

7) *Provide a more detailed description than was provided in Tab 3(C) of exactly what negotiations of the Affiliation Agreement were done by Mr. Noble and Mr. Ghaffari and whether either one presented information or opinions to the CCF board regarding the proposed transaction.*

Adventist Health (“AH”) released an initial draft of the Affiliation Agreement on September 27, 2018, to Kaufman Hall and Associates (“KH”), who then distributed the Agreement to Mr. Noble (“Noble”), Mr. Ghaffari (“BG”), Wes Bilson, a member of CCF (“WB”) and CCF legal counsel. Following that distribution, there were a series of telephone calls and communications among KH representatives, Noble, BG and WB and CCF legal counsel in which comments to the draft agreement were raised and circulated. The first such exchange took place through a telephone call among all of the above, in which CCF legal counsel went through the agreement, on a point by point basis, in which the bulk of the issues were raised. All in all, however, the provisions of the initial draft adhered closely to the executed Letter of Intent (“LOI”), and the issues raised by Noble, BG, WB and CCF legal counsel were small in number and consisted in material part of the following:

- **OB Unit.** A significant (if not the most significant) term of the LOI from the CCF perspective was a commitment on the part of AH to develop an OB unit on the hospital campus. Section 3.1 of the initial draft addressed that commitment, but with language found to be not sufficiently specific or concrete.
- **Employees.** It was highly important to the CCF representatives that all CCF employees should have a period of at least 180 days in which they had job security absent good cause. Section 3.12 of the initial draft addressed that issue, but with language that did not provide the desired degree of comfort.
- **Reps and Warranties.** Noble was concerned about the breadth of the reps and warranties in the initial draft and the degree of diligence and scope of disclosure schedules that would be required to make the requested reps and warranties in good faith. For example, Section 4.8 provides that all equipment used in the hospital is in good working order and has been properly maintained. To be able to make that statement in good faith would require a very significant undertaking of time and study. To ease that diligence requirement, it was proposed that the reps and warranties be scaled back by the addition of materiality and knowledge qualifiers.
- **Contract approval power.** Sections 6.5(l) and 7.1 of the initial draft provided AH with rights to approve or disapprove various contracts that CCF entered into or renewed prior to closing. The CCF representatives found this authority objectionable from a business perspective, but CCF legal counsel also raised concerns from an anti-trust perspective.
- **Arbitration.** Section 9.1(c) of the initial draft provided that any and all disputes arising under the agreement would be resolved through arbitration. Concern was raised with arbitration in general, but specific concern was raised about giving an

arbitrator the power to order a party to close the affiliation if, for whatever reason, that party decided not to proceed.

In addition, at the October 18, 2018, meeting of the CCF board, board members raised two additional terms, not reflected in the letter of intent, that needed to be added to the draft agreement concerning use of the site of a former VFW building for parking and to require continued use of a parcel of ground on the hospital campus as a community garden site.

The approach to all these concerns other than the OB unit (discussed below) was a direction by Noble to CCF legal counsel to prepare a mark-up of the initial draft. That was done and the mark-up was then circulated among Noble, BG and WB for comment. After consensus was reached on the mark-up, CCF legal counsel sent it to KH, who sent it to AH on October 18, 2018.

A meeting was held on November 7, 2018, among AH representatives, KH representatives, Noble, BG and WB on November 7, 2018, with CCF legal counsel and AH legal counsel participating by telephone. Although the main subject of the meeting was to discuss the OB unit, there was also discussion of some of the above open items, but the general thrust of that discussion was to direct the lawyers to work it out.

Thereafter, all issues in the Affiliation Agreement were resolved through a process of the lawyers preparing additional drafts and comments to the drafts, together with some telephone calls and email communications, all at the direction of their respective clients, but without direct involvement of the clients in the negotiations.

The one exception to the above process was the development of language describing the commitment to develop the OB unit. At the November 7, 2018, meeting, it was agreed that BG should negotiate acceptable language with his AH counterparts in the form of a schedule to Section 3.1. That process was completed December 12, 2018.

At the December 10, 2018, CCF board meeting, Noble made a point-by-point presentation to the board of a substantially final version of the Affiliation Agreement. BG also attended that meeting. Noble advises that his presentation was predominantly factual although board members would periodically ask questions of him, as well as of BG, in the nature of 'what do you think?' Noble and BG responded with their respective views and opinions on the merits of specific provisions to which the questions related and on the overall transaction.