

## **UNSECURED PROMISSORY NOTE**

\$ \_\_\_\_\_, 201\_\_

**FOR VALUE RECEIVED**, Prospect Medical Holdings, Inc., a Delaware corporation (“Maker”), promises to pay to the order of Daughters of Charity Health System, a California nonprofit religious corporation, and its successors and assigns (“Payee”), in lawful money of the United States of America, the principal sum of \$ \_\_\_\_\_ ( \_\_\_\_\_ dollars), together with interest thereon calculated from the date hereof, in accordance with the provisions of this Unsecured Promissory Note (this “Note”).

This Note has been executed and delivered pursuant to and in accordance with the terms and conditions of that certain Asset Purchase Agreement, dated as of \_\_\_\_\_, 2014, by and among Maker, Payee, and the other parties thereto (the “APA”). Certain capitalized terms used herein are defined in Section 4.14.

### **ARTICLE 1** **PAYMENTS**

#### **1.1 PAYMENT OF INTEREST**

Interest shall accrue on the outstanding principal amount of this Note at a rate per annum equal to \_\_\_\_% (computed on the basis of a 365/366-day year) and shall be payable annually on the anniversary date of this Note; provided, however, if any payment of principal or interest is not received by Payee when the same is due hereunder or other Event of Default shall have occurred, interest hereon shall be increased to \_\_\_\_% per annum until such payment has been received or other Event of Default shall have been cured. Interest will accrue on any principal payment due under this Note until such time as payment therefor is actually delivered to Payee.

#### **1.2 PAYMENT OF PRINCIPAL**

(a) Scheduled Final Maturity. Subject to Section 1.2(b), below, and the other provisions of this Note, the outstanding principal amount of this Note, together with unpaid interest accrued thereon, shall be due and payable on the tenth anniversary of the date of this Note.

(b) Cancellation of Note. This Note and all outstanding principal and interest on this Note shall be cancelled in exchange for the assumption of the Church Plan by Purchasers in accordance with Section 7.21 of the APA.

#### **1.3 MANNER OF PAYMENT**

All payments of principal and interest on this Note shall be made by check at the address provided in Section 14.02 of the APA or at such other place in the United States of America as Payee shall designate to Maker in writing, or by wire transfer of immediately available funds to an account designated by Payee to Maker in writing. If any payment of principal or interest on this Note is due on a day which is not a Business Day, such payment shall be due on the next

succeeding Business Day, and such extension of time shall be taken into account in calculating the amount of interest due and payable under this Note.

#### **1.4 VOLUNTARY PREPAYMENT**

Maker may, without premium or penalty, at any time and from time to time, prepay all or any portion of the outstanding principal balance due under this Note, provided that each such prepayment is accompanied by accrued interest on the amount of principal prepaid calculated to the date of such prepayment (any such prepayment to be applied first to interest and then to principal under this Note, in order of maturity).

#### **1.5 NO RIGHT OF SET-OFF**

Maker shall have no right under this Note or under the APA, or otherwise, to withhold or set-off any amount due or to become due under this Note.

### **ARTICLE 2**

#### **DEFAULTS**

##### **2.1 EVENTS OF DEFAULT**

The occurrence of any one or more of the following events with respect to Maker shall constitute an event of default hereunder (“Event of Default”):

(a) If Maker shall fail to pay when due any payment of principal or interest on this Note.

(b) In the event of any dissolution, winding up, liquidation, readjustment, reorganization or other similar event relating to Maker, whether voluntary or involuntary, partial or complete, and whether in bankruptcy, insolvency or receivership proceedings, or upon an assignment for the benefit of creditors or any other marshalling of the assets and liabilities of Maker.

(c) If Maker or its Affiliates shall fail to comply with any of its other material obligations under this Note or under the APA, and such failure is not cured within fifteen (15) days after the notice from Maker under Section 2.2; provided, however, that Maker shall have no right to cure any such Event of Default if it is not reasonably susceptible of a cure or after Maker previously shall have resorted to a cure under this Section 2.1(c) as to any one Event of Default under this Section 2.1(c).

##### **2.2 REMEDIES**

If any Event of Default shall occur, at the option of Payee upon notice to Maker, the outstanding principal amount of, and all unpaid accrued interest on, this Note shall become immediately due and payable, except that in the case of an Event of Default of the type described in Section 2.1(b), above, such acceleration shall be automatic and not optional on the part of Payee. In addition, Payee shall have the rights and remedies available at law, in equity, or otherwise.

Except as may be prohibited by applicable law, all of Payee's rights and remedies shall be cumulative and may be exercised singularly or concurrently. Payee's election to pursue any remedy shall not exclude pursuit of any other remedy.

### **ARTICLE 3**

#### **MISCELLANEOUS**

##### **3.1 WAIVER**

The rights and remedies of Payee under this Note shall be cumulative and not alternative. No waiver by Payee of any right or remedy under this Note shall be effective unless in a writing signed by Payee. Neither the failure nor any delay in exercising any right, power or privilege under this Note will operate as a waiver of such right, power or privilege and no single or partial exercise of any such right, power or privilege by Payee will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. This Note cannot be amended except pursuant to a writing signed both by Payee and by Maker. Maker hereby waives presentment, demand, protest and notice of dishonor and protest.

##### **3.2 CANCELLATION**

After all principal and accrued interest at any time owed on this Note have been paid in full, this Note shall be surrendered to Maker for cancellation and shall not be reissued.

##### **3.3 [Intentionally Omitted]**

##### **3.4 NOTICES**

Any notice required or permitted to be given hereunder shall be given in accordance with Section 14.02 of the APA.

##### **3.5 SEVERABILITY**

If any provision in this Note is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Note will remain in full force and effect. Any provision of this Note held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

##### **3.6 GOVERNING LAW**

This Note is being executed and delivered in California in connection with the closing under the Agreement, and, as such, will be governed by the internal laws of the State of California without regard to conflicts of laws principles.

##### **3.7 BINDING**

The terms and provisions of this Note shall be binding upon and inure to the benefit of Maker and Payee and their respective successors and assigns.

### **3.8 SECTION HEADINGS, CONSTRUCTION**

The headings of Sections in this Note are provided for convenience only and will not affect its construction or interpretation. All references to “Section” or “Sections” refer to the corresponding Section or Sections of this Note unless otherwise specified.

All words used in this Note will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the words “hereof” and “hereunder” and similar references refer to this Note in its entirety and not to any specific section or subsection hereof.

### **3.9 NO USURY**

This Note is subject to the express condition that at no time shall Maker be obligated or required to pay interest hereunder at a rate that could subject the Payee to either civil or criminal liability as a result of being in excess of the maximum rate that Maker is permitted by law to contract or agree to pay. If, by the terms of this Note, Maker is at any time required or obligated to pay interest at a rate in excess of such maximum rate, the rate of interest under this Note shall be deemed to be immediately reduced to such maximum rate according to the terms hereof.

### **3.10 ATTORNEYS’ FEES**

If this Note is not paid as and when due, Maker shall pay, on demand, all costs of collection, including, but not limited to, reasonable attorneys’ fees and expenses, whether or not suit is instituted.

### **3.11 NON-CIRCUMVENTION.**

Maker shall not take, or fail to take, any action, whether or not permitted herein, intended to circumvent Maker’s obligations under this Note.

### **3.12 DEFINITIONS**

The following terms, as used herein, have the following meanings:

“Affiliate” means, with respect to any Person, (a) such Person’s directors and “officers” (as such term is defined in Rule 16a-1(f) under the Securities Exchange Act of 1934 (the “Exchange Act”)) and (b) any other Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Business Day” means any day excluding Saturday, Sunday and any day which shall be in Los Angeles, California, a legal holiday or a day on which banking institutions are authorized or required by law or other government actions to close.

“Indebtedness” means any indebtedness, contingent or otherwise, in respect of

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, governmental authority or other entity.

IN WITNESS WHEREOF, Maker, by its duly authorized representative, has executed this Note as of the date first set forth above.

PROSPECT MEDICAL HOLDINGS, INC.

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

WITNESS:

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