and owing to Thomas Reardon and Barbara Groux by and through Transition Hospital Company, LLC as approved by the Mastership Court.

“Special Master” shall have the meaning set forth in the introduction.

“Survey” shall have the meaning set forth in Section 5.3.

“Survey Costs” shall have the meaning set forth in Section 5.3.

“Survival Period” shall have the meaning set forth in Section 13.17.

“Tail Insurance” shall have the meaning set forth in Section 5.13.

“Taxes” or “Tax” shall mean all taxes, fees, levies or other assessments, however denominated, including any interest, penalties or other additions to taxes that may become payable in respect thereof, imposed by any federal, territorial, state, local or foreign government or any agency or political subdivision of any such government, which taxes shall include, without limiting the generality of the foregoing, all income or profits taxes (including, but not limited to, federal income taxes and state income taxes), unrelated business income taxes, payroll and employee withholding taxes, unemployment insurance, social security taxes, sales and use taxes, ad valorem taxes, excise taxes, taxes under Code Section 4958, franchise taxes, gross receipts taxes, business license taxes, occupation taxes, property taxes, stamp taxes, environmental taxes, transfer taxes, workers’ compensation, alternative or add-on minimum estimated or other taxes, levies or assessments for unclaimed property under applicable escheat or unclaimed property laws and other obligations having the same nature or a nature similar to any of the foregoing.

“Tax Return” or “Tax Returns” shall mean any report, return, declaration, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto and including any amendment thereof.

“The Westerly Hospital and the Related Entities” shall have the meaning set forth in the introduction.

“Third Party” means any Person or group other than Buyer and its Affiliates.

“Third-Party Payor Liabilities of Sellers” shall mean those liabilities as set forth in the Peg Balance Sheet.

“Title Company” shall have the meaning set forth in Section 5.3.

“Title Insurance Commitments” shall have the meaning set forth in Section 5.3.

“Title Objections” shall have the meaning set forth in Section 5.3.

“Title Policy Costs” shall have the meaning set forth in Section 5.3.

“Trade Accounts Payable of Sellers” shall mean those liabilities as set forth in the Peg Balance Sheet.

“Transferred Employees” shall have the meaning set forth in Section 10.6(c).

“UNAP” shall have the meaning set forth in Section 10.6(a).

“WARN Act” shall mean, as applicable, the Worker Adjustment and Retraining Notification Act or any state or local law that governs workplace closings and/or mass layoffs.

#### 1.1.2 Other Definitional and Interpretive Matters.

(a) Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation shall apply:

Calculation of Time Periods. When calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is a non-Business Day, the period in question shall end on the next succeeding Business Day.

Dollars. Any reference in this Agreement to \$ shall mean U.S. Dollars.

Exhibits/Schedules. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any matter or item disclosed on one Schedule shall be deemed to have been disclosed on each other Schedule to the extent it is reasonably apparent that it is pertinent to the subject matter of such other Schedule. Any capitalized terms used in any Schedule or Exhibit but not otherwise defined therein shall be defined as set forth in this Agreement.

Herein. The words such as “herein,” “hereinafter,” “hereof,” and “hereunder” refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires.

Including. The word “including” or any variation thereof means “including, without limitation” and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it.

Made available to Buyer. The phrase “made available to Buyer” shall mean made available to Buyer through posting in Sellers’ electronic data room, via email, facsimile or other electronic transfer or through other written means for all purposes of this Agreement.

Survival of Certain Covenants. Any covenant which by its terms is to be performed after the Closing shall survive the Closing, notwithstanding the fact that the provision does not explicitly provide that the covenant shall survive the Closing.

(b) The parties hereto have been advised by experienced counsel, and have participated jointly, in the negotiation and drafting of this Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted in its entirety by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

## 1.2 Sale of Assets

Subject to and in accordance with the terms and conditions of this Agreement, at the Closing, each Seller shall sell, transfer, convey, assign and deliver to the Buyer all of such Seller's respective right, title and interest, if any, in, to and under all of the assets, properties and business of every kind and description that are used in or related to the operation of the Facilities owned by such Seller, except the Excluded Assets (collectively, the "Assets"). Pursuant to the Sale Order, the Assets shall be sold and conveyed to the buyer free and clear of all Liens, and Liabilities (other than Assumed Liabilities), including all claims that Buyer is a successor, transferee or continuation of Sellers or the Business. The Assets include, without limitation, the following:

(a) the real property owned by each Seller, as more specifically described in Schedule 1.2(a), together with all buildings, structures, improvements, parking structures and fixtures located thereupon, all easements, rights of way, and other appurtenances thereto (including appurtenant rights in and to public streets), all architectural plans or design specifications relating to the development thereof and all construction in progress (collectively, the "Sellers' Owned Real Property"), such Schedule 1.2(a) to include a description for each such parcel of Sellers' Owned Real Property consistent with the vesting deed for such Seller's Owned Real Property into such Seller;

(b) the real property leasehold or sub-leasehold estate in favor of a Seller, as tenant, and held or used in or ancillary to the operation of the Business described on Schedule 1.2(b) (collectively, the "Sellers' Leased Real Property"; the leases under which any Seller holds a leasehold or sub-leasehold estate in the Sellers' Leased Real Property are collectively referred to herein as the "Sellers' Real Property Expense Leases");

(c) (i) all tangible personal property used in the operation of the Business, including, without limitation, all major, minor or other equipment, computers, computer printers, fax machines, furniture, fixtures, machinery, office furnishings and instruments, the current list of which, and their location, is set forth on Schedule 1.2(c)(i) hereto, (ii) all vehicles identified on Schedule 1.2(c)(ii), and (iii) all inventories of supplies, drugs, food, janitorial and office supplies and other disposables and consumables existing on the Closing Date and located at any Facility, or owned or purchased by a Seller for use in connection with the Business (the "Inventories");

(d) to the extent assignable or transferable, all licenses, Certificates of Need, Exemption Certificates, franchises, provider agreements, accreditations and registrations and other licenses or permits issued or pending in connection with the Business, including without limitation those described in Schedule 1.2(d);

(e) all claims, causes of action, guarantees, refunds, rights of recovery, rights of set-off, and judgments in favor of a Seller relating to the physical condition or repair of its assets, all insurance proceeds due to Buyer under Section 1.10(c) and, to the extent assignable, all warranties (express or implied) and rights and claims assertable by (but not against) a Seller related to its assets;

(f) to the extent assignable or transferable, all financial, patient, medical staff, personnel and other records relating to the Business or the Assets, including, without limitation, all accounts receivable records, equipment records, medical and administrative libraries, medical records, patient billing records, documents, construction plans and specifications, catalogs, books, records, files, operating manuals and current personnel records, including any electronic data of such records and information stored in any computer, computer server or computer equipment relating to or used in connection with the Business;

(g) all lease agreements pursuant to which any Seller, as landlord, has leased to a third party, as tenant, all or some portion of the Sellers' Owned Real Property or the Sellers' Leased Real Property, as set forth on Schedule 1.2(g) (collectively, the "Sellers' Real Property Income Leases");

(h) those contracts (excluding any Assumed Leases), commitments and agreements, operating leases and capitalized leases (including, without limitation, any design, engineering and construction contracts for planned, pending or ongoing construction projects) set forth on the list prepared in accordance with Section 1.2(b) (collectively, the "Assumed Contracts");

(i) all goodwill associated with the operation of the Business and the Assets;

(j) any deposits, other current assets, other assets, escrows, prepaid taxes or other advance payments relating to any expenses of the Business, except advance payments relating to insurance of the Business, as set forth on Schedule 1.2(j) (collectively, the "Prepaid Expenses");

(k) Other than the Government Patient Receivables, all notes, accounts receivable and other rights to receive payment for goods and services provided each Seller in connection with the Business, billed and unbilled, recorded or unrecorded, including, without limitation, any such accounts receivable that have been charged off as bad debt, and all other notes receivable from patients and notes receivable from physician as more specifically described in Schedule 1.2(k) (collectively, the "Receivables");

(l) Except as excluded in Schedule 1.2(l), the right to receive collections related to all accounts receivable arising from the rendering of services and provision of medicine, drugs and supplies to patients by any Seller through the Closing and relating to Government Reimbursement Programs billed and unbilled, recorded or unrecorded, accrued and existing and other claims of each Seller for the provision of goods or services to patients due from beneficiaries or governmental third party payors which by law may not be assigned (collectively, the "Government Patient Receivables"); provided that, notwithstanding anything herein to the contrary, as of the Effective Time, the Receivables and the Government Patient

Receivables shall be equal to at least \$8,900,944 in the aggregate net realizable value as of the Closing Date (collectively the Receivables and Government Patient Receivables are referred to as the "Purchased Accounts Receivable"). In the event Purchased Accounts Receivable are less than \$8,900,944 in aggregate net realizable value as of the Closing Date, then the Assumed Liability Cap shall be concomitantly decreased by one dollar for every dollar decrease in Purchased Accounts Receivable.

(m) the intellectual property rights of each Seller, including any such intellectual property that is licensed or leased by or to each Seller (the "Sellers' Intellectual Property"), including without limitation:

(i) the business and trade name(s) Westerly Hospital Healthcare, Inc., The Westerly Hospital, Atlantic Medical Group, Inc., Ocean Myst, MSO, LLC, Women's Health of Westerly, LLC and North Stonington Health Center, Inc. Westerly Hospital Healthcare, Inc., The Westerly Hospital, Atlantic Medical Group, Inc., Ocean Myst, MSO, LLC, Women's Health of Westerly, LLC and North Stonington Health Center, Inc., together with all variations thereof, and the goodwill associated therewith;

(ii) all patents, trademarks, including the goodwill associated therewith, copyrights, trade names, service marks, trade secrets, know-how, licenses, domain names, websites, and email addresses, including without limitation those listed in Schedule 3.26(a) hereto, whether registered or unregistered, and whether arising under the laws of the United States or any other jurisdiction anywhere in the world, including all registrations and applications for registration with respect thereto;

(iii) advertising materials, including all brochures, handouts and promotional materials, telephone exchange numbers that relate to the Business;

(iv) all rights in software and computer programs, including without limitation those listed in Schedule 3.26(a) hereto;

(v) all claims and causes of action against third parties, including rights to sue and recover damages for infringement, including without limitation past infringement;

(n) all nondisclosure or confidentiality, non-compete, or non-solicitation agreements with employees and agents of each Seller or with third parties to the extent relating to the Business or the Assets (or any portion thereof);

(o) to the extent transferable, all warranties, representations and guarantees made by suppliers, manufacturers and contractors to the extent affecting any other Assets, other than any warranties, representations and guarantees pertaining to any Excluded Assets;

(p) any right to receive or expectancy of the Sellers in any charitable gift, grant, bequest or legacy (including any income or remainder interest in or under any trust or estate) (i) listed on Schedule 1.2(p) or (ii) received or arising after the date hereof that is specifically designated by the terms of such gift, grant, bequest or legacy to be applied or used solely in respect of the Business and not the Excluded Assets;

(q) the equity securities or membership interests, corporate record books, minute books and Tax records of each Seller;

(r) any and all rights of Sellers, to the extent assignable or transferable, to receive disproportionate share or similar stabilization payments from any Government Agency ("DSH Payments") received on and after the Effective Time regardless of the State fiscal year for which the DSH Payments are made in reference to and regardless of the State fiscal year for which the data was derived to calculate eligibility for such payments;

(s) except as expressly excluded in Section 1.3 below, all other property owned by each Seller, whether tangible or intangible, located at any Facility or used in connection with the Business, whether or not reflected on the Financial Statements and any claims, against third parties by such Seller relating to the Assets, whether known or unknown, contingent or otherwise.

The foregoing, together with the Excluded Assets, comprise substantially all of the property and assets used in the conduct and operation of the Business as of the date of this Agreement, including without limitation those assets reflected on the Peg Balance Sheet. Unless otherwise specified herein, the "Assets" also include the assets acquired by each Seller for use in connection with the Business between the Peg Balance Sheet Date and the Closing Date.

### 1.3 Excluded Assets

The following items which are related to the Business are not intended by the parties to be a part of the purchase and sale of assets hereunder and are excluded from the Assets (collectively, the "Excluded Assets"): (a) each Seller's cash, cash equivalents and short term investment ("Cash") as of the Closing Date estimated in the Peg Balance Sheet to be in the amount of Five Million Eight Hundred Ninety-Six Thousand Nine Hundred and Eighty-Seven Dollars (\$5,896,987.00) ("Peg Cash Amount"), provided, subject to the provisions of Section 1.4(a) and Section 1.6(ix), any Cash in excess of the Peg Cash Amount at the Effective Time ("Cash Excess") shall remain with the Special Master; (b) all trust funds not related to the Business; (c) all supplies, drugs, food and other disposables used in the Ordinary Course of Business, prior to the Closing; (d) rights of each Seller arising pursuant to this Agreement; (e) all contracts to which any Seller is a party which is not an Assumed Contract or Assumed Lease, including but not limited to the Contracts set forth on the excluded contract list delivered to the Special Master by Buyer pursuant to Section 13.1(b); (f) any other assets set forth on Schedule 1.3(f); (g) any and all claims, demands, causes-of-action of a Seller and/or the Special Master, or the Mastership Estate has or may have against any stockholder, officer, director, employee, agent, representative, attorney, accountant, or other insider of The Westerly Hospital and Related Entities, including but not limited to, any and all claims against any such party for breach of fiduciary duties and any and all claims of any kind or nature against any entities or individuals relative to preferential transfers, fraudulent conveyances, or breaches of duty to The Westerly Hospital and the Related Entities and/or its creditors and proceeds of any of the foregoing excluded assets.

1.4 Assets Free and Clear; Assignment and Assumption Agreement; Assignment and Undertaking Agreement

(a) Notwithstanding any other provision hereof to the contrary, the Assets shall be sold and transferred to Buyer free and clear of all Liabilities and Liens except (i) Real Property Permitted Encumbrances, (ii) the classes of Liabilities set forth on Schedule 1.4(a) in the amounts set forth on the Peg Balance Sheet, and the Liabilities set forth in Section 1.4(b) below (collectively, the "Assumed Liabilities"); provided that the Trade Accounts Payable of Sellers shall not exceed \$19,131,610 as of the Closing Date (the "Assumed AP Liability Cap") and that if and to the extent such Trade Accounts Payable of Sellers exceeds the Assumed AP Liability Cap then such excess Trade Accounts Payable of Sellers shall be an Excluded Liability; provided further that if the aggregate net realizable value at the Closing Date of Purchased Accounts Receivable exceeds \$8,900,944 for every dollar of such excess the Assumed AP Liability Cap shall be increased by a dollar, however, Buyer shall have the right to use the proceeds from such an increase in such Purchased Accounts Receivable to satisfy Liabilities set forth in Section 1.4(b) (the "Assumed AP Liability Cap Increase") and any Cash Excess shall be used first to fund the Sellers' Indemnification Escrow as provided in Section 1.6(ix) and next to satisfy any remaining Liabilities set forth in Section 1.4(b) not otherwise assumed or paid by Buyer as part of the Assumed Liabilities. Subject to the foregoing waterfall provisions, if Assumed AP Liability is less than the Assumed Liability Cap, then every dollar of such Assumed AP Liability less than the assumed AP Liability Cap shall be added to the Cash retained by the Special Master.

(b) Buyer shall expressly assume the Assumed Contracts and the Assumed Leases as set forth the list prepared pursuant to Schedule 1.4(b) hereof pursuant to the Assignment and Assumption Agreement (the "Assignment and Assumption Agreement") in substantially the form attached hereto as Exhibit 1.4(b) and Buyer shall be responsible to perform and discharge any and all Liabilities (including cure payments) which may be required as a precondition to the effectiveness of the Assignment and Assumption Agreement.

(c) Each Seller shall assign and Buyer shall expressly assume all of such Seller's obligations arising after the Effective Time under the Assumed Liabilities, Assumed Contracts and the Assumed Leases, pursuant to the Assignment and Undertaking Agreement (the "Assignment and Undertaking Agreement") in substantially the form attached hereto as Exhibit 1.4(c). Except for the Assumed Liabilities, the Assumed Contracts, and the Assumed Leases, Buyer is not assuming and shall not be deemed to have assumed any other Liability, indebtedness, commitment or obligation of such Seller or any of its Affiliates, fixed or contingent, disclosed or undisclosed, recorded or unrecorded, currently existing or hereafter arising, or otherwise. In the event an assignment of any Assumed Contract or Assumed Lease requires the consent of a third party to such contract, the parties shall execute a separate Assignment and Undertaking Agreement with respect to each such affected Assumed Contract or Assumed Lease.

(d) With respect to any indebtedness secured by a Lien on the Assets which Lien is not expressly assumed by Buyer in the Assignment and Undertaking Agreement, such indebtedness shall be discharged and any such Lien shall be released at or prior to Closing.

1.5 Excluded Liabilities

Except for the Assumed Liabilities, Buyer will not assume or be liable for and under no circumstances shall Buyer be obligated to pay or assume and none of the Assets shall become subject to any other Liability of any Seller, including, the Pass-Through Liabilities set forth in Section 8.1(b) (collectively, the “Excluded Liabilities”), including but not limited to:

(a) any Liability arising out of or relating to the conduct or operations of the Business prior to the Effective Time;

(b) any Liability arising out of or relating to the ownership or use of the Assets prior to the Effective Time, whether or not described in the Schedules provided pursuant to Article III;

(c) any indebtedness, debt of or claim against Sellers or any one or more of their Affiliates, or any obligation of Seller or any one or more of their Affiliates to repay borrowed money;

(d) all Liabilities arising out of or related to the Excluded Assets, including any contract to which any Seller is a party or by which any of them are bound that is not an Assumed Contract or Assumed Lease, including but not limited to those contracts identified by Buyer to the Special Master pursuant to Section 13.1(b) (collectively, the “Excluded Contracts”);

(e) all Liabilities for Taxes, whether or not accrued, assessed or correctly due and payable, (i) of Sellers, whether or not it relates to the Business, or (ii) relating to the Assets or the Business for any Pre-Closing Tax Period;

(f) all Liabilities relating to amounts required to be paid by Sellers hereunder;

(g) any Liability under any Benefit Plan and all administrative costs associated therewith;

(h) any Liability relating to Seller’s Cost Reports, including terminating cost reports, or other Government Reimbursement Program claims with respect to periods ending prior to the Effective Time;

(i) any Liability arising from or in connection with a violation of law by the Sellers or their employees or Affiliates, including those pertaining to Medicare and Medicaid fraud or abuse and federal and state physician anti-self-referral laws;

(j) any Liability arising from or in connection with Sellers’ provider agreements with Government Reimbursement Programs or other third party payors with respect to periods prior to the Effective Time, including RAC audits and any recoupment rights of CMS, the U.S. Department of Health or the RIDOH or third party payor, and any liability arising pursuant to any third-party payor program or Government Reimbursement Programs as a result of the consummation of the transactions contemplated by this Agreement, including recapture of previously reimbursed expenses, except, any such liability expressly assumed by Buyer as part of the Purchased Accounts Receivable;

(k) any Liability arising out of or in connection with claims for acts, omissions and professional malpractice relating to the Business or Assets which allegedly occurred prior to the Effective Time;

(l) any Liability arising out of or in connection with any right of payment in contract or in tort, or right to an equitable remedy, for breach of performance if such breach gives rise to a right to payment prior to the Effective Time, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal equitable, secured, or unsecured;

(m) any Liability based upon any wrongful or negligent act or omission of the Sellers prior to the Effective Time;

(n) any Liability relating to any breach of contract, breach of warranty, tort, infringement, or violation of Law by the Sellers;

(o) any Liabilities relating to or arising out of (i) non-compliance with or violations of Environmental Laws prior to the Effective Time or (ii) any "Natural Resource Damages," any contamination of off-site properties, and any disposal of Hazardous Substances at third-party owned off-site locations, which, in the cases of clauses (i) and (ii), relate to conditions existing at the Sellers' Owned Real Property or result from the operations by the Sellers prior to the Effective Time;

(p) any Liability arising out of events or omissions occurring prior to the Effective Time from or relating to any overpayment, duplicate payment, refunds, discounts or adjustments related to reimbursements made prior to the Effective Time due to Blue Cross, Blue Shield, or any other similar private sector healthcare cost reimbursement program or insurance coverage, except, any such liability expressly assumed by Buyer as part of the Purchased Accounts Receivable;

(q) any Liability or obligation to RIDOH or the State of Rhode Island, to the extent that it arose, accrued, occurred, or was incurred prior to the Effective Time, in contract, tort or otherwise, including any for which DoH or the State of Rhode Island is entitled to assert a right of set-off, recoupment or other claim against the Assets, the Sellers and/or the Buyer;

(r) any Liability related to claims of medical malpractice and/or other professional Liability of the Sellers, or any of its employees, attending physicians, agents or independent contractors to the extent incurred prior to the Effective Time arising out of events or omissions occurring prior to the Effective Time;

(s) any Liability arising out of or in connection with any Legal Proceedings (whether instituted prior to or after the Effective Time) to the extent arising from acts or omissions which occurred prior to the Effective Time;

(t) any Liability arising under the Hill-Burton Act or any medical school construction program to the extent arising from events which occurred prior to the Effective Time, or to the extent arising from the Sellers' participation prior to the Effective Time in restricted grant or loan programs of any grant provider or Governmental Authority;

(u) except as described in Section 10.6, any Liability relating to the Sellers' Employees (whether current, former or retired) who are not Transferred Employees, including Liabilities under any Plan or Multiemployer Plan or Multiple Employer Plan for all wages, salary, sick leave pay, vacation pay, unemployment benefits, post-employment benefits, salary continuation, termination, disability, death, retirement, health, medical, pension or welfare benefits (including for this purpose all Liabilities and obligations arising under the Plans); and

(v) any Liability related to penalties, fines, settlements, interest, costs and expenses to the extent arising out of or incurred as a result of any violation by the Sellers prior to the Effective Time of any law or order.

#### 1.6 Purchase Price

(a) Subject to the terms and conditions hereof and as consideration of the purchase and sale of the Assets (the "Purchase Price") shall be equal to:

(i) Sixty Nine Million, One Hundred Thirty-Eight Thousand, Six Hundred and Fifty-Three Dollars (\$69,138,653.00);

(b) The Purchase Price shall be payable as follows:

(i) Twenty Two Million, Sixty-Nine Thousand, Six Hundred and Sixty-Six Dollars (\$22,069,666.00) shall be satisfied by Buyer's assumption of Liabilities more specifically set forth in Schedule 1.4, which includes the Bank Debt of Sellers, the Bond Debt of Sellers, Trade Accounts Payable of Sellers, Third-Party Payor Liabilities of Sellers, Accrued Payroll, and Asbestos Abatement Obligations;

(ii) Seller's retention of cash, cash equivalents and short term investment as of the Effective Time estimated in the Peg Balance Sheet to be in the amount of Five Million Eight Hundred Ninety-Six Thousand Nine Hundred and Eighty-Seven Dollars (\$5,896,987.00);

(iii) Payable at Closing by payment of the premium for the "tail" insurance required by Buyer pursuant to Section 5.13 estimated to be Two Million Dollars (\$2,000,000.00);

(iv) Thirty Million Dollars (\$30,000,000.00) shall be satisfied by Buyer's performance of Capital Expenditure Commitment as more specifically set forth in Section 10.4; and

(v) Six Million Five Hundred Thousand Dollars (\$6,500,000.00) shall be satisfied by Buyer's performance of a Commitment to Fund the Plan of Profitability as more specifically set forth in Section 10.5;

(vi) In Seller funded Closing Costs, including Sellers' Transaction Expense estimated to be One Million Five Hundred Thousand Dollars (\$1,500,000.00);

(vii) By Buyer's performance of its commitment to fund leasehold obligations of the North Stonington Health Center as more specifically set forth in Section 10.9 estimated to be Six Hundred Seventy Two Thousand (\$672,000.00);

(viii) The difference between \$8,900,944.00 and the aggregate dollar amount of the Purchased Accounts Receivable as of the Effective Time; and

(ix) The Deposit of Five Hundred Thousand Dollars (\$500,000.00) shall be considered part of the Purchase Price and shall be released from the Escrow Agent to the Special Master at the Effective Time, provided, the amount of the Deposit and in the event of a Cash Excess, the Cash Excess shall be deposited with an institutional escrow agent selected by the Buyer or such other escrow agent mutually agreed to by the parties, for a period of at least nine (9) months pursuant to an escrow agreement substantially in the form of Exhibit 1.6 hereto (the "Sellers' Indemnification Escrow Agreement"), which amount shall be held and disbursed by the escrow agent in accordance with the terms of the Escrow Agreement (the "Sellers' Indemnification Escrow") to satisfy any Liability of Seller under Section 7.2. To the extent there is a Cash Excess, then any Cash in excess of the Peg Cash Amount shall be contributed first to fund the Sellers' Indemnification Escrow so that, together with the Deposit, there shall be \$1,000,000 contributed to the Sellers' Indemnification Escrow on the Effective Date, next as needed by Buyer to satisfy Liabilities pursuant to Section 1.4(a) and (b), and next to the Special Master.

#### 1.7 Determination of Assumption of Liabilities; True-up

(a) For purposes of determining the Purchase Price pursuant to Section 1.6, including, the amount of the Liabilities to be assumed, Accounts Receivable to be acquired and Cash retained by the Special Master at the Closing in accordance with and subject to the provisions of Sections 1.2(l), 1.3, 1.4, and 1.6, such determination shall be made on or prior to the Closing Date using the Peg Balance Sheet.

(b) On or before ten (10) days prior to Closing, Special Master on behalf of the Sellers shall provide an updated consolidated Balance Sheet as of that most recent reporting date (the "Pre-Closing Balance Sheet"), with the allocation of liabilities and accounts receivable and cash to be consistent with the methodology use in the PEG Balance Sheet. If the parties agree as to the amounts set forth on the Pre-Closing Balance Sheet, then the Purchase Price shall be determined and paid using the Pre-Closing Balance Sheet. If Buyer and Seller disagree, then Closing shall be conducted in accordance with Section 1.7(a) based upon the Peg Balance Sheet and the parties shall resolve any disagreement in accordance with Section 1.7 (c)-(d) below.

(c) Within forty-five (45) days after the Closing Date, Buyer will prepare and deliver to the Special Master a schedule setting forth the calculation of Closing Date Purchased Accounts Receivable, Assumed Liabilities and Cash and a certificate setting forth the final Purchase Price calculated with reference to such amounts (the "Post-Closing Statement"). The Post-Closing Statement will be prepared by Buyer in accordance with GAAP consistently applied, and will be used to determine the final Purchase Price.

(d) Within forty-five (45) days of the date on which Buyer shall have delivered the proposed Post-Closing Statement to the Special Master (during which period representatives designated by the Special Master shall have reasonable access to the Business's records related to the Post-Closing Statement during normal business hours and upon reasonable notice), Special Master shall either accept such proposed Post-Closing Statement or shall object to such Post-Closing Statement, in each case by delivering a notice in writing to Buyer (provided, however, that if no such written notice is provided within such period, the Special Master shall be deemed to have accepted such Post-Closing Statement in its entirety) and shall specify in reasonable detail the nature and dollar amount of any disagreement so asserted. Buyer and its agents and representatives shall be permitted to review the Special Master's and its agents' and representatives' books and records relating to any notice of disagreement. If the parties are unable to agree on the Post-Closing Statement within sixty (60) days of the date the Buyer delivers the proposed Post-Closing Statement to the Special Master, the disputed items of the Post-Closing Statement shall be determined, with the cooperation of Buyer and the Special Master, by the Reviewing Accountants.

(e) The parties shall instruct the Reviewing Accountants to select one of their partners experienced in purchase price adjustment disputes to make a final determination of the actual Purchase Price with reference to such amounts to the extent such amounts are in dispute, solely in accordance with GAAP (consistently applied) and the procedures set forth in this Agreement. The parties shall instruct the Reviewing Accountants to not assign a value to any item in dispute greater than the greatest value for such item assigned by Buyer, on the one hand, or the Special Master, on the other hand, or less than the smallest value for such item assigned by Buyer, on the one hand, or the Special Master, on the other hand. The parties shall also instruct the Reviewing Accountants to make its determination based solely on written submissions by Buyer and the Special Master which are in accordance with GAAP (consistently applied) and the procedures set forth in this Agreement (i.e., not on the basis of an independent review). The determination of the final Purchase Price shall become final and binding on the parties on the date the Reviewing Accountants delivers its final resolution in writing to the parties (which final resolution shall be requested by the parties to be delivered not more than sixty (60) days following submission of such disputed matters), absent fraud or manifest error. The final resolution will be a reasoned resolution setting forth the Reviewing Accountants' reasoning in reaching its determinations. The fees and expenses for the Reviewing Accountants shall be allocated between Buyer and the Special Master based on the percentage which the portion of the contested amount not awarded to each party bears to the amount actually contested by such party. As an example and for illustrative purposes only, if the Buyer contends that there should be a Purchase Price decrease of \$1,000,000, the Special Master contends that there should be no Purchase Price decrease and the Reviewing Accountants determines that there should be a Purchase Price decrease of \$300,000, then the Buyer shall pay 70% of the fees and expenses of the Reviewing Accountants and the Special Master shall pay 30% of such fees and expenses.

(f) If the final Purchase Price (the "Final Purchase Price") is less than the Estimated Purchase Price (the "Closing Deficiency"), Special Master shall reduce Assumed Liabilities or pay Buyer, as applicable, in immediately available funds via wire transfer to an account designated by Buyer, within five (5) Business Days from the date on which the Post-Closing Statement is agreed to or finally determined in accordance with Section 1.7, an amount equal to such excess and such obligation shall receive super priority administrative claim status having

priority over any and all administrative expenses of the Special Mastership. If the Final Purchase Price is greater than the Estimated Purchase Price (the "Closing Overage"), Buyer will pay Special Master as Special Master may direct in immediately available funds via wire transfer to an account or accounts designated in writing by Seller an amount equal to the Closing Overage, within five (5) Business Days from the date on which the Post-Closing Statement is agreed to or finally determined in accordance with this Section 1.7.

1.8 Taxes

(a) Each Seller shall pay all Taxes, if any, applicable to such Seller, but not including any transfer taxes, fees or similar assessments resulting from the sale of the Assets pursuant hereto. Buyer shall pay (i) all Taxes, if any, applicable to Buyer; and (ii) all transfer taxes, fees or similar assessments resulting from the sale of the Assets pursuant hereto.

(b) To the extent not an Assumed Liability and to the extent necessary to transfer the Assets to Buyer free and clear of Liens and Liabilities, each of the Sellers shall be responsible for and shall pay or credit against the Purchase Price any Taxes arising or resulting from or in connection with its ownership and/or operation of the Assets for taxable periods (i) ending before the Effective Time or (ii) for those portions of a taxable period that begins prior to, but ends after the Effective Time. To the extent the Sellers paid Taxes with respect to the Assets prior to the Effective Time, for a taxable period that ends after the Effective Time, such Taxes shall be apportioned between the applicable Seller and the Buyer based upon (i) the number of days of such taxable period included in any tax period (or portion thereof) ending immediately before the Effective Time (the "Pre-Closing Tax Period") and (ii) the number of days of such taxable period included in any tax period (or portion thereof) beginning as of the Effective Time (the "Post-Closing Tax Period"). Buyer shall be responsible for and shall pay all Taxes in connection with the ownership of the Assets for taxable periods or portions thereof beginning as of the Effective Time.

1.9 Cooperation With Respect to Taxes

(a) The party which has the primary obligation to do so under applicable law shall file any Tax Return that is required to be filed with respect to Taxes and shall pay the Taxes shown on such Tax Return and notify the other party in writing of such other party's share of the Taxes for which it is responsible pursuant to this Agreement, if any, and the method in which such Taxes and share of Taxes were calculated. The party receiving the notice shall reimburse the paying party for the share of Taxes so paid within ten (10) calendar days after receipt of such notice.

(b) The parties to this Agreement shall cooperate, including without limitation during times of audit by taxing authorities and in preparation of Tax Returns, to avoid payment of duplicate or inappropriate Taxes, and each party shall furnish, at the reasonable request of the other, proof of payment of any such Taxes or any other documentation that is a prerequisite to avoiding payment of a duplicate or inappropriate Tax. Such cooperation shall include, without limitation, furnishing information regarding prior years' Tax Returns and related work papers, rulings and determinations by any tax authority.

1.10 Casualty Loss Provision

(a) The risk of loss or damage to any of the Assets shall remain with Sellers until the Effective Time and Sellers shall maintain their insurance policies covering the Assets and all other property through the Effective Time. If any material part or portion of the Assets is damaged, condemned, lost or destroyed (whether by fire, theft or other casualty event) prior to the Effective Time, the Special Master shall notify Buyer ("Casualty Notice") as soon as possible of such damage, loss or destruction. The Casualty Notice shall set forth the Special Master's good faith, reasonable estimate (the "Estimate of the Master") of the fair market value of the cost to repair, replace or restore (as applicable) such damage, loss or destruction (the "Aggregate Damage").

(b) In the event that there is damage, loss or destruction to The Westerly Hospital and/or Related Entities Assets related thereto (collectively, the "Casualty Assets") and (i) the Estimate of the Master of the cost to repair, replace or restore (as applicable) is greater than \$3,000,000.00 or (ii) it can reasonably be anticipated that such damage, loss or destruction will prevent Buyer from providing a material service at the Facility for more than twenty (20) days after the Closing Date (either (i) or (ii), a "Material Loss") Buyer may, within 10 days after receipt of the Casualty Notice, by written notice to the Special Master, terminate this Agreement.

(c) If, prior to the Effective Time, any part or portion of the Assets is destroyed, lost or damaged, (i) to an extent that does not result in a Material Loss with respect to the Casualty Assets, or (ii) to an extent that would be a Material Loss with respect to the Casualty Assets and Buyer fails to terminate this Agreement, Buyer and the Special Master shall consummate the transactions contemplated in this Agreement, subject to the other terms and conditions of this Agreement, and, at the Effective Time, the Special Master shall deliver possession of the Assets to Buyer in such physical condition as the same may then exist; provided that, in such event, Seller will assign to Buyer the right to receive any net insurance proceeds received for the property loss or damage to the Assets and reduce the cash portion of the Purchase Price by an amount equal to any deductible in connection therewith. For purposes of effecting this Section 1.10, Buyer will be a named additional insured on Sellers' and/or the Westerly Hospital and the Related Entities' property insurance.

1.11 Deposit

In connection with Buyer's submission of this Agreement, Buyer shall deposit the Deposit with an institutional escrow agent selected by the Buyer within two Business Days after the entry of the Sales Procedure Order, which shall be held in escrow by the Special Master pursuant to the Escrow Agreement. The Deposit shall be released in accordance with the terms of the Escrow Agreement consistent with the terms of Section 1.6 and Section 12.3 hereof. For avoidance of doubt and notwithstanding anything to the contrary contained herein, in the event this Agreement is not approved by the Court as the winning bid by August 24, 2012 and the Sale Order is not entered so allowing by that date, the Deposit shall be refunded by the Special Master on or before August 30, 2012 unless otherwise agreed by Buyer.

1.12 Proration and Utilities

Buyer, on the one hand, and the Sellers, on the other hand, shall prorate as of the Effective Time, current lease payments under the Assumed Leases, charges against the Real Property, power and utility charges and all other income and expenses which are normally prorated upon the sale of a going concern to the extent not included in Assumed Liabilities. As to power and utility charges, such amounts shall be prorated as of the Effective Time among the parties on the basis of an estimate of the amounts in accordance with GAAP and mutually agreed upon by Buyer and the Sellers. Any obligations described above that are not known at least three (3) Business Days prior to the Closing Date shall be similarly apportioned, subject to the above, and paid by the responsible party as soon as practicable after the Closing.

1.13 Provider Numbers

Notwithstanding anything herein to the contrary, Buyer shall have the option, within its sole discretion, to include the Seller's Medicare or Medicaid and other payor provider numbers and agreements to the extent assignable as Assets. Buyer shall elect to acquire such provider numbers by providing the Special Master written notice of the same no later than 5 Business Days prior to the Closing. In the event Buyer makes such an election, the provisions of Section 1.14 hereto shall govern.

1.14 Lock Box

Each Seller hereby appoints, from and after the Closing Date, Buyer, and Buyer agrees to act as it may determine in its sole discretion, as Sellers' collection agent with respect to its Government Patient Receivables. In connection therewith, on or before the Closing Date, Buyer shall establish a "lock box" at a financial institution selected by Buyer, and after the Closing, Buyer, as agent for such Seller, shall deposit in such lock box cash, checks, drafts or other similar items of payment of such Government Patient Receivables. Each Seller shall assign all such amounts deposited on its behalf into the lock box to Buyer, as collection agent, in full satisfaction of its obligation to transfer to Buyer an amount equal to the value of its Government Patient Receivables.

2. CLOSING.

2.1 Closing

The consummation of the purchase and sale of the Assets (the "Closing") shall take place on or before January 31, 2013, the offices of Ferrucci Russo P.C. or other agreed upon location, at 10:00 A.M. local time on the last Business Day of the month in which all of the conditions precedent thereto have been satisfied, except those that are to be satisfied at the time of Closing, or at such other time as the parties hereto may mutually designate in writing (the "Closing Date"), provided, however, at Buyer's election, that such date shall be extended to a date that is ten (10) Business Days after the date on which all items specified in Section 8.1 hereof have been received and any and all applicable waiting periods have expired (the "Outside Closing Date"). The Closing shall be effective for all purposes at 12:01 A.M. on the first calendar day of the next succeeding month (the "Effective Time" or the "Effective Date").

2.2 Actions of Sellers at Closing

At the Closing, the Sellers shall deliver, or cause to be delivered, to Buyer the following (Each Seller hereby acknowledges and agrees that the agreements described in Sections 2.2(a)-(f) shall expressly provide that the Assets shall be delivered free and clear of all Liens and Liabilities (other than Assumed Liabilities):

(a) One or more Special Master Deed or deeds in transferable and recordable form, acceptable to the Title Company in its reasonable discretion, executed by the duly appointed Special Master and/or duly authorized officers and/or representatives of each of the Sellers, conveying to the Buyer all of Sellers' right, title and interest in the Sellers' Owned Real Property, subject only to the applicable Real Property Permitted Encumbrances that affect any such parcel;

(b) Each Seller shall deliver the Assignment and Assumption Agreement in the form attached hereto as Exhibit 1.4(b) executed by a duly authorized officer and/or representative of such Seller;

(c) Each Seller shall deliver one or more of the Assignment and Undertaking Agreements executed by a duly authorized officer and/or representative of such Seller substantially in the form attached hereto as Exhibit 1.4(c);

(d) Each Seller shall deliver a general bill of sale and assignment substantially in the form attached hereto as Exhibit 2.2(d) (the "Bill of Sale") executed by a duly authorized officer and/or representative of such Seller;

(e) Each Seller shall deliver an Assignment of Intellectual Property substantially in the form attached hereto as Exhibit 2.2(e);

(f) Each Seller shall deliver such documents as may be required by the Title Company to release the Sellers' Owned Real Property from any and all mortgages and security interests created at any time on or prior to the Closing Date, except the Real Property Permitted Encumbrances and the Assumed Liabilities, and to insure Buyer's fee ownership interest in the Sellers' Owned Real Property free and clear of all Liens and Liabilities, except Real Property Permitted Encumbrances, all in such form and substance reasonably satisfactory to Buyer and its counsel may reasonably require;

(g) Each of the Sellers shall deliver copies of certificates of insurance evidencing the insurance described in Section 3.19;

(h) Each of the Sellers shall deliver an affidavit executed by each Seller certifying that it is not a "blocked person" under Executive Order 13224, which form shall be acceptable to Buyer;

(i) Each Seller shall deliver a DEA limited power of attorney fully executed by a duly authorized officer of Sellers (the "DEA Power of Attorney"), substantially in the form attached hereto as Exhibit 2.2(i);

(j) A certified copy of the Sale Order, evidencing that the Sale Order has not been modified, amended, dissolved or revoked or rescinded and is in full force and effect as a Final Order on the Closing Date;

(k) Each of the Sellers shall deliver the Sellers' Indemnification Escrow Agreement, executed by a duly authorized officer and/or representative of such Seller;

(l) Each of the Sellers shall deliver a certificate of non-foreign status, dated as of the Closing Date, executed by a duly authorized officer of such Seller, in form and substance required under the Treasury Regulations pursuant to Section 1445 of the Code, substantially in the form of Exhibit 2.2(l) hereto; and

(m) Each of the Sellers shall deliver such other instruments and documents as Buyer and Sellers reasonably and mutually deem necessary to effectuate the transactions contemplated hereby.

Simultaneously with the delivery of the foregoing items and as reasonably required at any time thereafter, each Seller will take all such steps as may reasonably be required to put Buyer in actual possession and operating control of the Assets following the Closing.

### 2.3 Actions of Buyer at Closing

At the Closing, Buyer shall deliver, or cause to be delivered, to the Sellers or their representatives:

(a) payment of the Purchase Price as determined in accordance with Section 1.6 hereof;

(b) the Assignment and Assumption Agreements and Assignment and Undertaking Agreements, all executed by a duly authorized officer of Buyer;

(c) copies of resolutions duly adopted by the Board or other appropriate governing bodies of Buyer and Guarantor authorizing and approving Buyer's performances of the transactions contemplated hereby and the execution and delivery of the documents described herein, certified as true and of full force as of the Closing by appropriate officers of Buyer and Guarantor;

(d) certificates dated as of the Closing Date of the appropriate officers of Buyer certifying that the conditions set forth in Section 8.1 have been satisfied;

(e) copies of resolutions duly adopted by the Board or other appropriate governing bodies of Buyer and Guarantor authorizing and approving Buyer's performance of the transactions contemplated hereby and the execution and delivery of the documents described herein, certified as true and of full force as of the Closing by appropriate officers of Buyer and Guarantor;

(f) certificates of incumbency, dated as of the Closing Date, for the officers of Buyer making certifications for Closing or executing this Agreement, the Assignment and

Undertaking Agreements or any other documents, agreements or certificates contemplated by the terms hereof to be executed and delivered by Buyer;

(g) certificates of good standing of Buyer from the Rhode Island Secretary of State and Tax Administrator, or other appropriate State or Commonwealth, dated the most recent practical date prior to Closing;

(h) the Sellers' Indemnification Escrow Agreement, executed by a duly authorized officer of Buyer;

(i) the Guaranty executed by a duly authorized officer of Guarantor; and

(j) such other documents as may be reasonably requested by any Seller.

### 3. REPRESENTATIONS AND WARRANTIES OF SELLERS.

As of the date hereof and as of the Closing Date, the Sellers hereby jointly and severally represent and warrant to Buyer the following:

#### 3.1 Existence and Capacity

(a) Such Seller is duly organized and validly existing under the laws of the State of Rhode Island. As of Closing, Westerly Hospital Healthcare, Inc. shall own 100% of the membership interests of The Westerly Hospital and Related Entities.

(b) Except as set forth above or described on Schedule 3.1(b), such Seller does not own, directly or indirectly, beneficially or equitably, any capital stock or other equity interest in any corporation, partnership, limited partnership, limited liability company or other entity or association, nor does such Seller own or hold any right of first refusal, purchase option or other rights with respect thereto, nor does any other entity own or hold any right of first refusal, purchase option or other rights related to the Assets.

#### 3.2 Powers; Consents; Absence of Conflicts With Other Agreements

The execution, delivery, and performance of this Agreement by such Seller and all other agreements referenced herein, or ancillary hereto, to which such Seller is a party, and the consummation of the transactions contemplated herein by such Seller:

(a) with regard to The Westerly Hospital and Related Entities, are within the Special Master's authority and power, subject to Mastership Court approval, pursuant to the terms of the Orders entered by the Mastership Court in or about 2011 and 2012;

(b) except as set forth on Schedule 3.2(b) and other than the express approval of the Mastership Court, do not require any approval or consent of, or filing with, any governmental agency or authority bearing on the validity of this Agreement which is required by law or the regulations of any such agency or authority;

(c) except as set forth on Schedule 3.2(c), will not conflict with, require consent under or result in any breach or contravention of, or the creation of any lien, charge, or encumbrance under, any indenture, agreement, lease, instrument or understanding to which such Seller is a party or by which it is bound or any of its assets is subject;

(d) will not violate in any material respect statute, law, ordinance, rule or regulation of any Governmental Authority to which such Seller or its respective assets may be subject; and

(e) will not violate in any material respect any judgment, decree, order, writ or injunction of any court or Governmental Authority to which such Seller or its respective assets may be subject.

### 3.3 Binding Agreement

Expressly subject to the entry of the Sale Order, this Agreement constitutes the valid, legal and binding obligation of such Seller, enforceable against each such Seller in accordance with its terms. Upon the execution and delivery by such Seller of such other agreements as may be required pursuant to Section 2.2 herein, such agreements will constitute valid, legal and binding obligations of such Seller enforceable against such Seller in accordance with its terms.

### 3.4 Financial Statements

The Hospital has made available to Buyer copies of the following financial statements of or pertaining to the Business and the Assets (the "Financial Statements"), which Financial Statements are maintained on an accrual basis:

- (a) Audited Financial Statements for The Westerly Hospital for FYE 2010;
- (b) Unaudited Financial Statements for The Westerly Hospital for FYE 2011;
- (c) Consolidating Financial Statements for The Westerly Hospital and Related Entities dated February 29, 2012; and
- (d) Accounts Payable and Accounts Receivable listings for North Stonington Health Center as of May 18, 2012.

Such unaudited Financial Statements conform to GAAP consistently applied, except: (i) for year-end audit adjustments; (ii) for a lack of footnotes; and (iii) as set forth in Schedule 3.4. Except as set forth in the footnotes to the audited Financial Statements, the audited Financial Statements have been prepared in accordance with GAAP applied on a consistent basis throughout the periods indicated. Such Balance Sheets present fairly in all material respects the financial condition of the Business as of the dates indicated thereon, and such Income Statements present fairly in all material respects the results of operations of the Business for the periods indicated thereon.

3.5 Certain Post-Peg Balance Sheet Results

Since the Peg Balance Sheet Date, except as set forth on Schedule 3.5, there has not been any:

(a) material damage, destruction or loss in excess of Five Million Dollars (\$5,000,000) (whether or not covered by insurance) affecting the Business or Two Million Five Hundred Thousand Dollars (\$2,500,000) affecting the Assets;

(b) to the Knowledge of such Seller any threatened employee strike, work stoppage or labor dispute pertaining to the Facilities owned by it;

(c) sale, assignment, transfer or disposition of any item of property, plant or equipment included in the Assets having a value in excess of Five Hundred Thousand Dollars (\$500,000), except in the Ordinary Course of Business with comparable replacement thereof;

(d) increase in the compensation payable to any employees of such Seller or independent contractors, other than in the Ordinary Course of Business, or any increase in, or establishment or amendment of, any bonus, insurance, pension, profit-sharing or other employee benefit plan, remuneration or arrangement made to, for or with such employees, other than as required by applicable law;

(e) change in the composition of the medical staff of the Hospital, other than normal turnover occurring in the Ordinary Course of Business;

(f) change in the rates charged by a Facility owned by such Seller for its services, other than those made in the Ordinary Course of Business;

(g) adjustment or write-off in accounts receivable or reductions in reserves for accounts receivable outside the Ordinary Course of Business of a Facility owned by such Seller; or

(h) change in accounting policies or procedures of such Seller.

3.6 Licenses

The Hospital is duly licensed as a general acute care hospital pursuant to the applicable laws of the State of Rhode Island. The pharmacies, laboratories and all other ancillary departments located at the Hospital or operated for the benefit of the Hospital that are required to be specially licensed are duly licensed by the RIDOH or other appropriate licensing agency. To the Knowledge of each Seller each Facility has all other material licenses, registrations, permits and approvals that are needed or required by law to operate the businesses related to or affecting such Facility, its assets or any ancillary services related thereto. Schedule 3.6 sets forth an accurate list of all such licenses, registrations, permits and approvals, identifying specifically each Seller and Facility related thereto, all of which if held by such Seller, are now, and as of the Closing Date shall be, in good standing and are not subject to meritorious challenge, and except as set forth on Schedule 3.6, no such licenses, registrations, permits and approvals are subject to renewal within less than one (1) year of the date of this Agreement.

### 3.7 Certificates of Need

Except as set forth on Schedule 3.7 hereto, no application for any Certificate of Need, Exemption Certificate or declaratory ruling has been made by such Seller with the RIDOH or other agency having jurisdiction thereof that is currently pending or open before RIDOH or such agency, and, excluding those Certificates of Need, Exemption Certificates or declaratory rulings set forth on Schedule 3.7, no such application (an "Application") filed by such Seller within the past three (3) years has been ultimately denied by any commission, board or agency or withdrawn by such Seller. To the Knowledge of such Seller, each Seller has properly filed all required, material Applications with respect to any and all improvements, projects, changes in services, zoning requirements, construction and equipment purchases, and other changes for which approval is required under any applicable federal or state law, rule or regulation, and all such Applications are complete and correct in all material respects.

### 3.8 Medicare Participation/Accreditation

To the Knowledge of Sellers, each of the Facilities is qualified for participation in the Government Reimbursement Programs; has current and valid provider contracts with such programs; is in compliance with the conditions of participation and, where applicable, conditions of coverage for such programs; has received all material approvals or qualifications necessary for reimbursement; and is accredited by DNV Healthcare Inc. ("DNV"). A copy of the most recent letter from DNV pertaining to each of the Facilities' accreditation has been made available to Buyer. To the Knowledge of the Sellers, none of the Facilities owned by it has been excluded from participation in the Government Reimbursement Programs, nor to such Seller's Knowledge is any such exclusion threatened. Attached as Schedule 3.8 is a copy of all of the Facilities' participating provider agreements with the Medicare and Medicaid programs. To the Knowledge of such Seller, each provider agreement to which such Seller is a party is in full force and effect and no events or facts exist that would cause any such provider agreement not to remain in force or effect after the Closing. To the Knowledge of such Seller, none of its officers, directors, employees, physicians or independent contractors has been excluded from participating in any federal health care program, nor to such Seller's Knowledge is any exclusion threatened or pending. Except as set forth on Schedule 3.8 and to the Knowledge of such Seller, it has not received any notice from any of the Government Reimbursement Programs, or any other third party payor program, of any pending or threatened investigations or surveys. Excluding those notices set forth on Schedule 3.8(a), such Seller has not received notice of any claims, audits, focused reviews, RAC audits, Medicaid Integrity Program audits, arbitrations, hearings, investigations, litigation, suits, surveys, or other actions pending, or, to such Seller's Knowledge, threatened, involving any of the Government Programs or any other third party payor programs.

### 3.9 Regulatory and Information Privacy/Security Compliance

(a) Set forth on Schedule 3.9(a) are all of such Seller's contracts relating to the Business with physicians, their immediate family members, or other Healthcare Providers, or entities in which physicians, their immediate family members, or other Healthcare Providers are equity owners involving services, supplies, payments or any other type of remuneration, whether such services or supplies are provided by a Healthcare Provider to any Seller, or to a

Healthcare Provider, and all of such Seller's leases, relating to the Business, of personal or real property with Healthcare Providers (including, without limitation, any Assumed Leases), whether such personal or real property is leased by a Healthcare Provider to such Seller or leased by such Seller to a Healthcare Provider. To the Knowledge of such Seller, all such contracts are in writing, are signed, set forth the services to be provided, and provide for a fair market value compensation in exchange for such services, space or goods and comply with Health Care Laws. Except as set forth on Schedule 3.9(a), each of the Facilities, the Business, and the Assets has been and presently is in compliance with all Health Care Laws. To the Knowledge of such Seller, it has not, the Facilities owned by it or any of its respective officers, directors, or to the Seller's Knowledge, their managing employees, have not engaged in any activities that are prohibited under 42 U.S.C. Section 1320a-7 *et seq.*, or the regulations promulgated thereunder, or under any other federal or state statutes or regulations, or which are prohibited by applicable rules of professional conduct.

(b) (i) Except as set forth on Schedule 3.9(b)(i) and to the Knowledge of such Seller, such Seller and each of the Facilities owned by it, (A) to the extent their operations are subject to the administrative simplification provisions of HIPAA, as codified at 42 U.S.C. Sections 1320d through d-8, as amended, and the implementing regulations contained in 45 C.F.R. Parts 160, 162 and 164, are in compliance in all material respects with those administrative simplification provisions and implementing regulations, including without limitation in conducting any of the standard transactions set forth in 45 C.F.R. Part 162; and (B) are in compliance in all material respects with all other applicable Information Privacy or Security Laws.

(i) To the Knowledge of such Seller, complete and accurate copies of any written complaints delivered to any Facility owned by it during the past 24 months alleging a violation of any Information Privacy or Security Laws have been furnished to Buyer.

(ii) Except as set forth on Schedule 3.9(b)(iii) and to the Knowledge of such Seller, the Facilities have not had a Breach of Unsecured Protected Health Information (as such terms are defined in 45 C.F.R. Part 164.402).

### 3.10 Real Property

At Closing such Seller shall transfer all right, title and interest held by it in the Seller's Owned Real Property, together with all appurtenances and rights thereto, and all right, title and interest in any leasehold interest to the Seller's Leased Real Property, which interests, shall be sold, assigned and transferred to Buyer free and clear of any and all mortgages, deeds of trust, security interests, mechanics or other Liens, Liabilities or encumbrances, subject only to those more particularly described on Schedule 3.10 (the "Real Property Permitted Encumbrances"). None of the Sellers have received written notice indicating that any of the improvements, if any which are a part of the Seller's Owned Real Property, as designed and constructed, violate any statute, restriction, regulation or ordinance applicable thereto, including but not limited to the ADA and Section 504 of the Rehabilitation Act of 1973 to the extent required. To such Seller's Knowledge none of the Sellers have received written notice indicating that the location, construction, occupancy, operation and use of the Seller's Owned

Real Property and Seller's Leased Real Property (including the improvements which are a part thereof) violate any applicable law, statute, ordinance, rule, regulation, order or determination of any Governmental Authority or any board of fire underwriters (or other body exercising similar functions), judicial precedent or any restrictive covenant or deed restriction (recorded or otherwise) affecting such property. With respect to the Real Property:

(a) except as described in Schedule 3.10(a), and to the Knowledge of such Seller, other than any other Seller, there are no tenants or other persons or entities occupying any space in the Real Property other than pursuant to the Sellers' Real Property Expense Leases;

(b) to the Knowledge of such Seller, attached as Schedule 3.10(b) is a "rent roll" for all of such Seller's Real Property Expense Leases that sets forth (i) the premises covered; (ii) the date of the lease and all amendments and modifications thereto; (iii) the name of the landlord and the tenant, licensee or occupant; (iv) the term; (v) the rents and other charges payable thereunder; (vi) the rents or other charges in arrears or prepaid thereunder, if any, and the period for which any such rents and other charges are in arrears or have been prepaid; (vii) the nature and amount of the security deposits thereunder, if any; (viii) options to renew or extend the term contained in the lease; (ix) any free rent, concessions, allowances, rebates or refunds to which the tenant, licensee or occupant may have been or be entitled; (x) the status of tenant improvements to be performed by the landlord; (xi) the nature and amount of any commissions payable with respect thereto; and (xii) a list of all uncured defaults under the leases known to such Seller. The "rent roll" is true and correct in all respects;

(c) except as described on Schedule 3.10(c), to the Knowledge of Sellers, no Seller has granted any right of first refusal to purchase or lease or an option to purchase or lease all or any portion of the Real Property owned by it;

(d) except as set forth in Schedule 3.10(d), there will be no incomplete construction projects initiated by such Seller affecting the Real Property owned by it as of the Closing Date. Schedule 3.10(d) identifies all design service contracts, engineering services contracts, construction contracts and construction management contracts relating to those construction projects initiated by such Seller and to its Knowledge that will be incomplete as of the Closing Date;

(e) except as set forth in Schedule 3.10(e), all Existing T1 Obligations will have been fully performed and funded by such Seller on or before the Closing Date;

### 3.11 Title and Condition of the Real Property

As of the Closing Date, such Seller shall own and hold good, valid and marketable title to all of the Assets, subject only to the Real Property Permitted Encumbrances with respect to the Real Property and subject only to the Assumed Liabilities with respect to all other Assets. Schedule 3.11 also includes a depreciation schedule that lists all Assets having a positive book value as of the Peg Balance Sheet Date.

### 3.12 Benefit Plans

(a) To the Knowledge of Sellers, Schedule 3.12(a) sets forth a true, complete and correct list and the funded status of all Benefit Plans other than as set forth on Schedule 3.12(a). Sellers do not maintain any other Benefit Plans. Except as set forth on Schedule 3.12(a) all Benefit Plans have been operated and administered in compliance with their terms and applicable law, and the related rules and regulations adopted by those Governmental Authorities responsible for the administration of such laws. With respect to each Benefit Plan that is intended to be qualified under Section 401(a) of the Code, such Benefit Plan has a current favorable determination letter from the IRS that it is so qualified. Except as set forth on Schedule 3.12(a), there are no material pending or, to the Knowledge of the Sellers, threatened claims against, by or on behalf of any Benefit Plans (other than routine claims for benefits). To the Knowledge of the Sellers, all required reports, Tax Returns, documents and plan descriptions of the Benefit Plans have been timely filed as applicable with the IRS or the applicable Governmental Authority;

(b) Except as set forth on Schedule 3.12(b), Sellers have not been liable at any time for contributions to a plan for or on behalf of the Employees that is subject to the funding requirements of Section 412 of the Code, Section 302 of ERISA, and/or Title IV of ERISA. Schedule 3.12(b) contains a detailed description of the current funded status of the Benefit Plans that are subject to the funding requirements of Section 412 of the Code, Section 302 of ERISA and/or Title IV of ERISA and that is true, complete and accurate to the Knowledge of the Sellers. With respect to such Benefit Plans identified on Schedule 3.12(b), Sellers and their Affiliates have taken appropriate actions to satisfy or discharge all funding Liabilities such that (i) Buyer will not be subject to any Liability with respect thereto, and (ii) no Lien or claim can be imposed on the Assets with respect to such Benefit Plans by any party, including the Pension Benefit Guaranty Corporation, the IRS or any other Governmental Authority. There is no multiemployer plan (as defined in Section 3(37) or Section 4001(a)(3) of ERISA) maintained for or on behalf of Employees under which any current or former Employee has any present or fixture right to benefits which accrued within the six-year period ending at the Effective Time pursuant to such employment or under which Sellers or their Affiliates has any present or future Liability;

(c) Sellers have heretofore delivered to Buyer, with respect to each of the Benefit Plans, true, accurate and complete copies of the following documents, as applicable: (i) the Benefit Plan document and all amendments, (ii) any related trust agreement or other funding instrument, (iii) the most recent IRS determination letter, (iv) any summary plan description and other material written communications provided to employees concerning the extent of the benefits provided under each Benefit Plan, and (v) all personnel, payroll and employment manuals and policies;

(d) Each of the Sellers has at all times materially complied with the continuation coverage provisions of COBRA with respect to all current and, after taking into consideration the undertakings of Section 10.6, all former Employees. Schedule 3.12(d) contains a list of all current and former Employees and their beneficiaries who are eligible for and/or have elected continuation coverage under COBRA or any other similar continuation coverage law, and contains the identity of Sellers' third party COBRA administrator. Sellers have engaged a

third party administrator for the purpose of maintaining compliance with the continuation coverage provisions of COBRA with respect to all current and former Employees; and

(e) Except as set forth on Schedule 3.12(e), to the Knowledge of the Sellers, no Benefit Plan is under audit or is the subject of an audit or investigation by the IRS or any other federal or state Governmental Authority, nor is any such audit or investigation pending or threatened.

### 3.13 Litigation or Proceedings

To the Knowledge of Sellers, Schedule 3.13 contains a list of each lawsuit, claim, action, suit, investigation or legal proceeding relating to the Business to which any Seller is a party or, to such Seller's Knowledge, which has been threatened against it or any of its officers or directors relating to the Business or the Real Property. Except as disclosed on Schedule 3.13 since December 9, 2012, such Seller has not been subject to any formal or informal (of which such Seller has received notice) investigations or proceedings of the Department of Health, the United States General Accounting Office, the Centers for Medicare and Medicaid Services or other similar governmental agencies (except for any investigations being conducted in the Ordinary Course of Business and applicable to all hospitals in the State of Rhode Island). Except as disclosed on Schedule 3.13 and to the Knowledge of such Seller, there are no such claims, actions, proceedings or investigations of which it has received notice pending or, to such Seller's Knowledge, threatened challenging the validity or propriety of the transactions contemplated by this Agreement. To the Knowledge of such Seller, it is not, nor has it been, a party to any injunction, order or decree restricting the method of the conduct of the Business or the marketing of any of its services; except as disclosed on Schedule 3.13 since December 9, 2011, to its Knowledge, no governmental agency has investigated or requested (other than on a routine basis) information with respect to such methods of business or marketing of such Seller's services; to the Knowledge of such Seller, it has not received any claim that it currently violates any federal, state, or local law, ordinance, rule or regulation which could have a material adverse effect on the Business or any of the Facilities owned by it and, to such Seller's Knowledge, no such claim is or has been threatened.

### 3.14 Hill-Burton and Other Liens

Except as disclosed on Schedule 3.14, and to the Knowledge of Sellers, none of the Sellers nor any of their predecessors has received any loans, grants or loan guarantees pursuant to the Hill-Burton Act program, the Health Professions Educational Assistance Act, the Nurse Training Act, the National Health Planning and Resources Development Act or the Community Mental Health Centers Act, as amended, or similar laws or acts relating to healthcare facilities that remain unpaid or which impose restrictions on the operation of the Facilities owned by it or the Assets.

### 3.15 Taxes

(a) Each of The Westerly Hospital and the Related Entities are organizations described in Section 501(c)(3) of the Code and is exempt from taxation to the extent described in Section 501(a) of the Code, (ii) is not a private foundation within the meaning of Section 509(a)

of the Code, and (iii) is in possession of a determination letter from the Internal Revenue Service to such effect, which determination letter has not been revoked or otherwise modified. To the Knowledge of each Seller, each of LHS and LMC is in compliance in all material respects with all applicable federal and state laws, regulations, rulings and orders pertaining to its exemption from federal income taxes as a Section 501(c)(3) organization. To the Knowledge of each Seller, no Seller has entered into any transaction which has constituted or may constitute an "excess benefit transaction" within the meaning of Section 4958 of the Code and the Treasury Regulations thereunder. Except as provided on Schedule 3.15(a) and to the Knowledge of each Seller, the Sellers' Leased Real Property, the Sellers' Owned Real Property, the Facilities and the Assets are, and shall be through the Effective Time, exempt from all real and personal property taxes and there are no municipal assessments, for betterments or otherwise, on, related to or, to the Sellers' Knowledge, under consideration for, either the Sellers' Leased Real Property or the Sellers' Owned Real Property.

(b) Except for Schedule 3.15(b), to the Knowledge of the Hospital and each Related Entity, all Taxes due and owing by The Hospital and such Related Entity, if any, assessed on or after June 26, 2008 (whether or not shown on any Tax Return) have been paid or will be paid at Closing. To the extent that there currently exist liens for Taxes on any of the Assets or the Facilities, the Assets will be transferred to Buyer free and clear of all such liens at Closing by Order of the Mastership Court. Except as provided on Schedule 3.15(b), none of the Assets constitutes an ownership interest in a joint venture, partnership or other arrangement or contract that could be treated as a partnership for federal income tax purposes.

### 3.16 Employee Relations

(a) Schedule 3.16(a) contains a list of all of such Seller's Employees, their current salary or wage rates, bonus and other compensation, benefit arrangements, accrued sick days, vacation days and holidays, period of service, department and job title or other summary of the responsibilities of such Employees and whether such individual is employed at will or pursuant to contract. Schedule 3.16(a) also indicates whether such Employees are part-time or full-time and union or non-union. Except as set forth in Schedule 3.16(a), all individuals identified as Employees of such Seller are employed by such Seller. Since the Balance Sheet Date and excluding increases made in the Ordinary Course of Business, there has not been any increase in the compensation payable or to become payable by such Seller to any of its officers, Employees or agents, or any bonus payment or arrangement made to or with any such person, except as described in Schedule 3.16(a). All of the individuals identified on Schedule 3.16(a) primarily provide services necessary to the operation of the Business or the Facilities owned by such Seller.

(b) Such Seller shall deliver to Buyer five (5) Business Days prior to Closing, a revised Schedule 3.16(a) reflecting any changes in the information initially set forth on Schedule 3.16(a) between such date and the date of this Agreement.

(c) Except as set forth on Schedule 3.16(c) and to the Knowledge of such Seller, it has not entered into a written or verbal agreement with Employees. Schedule 3.16(c) includes a list of all Employees (other than "part-time employees") who have suffered an "employment loss" since January 1, 2012 (as such quoted term is defined in the WARN Act).

(d) Except as set forth on Schedule 3.16(d)(i), there has not been since December 9, 2011, there is not presently pending or, to the Knowledge of the Sellers, threatened, and no event has occurred or circumstance exists that could provide the basis for, any strike, slowdown, picketing, work stoppage, or employee grievance process, or any proceeding against or affecting Seller or The Westerly Hospital and the Related Entities relating to an alleged violation of any legal requirements pertaining to labor relations, including any charge, complaint or unfair labor practices claim filed by an employee, union, or other person with the Rhode Island State Employment Relations Board or any Governmental Authority, organizational activity, or other labor dispute against or affecting Sellers or their operations or assets. Except as set forth on Schedule 3.16(d)(ii), with respect to the Employees, no collective bargaining agreement exists or is currently being negotiated by Sellers; no application for certification of a collective bargaining agent is pending; no demand has been made for recognition by a labor organization; and, to the Knowledge of the Sellers, no additional union representation question exists, no union organizing activities are taking place; and none of the Employees of Sellers is represented by any labor union or organization.

(e) Except as set forth on Schedule 3.16(e), the Sellers, to the Knowledge of such Seller, have complied in all material respects with all legal requirements relating to employment; employment practices; terms and conditions of employment; equal employment opportunity; nondiscrimination; immigration; wages; hours; benefits; payment of employment, social security, and similar Taxes; occupational safety and health; and plant closings. Except as set forth on Schedule 3.16(e), there are no pending or, to the Knowledge of the Sellers, threatened claims for failure to comply with any of the foregoing legal requirements.

(f) Sellers have made available to Buyer the personnel records for all Employees, including records reflecting salary or wages, and sick (or extended illness), paid-time-off and vacation leave that is accrued or credited but unused or unpaid. Schedule 3.16(f) lists each employment, consulting, independent contractor, bonus or severance agreement to which a Seller is a party. Each of the Benefit Plans, and each Seller, has properly classified individuals providing services to Sellers as independent contractors or employees, as the case may be.

(g) No Seller is delinquent in payments to any Employees for any wages, salaries, commissions, bonuses or other direct compensation for any services performed for it or any other amounts required to be reimbursed to such employees or in the payment to the appropriate entity of all required Taxes, insurance, social security and withholding thereon.

### 3.17 Agreements and Commitments

(a) To the Knowledge of such Seller, Schedule 3.17 (a) sets forth an accurate list identifying all commitments, contracts, leases, and agreements, written or oral, relating to the Business or the Assets to which such Seller is a party or by which such Seller or the Assets owned by it or any portion thereof is bound (i) which involve future payments, performance of services or delivery of goods or materials, to or by such Seller in an amount exceeding \$10,000 on an annual basis or (ii) regardless of dollar value are with a Healthcare Provider (the "Contracts").

(b) Except as set forth on Schedule 3.17(b) and to the Knowledge of such Seller, the Contracts, Assumed Contracts and the Assumed Leases to which it is a party constitute the entire agreement by and between the parties, (i) are in full force and effect; and, (ii) constitute valid and legally binding obligations of the parties thereto and are enforceable in accordance with their terms against the parties thereto except as enforceability may be limited, restricted or delayed by applicable bankruptcy or other applicable law affecting creditor's rights and debtor's relief generally and except as enforceability may be subject to general principles of equity. To the Knowledge of the Sellers, (x) each applicable Seller has duly performed its obligations under the Contracts, the Assumed Contracts and the Assumed Leases to which it is a party to the extent such obligations to perform have accrued and (y) no breach or default, alleged breach or default, or event which would (with the passage of time, notice or both) constitute a breach or default under any Contract, Assumed Contract or Assumed Lease by any Seller or any other party or obligor with respect thereto, has occurred.

### 3.18 Supplies

To the Knowledge of such Seller, all the inventory and supplies constituting any part of the Assets owned by it are of a quality and quantity usable and in the case of finished goods, saleable, in the Ordinary Course of Business, except for obsolete items and items of below-standard quality, all of which have been written off or written down in the most recent Financial Statements.

### 3.19 Insurance

Schedule 3.19 sets forth the insurance policies covering the Business and the Assets, including but not limited to the Real Property, which Schedule reflects the policies' numbers, identity of insurers, amounts, and coverage. All of such insurance policies are in full force and effect with no premium arrearage. Except as set forth on Schedule 3.19 and to the Knowledge of such Seller, it has not (a) received any written notice or other communication from any such insurance company canceling or materially amending any of such insurance policies and, its Knowledge, no such cancellation or amendment is threatened or (b) failed to give any required notice or to present any claim which is still outstanding under any of such policies with respect to the Business or any of the Assets owned by it.

### 3.20 Third Party Payor Cost Reports

To the Knowledge of the Sellers, the Sellers have duly filed all required Sellers' Cost Reports for all fiscal years through and including the fiscal year ended September 30, 2011. To the Knowledge of the Sellers, all of such Sellers' Cost Reports accurately reflect the information required to be included thereon and such cost reports do not claim, and none of the Facilities nor any Seller has received, reimbursement in any amount in excess of the amounts provided by law or any applicable agreement; it being understood that the Hospital's cost reports are subject to final audit and settlement in the Ordinary Course of Business. Schedule 3.20 indicates which of such Sellers' Cost Reports have not been audited and finally settled and a brief description of any and all notices of program reimbursement, proposed or pending audit adjustments, disallowances, appeals of disallowances and any and all other unresolved claims or disputes in respect of such cost reports.

3.21 Medical Staff Matters

To the Knowledge of such Seller, it has made available to Buyer true, correct and complete copies of the bylaws and rules and regulations of the medical staff of the Facilities owned by it, as well as a list of all current members of the medical staff. Except as set forth on Schedule 3.21 and to the Knowledge of such Seller, there are no adverse actions with respect to any medical staff member of the Facilities or any applicant thereto for which a medical staff member or applicant has requested a judicial review hearing that has not been scheduled or has been scheduled but has not been completed, and, to the Seller's Knowledge, there are no pending or, to the Seller's Knowledge, threatened disputes with applicants, staff members or health professional affiliates, and all appeal periods in respect of any adverse actions against any medical staff member or applicant have expired.

3.22 Accounts Receivable

To such Seller's Knowledge accounts receivable represent and constitute bona fide claims owing to it for services actually performed or for goods or supplies actually provided in the amounts indicated on the Financial Statements with no known set-offs, deductions, compromises, or reductions (other than reasonable allowances for bad debts and contractual allowances in an amount consistent with historical policies and procedures of such Seller and which are taken into consideration in the preparation of the Financial Statements).

3.23 Experimental Procedures

To such Seller's Knowledge, the Facilities owned by it have not performed or permitted the performance of any experimental or research procedure or study involving patients in the Facilities owned by it.

3.24 Compliance Program

Sellers have made available to Buyer a copy of the Facilities' current compliance program materials, including, without limitation, all program descriptions, compliance officer and committee descriptions, ethics and risk area policy materials, training and education materials, auditing and monitoring protocols, reporting mechanisms, and disciplinary policies. Except as set forth on Schedule 3.24, no Seller (a) is a party to an outstanding Corporate Integrity Agreement with the Office of Inspector General of HHS; (b) has any reporting or other obligations pursuant to any settlement agreement entered into with any Governmental Authority; (c) to the Knowledge of the Sellers, has been the subject of any government payor program investigation conducted by any federal or state enforcement agency; (d) has been a defendant in any *qui tam*/False Claims Act litigation and, to the Knowledge of the Sellers, no such investigation or litigation is threatened; or (e) has made or is in the process of making a voluntary self-disclosure under the Self-Referral Disclosure Protocol established by the Secretary of HHS pursuant to Section 6409 of the Patient Protection and Affordable Care Act, or under the self-disclosure protocol established and maintained by HHS' Office of the Inspector General, or any United States Attorney or other Governmental Authority. For purposes of this Agreement, the term "compliance program" refers to provider programs of the type described in the compliance guidance published by the Office of Inspector General of HHS. Except as set forth

on Schedule 3.24 or as set forth in a writing delivered by Sellers to Buyer which specifically makes reference to this Section 3.24, to the Knowledge of the Sellers, no Seller has an obligation to make any such self-disclosure.

### 3.25 Environmental Matters

Except as set forth in Schedule 3.25, Sellers hereby represent to their Knowledge as follows:

(a) the operations and properties of the Business are in material compliance with the Environmental Laws, which material compliance includes, but is not limited to, the possession by such Seller of all permits and governmental authorizations required under applicable Environmental Laws, and material compliance with the terms and conditions thereof.

(b) it has not (nor with respect to the Owned Real Property, to the Knowledge of such Seller, has any third party) treated, stored, managed, disposed of, transported, handled released or used any Material of Environmental Concern, except in the ordinary course of the Business and in material compliance with all Environmental Laws;

(c) there are no Environmental Claims pending or, to such Seller's Knowledge, threatened against it regarding the Assets and no circumstances exist that could reasonably be expected to lead to the assertion of an Environmental Claim against such Seller regarding the Business.

(d) there are no off-site locations where (a) Materials of Environmental Concern from the Business have been stored or disposed of in material violation of applicable Environmental Laws, and/or (b) Sellers are potentially responsible parties at any such location under any Environmental Laws.

(e) (i) there are no underground storage tanks located on the Real Property or to the Knowledge of such Seller, Leased Real Property, (ii) there is no friable, unmanaged asbestos-containing material (as defined under Environmental Laws) contained in or forming part of any of the Real Property or Leased Real Property buildings; and (iii) there are no PCBs or PCB-containing items unlawfully contained in or forming part of any of the Real Property or Leased Real Property buildings; and

(f) the operations of the Business by it are in material compliance with applicable laws concerning Medical Waste.

### 3.26 Intellectual Property Rights

(a) Schedule 3.26(a) contains a true, complete and correct list of all Intellectual Property that is owned by it ("Owned Intellectual Property"). Except as set forth in Schedule 3.26(a), all Intellectual Property is owned by such Seller and/or will be transferred at Closing to the Buyer free and clear of all Liens, claims and encumbrances. At the Closing, such Seller will transfer to Buyer all of its right, title and interest in and to the Owned Intellectual Property, free and clear of all Liens, claims and encumbrances. Except as described in Schedule

3.26(a) such Seller has not granted any license to any person or entity relating to any of the Owned Intellectual Property.

(b) Schedule 3.26(b) contains a true, complete and correct list of all Intellectual Property that is used by it and constitutes all Intellectual Property other than the Owned Intellectual Property used in connection with the operation of the Business (the "Other Intellectual Property"). Except as set forth in Schedule 3.26(b), such Owner has the right to use and assign its rights in all Other Intellectual Property and such rights will be transferred at Closing to the Buyer free and clear of all Liens, claims and encumbrances. At the Closing, such Seller will transfer to Buyer all of its right, title and interest in and to the Other Intellectual Property, free and clear of all Liens, claims and encumbrances. Except as described in Schedule 3.26(b) such Seller has not granted any license to any person or entity relating to any of the Other Intellectual Property.

(c) To the Knowledge of such Seller, it has not received notice of any unresolved claim asserting a conflict with the rights of another person or entity in connection with the use by it of any of Intellectual Property.

(d) Except as set forth on Schedule 3.26(d), all patents, registered copyrights and registered trademarks that are a portion of the Owned Intellectual Property of such Seller and applications with respect thereto, (i) have been duly maintained including without limitation the proper, sufficient and timely submission of all necessary filings and fees, (ii) have not lapsed, expired or been abandoned, and (iii) are not the subject of any opposition, interference, cancellation, or other proceeding before any governmental registration or other authority in any jurisdiction.

(e) To the Knowledge of such Seller, all Intellectual Property is valid, subsisting and enforceable, and not subject to any pending or threatened claim challenging its validity or enforceability.

(f) To the Knowledge of such Seller the Intellectual Property and operation of the Business do not infringe, misappropriate, or otherwise violate the intellectual property rights of any other person or entity and there are no pending or threatened claims of such infringement, misappropriation, or other violation.

### 3.27 Absence of Undisclosed Liabilities

Except (i) as set forth in Schedule 3.27, (ii) as and to the extent reflected or specifically reserved against (which reserves are believed adequate in amount) in the Financial Statements and (iii) liabilities incurred in the Ordinary Course of Business since September 30, 2010, such Seller, to such Sellers Knowledge, does not have, and are not subject to, any liability or obligation of any nature, whether accrued, absolute, contingent or otherwise, asserted or unasserted, known or unknown.

### 3.28 Advisors

Notwithstanding anything contained herein to the contrary, it is expressly understood and agreed that the Special Master has engaged the services of Thomas Reardon and

Barbara Groux by and through Transition Hospital Company, LLC and that Buyer will assume the obligation to satisfy any and all Advisory Fees as such term is defined in the Letter of Engagement dated January 20, 2012, entered by and between The Special Master's consultant and the Special Master, accrued in accordance with that engagement, in an amount not to exceed Three Hundred Thousand Dollars (\$300,000.00).

3.29 No Conflicts of Interest

To the Knowledge of such Seller and except as otherwise disclosed herein, no member or Affiliate of such Seller owns, directly or indirectly, in whole or in part, any real or personal property, tangible or intangible, which such Seller or any Facility owned by it is presently using or the use of which is necessary for the Business or operation of any such Facility as presently conducted. To the Knowledge of such Seller none of its officers, directors or members or any person in the family of or who is a partner of any officer, director or member of such Seller, (a) is indebted to Seller or (b) has any direct or indirect ownership interest in (i) any entity that sells goods or services to Seller, (ii) any other entity with which such Seller is affiliated or with which it has a business relationship or (iii) any entity that competes with such Seller.

3.30 Sufficiency of Assets

Except for the Excluded Assets, the Assets constitute, in the aggregate, all the assets, interests, rights and property used by the Sellers in connection with the operation of the Business as currently conducted.

3.31 No Misleading Statements

No representation or warranty by any Seller contained in this Agreement, and no statement contained in any schedule hereto (including any supplement or amendment thereto) and the documents to be delivered at the Closing by or on behalf of any Seller to Buyer or any of its representatives in connection with the transactions contemplated hereby, contains any untrue statement of material fact or, when such representations, warranties, schedules and documents are taken as a whole, omits to state a material fact necessary in order to make the statements and information contained herein untrue. Copies of all documents described on any Article 3 Schedule hereto shall be true, correct and complete and have been provided or otherwise made available to Buyer.

4. REPRESENTATIONS AND WARRANTIES OF BUYER.

As of the date hereof and as of the Closing Date, each of Buyer represents and warrants to Sellers the following:

4.1 Capacity

(a) Buyer is a Rhode Island non-profit corporation with corporate power and authority duly organized, validly existing and in good standing under the laws of the State of Rhode Island with all requisite limited liability company power and authority to own, operate and lease its properties.

(b) Schedule 4.1(b) contains complete and correct copies of the Certificate of Formation and all amendments thereto to the date hereof.

#### 4.2 Binding Agreement

This Agreement constitutes the valid, legal and binding obligation of Buyer, enforceable against each such party in accordance with its terms. Upon the execution and delivery by Buyer, as applicable, of such other agreements as may be required pursuant to Section 2.3 herein, such agreements will constitute valid, legal and binding obligations of Buyer, enforceable against Buyer in accordance with its terms.

#### 4.3 Powers; Consents; Absence of Conflicts With Other Agreements

The execution, delivery, and performance of this Agreement by Buyer, and the execution, delivery and performance by Buyer, of all other agreements referenced herein, or ancillary hereto, to which Buyer, is a party, and the consummation of the transactions contemplated herein by Buyer:

(a) are within Buyer's organizational powers, are not in contravention of law or of the terms of Buyer's organizational and governance documents and have been duly authorized by all appropriate action;

(b) except as set forth on Schedule 4.3(b), do not require any approval or consent of, or filing with, any governmental agency or authority bearing on the validity of this Agreement which is required by law or the regulations of any such agency or authority;

(c) except as set forth on Schedule 4.3(c), will not conflict with, require consent under or result in any breach or contravention of, or the creation of any lien, charge, or encumbrance under, any indenture, agreement, lease, instrument or understanding to which Buyer or its Affiliates is a party or by which it is bound or any of its assets is subject;

(d) will not violate any statute, law, ordinance, rule or regulation of any Governmental Authority to which Buyer may be subject; and

(e) will not violate any judgment, decree, order, writ or injunction of any court or Governmental Authority to which Buyer may be subject.

#### 4.4 Brokers

No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Buyer.

### 5. COVENANTS PRIOR TO CLOSING.

Between the date of this Agreement and the earlier of the Closing Date or the termination of this Agreement, with respect to the ownership and operation of the Assets and Facilities and

subject to the terms of the Advisory Agreement (once executed and in effect), Sellers will, and will cause The Westerly Hospital and the Related Entities to:

5.1 Operations

With respect to the ownership and operation of the Assets, the Business and Facilities, each Seller agrees as to itself only that it will endeavor to:

(a) carry on the Business in substantially the same manner as it has been heretofore conducted, and, unless directed by the Mastership Court, will not make any material change in personnel or operations and not make any change in its finance or accounting policies or practices;

(b) maintain the Assets in substantially as good working order and condition as at present, ordinary wear and tear excepted;

(c) perform in all respects its obligations under agreements relating to or affecting the Assets;

(d) keep in full force and effect present insurance policies or other comparable insurance coverage;

(e) use commercially reasonable efforts to maintain and preserve its business organization intact, to retain its present employees and to maintain its relationships with suppliers, physicians, patients and others having business relations with any Facility owned by it;

(f) not implement any layoffs or facility closing that would implicate the WARN Act; and

(g) maintain all licenses, permits, certifications, accreditations, and all other governmental approvals necessary to operate the Business, including correcting deficiencies disclosed in any inspection or other review by any Governmental Authority.

5.2 Certain Changes

Without the prior written consent of Buyer, each Seller agrees as to itself only that:

(a) Except for transactions contemplated by this Agreement, it will not sell or agree to sell (or entertain any discussions with any third party concerning the sale or potential sale of) (i) any of the assets except for the depletion of inventories consumed or sold or equipment disposed of in the Ordinary Course of Business or (ii) any ownership interest or membership interest in it (whether by merger, consolidation or otherwise);

(b) Except for transactions contemplated by this Agreement, it will not engage in any transaction pertaining to the Business which is out of the Ordinary Course of Business, including any sale, transfer, lease, encumbrance or granting of a security interest in any portion of the Assets;

(c) Except in the Ordinary Course of Business, it will not incur any debt, including vendor obligations, or make or obligate any Facility to make any purchase of supplies, assets or otherwise in excess of Twenty-Five Thousand and no/100 Dollars (\$25,000);

(d) Except for contracts the Special Master deems, in his sole discretion, to be necessary for patient safety and care, it will not enter into new or amend any existing contract: (i) involving expenditures after Closing in excess of \$25,000; (ii) any lease of real property whether as tenant or landlord regardless of dollar value; or (iii) with a Health Care Provider regardless of dollar value;

(e) Except as otherwise provided in this Agreement, it will not adopt any new employee benefit plan;

(f) It will not effect, grant or pay any increase in compensation to any employee, officer or director of any Facility owned by it other than annual raises and bonuses to employees and officers consistent with those effected, granted or paid in prior years, provided that such Seller will discuss with Buyer any such annual raises or bonuses prior to their implementation or announcement;

(g) It will not make any loan or advance to or enter into any other transaction with any of its stakeholders, officers, directors, employees or make any other loan or advance; or

(h) It will not pay, discharge or satisfy any material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction approved by the Mastership Court or otherwise in the Ordinary Course of Business in a manner consistent with past practice.

The Special Master agrees to consult with Buyer with respect to entering into, renewing or terminating any contract or lease relating to the Business. The Special Master may enter into, renew or terminate any such contract or lease without the prior written consent of Buyer, provided that Buyer shall not be required to assume any such contract or lease or the liabilities associated therewith unless Buyer shall consent in writing to such action.

### 5.3 Title Matters/Survey

Buyer has received or will receive commitments (the "Title Insurance Commitments") from First American Title Insurance Company or such other title company as Buyer selects in its sole and absolute discretion (the "Title Company") to issue as of the Closing Date an ALTA owner's policy of title insurance (Form 2006), with extended coverage and zoning endorsements and such other endorsements as Buyer shall reasonably require, for the Sellers' Owned Real Property and for the Sellers' Leased Real Property (which policies with respect to the Leased Real Property shall be leasehold title policies), together with improvements, buildings and fixtures thereon, in amounts equal to the reasonable value assigned to such real property by Buyer and in the customary form prescribed for use in the State of Rhode Island, but with any mandatory arbitration provision deleted therefrom. Buyer will receive a preliminary as-built survey of the land and improvements comprising the Sellers' Owned Real Property (collectively, the "Surveys") in accordance with the "Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys" jointly established and adopted by ALTA in 2010, and shall

include Items 1, 2, 3, 4, 6, 7, 8, 9, 10, 11 and 13 of Table A thereof. The Survey, when in final form, will be certified to Buyer, the Sellers, and the Title Company and shall include a surveyor's certification acceptable to Buyer and the Title Company.

On or before the date that is twenty-one (21) days after Buyer's receipt of the last of the Title Insurance Commitments and the Surveys for the Real Property (which Surveys incorporate the matters set forth in the Title Insurance Commitments), Buyer shall deliver to the Sellers written notice of any title defects, Liens or any other title and survey matters that are not acceptable to Buyer (the "Title Objections"). Not less than five (5) days after receiving Buyer's notice, the Sellers shall notify Buyer in writing of any such Title Objections which the Sellers are unable or unwilling to cause to be removed or insured against prior to or at the Closing; provided, however, the Sellers must cause to be released (or indemnified over or bonded around) any financing Liens or mechanics and materialmen's Liens caused by the Sellers or any of their Affiliates and in the event that the Sellers fail to do so, then Buyer may elect to discharge the same at the Closing and deduct the cost to do so from the Purchase Price and the Sellers shall cooperate with Buyer in doing so. In the event the Sellers give Buyer written notice that (i) they will not remove, discharge, cure or cause to be insured over by the Title Company any Title Objection (other than financing Liens or mechanics and materialmen's Liens), or (ii) they cannot obtain an order of the Mastership Court that the Title Company agrees is sufficient to permit the Title Company to insure over any Title Objection (other than financing Liens or mechanics and materialmen's Liens), Buyer shall have the right to (x) terminate this Agreement by giving the Sellers written notice of such termination within ten (10) days after receipt of the Sellers' notice of unwillingness or inability to cure such Title Objections, (y) consummate the transactions contemplated herein with respect to all Assets without waiving any rights to indemnification from Sellers with respect to such Title Objections, or (z) consummate the transactions contemplated herein with respect to all Assets other than such Real Property affected by the uncured Title Objections, with a reduction in the Purchase Price to reflect the fact that such Real Property will not be transferred to Buyer.

The Sellers agree to deliver any non-confidential information as may reasonably be required by the Title Company under the requirements section of the Title Insurance Commitment or otherwise in connection with the issuance of Buyer's title insurance policy. Unless the Title Company requires the Special Master to provide indemnification for the deletion all standard exceptions (including any exception for mechanics liens related to the real property) from the final title insurance policy, the Sellers also agree to cause the Title Company to delete all standard exceptions (including any exception for mechanics liens related to the real property) from the final title insurance policy. Any and all costs associated with such Title Insurance Commitments, title search fees, and title policy or policies (including the endorsements to such policy or policies, but after taking into account all credits available, including any reissue credits) (the "Title Policy Costs") and costs of such surveys (the "Survey Costs") shall be paid solely by Buyer.

#### 5.4 Efforts to Close

Each party hereto shall use commercially reasonable efforts to proceed toward the Closing and to cause the other party's conditions to Closing to be met as soon as practicable and consistent with the other terms contained herein. Each party hereto shall notify the other parties

as soon as practicable of any event or matter which comes to such party's attention which may reasonably be expected to prevent the conditions to such party's obligations being met.

5.5 Consents

Each party hereto will use its respective commercially reasonable efforts to obtain all permits, approvals, authorizations and consents of all third parties including governmental agencies, necessary or desirable for the purpose of (i) consummating the transactions contemplated hereby or (ii) enabling the Buyer to operate the Business in the ordinary course after the Closing. Without limiting the generality of the foregoing, such Seller shall use commercially reasonable efforts to obtain the consent of each other party to any Assumed Contracts or Assumed Leases, whose consent is required in order for it to assign such contract or lease to Buyer, including without limitation the consents to the assignment of the contracts and leases set forth on the list to be delivered pursuant to Section 13.1(b) (including the North Stonington Health Center Lease). Such Seller agrees to cooperate reasonably with Buyer in Buyer's efforts (A) to make any required filings and to obtain any governmental approvals necessary in order to consummate the transactions contemplated hereby, (B) to respond to any governmental investigation of such transactions, and (C) to defend any legal or administrative proceedings challenging such transactions. Such Seller will, upon reasonable request, cooperate with Buyer and its representatives and counsel, in the preparation of any document or other material which may be required by any governmental agency as a predicate to or result of the transactions herein contemplated.

5.6 Insurance Ratings

If requested by Buyer, such Seller shall take all action reasonably requested by Buyer to assist Buyer to succeed to its property, automobile or any other insurance policies, deposits and other interests with respect to the operation of the Business and other ratings for insurance or other purposes established by such Seller to the extent consistent with applicable law. Buyer shall not be obligated to succeed to any such rating, insurance policies, deposit or other interest, except as it may elect to do so.

5.7 Notice; Efforts to Remedy

Each party shall promptly give written notice to the other parties hereto upon becoming aware of the impending occurrence of any event which would cause or constitute a breach of any such party's representations, warranties or covenants in this Agreement or cause a material adverse change in the Assets or the operation of the Business. Each party shall use its commercially reasonable efforts to prevent or promptly remedy any breach of its representations, warranties or covenants contained in this Agreement.

5.8 Interim Operating Reporting

Within thirty (30) calendar days after the end of each calendar month prior to the Closing, the Special Master shall deliver to Buyer complete copies of Sellers' internally prepared financial statements (income statement and balance sheet) for each month then ended, together with a year-to-date compilation as presented to the Chief Executive Officer or Special Master. All of such financial statements shall be consistent with the provisions of Section 3.4. The

Hospital shall cause its officers to confer on a frequent and regular basis with one or more representatives of Buyer to report operational matters in respect of the Hospital and the Business and to report the general status of on-going operations. The Special Master shall keep Buyer fully informed of any known and unexpected emergency or other materially adverse unanticipated change in the Business and of any known governmental complaints, investigations or adjudicatory proceedings (or communications indicating that the same may be contemplated) or of any other such matters and shall permit Buyer's representatives to participate in all discussions relating thereto.

5.9 Mechanics of Transferring Employees from Buyer and Seller

Immediately prior to the Effective Time, Sellers shall take appropriate action as directed by the Buyer to implement the provisions of Section 8.1(d) and Section 10.6 (a) through (c) inclusive.

5.10 Supplements to Schedules

Each party shall update, supplement or correct the schedules hereto pursuant to Section 13.1.

5.11 Information and Access

(a) Such Seller shall afford to the officers and authorized representatives of Buyer access to the Facilities owned by it and the Assets and to Sellers' books and records relating thereto, and such Seller will furnish to Buyer such additional financial data and other information relating to the Assets and the Business at such times and in such manner as Buyer may from time to time reasonably request of the Special Master or his designees. No such investigation shall diminish or otherwise affect any of the representations, warranties, covenants or agreements of such Seller in this Agreement. Notwithstanding anything herein to the contrary, such Seller shall not be required to disclose any information regarding medical or employee records, the confidentiality of which is legally protected or to provide access to any Facility or Assets in a manner which would unreasonably interfere with the delivery of patient care.

(b) Subject to Sellers' and Buyer's disclosure obligations under securities laws and public records laws any release to the public of information with respect to the purchase and sale of the Assets will be made only in the form and manner approved by the parties and their respective representatives.

(c) Notwithstanding the foregoing, in the event a party determines that this Agreement or the terms hereof will be the subject of discovery in any litigation involving such party, such party shall promptly notify the other parties hereto of such determination and if all parties hereto conclude that such disclosure through discovery is inevitable, then (i) the parties will make a public announcement of the terms hereof prior to such discovery taking place; (ii) such public announcement shall be made in a manner and at a time mutually agreed upon by the parties; and (iii) all parties hereto shall have the opportunity to be represented at and permitted to participate in such announcement.

5.12 Pension Plan Termination

The Hospital has and shall continue to take appropriate action to (i) notify the Pension Benefit Guaranty Corporation of intent to terminate The Westerly Hospital Defined Benefits Person Plan (the "Pension Plan") under a "distress termination" pursuant to Section 4041(c) of ERISA; (ii) provide or cause to be provided to the Pension Benefit Guaranty Corporation all information that is required for such a distress termination of the Pension Plan under Section 4041(c) of ERISA and regulations promulgated thereunder; and (iii) reasonably cooperate with the Pension Benefit Guaranty Corporation in effecting the termination of the Pension Plan pursuant to Section 4041(c) of ERISA or, if determined by the Pension Benefit Guaranty Corporation, pursuant to Section 4042 of ERISA. The proposed termination date shall on or before the Effective Date of the Closing. The Sellers shall take all such actions and conduct all communications in fulfilling this covenant with the Pension Benefit Guaranty Corporation, the IRS, the U.S. Department of Labor and any other governmental agency or person in a manner that is consistent with the representations of Seller herein and the provisions of the Sale Order regarding the Pension Plan.

5.13 Tail Insurance

The Hospital on behalf of Sellers will obtain "tail" insurance at Buyer's expense as part of the Purchase Price, in form and substance acceptable to Buyer, in its commercially reasonable discretion, to insure against professional liabilities of the Facilities, its employees (including, without limitation, professional employees) and the Business relating to all periods prior to the Effective Time, the effect of such tail insurance shall be to convert such prior liability coverage into occurrence coverage. The minimum coverage under such "tail" insurance shall be One Million Dollars (\$1,000,000) per occurrence and Three Million Dollars (\$3,000,000) in the aggregate for primary and Fifteen Million Dollars (\$15,000,000) in excess, and such "tail" coverage shall be for an unlimited period of time (the "Tail Insurance"). The Hospital shall coordinate with Buyer for the placement of such tail and Buyer shall have the right to approve such placement and Buyer shall be responsible for the cost of such insurance.

5.14 No Buyer Liability for Intercompany Obligations

Notwithstanding anything to the contrary contained in this Agreement, Buyer shall have no liability for any Intercompany Obligations and no such liability shall be assumed by the Buyer hereunder.

5.15 Environmental Surveys

Buyer will request that a third party environmental consultant selected by Buyer perform Phase I environmental surveys of the Real Property. The costs and fees of such consultant shall be the responsibility of Buyer. Seller shall permit Buyer, within Buyer's sole discretion, to conduct Phase II environmental surveys of the Real Property. Buyer shall provide Sellers copies of the final reports issued by such consultant at least fifteen (15) days prior to Closing. In the event of termination of this Agreement for any reason other than for a termination pursuant to Section 12.1(c)(ii), Buyer shall deliver copies of any environmental survey received by Buyer in accordance with this Section to the Special Master provided that such third party environmental

consultant consents to delivery of such survey(s) to the Special Master prior to delivery without any additional cost to Buyer.

5.16 Charles A. Morgan Trust

The Special Master shall use his best efforts to cause Buyer to become the successor beneficiary to the Sellers under that certain Charles A. Morgan Trust.

5.17 Antitrust Filings

(a) After the date of this Agreement, the Sellers and the Buyer will each make in timely fashion but in no event later than ten (10) days after the date of this Agreement, all filings and notifications required under HSR and all such other filings and notifications as Buyer deems necessary or desirable in connection with this Agreement under any other applicable antitrust or competition laws (the "Antitrust Laws") with the appropriate Governmental Authority designated by law to receive such filings (collectively, the "Antitrust Filings"). The Sellers and the Buyer shall each pay any filing fees for which it is responsible in connection with the Antitrust Filings.

(b) As promptly as is practicable after receiving any request from any appropriate Governmental Authority for information, documents, or other materials in connection with the review of the Antitrust Filings, the Sellers or the Buyer, as the case may be, shall use its commercially reasonable efforts to comply with such request and, to the extent practicable and permitted by applicable law, permit the other party's legal counsel to review in advance any proposed written communication to any Governmental Authority to the extent that such review will not result in the waiver of any applicable privilege and subject to appropriate confidentiality agreements. The Sellers and the Buyer shall each cooperate reasonably with the other in connection with resolving any inquiry or investigation by any Governmental Authority relating to the Antitrust Filings. The Sellers and the Buyer shall each promptly inform the other of any communication with, and any proposed understanding, agreement, or undertaking with any Governmental Authority relating to its Antitrust Filing. The Sellers and the Buyer shall each give the other reasonable advance notice of, and the opportunity to participate in (directly or through its representatives) any inquiry or investigation by, or any material meeting or conference (whether by telecommunications or in person) with, any Governmental Authority relating to the Antitrust Filings if, in the reasonable judgment of the party that is subject to the inquiry, investigation, meeting or conference, such participation by the other party is prudent and (based upon the advice of legal counsel) legally permissible. Each of Sellers and the Buyer agrees to use its commercially reasonable efforts to secure termination or expiration of any waiting periods under any applicable Antitrust Laws and/or to obtain the approval of any antitrust Governmental Authority, as applicable, for the transactions contemplated by this Agreement.

(c) Notwithstanding anything to the contrary in this Agreement, nothing shall require or be construed to require Buyer or any of its Affiliates, in order to obtain the consent or successful termination or expiration of any review of any Governmental Authority regarding the transactions contemplated by this Agreement, to (i) sell or hold separate, or agree to sell or hold separate, before or after the Effective Time, any assets, businesses or any interests in any assets or businesses, of Buyer or any of its Affiliates or of the Sellers (or to consent to any sale, or

agreement to sell, by Buyer or by any of their respective Affiliates of any assets or businesses, or any interests in any assets or businesses), or any change in or restriction on the operation by Buyer of any assets or businesses, (ii) enter into any agreement or be bound by any obligation that Buyer may deem in its sole discretion to have an adverse effect on the benefits to Buyer of the transactions contemplated by this Agreement, or (iii) initiate or participate in any legal proceeding with respect to any such matters.

(d) In the event that Buyer is required, in order to obtain the consent or successful termination or expiration of any review under any Antitrust Law regarding the transactions contemplated by this Agreement, to take any of the actions set forth in Section 5.17(c) or if such consent, successful termination or expiration has not been obtained within sixty (60) days following the date of Buyer filing its Antitrust Filing under any applicable Antitrust Law, Buyer shall have the right to abandon its efforts to obtain approval under such Antitrust Law of the transactions contemplated by this Agreement, notwithstanding this Section 5.17. If Buyer so elects to abandon its efforts to seek such approval, it shall promptly give notice of such abandonment to the Special Master.

## 6. MASTERSHIP.

### 6.1 Mastership Court Filings

As more fully set forth below, if the Buyer's bid is approved by the Mastership Court as the winning bid, then, unless otherwise directed by the Mastership Court, the Special Master shall follow typical Rhode Island mastership practice to seeking entry of the Sale Order. The Special Master will serve notice of the winning bid and all related hearings regarding the sale approved by the Mastership Court upon all persons and entities that the Mastership Court requires receive such notice and/or pleadings, including, but not limited to, (a) all persons or entities known to possess or assert a Lien against any of the Assets or the Facilities, and (b) all applicable governmental authorities, including, but not limited to, the Pension Benefit Guaranty Corporation, the IRS, state and local taxing authorities, and Government Reimbursement Programs, and shall provide such other and further notice as Buyer reasonably requests. Buyer agrees that it will promptly take such actions as are reasonably requested by the Special Master to assist in obtaining entry of the Sale Order, including furnishing affidavits or other documents or information for filing with the Mastership Court. In the event the Sale Order is appealed, Sellers and Buyer may but are not obligated to use their respective reasonable efforts to defend such appeal. Sellers shall provide Buyer's counsel with advance notice of any action the Special Master intends to take and, an advance review copy of any motion that the Special Master deems necessary and appropriate to be filed in the Mastership Case relating to or affecting the Sellers' ability or their obligations under this Agreement for the timely consummation of the transactions contemplated hereby. Subject to the Mastership Court's approval, the Sale Order may require the Sellers to set aside and/or dedicate a portion of the Purchase Price reasonably sufficient to pay any and all expenses of amounts arising from or in connection with the following: any proration pursuant to Section 1.12; and/or (ii) any other amounts due in connection with the transactions contemplated herein.

In consideration for Buyer having expended considerable time and expense in connection with this Agreement and the negotiation thereof and the identification and quantification of

assets of the Sellers, Sellers shall pay to Buyer a break-up fee in an amount equal to one million five hundred thousand dollars (\$1,500,000) (the "Break-Up Fee") on the first Business Day following the date of consummation of a transaction that is a Competing Bid (as hereinafter defined) or five (5) Business Days after the valid termination of the definitive agreement therefore, along with and up to additional funds incurred by Buyer in advancing Rent for North Stonington Health Center and funding any contributions to the Plan to Profitability (each as approved by the Special Master) to such date (collectively the "Break-Up Fee Increase"). The Sellers acknowledge and agree that (i) the approval of the Break-Up Fee and the Break-Up Fee Increase is an integral part of the transactions contemplated by this Agreement, (ii) in the absence of Seller's obligation to pay the Break-Up Fee and Break-Up Fee Increase and its agreement to request such status, Buyer would not have entered into this Agreement, (iii) the entry of Buyer into this Agreement is necessary for preservation of the estates of the Sellers and is beneficial to the Sellers, (iv) the Break-Up Fee and Break-Up Fee Increase are reasonable in relation to Buyer's efforts and to the magnitude of the transactions contemplated hereby, and (v) time is of the essence with respect to entry of the Sale Procedures Order.

## 6.2 Competing Bid

This Agreement is subject to approval by the Court and the consideration by Sellers of higher or better competing bids (each a "Competing Bid").

## 6.3 Court Filings

As promptly as practicable following the execution of this Agreement, but in no event later than ten (10) Business Days after the date of this Agreement, Sellers shall file with and seek the approval of the Court of the Sale Motion, including the Break-Up Fee and the Break-Up Fee Increase, and the entry by the Court of the Sales Procedures Order approving the payment of the Break-Up Fee and the Break-Up Fee Increase and establishing certain Sale Procedures outlined below (the "Sales Procedure Order").

The Sales Procedure Order shall provide:

(a) Any interested purchaser shall submit to Special Master, W. Mark Russo, Esq., Ferrucci Russo, P.C., 55 Pine Street — 4th Floor, Providence, RI 02903, a written irrevocable offer for the Assets with a minimum initial overbid equal to the Purchase Price plus the Break-Up Fee and any applicable Break-Up Fee Increase (together the "Initial Overbid") on or before July 30, 2012 at 1:00 p.m. (ET) (and in any event at least 7 Business Days prior to the Sale Hearing (defined below)) ("Deadline for Qualified Bids");

(b) A "Qualified Bid" shall: (i) be accompanied by an asset purchase agreement in form and substance similar to this Agreement, together with a redlined, marked copy showing all changes to this Agreement (a "Competing Agreement"); (ii) equal or exceed the Initial Overbid; (iii) not be subject to due diligence or financing contingencies; (iv) must remain open until entry of the Sale Order; (v) contain terms and conditions no less favorable to the Sellers than the terms and conditions of this Agreement; (vi) be accompanied by evidence establishing that: the bidder is acting in good faith, is capable and qualified, financially, legally, and otherwise, of unconditionally performing all obligations under the Competing Agreement,

any agreement executed in connection therewith and in any Material Contracts which such purchaser seeks to have assigned and assumed; (vii) contain information, acceptable to the Special Master, which demonstrates to the Special Master in his sole and absolute discretion that the potential purchaser has sufficient cash on hand or a binding financial commitment from an established and financially sound financial institution to ensure such potential purchaser's ability to meet its commitments and otherwise fully perform pursuant to its Competing Agreement and any related agreement; (viii) disclose the identity of the potential purchaser and such potential purchaser's direct and indirect owners, including confirmation that its bid is made as principal for the potential purchaser's account and, if not, the basis upon which the potential purchaser is acting and the identities of all other participants (if any); (ix) be accompanied by sufficient indicia that the person submitting the offer is legally empowered, by power of attorney or otherwise, to (a) bid on behalf of the potential purchaser, and (b) complete and sign, on behalf of such potential purchaser, a binding enforceable Competing Agreement; (x) not request or entitle the potential purchaser to any fee, including, but not limited to, a break-up fee, topping fee, termination fee, expense reimbursement, or administrative claim against the Mastership for substantial contribution or similar type of claim and affirmatively waiving any such claim or future claim; (xi) be accompanied by a cashier's check made payable to the order of Special Master on behalf of The Westerly Hospital and Related Entities in an amount of Five Hundred Thousand (\$500,000) Dollars ("Over Bidder's Deposit"); (xii) provide that (a) if the Court approves a sale of the Assets to that bidder, the Special Master on behalf of The Westerly Hospital and Related Entities may retain the Over Bidder's Deposit for application as a non-refundable deposit to be applied against the purchase price at the closing of the transaction, and (b) if the Court does not approve a sale of the Assets to that bidder, the Special Master on behalf of The Westerly Hospital and Related Entities will return the Over Bidder's Deposit to the over bidder; (xiii) contain a proposed closing date that is not later than the Closing Date; (xiv) shall have acknowledge that if the Competing Agreement conditions the potential purchaser's performance on any non-regulatory contingency such a condition shall cause such Competing Agreement to be weighted negatively at the Sale Hearing (defined below); and (xv) shall provide that, together with the Sellers, such potential purchaser shall file a complete HCA application within forty-five (45) days of entry of a final Court order approving such purchaser's Competing Agreement as the highest and best proposal;

(c) If any bidders have submitted a Qualified Bid, then all such Qualified Bids (including this Agreement) shall be submitted for consideration to the Court on or before August 13, 2012, at 10:00 a.m. (ET) or as soon thereafter as the Court's calendar allows (the "Sale Hearing") and at the same time a copy of such Qualified Bid shall be provided to the Buyer;

(d) The Court shall determine the highest and best offer for the Assets;

(e) At the Sale Hearing, a representative of a Qualified Bidder shall present the terms and conditions of its Qualified Bid. Said representative may then be examined by the Special Master and other parties-in-interest. At the conclusion of the taking of such evidence, each Qualified Bidder shall be provided a final opportunity to submit best and final proposal in a sealed bid form;

(f) After submittal and opening of final sealed bid proposals, parties-in-interest, as well as the Special Master, may be requested to make recommendation to the Court.

After such recommendations are made, if requested, the Court will rule as to the highest and best bid;

(g) In the event that the Buyer is the only Qualified Bidder, a representative of the Buyer shall present the terms and conditions of this Agreement and then be subject to examination by the Special Master and other parties-in-interest;

(h) In the event the entry of the Sale Order or the Sale Procedures Order shall be appealed, each party shall use their respective commercially reasonable efforts to defend against such appeal. In the event that an appeal is taken, or a stay pending appeal is requested from the Sale Order or the Sale Procedures Order, the Special Master on behalf of the Sellers shall promptly notify Buyer of such appeal or stay request and shall provide Buyer within three (3) Business Days a copy of the relevant notice of appeal or order of stay. The Special Master shall also provide Buyer with written notice of any motion or application filed in connection with any appeal from either of such orders.

## 7. INDEMNIFICATION.

### 7.1 Indemnity by Buyer

(a) Buyer shall indemnify, defend and hold harmless each Seller and its respective Affiliates, officers, directors, trustees, members and employees (collectively, "Buyer Indemnified Parties") from and against any and all liabilities, losses, damages, demands, claims, suits, actions, judgments, causes of action, assessments, costs and expenses, including, without limitation, interest, penalties, attorneys' fees, any and all expenses incurred in investigating, preparing and defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation (collectively, "Damages"), asserted against, resulting to, imposed upon, or incurred or suffered by any of them, directly or indirectly, as a result or arising out of the following:

(i) any inaccuracy in or breach or nonfulfillment of any of the representations, warranties, covenants or agreements made by Buyer in this Agreement or the other agreements and documents to be executed and delivered by Buyer pursuant to this Agreement;

(ii) any liability imposed on any Seller to the extent such liability is an Assumed Liability or has been expressly assumed by Buyer pursuant to this Agreement, the Assignment and Undertaking Agreement, or the Assignment and Assumption Agreement;

(iii) any liability imposed on any Seller arising from Buyer's operation of the Facilities or Buyer's ownership of the Assets after the Effective Time; and

(iv) any misrepresentation in any certificate or other document furnished or to be furnished by or on behalf of Buyer pursuant to this Agreement.

(b) To be entitled to such indemnification, a Buyer Indemnified Party shall give Buyer prompt written notice of the assertion by a third party of any claim with respect to

which Buyer Indemnified Party may bring a claim for indemnification hereunder, and in all events must have supplied such notice to Buyer within the period for the defense of such claims by Buyer. Buyer shall have the right, at its own expense and at its own option, to contest any such third party claim and such Buyer Indemnified Party shall cooperate in good faith with Buyer to permit Buyer do so. Should such Buyer Indemnified Party settle or compromise any claim or matter for which an indemnity would be payable by Buyer hereunder without the prior written consent of Buyer, which consent shall not be unreasonably withheld, Buyer shall be relieved of any liability hereunder to such Buyer Indemnified Party with respect to such claim or matter.

(c) If any third party payor deducts any amount from payments due a Buyer Indemnified Party in respect of claims against or amounts owed by Buyer, Buyer will promptly reimburse such Buyer Indemnified Party for the amounts so deducted within five (5) days after written demand therefor by such Buyer Indemnified Party. Such Buyer Indemnified Party shall give prompt notice to Buyer of the assertion of any claim, formal or informal, by any third party payor for which, if deducted by such third party payor, such Buyer Indemnified Party would be entitled to reimbursement by Buyer hereunder and will cooperate in good faith, at no out-of-pocket cost to such Buyer Indemnified Party, with Buyer to permit Buyer to mitigate the amount of any such claim by any such third party payor.

## 7.2 Indemnity by Sellers

(a) Each Seller, jointly and severally (collectively, the "Seller Indemnifying Parties"), shall indemnify, defend and hold harmless Buyer and its respective officers, directors, employees, shareholders and Affiliates (collectively, the "Seller Indemnified Parties") from and against any and all Damages asserted against, resulting to, imposed upon, or incurred or suffered by any of them, directly or indirectly, as a result or arising out of the following:

(i) any inaccuracy in or breach or nonfulfillment of any of the representations, warranties, covenants or agreements made by any Seller in this Agreement or the other agreements and documents to be executed and delivered by any Seller pursuant to this Agreement;

(ii) any Liability arising from or in connection with any COBRA continuation coverage or similar continuation coverage for any of the employees (and their eligible dependents) of Sellers except as may be Buyer's obligation under Section 10.6;

(iii) any and all Liabilities of any kind whatsoever of any Seller, including without limitation liability for Taxes, professional malpractice, general liability claims or workers compensation claims, relating to or arising out of the operation of the Business prior to the Effective Time which is imposed on a Seller Indemnified Party, except to the extent such Liability (A) is an Assumed Liability or (B) is an obligation with respect to events or periods on and after the Effective Time under any (I) Assumed Contract or (II) Assumed Lease;

(iv) any Excluded Contract or Excluded Liability;

(v) any violation of or Liability under Environmental Laws that is related to any Seller's management, use, control, ownership or operation of the Assets or the Business;

(vi) any Liability arising from or in connection with any Benefit Plan, except to the extent such Liability has been expressly assumed by Buyer pursuant to this Agreement or the Assignment and Undertaking Agreement;

(vii) any Liability for violation of law occurring prior to the Effective Time (including, without limitation, Liability for overpayments and penalties) imposed on or incurred by Buyer relating to, arising from or as a result of Buyer's assumption from the Sellers (through automatic assignment or otherwise) of any provider agreement (including, without limitation, those with Medicare and Medicaid), other agreement, lease or contract with a Governmental Authority or a referral source, including, but not limited to, Liability as a result of governmental investigation, self-reporting, qui tam action, audit under Medicare's RAC program or otherwise;

(viii) except those claims set forth in Section 3.28, any claims for fees or commissions of brokers employed or alleged to have been employed by Sellers; and

(ix) any Liability arising from or in connection with those matters described pursuant to Section 8.6.

(b) To be entitled to such indemnification, a Seller Indemnified Party shall give Seller Indemnifying Parties prompt written notice within five (5) days of Seller Indemnified Party being notified of any breach or the assertion by a third party of any claim with respect to which a Seller Indemnified Party may bring a claim for indemnification hereunder, and in all events must have supplied such notice to Seller Indemnifying Parties within the applicable period for defense of such claims by Seller Indemnifying Parties. Each Seller Indemnified Party shall have the right to use the Sellers' Indemnification Escrow, after its receipt of express, written authorization from the Special Master or his designee, to contest any such third party claim, and such Seller Indemnifying Party shall cooperate in good faith with such Seller Indemnified Party to permit such Seller Indemnified Party to do so. Should such Seller Indemnified Party settle or compromise any claim or matter for which an indemnity may be payable by Seller Indemnifying Parties hereunder without the prior written consent of Seller Indemnifying Parties, which consent shall not unreasonably be withheld, the Seller Indemnifying Parties shall be relieved of any liability hereunder with respect to such claim or matter.

(c) If any third party payor deducts any amount from payments due a Seller Indemnified Party in respect of claims against or amounts owed by Seller Indemnifying Parties, the Seller Indemnifying Parties will promptly authorize reimbursement from the Sellers' Indemnification Escrow to such Seller Indemnified Party for the amounts so deducted within five (5) days after written demand therefor by such Seller Indemnified Party. Such Seller Indemnified Party shall give prompt notice to the Seller Indemnifying Parties of the assertion of any claim, formal or informal, by any third party payor for which, if deducted by such third party payor, such Seller Indemnified Party would be entitled to reimbursement by Seller Indemnifying Parties hereunder and will cooperate in good faith, at no out-of-pocket cost to such Seller

Indemnified Party, with Seller Indemnifying Parties to permit the Seller Indemnifying Parties to mitigate the amount of any such claim by any such third party payor.

(d) For purposes of determining whether a breach has occurred or an inaccuracy exists for purposes of this Section 7.2 and calculating the amount of any Damages incurred, arising out of or relating to such breach or inaccuracy, no effect shall be given to any materiality or Material Adverse Effect qualification of any representation or warranty of any of the Sellers or (ii) or any supplement to the Schedules (as described in Section 13.1).

### 7.3 Procedure for Indemnification – Non Third Party Claims

Whenever any claim shall arise for indemnification hereunder not involving any demand, claim, action or proceeding made or brought by a third party, including without limitation a federal or state government agency, the indemnified party shall notify the indemnifying party promptly after such indemnified party has actual Knowledge of the facts constituting the basis for such claim. The notice to the indemnifying party shall specify, if known, the amount or an estimate of the amount of the Damages arising therefrom. It is understood that such notice shall only be notice of a claim or anticipated claim and shall not create an obligation upon the indemnifying party to defend or reimburse such claim.

### 7.4 Survival Claims Period

No claim for indemnification may be asserted hereunder unless the party seeking indemnification gives the other party or parties notice of such claim before the end of the Survival Period (as defined in Section 13.17) provided that where notice of such claim has been timely given, such claim shall survive the expiration of the Survival Period.

### 7.5 Limitations on Any Indemnification Claim

The ability of the parties to seek indemnification pursuant to this Article 7 shall be limited in the following manner:

(a) The Liability of the Seller Indemnifying the Parties for indemnification under Section 7.2 shall be limited to One Million Dollars (\$1,000,000.00), subject to the Sellers' ability to fund at Closing and the provisions of Sections 1.4(a) and 1.6; and

(b) The Liability of Buyer for indemnification under Section 7.1 shall be limited to Three Million Dollars (\$3,000,000).

## 8. CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER.

The obligations of Buyer to purchase the Assets in accordance with the terms of this Agreement are subject to the satisfaction, on or prior to the Closing Date, of the following conditions unless waived in writing by Buyer:

### 8.1 General Conditions to Buyer's Performance

Buyer's performance hereunder shall be subject to:

(a) Due Diligence Satisfaction. Buyer shall have a period of time after entry of the Sales Procedures Order not to exceed forty five (45) days after entry of the Sale Procedures Order to complete due diligence; provided that the forty five (45) day due diligence period shall be extended for a period of time equal to any period of time in which the Special Master fails to reasonably cooperate with Buyer's due diligence efforts, including but not limited to, failure to provide reasonably requested documents or information. This condition may be waived or eliminated by the Buyer in the event significant progress is made in diligence review prior to that date. Due diligence shall be undertaken so that the Buyer can satisfy itself, within its commercially reasonable discretion, that there are no material issues that would prevent the Buyer from concluding the transaction as set forth herein. For purposes of this Subsection 8.1(a) only, a material issue shall mean any issue or issues that individually or in the aggregate would be reasonably and commercially estimated to cost the Buyer Two Million Dollars (\$2,000,000) or more to remedy.

(b) Buyer's Satisfaction of No Pass-through Liability. Buyer shall have determined, within its commercially reasonable discretion, that there are no potential pass-through liability claims to Buyer, such as Sellers' pension liabilities, any regulatory investigations and self-disclosures or litigation claims to the satisfaction of the Buyer. Buyer shall not assume such liabilities. If requested and to the extent appropriate, Buyer will assist Sellers in negotiating resolution of the foregoing.

(c) Material Contracts. Amendment and extension and assignment to Buyer of all material contracts including, without limitation, any necessary transition agreements and those of third party payors (collectively "Material Contracts"). Additionally, Buyer shall have negotiated satisfactory contractual understandings with The Westerly Hospital Foundation and The Westerly Hospital Auxiliary, Inc., so that the mission of each of the foregoing organizations remains consistent and complementary to the mission of The Westerly Hospital and the Related Entities post-Closing. Buyer shall also have reached a satisfactory understanding of the North Stonington Health Center Lease, and obtained the landlord's consent to assignment and, if needed, such other appropriate consents and modifications to the North Stonington Health Center Lease to ensure the arrangement remains an appropriate fair market, arm's length arrangement. Buyer shall provide Sellers an initial identification of any such Material Contracts no later than expiration of the Due Diligence period in Schedule 8.1(a) which may be supplemented and finalized in Buyer's commercially reasonable discretion in accordance with the procedures of set forth in Section 13.1 hereof. Additionally, Sellers shall have resolved and satisfied all existing controversies involving Blue Cross and Blue Shield related to that certain Hospital Participation Agreement dated April 16, 2009 and Health Insurance Sales Agreements among the Sellers and Blue Cross and Blue Shield, including without limitation the Year Two Global Incentive Funding Advances thereunder, to the satisfaction of Buyer in its commercially reasonable discretion. Buyer shall have entered into a transition services agreement with McKesson and any other information technology providers necessary to continue to operate the Facilities following Closing and such agreements shall be satisfactory to Buyer in its commercially reasonable discretion. The Sellers shall deliver to Buyer at least ten (10) Business Days prior to the Closing Date, a landlord estoppel certificate in a form acceptable to Buyer from any applicable Seller landlord, which estoppel certificate shall be duly signed by such landlord's representative and shall confirm or attach the following with respect to both leases: (a) a true, correct and complete copy of the lease together with all amendments thereto; (b) the commencement date and

termination date of the lease (including any renewal options); (c) the number square feet of rentable area contained in the premises; (d) that the respective tenant is current through the period immediately prior to Closing in the payment of any and all base rent, additional rent, taxes, utilities, common area maintenance payments, insurance and any and all other charges that tenant is required to pay pursuant to the lease; (e) that there are no defaults or breaches on the part of tenant under the lease; (f) the amount of any security deposit which has been deposited with landlord; (g) that landlord is aware that tenant will assign the lease to Buyer and landlord consents to such assignment and agrees to accept all rents due under the lease from Buyer, its successors or assigns, upon the written notification by tenant that the lease has been assigned; (h) that landlord will look solely to tenant (not the Buyer-assignee) for payment of any and all base rent, additional rent, taxes, utilities, common area maintenance payments, insurance and any and all other charges that become due and payable under the lease prior to the effective date of such assignment and that the non-payment of such sums by tenant shall not be deemed an event of default under the lease by Buyer-assignee on or after the effective date of such assignment; and (i) that the estoppel certificate may be relied upon by Buyer and its assignees in purchasing tenant's leasehold interest to the premises.

(d) Collective Bargaining Agreement. Buyer shall have entered into the Restated Collective Bargaining Agreement ("CBA"), in form and substance acceptable to Buyer, within its sole discretion, as set forth in Section 10.6.

(e) **BUYER SHALL MAKE A GOOD FAITH EFFORT TO SATISFY OR WAIVE ALL NON-REGULATORY CONTINGENCIES PRIOR TO THE COMPETING BID DEADLINE OR SUCH SHALL BE WEIGHTED NEGATIVELY AT THE SALE HEARING.**

(f) Regulatory Approvals and Governmental Consents. Buyer (with assistance and cooperation of Sellers) will use its best efforts to procure regulatory approval for the Transaction from the RIDOH and the RIAG as well as approvals from any and all other required Governmental Authorities and authorities with jurisdiction over the Sellers, including, without limitation, the Center for Medicare and Medicaid Services (collectively, "Regulatory Approvals and Governmental Consents").

## 8.2 No Financing Contingency

Buyer has expressly represented that Buyer's performance of this Agreement is in no way conditioned upon obtaining financing, including the acquisition of Seller's assets or assumption of Seller's Liabilities as set forth herein.

## 8.3 Representations

The representations of each Seller made in this Agreement qualified as to materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects when made and, when read in light of any Schedules which have been updated (but not corrected) in accordance with the provisions of Section 13.1 hereof, as of the Closing Date as though such representations and warranties had been made on and as of such Closing Date. Each Seller shall have duly performed, complied with and satisfied all covenants, agreements and

conditions required by this Agreement to be performed, complied with or satisfied by it prior to the time of the Closing.

8.4 Pre-Closing Confirmations

Buyer shall have obtained documentation or other evidence confirming the following:

(a) confirmation and effective issuance to the Hospital of the license required by the State of Rhode Island for continued operation of the Hospital by Buyer after the Closing;

(b) confirmation of Medicare and Medicaid certification of the Hospital and the Facilities if and to the extent required for its continued operation after the Closing;

(c) confirmation from RIDOH as to any necessary registration and licensure matters with respect to the operation by Buyer of the Hospital and the Facilities and all presently authorized supplemental and special services on and after the Closing and the issuance thereof; and

(d) to the extent required, approval of the RIAG and the RIDOH and any equivalent State of Connecticut Governmental Authorities.

(e) no such approval, confirmation or issuance referenced in this Section 8.4 shall include any condition or requirement that, individually or in the aggregate, would reduce the benefits of the transactions contemplated by this Agreement to the Buyer in so significant a manner that Buyer, in its reasonable discretion, would not have entered into this Agreement had such condition or requirement been known at the date hereof.

8.5 Action/Proceeding

No action, proceeding, investigation or administrative hearing before a court or any other Governmental Agency or body shall have been instituted or, to the Knowledge of Buyer, threatened against any Seller or Buyer which seeks injunctive relief in anticipation of the sale of the Assets and may reasonably be expected to prohibit the sale of the Assets to Buyer or seeks damages in a material amount by reason of the consummation of such contribution.

8.6 Consents

All notices to, and consents, authorizations, approvals, waiting periods and waivers from third parties required, if any, for the Sellers to consummate the transactions contemplated hereby or required in connection with the assignment by the Sellers and the Buyer's assumption of the Material Contracts set forth on the list to be delivered to the Special Master pursuant to Section 13.1(b) shall have been obtained (the "Material Consents").

8.7 Adverse Changes

A Material Adverse Effect on the Business, the Hospital, the Assets or the Facilities shall not have occurred after the date hereof, or there shall not have occurred after the date hereof any event that with reasonable certainty would constitute such a Material Adverse Effect.

8.8 No Investigation

No regulatory investigation or proceeding involving CMS, the Justice Department or any other federal or state agency and involving or related to any Seller as to such Sellers' ownership or operation of the Business, the Hospital, or the Assets that has or reasonably would have a Material Adverse Effect shall have been commenced.

8.9 Proceedings and Documents Satisfactory

Buyer shall have received such certificates, opinions and other documents as it or its counsel may reasonably require in order to consummate the transactions contemplated hereby, all of which shall be in form and substance reasonably satisfactory to it and its counsel. All proceedings in connection with the purchase and sale of the Assets and all certificates and documents delivered to Buyer pursuant to this Agreement shall be reasonably satisfactory in form and substance to Buyer and its counsel acting reasonably and in good faith.

8.10 Delivery of Certain Documents

At the Closing, the Sellers shall have delivered to Buyer all documents, agreements and instruments contemplated by Section 2.2.

8.11 Title Insurance Commitment and Survey

With respect to the Sellers' Owned Real Property and the Sellers' Leased Real Property under which a Seller is a ground lessee, Buyer shall have received the Title Insurance Commitment(s) as down dated to and revised as of the Closing Date which shall confirm that the Sellers' Owned Real Property and the Sellers' Leased Real Property have not been encumbered or subjected to any matter other than those described in Schedule 3.10, and the Title Company shall be unconditionally obligated to issue the title insurance policies upon recording of the deeds. With respect to all Sellers Leased Real Property (except for Sellers' Leased Real Property under which a Seller is a ground lessee), Buyer shall have received evidence of the good, valid and marketable assignment of the applicable Sellers' Real Property Expense Leases. Buyer shall have received the Survey in conformity with the provisions of Section 5.3.

8.12 Sale Order

The Sale Order shall have been entered as a Final Order such that the Assets shall be conveyed free and clear of all Liens and Liabilities (other than Assumed Liabilities) and on the Closing Date are, in fact, delivered free and clear of all Liens and Liabilities (other than Assumed Liabilities).

8.13 Opinion of Seller's Counsel

Buyer shall have received an opinion from counsel to Sellers, dated as of the Closing Date and addressed to Buyer, substantially in the form of Exhibit 8.13 hereto.

8.14 Non-Mastership Estate Related Entities -- Asset Transfers

The Special Master shall be in a position to deliver the assets of any Non-Mastership Estate Related Entities to Buyer, including, but not limited to, any related Certificate of Need; provided that in the event the Special Master is unable to deliver assets held by any such Non-Mastership Estate Related Entities, the Buyer may, within its commercially reasonable discretion, elect to close on this Agreement subject to a proportionate offset in the Purchase Price. The RIDOH shall have approved the transfer of the Certificate of Need relating to the long-term acute care hospital to Buyer.

8.15 Property Tax

Buyer shall have received evidence that the Sellers' Real Property is exempt from property taxes as of the Effective Time.

8.16 Environmental Survey

Buyer shall have received satisfactory test results, within its commercially reasonable discretion, on all surveys performed pursuant to Section 5.15 hereto. For purposes of this condition, a survey shall not be deemed unsatisfactory if it requires a commercially reasonable remedial action work plan costing \$500,000 or less to remediate (as determined by the environmental consultant preparing such survey).

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLERS.

The obligations of each Seller to sell the Assets in accordance with the terms of this Agreement are subject to the satisfaction, on or prior to the Closing Date, of the following conditions unless waived in writing by the Sellers:

9.1 Representations/Warranties

The representations and warranties of Buyer made in this Agreement qualified as to materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects, when made and, when read in light of any Schedules which have been updated (but not corrected) in accordance with the provisions of Section 13.1 hereof, as of the Closing Date as though such representations and warranties had been made on and as of such Closing Date. Each and all of the terms, covenants, and conditions of this Agreement to be complied with or performed by Buyer on or before the Closing Date pursuant to the terms hereof shall have been duly complied with and performed in all material respects.

9.2 Action/Proceeding

No action, proceeding, investigation or administrative hearing before a court or any other governmental agency or body shall have been instituted or, to the Knowledge of any Seller, threatened against any Seller, or Buyer which seeks injunctive relief in anticipation of sale of the

Assets and may reasonably be expected to prohibit the sale of the Assets to Buyer or seeks damages in a material amount by reason of the consummation of such contribution.

9.3 Delivery of Certain Documents

At the Closing, Buyer shall have delivered to Sellers all documents, agreements and instruments contemplated by Section 2.3 and shall have paid the Purchase Price in accordance with Section 1.6(b). Additionally, Seller shall have received an opinion from counsel to Guarantor, dated as of the Closing Date and addressed to Seller opining as to the authority of Guarantor to issue the Guaranty and that said Guaranty is enforceable as against Guarantor.

9.4 Proceedings and Documents Satisfactory

Sellers shall have received such certificates, opinions and other documents as it or its counsel may reasonably require delivered pursuant to Section 2.3 in order to consummate the transactions contemplated hereby, all of which shall be in form and substance reasonably satisfactory to them and their counsel. All proceedings in connection with the purchase and sale of the Assets.

9.5 Pre-Closing Confirmations

Buyer shall have obtained, with the assistance of the Sellers, documentation or other evidence confirming the following:

(a) confirmation and effective issuance to the Hospital of the license required by the State of Rhode Island for continued operation of the Hospital by Buyer after the Closing;

(b) confirmation of Medicare and Medicaid certification of the Hospital if and to the extent required for its continued operation after the Closing;

(c) confirmation from the RIDOH as to any necessary registration and licensure matters with respect to the operation by Buyer of the Hospital and all presently authorized supplemental and special services on and after the Closing and issuance thereof; and

(d) to the extent required, approval of the transactions contemplated herein by the RIAG and the RIDOH.

9.6 Adverse Change

There shall not have occurred after the date hereof any event that is, or with reasonable certainty would constitute, a Material Adverse Effect on the business, operations, properties or assets of Buyer and/or Guarantor.

9.7 No Investigation

No regulatory investigation or proceeding involving the CMS, the Justice Department or any other federal or state agency and involving or related to Buyer and/or Guarantor that had or reasonably would have a Material Adverse Effect on Buyer shall have been commenced.

10. PARTICULAR COVENANTS OF BUYER.

10.1 Commitment to The Westerly Hospital Mission as an Acute Care Community Hospital

From the Closing Date until the date which is five (5) years after the Closing Date, Buyer shall maintain the Hospital as an acute care community hospital. In addition, from the Closing Date until the date which is two (2) years after the Closing Date, Buyer shall commit not to discontinue any clinical service (including maternity) being provided by the Hospital as of the date of the Sale Order (so long as there are no safety or quality issues associated with provision of such clinical service and so long as such clinical service is still being provided by the Hospital immediately prior to the Closing Date and so long as there are no safety or quality issues associated with provisions of such clinical service based, among other things, upon the volume of services provided in such a clinical setting as reviewed by the Hospital Board). Additionally, post-Closing, Buyer expects to augment services so as to achieve a three percent (3%) operating margin on a roll-up basis of The Westerly Hospital and Related Entities.

10.2 Commitment to the Name "Westerly Hospital" and The Westerly Hospital Charity Care Mission

After Closing, Buyer shall commit to continue the Hospital identity and name, nonprofit status and community mission. Buyer expects to carry out a broad-based community capital campaign in support of the foregoing and commits that all such funding will be raised in the Hospital's name and remain for the benefit of the Hospital nonprofit and community mission. Buyer commits to maintain charity care responsibilities and services consistent with levels historically maintained by The Westerly Hospital. Finally, any restricted funds or charitable bequests transferred to Buyer as part of the Transaction shall be used for such purposes and in compliance with any and all restrictions for the benefit of the Hospital community.

10.3 Commitment regarding Post-Closing Governance

Post-Closing, The Westerly Hospital and Related Entities shall be reestablished as subsidiaries of Buyer's parent. Buyer commits that post-Closing, representatives of the Westerly community shall be included in the reconstituted Board of the Hospital (the "Hospital Board"), as well as the Buyer's parent's Board.

10.4 Commitment regarding Capital Expenditures

During the first five (5) years after Closing, Buyer shall make, or incur binding contractual obligations to make, capital expenditures in connection with the operation of the Business, including, without limitation, investment in technology, equipment, and/or expanded services, in an aggregate amount of Thirty Million Dollars (\$30,000,000.00) (the "Capital Expenditure Commitment").

10.5 Commitment regarding the Funding of the Plan of Profitability

Post-Closing and for the first two (2) years thereafter, the Buyer shall commit Six Million Five Hundred Thousand Dollars (\$6,500,000.00) to fund the Plan of Profitability (such

\$6,500,000.00 is referred to as the "Commitment to Fund the Plan of Profitability"), which Plan was developed during the Mastership to return The Westerly Hospital to a level of profitability and which Plan remains subject to revision upon review by Buyer (the "Plan of Profitability").

10.6 Commitment regarding Employees

(a) Consistent with Buyer's commitment to maintain the Hospital's current array of clinical services and to maintain the Hospital as an acute-care community hospital, Buyer shall offer employment, commencing on the Closing Date to all union and non-union clinical, trade and services personnel of the Sellers (excluding certain management personnel and general and administrative support services personnel) and, after satisfactory review of Sellers Plan to Profitability and employment data, Buyer expects to offer employment to substantially all of the Hospital's other employees. Notwithstanding the foregoing, Buyer shall not assume any of the collective bargaining agreements of the Sellers unless and until the extensions and amendments of such collective bargaining agreements anticipated to be obtained by the Special Master are satisfactory to the Buyer in its sole discretion. Agreement by the unions to the terms and conditions of any such amended and restated collective bargaining agreements shall be a condition of the Closing. Buyer recognizes United Nurses and Allied Professionals ("UNAP") is the bargaining agent for the Sellers' unionized personnel and will bargain in good faith with the Special Master and the UNAP representatives for modification of the collective bargaining agreements recognizing the Special Master has conveyed to UNAP the need for reasonable concessions moving forward. Buyer shall not assume any withdrawal liability arising in connection with the Transaction, including but not limited to claims by the PBGC, but shall use commercially reasonable efforts to support the Special Master's negotiation of the amended and restated collective bargaining agreements.

(b) Subject to the terms of the CBA, as of the Effective Date, Buyer shall take the following actions: (i) waive any limitations regarding pre-existing conditions and eligibility waiting periods under any health plans maintained for the benefit of the Transferred Employees, (ii) for purposes of eligibility and vesting (but not for purposes of benefit accrual) under the plans and policies of Buyer, treat all service by Transferred Employees with Sellers prior to the Effective Time as service with Buyer; and (iii) provide such other treatment as may be set forth in Schedule 10.6(b) hereof.

(c) With regard to those Employees being offered employment with Buyer, Buyer shall provide Seller with a list of those Employees per terms set forth on Schedule 10.6(b) (the employees who accept such an offer and commence employment with Buyer are collectively referred to herein as "Transferred Employees"). Nothing herein shall be deemed to affect or limit in any way normal management prerogatives of Buyer with respect to employees. Nothing herein shall be deemed to create or grant to any such employee or Transferred Employee third-party beneficiary rights or claims or causes of action of any kind or nature. Buyer shall be responsible for compensation, benefits and continuation coverage pursuant to the requirements of Code section 4980B and Part 6 of Title I of ERISA ("COBRA Coverage") with respect to each of the Transferred Employees whose qualifying event occurs on or after the date on which they become Transferred Employees. With regard to Employees who are not Transferred Employees, responsibility of Buyer or Seller for COBRA Coverage will be determined with regard to COBRA and any other applicable Federal law. Any claims for severance and accrued benefits

made by any Employees who are not Transferred Employees shall constitute claims in the Mastership and shall not be a Liability of the Buyer.

(d) Buyer's Commitment to Expedite Hospital Conversion Act ("HCA")

Process

After entry of the Sale Procedures Order, the Special Master on behalf of the Sellers shall prepare the facility specific aspects of an HCA application and deliver the same to Buyer on or before the date that is thirty (30) Business Days prior to the Deadline for Qualified Bids. Seller shall file a complete HCA application within forty five (45) days of the Sale Order, if the Buyer is selected by the Court as the highest and best proposal. The Buyer shall commit, subject to regulatory approval, to advance funds to allow the RIDOH and RIAG to engage professionals to expedite the HCA process. However, such advances shall be considered administrative expenses, if the conversion is rejected for reasons other than Buyer's fitness.

10.7 Commitment to Advance Physician Relations

Subject to Due Diligence, Buyer commits to assume physician contracts and to strengthen The Westerly Hospital relationship with the physician community.

10.8 Commitment to Provide Interim Advisory and Funding of Interim Operations

Upon the entry of the Sale Order, Sellers and Buyer will enter into an Interim Advisory Agreement ("Interim Advisory Agreement") on mutually acceptable terms pursuant to which Buyer will provide certain consulting and administrative services to the Sellers at Buyer's cost to maintain the viability of the Assets until the Closing. Such Interim Advisory Agreement shall contain such exculpatory provisions as Buyer shall require and shall obligate Buyer to loan funds to Sellers on a first lien secured priority basis to cover operating expenses for the period from the Sale Order through the Closing ("Interim Operations"); provided that (i) such agreement shall be on customary terms as loans made to debtor companies in Chapter 11 bankruptcy proceedings and (ii) shall provide absent an event of default thereunder, repayment of such loan shall be held in abeyance and Buyer shall forebear from collecting until after the Closing Date; and (iii) upon the Closing, Buyer shall forgive the balance of said loan. The goal of funding Interim Operations is to preserve Seller's retention of cash in an amount as set forth in the Peg Balance Sheet. To the extent required, Buyer and Sellers will provide notice to the RIDOH and any other applicable governmental agency of such Interim Advisory Agreement as required by applicable law.

10.9 Commitment to Fund Leasehold Obligation for North Stonington Health Center

From the entry of the Sale Order until Closing, Buyer, if requested by the Special Master, shall fund the Special Master's leasehold obligation relating to the North Stonington Health Center not to exceed Seventy Thousand Dollars (\$70,000) per month.

10.10 Enforcement of Commitments

Buyer agrees to be bound by an enforcement mechanism of its obligations, reasonably acceptable to Buyer, and as ordered by the Court.

10.11 Survival

Notwithstanding any other provision in this Agreement regarding survival of covenants, representations and warranties, including, without limitation, Section 13.17 hereof, Buyer, solely as it pertains to Article 10 hereof, expressly acknowledges and agrees that all representations, covenants and warranties contained in Article 10 shall survive in accordance with the applicable time frames set forth in each such Section contained in this Article 10.

11. PARTICULAR COVENANTS OF SELLERS.

11.1 Terminating Cost Report

Sellers shall furnish to Buyer a copy of the terminating cost reports filed timely on behalf of the Hospital in respect of the Medicare and Medicaid programs or any successor governmental program and any others as contractually required by other payors, reflecting consummation of the transactions contemplated hereby no later than one hundred fifty (150) days after the Closing. Buyer shall also provide Sellers upon reasonable request with the access necessary for Sellers or their agents to prepare such terminating cost reports as provided in Section 13.9.

11.2 Financial Statements

Following the Closing, each Seller agrees to use its commercially reasonable efforts to provide, at Buyer's reasonable request, any and all assistance, documents or information required in connection with the performance of an audit of Sellers' consolidated financial statements by Buyer and independent auditors selected by Buyer, at the sole cost and expense of Buyer, or the filing of the existing audited consolidated financial statements of Sellers, and the preparation and filing of pro forma consolidating financial statements of The Westerly Hospital, with and as required by federal or state agencies. Additionally, each Seller will use its commercially reasonable efforts to obtain the consent of its auditors to the filing of the existing audited consolidating financial statements of Sellers by federal or state agencies commission.

11.3 Treatment of Pension Plan Matters

Without limiting the generality of the definition of Excluded Liabilities, each Seller shall be responsible for all pension benefits accrued by employees of the Business (including any who become Transferred Employees) through the Effective Time in accordance with the terms and provisions of such Seller's defined benefit pension plan, and each Seller will administer the payment of such pension benefits in accordance with the terms and provisions of its defined benefit pension plan and will not transfer any responsibility for such benefits to Buyer.

11.4 Mastership

Special Master and each of the Sellers shall take all commercially reasonable steps necessary to facilitate the provisions of Section 6.1 hereof.

11.5 Joinder of Non-Mastership Related Entities

At the election of Buyer made any time prior to Closing, Special Master shall cause such entities not presently subject to the Mastership to be made subject to the Mastership Court jurisdiction on or prior to the Effective Time and such entities shall be joined as Sellers in this Agreement.

11.6 North Stonington Bankruptcy Matters

Special Master shall take such steps as Buyer reasonably requires to obtain any and all North Stonington Bankruptcy Case approvals in order to effectuate the transactions contemplated by this Agreement, which shall include authorization of the assignment and assumption of the North Stonington Health Center Lease pursuant to Section 365 of the Bankruptcy Code.

12. TERMINATION.

12.1 Optional Termination

This Agreement may be terminated at any time prior to the Closing as follows:

- (a) by the mutual agreement of Buyer and the Special Master;
- (b) by the Special Master or Buyer, if any court of competent jurisdiction in the United States or other United States governmental body shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated hereby and such order, decree, ruling or other action shall have become final and non-appealable;
- (c) (i) by Sellers, if Buyer commits a material breach of any of the terms hereof, which cannot be or has not been cured within twenty (20) days after the receipt of written notice to the Buyer of such breach; or (ii) by Buyer, if any Seller or the Special Master commits a material breach of any of the terms hereof, which cannot be or has not been cured within twenty (20) days after the receipt of written notice to Seller or Special Master of such breach;
- (d) by Buyer in the event: (i) that there shall have occurred after the date of this Agreement, a Material Adverse Effect on the Hospital, the Facilities, the Business or the Assets; (ii) of a regulatory investigation or proceeding involving CMS, the Department of Health, the Justice Department or any other federal or state agency and involving or related to the Hospital, the Facilities, the Business or the Assets that has or is likely to have a Material Adverse Effect, as reasonably determined by the Buyer, on the Hospital, the Facilities, the Business or the Assets; (iii) Buyer receives any information which would cause Buyer to reasonably and in good faith to conclude that the transactions contemplated hereby cannot be legally or practically consummated as a result of a legal position taken by the RIAG or RIDOH or by actions taken by the RIAG or RIDOH or a similar State of Connecticut Governmental Authority that, directly or indirectly, result in an inability to consummate the transactions contemplated by this Agreement; or (iv) notwithstanding anything herein to the contrary, the FTC or Justice Department issues a second request related to the party's HSR filing or there is an investigation by the FTC or Justice Department or state or federal antitrust or competition

authorities that is not resolved to Buyer's reasonable satisfaction within forty five (45) days of the date of this Agreement.

(e) by the Buyer (i) within forty five (45) days after entry of the Sale Procedures Order, within Buyer's sole and absolute discretion, pursuant to Section 8.1(a), subject to extension as set forth therein; or (ii) at any time after it reasonably and in good faith determines that any condition to close set forth in Section 8.1 (excluding Section 8.1(a)), despite best efforts cannot be satisfied and such condition has not been waived by Buyer);

(f) by Buyer if: (i) the Closing shall not have occurred by 5 p.m. EDT on January 31, 2013 (unless otherwise extended by mutual agreement of Buyer and Sellers), (ii) the Mastership Case shall have been dismissed without entry of the Sale Order, (iii) the Mastership Court shall have entered an order approving a Competing Bid or there shall be an Alternative Transaction, (iv) the Sale Procedures Order is not entered within forty (40) days from the date hereof, (v) the Sale Order is not entered within one hundred and twenty (120) days from the date hereof; or

(g) by Buyer or Sellers in accordance with the provisions of Sections 13.1.

#### 12.2 Notice of Abandonment

In the event of any termination pursuant to Section 12.1, written notice shall forthwith be given to the other parties hereto except with respect to a termination pursuant to Section 12.1(a).

#### 12.3 Effect of Termination

Upon termination of this Agreement, no party hereto or any of their respective commissioners, officers, directors, trustees, members, agents or shareholders shall have liability hereunder to any other party, all of which is hereby waived and released; provided, however, (a) if this Agreement is terminated by Sellers pursuant to Section 12.1(c)(i), the Deposit including all interest accrued thereon, if any, shall be retained by Sellers *plus* Seller shall be entitled to exercise any and all rights and remedies available to Seller at law or in equity; b) if this Agreement is terminated, for any reason other than pursuant to Section 12.1(c)(i), the Deposit, including all interest accrued thereon, if any, shall be immediately returned to Buyer; and (c) if this Agreement is terminated by Buyer pursuant to Section 12.1(c)(ii), Buyer shall be entitled to exercise any and all rights and remedies available to Buyer at law or in equity, provided, notwithstanding anything herein to the contrary, if this Agreement is terminated by Buyer pursuant to Section 12.1(f)(iii), Buyer shall be entitled to payment of the Break-Up Fee and any Break-Up Fee Increase and such payment shall not limit Buyer's rights and remedies to recover for breach of contract by any of the Sellers or the Special Master on behalf of the Sellers, all of such rights being reserved.

### 13. GENERAL.

#### 13.1 Schedules and Other Instruments

(a) Each Schedule and Exhibit to this Agreement shall be considered a part hereof as if set forth herein in full. The Sellers and Buyer shall each have during the sixty (60)

period following the date hereof or as may be appropriate up through ten (10) days prior to Closing to supplement that Schedules prepared by it so that the representations and warranties contained in Article 3 and Article 4, respectively, shall be true and correct as of the Closing; provided that, in the event that such supplemental disclosure shall disclose any facts, circumstances or state of affairs (when taken with all other facts, circumstances or the overall state of affairs) that constitute, individually or in the aggregate, a Material Adverse Effect on the party supplementing the disclosure and not disclosed on the Schedules accompanying this Agreement when first executed (the "Original Schedules"), then Sellers or Buyer, as applicable, shall have the right to terminate this Agreement. Notwithstanding the foregoing, no supplement to the Original Schedules shall be deemed to effect Buyer's or Seller's right to indemnification for a breach of any representation, warranty or covenant made in this Agreement or the Original Schedules thereto (without taking into account the supplement to the Original Schedules).

(b) The parties agree that Buyer will deliver to the Special Master (i) a list of contracts and leases it wishes to assume (which contracts and leases shall be deemed Assumed Contracts or Assumed Leases) which list shall also indicate if the consent to the assignment of such contract is to be considered a Material Consent pursuant to Section 8.6 and (ii) a list of contracts and leases it shall not assume (which contracts and leases, together with any contract, lease or agreement not on either list shall be deemed Excluded Contracts), no later than ninety (90) days after the entry of the Sale Order. Buyer shall have the right to amend such lists until sixty (60) days prior to the Closing Date. Buyer shall have up to sixty (60) days after the Closing Date to identify any additional contracts and leases it intends to have assigned and assumed to the extent not previously identified but these shall not be considered a Material Consent. Buyer shall provide a preliminary list of Material Contracts to be considered a Material Consent to the Special Master on or before the expiration of the Due Diligence Period. The Special Master and each Seller agree to take all such action as may be necessary or appropriate to ensure that Buyer shall have no Liability for the Excluded Contracts, and the obligations pursuant to such Excluded Contracts shall be considered Excluded Liabilities.

### 13.2 Additional Assurances

The provisions of this Agreement shall be self-operative and shall not require further agreement by the parties except as may be herein specifically provided to the contrary; provided, however, at the request of either party, the other party shall execute such additional instruments and take such additional acts as are reasonably necessary to effectuate this Agreement. It is understood and acknowledged by Buyer that the Special Master may be required to obtain Mastership Court approval prior to the execution of certain additional instruments and/or take such additional acts as are reasonably necessary to effectuate this Agreement.

### 13.3 Consents, Approvals and Discretion

Except as otherwise expressly set forth herein, whenever this Agreement requires any consent or approval to be given by either party or either party must or may exercise discretion, the parties agree that such consent or approval shall not be unreasonably withheld or delayed and such discretion shall be reasonably exercised.

13.4 Choice of Law

THE PARTIES AGREE THAT THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF RHODE ISLAND WITHOUT REFERENCE TO ANY PRINCIPLES OF CONFLICTS OF LAWS. FURTHER, THE PARTIES AGREE THAT THE RHODE ISLAND SUPERIOR COURT, SOUTH COUNTY BUSINESS CALENDAR, SPECIFICALLY THE JUSTICE ASSIGNED TO OVERSEE THE MASTERSHIP CASE OF THE WESTERLY HOSPITAL AND RELATED ENTITIES, SHALL RETAIN EXCLUSIVE JURISDICTION OVER ANY AND ALL DISPUTES ARISING OUT OF OR RELATED TO THIS AGREEMENT.

13.5 Benefit/Assignment

Subject to the provisions herein to the contrary, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives, successors and assigns; provided, however, that no party may assign this Agreement without the prior written consent of the other party. Notwithstanding the foregoing, if approved by the Mastership Court, Buyer shall be permitted to grant a security interest in and collaterally assign and transfer all of their rights, interests and benefits, but not their obligations, under this Agreement to any entity providing financing to Buyer and/or Buyer's Affiliates at any time and from time to time.

13.6 Finders, Brokerage

Sellers agree to indemnify the Seller Indemnified Parties from and against all loss, cost, damage or expense arising out of claims for fees or commissions of brokers employed or alleged to have been employed by Sellers.

13.7 Cost of Transaction

Except as provided in Section 12.3 hereof, whether or not the transactions contemplated hereby shall be consummated, the parties agree as follows:

(a) (excluding those fees, expenses and disbursements set forth in Section 3.28, Sellers will pay the fees, expenses and disbursements of Sellers and their respective agents, advisers, attorneys and accountants incurred in connection with the subject matter hereof and any amendments hereto; and

(b) Buyer shall pay the fees, expenses and disbursements of Buyer and its agents, advisers, attorneys and accountants incurred in connection with the subject matter hereof and any amendments hereto; and Buyer shall pay all expenses of inspecting the Hospital and Assets, including the cost of any environmental surveys; and Buyer shall pay all transfer and recording taxes and fees relating to the recordation of Sellers' deeds; and Buyer shall pay the fees and expenses related to the Regulatory Approvals and Governmental Contracts; and Buyer shall pay the fees and expenses contemplated in Sections 3.28; and Buyer shall pay the Survey Costs pursuant to Section 5.3.

### 13.8 Confidentiality

It is understood by the parties that any information provided by another party (the "Providing Party") concerning such Providing Party, obtained directly or indirectly, from the Providing Party in connection with transactions contemplated by this Agreement ("Confidential Information"), and the documents and instruments delivered to, a receiving party (the "Receiving Party") or its shareholders, members, managers, directors, Affiliates, officers, employees or agents of Receiving Party (collectively, "Agents") are of a confidential and proprietary nature. To the extent permitted by law, the Receiving Party agrees that it will and will use reasonable efforts to cause the Agents to maintain the confidentiality of all such information, documents or instruments acquired by or delivered to the Receiving Party and the Agents in connection with the negotiation of this Agreement or in compliance with the terms, conditions and covenants hereof and only to disclose such information, documents and instruments to such duly authorized persons as are necessary to effect the transactions contemplated hereby. The parties further agree that if the transactions contemplated hereby are not consummated, the Receiving Party and its Agents will return all documents and instruments acquired from the Providing Party or its Affiliates and all copies thereof in their possession to the Providing Party, and the Receiving Party will not use, and will not knowingly permit others to use, any such Confidential Information in any way to compete with the Providing Party or Providing Party's respective Affiliates, successors or assigns or in a manner which would be detrimental to the business, financial affairs or reputations of the Providing Party or Providing Party's respective officers and Affiliates, successors and assigns. Each party for itself and its Agents recognizes that any breach of this Section would result in irreparable harm to the Providing Party and the Providing Party's respective officers and Affiliates and that therefore either the Providing Party, or any of the Providing Party's respective officers and Affiliates shall be entitled to an injunction to prohibit any such breach by the Receiving Party and the Receiving Party's Agents in addition to all of their other legal and equitable remedies. Nothing in this Section shall prohibit the use of such Confidential Information, documents or information for such governmental filings as are required by law or governmental regulations or the disclosure of such Confidential Information if such disclosure is compelled by judicial or administrative process or, in the reasonable opinion of a party's counsel, other requirements of law. For purposes hereof, Confidential Information shall not include information (a) ascertainable or obtained from public or published information, (b) received from a third party not known by the Receiving Party to be under an obligation to the Providing Party to keep such information confidential, (c) which is or becomes known to the public (other than through a breach of this Agreement), (d) which was in the Receiving Party's possession prior to the disclosure thereof to Buyer in connection herewith, or (e) which the Providing Party utilized in any materials used in connection with the Providing Party's solicitation of buyers for the Assets, as applicable. Notwithstanding anything contained herein, the parties acknowledge and understand that this Agreement and all Schedules thereto will be filed by the Special Master with the Mastership Court and will, at that time, become a matter of public record and will be the subject of public hearings. It is further understood and agreed that any such filings or hearings and any public discussions or releases regarding any such filings or hearings shall not constitute or be interpreted as a violation of this Section 13.8.

13.9 Preservation and Access to Records After the Closing

(a) With regard to patient records, from and after the Effective Time, Buyer shall use its best efforts to maintain the patient records held at the Hospital relating to periods prior to the Effective Time in all material respects in accordance with applicable law and Joint Commission standards.

(b) For the period on one (1) year after Closing, each party hereto acknowledges that, subsequent to the Closing, the other party may need access to information or documents in the control or possession of such party for the purposes of concluding the transactions contemplated hereby, audits, compliance with governmental requirements and regulations, confirming compliance herewith and the prosecution or defense of third party claims. Accordingly, Sellers and Buyer agree that after the Effective Time, each shall make reasonably available to the other's representatives or agents, independent auditors and/or governmental agencies or authorities, upon written request and at the expense of the requesting party, such documents and information as may be available relating to the Business for periods prior and subsequent to the Closing to the extent necessary to facilitate concluding the transactions herein contemplated, audits, compliance with governmental requirements and regulations, confirming compliance herewith and the prosecution or defense of claims.

13.10 Waiver

The waiver by any party of a breach or violation of any term or provision of this Agreement shall not operate as, or be construed to be, a waiver of any subsequent breach of the same provision by any party or of the breach of any other term or provision of this Agreement. The delay or a failure of a party to transmit any written notice hereunder shall not constitute a waiver by such party of any default hereunder or of any other or further default under this Agreement except as may expressly be provided for by the terms of this Agreement.

13.11 Interpretation

Each of the parties has agreed to the use of the particular language of the provisions of this Agreement including all attached Exhibits and Schedules and any questions of doubtful interpretation shall not be resolved by any rule or interpretation against the draftsman but rather in accordance with the fair meaning thereof, having due regard to the benefits and rights intended to be conferred upon the parties hereto and the limitations and restrictions upon such rights and benefits intended to be provided.

13.12 Notice

Any notice, demand or communication required, permitted, or desired to be given hereunder shall be in writing and shall be deemed effectively given when personally delivered or mailed by prepaid certified mail, return receipt requested, addressed as follows:

Sellers:	W. Mark Russo, Special Master c/o Ferrucci Russo P.C. 55 Pine Street, 4th Fl. Providence, RI 02903
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With a copy to: Richard R. Beretta, Jr., Esq.  
Adler Pollock & Sheehan P.C.  
One Citizens Plaza, 8th Floor  
Providence, RI 02903

Buyer: LMW Healthcare, Inc., a Rhode Island nonprofit  
Corporation and LMW Physicians, Inc. a Rhode  
Island nonprofit Corporation  
c/o Lawrence+Memorial  
365 Montauk Avenue  
New London, CT 06320

With a copy to: Victor G. Milione, Esq.  
Carolyn Jacoby Gabbay, Esq.  
Nixon Peabody LLP  
100 Summer Street  
Boston, MA 02110

Steve Zubiago, Esq.  
Steven M. Richard, Esq.  
Nixon Peabody LLP  
One Citizens Plaza  
Providence, RI 02903

or to such other address, and to the attention of such other person or officer as any party may designate, with copies thereof to the respective counsel thereof as notified by such party.

#### 13.13 Severability

In the event any provision of this Agreement is held to be invalid, illegal or unenforceable for any reason and in any respect, such invalidity, illegality, or unenforceability shall in no event affect, prejudice or disturb the validity of the remainder of this Agreement, which shall be in full force and effect, enforceable in accordance with its terms, including, without limitation, those terms which contemplate or require the further agreements of the parties. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and still be legal, valid or enforceable.

#### 13.14 Gender and Number

Whenever the context of this Agreement requires, the gender of all words herein shall include the masculine, feminine and neuter, and the number of all words herein shall include the singular and plural.

13.15 Divisions and Headings

The divisions of this Agreement into Sections and subsections and the use of captions and headings in connection therewith are solely for convenience and shall have no legal effect in construing the provisions of this Agreement.

13.16 Consented Assignment

Anything contained herein to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any claim, right, contract, license, lease, commitment, sales order or purchase order if an attempted assignment thereof without the consent of another party thereto would constitute a breach thereof or in any material way affect the rights of Sellers thereunder, unless such consent is obtained. If such consent is not obtained, or if an attempted assignment would be ineffective or would materially affect Sellers' rights thereunder so that Buyer would not in fact receive all such rights, Sellers shall cooperate in any reasonable arrangement designed to provide for Buyer the benefit under any such claims, rights, contracts, licenses, leases, commitments, sales orders or purchase orders, including, without limitation, enforcement, at no out-of-pocket cost to Sellers, of any and all rights of Sellers against the other party or parties thereto arising out of the breach or cancellation by such other party or otherwise.

13.17 Survival

All statements made by the parties hereto herein or in the Schedules or in any other financial statement, document, instrument, certificate, Exhibit or list delivered to each other hereunder by or on behalf of the parties hereto shall be deemed representations and warranties of the parties hereto regardless of any investigation made by or on behalf of Buyer. Furthermore, the representations, warranties, covenants and agreements made by the parties herein shall survive the Closing but shall expire nine (9) months after the Closing Date, (collectively, the "Survival Period"); provided, however, that Buyer's right to indemnification for Damages arising out of the Excluded Liabilities shall expire eighteen (18) months after the Closing Date. Notwithstanding the foregoing, this Section 13.17 shall not provide third parties any benefit or longer period of time in which to assert a claim beyond that which is provided by the relevant statute of limitations.

13.18 Refund Requests

In the event of a determination by any governmental or third-party payor that payments to Sellers or the Hospital resulted in an overpayment or other determination that funds previously paid by any program or plan to Sellers or the Hospital must be repaid, Sellers shall be responsible for repayment of said monies (or defense of such actions) if such overpayment or other repayment determination was for services rendered prior to the Effective Time and Buyer shall be responsible for repayment of said moneys (or defense of such actions) if such overpayment determined was for services rendered after the Effective Time.

13.19 No Third-Party Beneficiaries

The terms and provisions of this Agreement, including, without limitation, Section 10.1, are intended solely for the benefit of Buyer and Sellers and their respective permitted successors

or assigns, and it is not the intention of the parties to confer, and this Agreement shall not confer, third party beneficiary rights upon any other person.

13.20 Entire Agreement/Amendment

This Agreement supersedes all prior contracts, understandings and agreements, whether written or oral, and constitutes the entire agreement of the parties respecting the within subject matter and no party shall be entitled to benefits other than those specified herein. As between or among the parties, no oral statements or prior written material not specifically included herein shall be of any force and effect; the parties specifically acknowledge that in entering into and executing this Agreement, the parties rely solely upon the representations and agreements contained in this Agreement and no others. No terms, conditions, warranties, or representations, other than those contained herein and no amendments or modifications hereto, shall be binding unless made in writing and signed by the party to be charged.

13.21 Counterparts

This Agreement may be executed in multiple originals or counterparts, each and all of which shall be deemed an original and all of which together shall constitute but one and the same instrument. The exchange of copies of this Agreement or amendments thereto and of executed signature pages by facsimile transmission or by email transmission in portable digital format, or similar format, shall constitute effective execution and delivery of such instrument(s) as to the parties and may be used in lieu of the original Agreement or amendment for all purposes. Signatures of the parties transmitted by facsimile or by email in portable digital format, or similar format, shall be deemed to be their original signatures for all purposes.

13.22 Risk of Loss

Notwithstanding any other provision hereof to the contrary, the risk of loss in respect of casualty to the Assets shall be borne by Sellers through the Effective Time and by Buyer thereafter.

13.23 Press Releases

Until approval of this Agreement by the Mastership Court or as required by the Mastership Court or as may be otherwise required by law, (a) any release to the public of information concerning this Agreement or the transactions contemplated hereby will be made only in the form and manner approved by the parties hereto, and (b) each party shall furnish the other with drafts of all such releases prior to their publication or dissemination. Buyer acknowledges and understands that the Special Master shall be required to file this Agreement with the Mastership Court on May 30, 2012, at which time such filing will become a matter of public record, and, as such, such filing shall not require the approval of Buyer.

13.24 Court Approval

As stated herein, this Agreement is expressly subject to the approval of the Rhode Island Superior Court. Further, only after such approval is obtained, if ever, shall this Agreement be binding upon the parties.

**[signature page follows]**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in multiple originals by their duly authorized officers and their corporate seals duly affixed hereto, all as of the day and year first above written.

**BUYER:**

LMW Healthcare, Inc., a Rhode Island nonprofit Corporation

By:   
Name: Bruce D. Cummings  
Title: President

LMW Physicians, Inc., a Rhode Island nonprofit Corporation

By:   
Name: Bruce D. Cummings  
Title: President

**SELLERS:**

**WESTERLY HOSPITAL HEALTHCARE, INC.**

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

**THE WESTERLY HOSPITAL**

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

**ATLANTIC MEDICAL GROUP, INC.**

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

**OCEAN MYST, MSO LLC**

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

**WOMEN'S HEALTH OF WESTERLY, LLC**

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

**NORTH STONINGTON HEALTH CENTER, INC.**

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

**GUARANTY**

The undersigned ("Guarantor"), hereby absolutely, unconditionally and irrevocably guaranties the obligations of the Buyer to the Seller pursuant to this Agreement (the "Guaranteed Obligations"). Should the Buyer default in the performance of the Guaranteed Obligations, the Guarantor shall forthwith be obligated to cause the Buyer to pay the Guaranteed Obligations. Guarantor is the sole current member of the Buyer, and acknowledges that it will receive direct and material benefit from the Agreement.

Guarantor agrees that the Guaranteed Obligations hereunder are absolute, unconditional and irrevocable, are not subject to any defense based on suretyship and will not be discharged by any insolvency, bankruptcy, reorganization, arrangement, composition, liquidation, dissolution or similar proceedings with respect to the Buyer or any other occurrence whatsoever (including the unenforceability of any Guaranteed Obligations against the Buyer, any waiver or release of any Guaranteed Obligation, or any occurrence that might otherwise constitute a legal or equitable defense or discharge of the liabilities of a guarantor or surety or that might otherwise limit recourse against Guarantor), except by and to the extent of performance of the Guaranteed Obligations in accordance with their terms. No delay on the part of Seller in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Seller of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy; nor shall any modification or waiver of any of the provisions of this Guaranty be binding upon Seller except as expressly set forth in a writing duly executed and delivered by Seller. This Guaranty shall inure to the benefit of Seller and its successors and assigns. This Guaranty shall be binding upon Guarantor and its successors and assigns.

IN WITNESS WHEREOF, Guarantor has executed this Payment Guaranty as of the day and year first above written.

**GUARANTOR:**

Lawrence & Memorial Corporation

By:

Name:

Its:

  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Exhibits

Exhibit 1.4(b) – Assignment and Assumption Agreement  
Exhibit 1.4(c) – Assignment and Undertaking Agreement  
Exhibit 1.6 – Sellers’ Indemnification Escrow Agreement  
Exhibit 2.2(d) – Bill of Sale  
Exhibit 2.2(e) – Assignment of Intellectual Property  
Exhibit 2.2(i) – DEA Power of Attorney  
Exhibit 2.2(l) – Certificate of Non-Foreign Status  
Exhibit 8.13 – Opinion of Seller’s Counsel

Schedules

Schedule 1.2(a) – Sellers’ Owned Real Property  
Schedule 1.2(b) – Sellers’ Leased Real Property  
Schedule 1.2(c)(i) – Tangible Personal Property  
Schedule 1.2(c)(ii) – Vehicles  
Schedule 1.2(d) – Licenses and Permits  
Schedule 1.2(g) – Sellers’ Real Property Income Leases  
Schedule 1.2(j) – Prepaid Expenses  
Schedule 1.2(k) – Receivables  
Schedule 1.2(l) – Government Patient Receivables  
Schedule 1.2(p) – Charitable Gifts, Grants, Bequests or Legacies  
Schedule 1.3(f) – Excluded Assets  
Schedule 1.4(a) – Classes of Assumed Liabilities  
Schedule 1.4(b) – Assumed Contracts and the Assumed Leases  
Schedule 1.5 – Buyer’s Assumption of Liabilities  
Schedule 3.1(b) – Equity Interests  
Schedule 3.2(b) – Government Consent  
Schedule 3.2(c) – Other Consent  
Schedule 3.4 – Financial Statements Deviations from GAAP  
Schedule 3.5 – Post-Peg Balance Sheet Results  
Schedule 3.6 – Licenses, Registrations, Permits and Approvals  
Schedule 3.7 – Certificates of Need, Exemption Certificates and Declaratory Rulings  
Schedule 3.8 – Medicare and Medicaid  
Schedule 3.9(a) – Compliance with Health Care Laws  
Schedule 3.9(b)(i) – HIPAA Compliance  
Schedule 3.9(b)(iii) – Breaches of Unsecured Protected Health Information  
Schedule 3.10 – Real Property Permitted Encumbrances  
Schedule 3.10(a) – Occupied Real Property  
Schedule 3.10(b) – Rent Roll for Seller’s Real Property Expense Leases  
Schedule 3.10(c) – Rights of First Refusal and Options to Purchase Real Property  
Schedule 3.10(d) – Construction  
Schedule 3.10(e) – TI Obligations  
Schedule 3.11 – Depreciation Schedule  
Schedule 3.12(a) – Benefit Plans

Schedule 3.12(b) – ERISA and Benefit Plan Liabilities  
Schedule 3.12(d) – COBRA Eligible Employees  
Schedule 3.12(e) – Benefit Plans Under Investigation  
Schedule 3.13 – Litigation  
Schedule 3.14 – Hill-Burton and Other Liens  
Schedule 3.15(a) – Real and Personal Property Taxes  
Schedule 3.15(b) – Entity Taxes  
Schedule 3.16(a) – Sellers’ Employees  
Schedule 3.16(c) – Employment Agreements and Employment Losses  
Schedule 3.16(d)(i) – Labor Disputes  
Schedule 3.16(d)(ii) – Collective Bargaining Agreements and Labor Unions  
Schedule 3.16(e) – Compliance with Employment Laws  
Schedule 3.16(f) – Employment Agreements  
Schedule 3.17(a) – Agreements and Commitments  
Schedule 3.17(b) – Enforceability of Agreements and Commitments  
Schedule 3.19 – Insurance  
Schedule 3.20 – Unaudited Cost Reports  
Schedule 3.21 – Medical Staff Matters  
Schedule 3.24 – Compliance Program  
Schedule 3.25 – Environmental Matters  
Schedule 3.26(a) – Owned Intellectual Property  
Schedule 3.26(b) – Other Intellectual Property  
Schedule 3.26(d) – Maintenance of Owned Intellectual Property  
Schedule 3.27 – Undisclosed Liabilities  
Schedule 4.1(b) – Certificate of Formation  
Schedule 4.3(b) – Government Approval  
Schedule 4.3(c) – Non-Contravention  
Schedule 8.1(a) – Material Contracts  
Schedule 10.6(b) – Commitments Regarding Employees

# Exhibit B



Purchasers/Partners”, conduct site visits and educate Potential Purchasers/Partners on the Mastership Transaction Process, in an effort to generate interest and expedite the potential for an initial, or “stalking horse”, bid;

- b. The Special Master and the Consultant shall work to finalize the assembly of an Electronic Data Room (“EDR”), a confidential offering memorandum which provides an overview of Westerly Hospital and Related Entities, along with certain financial and business analysis (the “Memorandum”), and a distribution list of Potential Purchasers/Partners; and
- c. The Special Master shall develop appropriate confidentiality agreements to allow Potential Purchasers/Partners access to the EDR, the Memorandum and other due diligence materials that may be requested throughout the process.

3. The second phase (“Phase II”) of the Mastership Transaction Process shall involve the solicitation of preliminary, non-binding proposals (“Letters of Interest”) for a Mastership Transaction and commence with the distribution of the Memorandum to Potential Purchasers/Partners. Potential Purchasers/Partners will be allowed access to the EDR to undertake an initial level of due diligence.

4. At a minimum, each Letter of Interest shall provide the following information:

- a. A description of the Potential Purchaser/Partner’s organization, including its history and operation, financial resources, educational and religious affiliations;
- b. An overview of the Potential Purchaser/Partner’s experience in affiliating with, or acquiring, and operating, financially-distressed hospital(s) and/or healthcare systems;
- c. A transaction structure including but not limited to assets to be acquired, purchase price, assumption of liabilities, and assumptions regarding working capital expected to be delivered at closing;
- d. The model or strategic plan for the operation of Westerly Hospital and/or Related Entities, post-acquisition;
- e. A description of the amount and sources of financing, the timing to complete such financing, and any contingencies related thereto;
- f. A description of the due diligence process required for closing the transaction;

- g. The authorizations and approvals necessary to be obtained prior to executing all definitive Mastership Transaction documentation;
- h. Any and all contingencies and conditions to closing; and
- i. The anticipated timing to close the Mastership Transaction.

5. In addition to providing a full copy of its Letter of Interest for review by the Special Master, his professionals, and such other parties as may be identified by the Special Master in consultation with each party submitting the proposal, each Potential Purchaser/Partner shall be required to submit a redacted version of its Letter of Interest, which removes privileged, confidential and/or proprietary information. Thus, the Mastership will be able to share same with Stakeholders and the constituents of the Regulatory and Public Protection Committee. Notwithstanding, none of the salient terms of the Letters of Interest, including without limitation, purchase price, purchase price allocation, financial and time commitments, shall be considered privileged, confidential and/or proprietary absent further order by this Court.

6. The third phase ("Phase III") of the Mastership Transaction Process shall involve the evaluation of submitted Letters of Interest to determine those Potential Purchasers/Partners that will be designated "Qualified Purchasers/Partners", the completion of due diligence by Qualified Purchasers/Partners, and the opportunity for Qualified Purchasers/Partners to submit binding proposals.

7. Weight shall be afforded to the following in selecting those parties that have submitted Letters of Intent to be designated as "Qualified Purchasers/Partners":

- a. Letters of Interest which commit to maintain Westerly Hospital as an acute-care, community Hospital for a period of time;
- b. Letters of Interest that commit to maintain certain levels of employment for a period of time;
- c. Letters of Interest that commit capital as needed to ensure sustainability based upon a viable, initial operating plan;

- d. Letters of Interest that commit to maintain charity care responsibilities and services consistent with levels historically maintained by Westerly Hospital
- e. Letters of Interest which commit to maintain an accessible emergency department and indicate which, if any, acute care services will be terminated;
- f. As to initial operating plans that would terminate services, weight will be afforded to transfer arrangements and/or other strategic alliances with other providers, including primary care providers and hospitals, to ensure that the community has reasonable and appropriate access to such healthcare services, and whether terminated services will be replaced with non-acute care services;
- g. The proposed purchase price, the level of liabilities to be assumed, and the treatment of creditors; and
- h. Letters of Interest that commit to expedite and fund the Rhode Island Hospital Conversion Act ("HCA") Process.

8. The Special Master will select Qualified Purchaser/Partners after consultation with the Committees established by Order (the "Committees") and parties of interest, but otherwise it is his sole discretion; provided, however, that any party that has submitted a Letter of Interest that is not designated a Qualified Purchaser/Partner may apply to this Court for further relief, after notice to the Special Master and service list in these proceedings and an opportunity for a hearing thereon. Qualified Purchasers/Partners shall be allowed a final level of due diligence, including an opportunity to review a detailed bridge analysis developed by the Special Master and the Consultant, with a timeline established for the submission of binding proposals.

9. At the outset of Phase III, the Special Master shall establish a firm date for the submission of binding proposals by qualified purchasers/partners.

10. Binding proposals shall include an asset purchase agreement ("APA") based upon a form to be distributed by the Mastership. Each Qualified Purchaser/Partner shall submit an APA marked against the form distributed by the Mastership to show changes and a good faith deposit, which amount and terms shall be established and held in escrow under terms to be

specified in the bidding procedures described below. The Special Master shall consult with interested members of the Committees regarding the form of APA and also provide a draft of the APA to the Regulatory and Public Protection Committee in advance of distributing same to Qualified Purchasers/Partners. Among other provisions, the APA shall set forth an expedited deadline for Qualified Purchasers/Partners to submit an HCA application. To further assist in this regard, the Special Master shall submit the facility specific facets of the HCA application to the Department of Attorney General and the Department of Health in advance of Qualified Purchasers/Partners being identified. The Special Master will make copies of binding proposals available to creditors and other parties in interest upon request.

11. Binding proposals shall answer questions posed by the Special Master and the Consultant which result from an evaluation of the information accompanying the Letter of Interest and input from the Stakeholders and other interested parties.

12. It is anticipated that the Special Master and the Consultant may pose questions to be answered in conjunction with the submission of binding bid proposals that could include, but not be limited to:

- a. The sustainability of a detailed business model/strategic plan;
- b. The nature and level of commitment within the business model/strategic plan to maintaining an acute care hospital in Westerly, Rhode Island and the services to be offered pursuant to such facets of the model/strategic plan;
- c. How the business model/strategic plan promotes strategic, administrative, operational and organizational relationships with other health care entities in the service area to improve provider integration and the effectiveness of services delivered to the population in the service area, The ability to fund needed future capital expenditures or the ability of a non-profit suitor to raise such funds;
- d. The proposed corporate governance structure of the new entity;
- e. A description of the approach to employed physician recruitment and retention and to identifying and ensuring the availability of other needed

medical services in the service area, with particular attention to developing and maintaining high quality primary care services for the service area;

- f. A description of the philosophy to maintain strong Hospital-physician relationships;
- g. A strategic plan for developing contractual relationships with payors, the Hospital and non-employed physicians in the community which promote appropriate shared financial risk and improved population health outcomes;
- h. A description of community benefit from the business model/strategic plan;
- i. Additional resources such as access to physician networks, access to procurement programs, access to administrative and operational support, access to health information technology and access to specialty services not currently provided by the Hospital;
- j. A discussion of plans with regard to the retention of the Hospital's employees and medical staff, including collective bargaining agreement issues, assumptions of and/or restructuring of existing physician employment contracts, and policies with regard to employees displaced by the Mastership Transaction; and
- k. The ability to provide management support and financial support to the Hospital during the conversion process.

13. During Phase III of the Mastership Transaction Process, the Special Master shall submit a petition for bid hearing instructions. The petition for bid hearing instructions shall address the following:

- a. A procedure for the submission of final and best bids;
- b. A procedure for the Special Master's presentation of a summary of bids;
- c. A procedure for presentations by the Qualified Purchasers/Partners;
- d. A procedure for examinations of Qualified Purchasers/Partners;
- e. A procedure for the presentation of recommendations by Stakeholders and other interested parties;
- f. A procedure for the presentation of a recommendation by the Special Master; and
- g. A procedure for the Court's determination of the highest and best bid.

14. The fourth and final phase ("Phase IV") of the Mastership Transaction Process shall be the hearing to determine the highest and best.

15. The timeline for the Mastership Transaction Process is set forth as follows:

- a. Phase I is anticipated to be completed on or before April 1, 2012;
- b. Phase II is anticipated to be completed on or before June 1, 2012. Unless extended pursuant to the terms of this order, June 1, 2012 shall be the deadline for Potential Purchasers/Partners to deliver Letters of Interest to the Special Master; and
- c. Phases III and IV are anticipated to be completed by August 30, 2012.

16. The Special Master, after consultation with the Committees but otherwise in his sole discretion, may extend the deadlines for the completion of the phases for the Mastership Transaction Process and/or the submission for Letters of Interest set forth in this order by notice to: this Court, all Potential Purchasers/Partners that have requested a copy of the Memorandum, and the service list established in these proceedings.

17. A closing for the Mastership Transaction Process is anticipated to occur as soon as is practicable after the expiration of appeals periods and the conclusion of any required regulatory process.

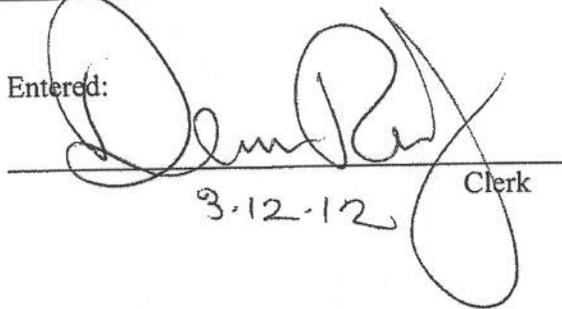
Enter as an Order of this Court this 12<sup>th</sup> day of March, 2012

Per Order:



3-12-12 J.

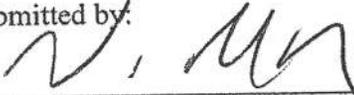
Entered:



3-12-12

Clerk

Submitted by:



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W. Mark Russo (#3937) Permanent Special Master  
for Westerly Hospital Health Care, Inc.,  
The Westerly Hospital, Atlantic Medical Group, Inc.,  
Ocean Myst MSO, LLC, Women's Health of Westerly,  
LLC, and North Stonington Health Center, Inc.,  
and not in his individual capacity  
Ferrucci Russo P.C.  
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