

Joint Planning Committee - Draft Agenda
AHS - City of Alameda Health Care District
Date: January 26, 2023
Time: 4 - 6 p.m.

Join Zoom Meeting
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 Dial by your location
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District Board: Dr. Robert Deutsch – President Gayle Codiga - 1 st Vice President Debi Stebbins - Executive Director	Alameda Health Systems: Jeanette Dong - AHS Chief Strategy Officer Richard Espinoza - AHS CAO Post-Acute Services Mark Fratzke - AHS COO Mark Friedman - AHS Board of Trustees Eric Gulley - Director of Business Intelligence Mario Harding - AHS CAO Community Hospitals James Helena - AHS Director of Facilities Kimberly Miranda - AHS Chief Financial Officer
District Board / AHS Liaison: David Sayen	Alameda Health System Fellows: Ashley Brizuela Ethan Torrence
Alameda Hospital Medical Staff: Dr. Nikita Joshi - AH Chief of Staff and Medical Director of AH ED Dr. Pirnia - Orthopedic Surgeon and AH Vice Chief of Staff	Consultants: Katy Ford - Ratcliff Architects

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| 1. Joint Planning Committee History (2020-2022)
Attachment | Mark Fratzke
Debi Stebbins |
| 2. Joint Powers Agreement: AHS – District
Attachment | Mark Fratzke
Debi Stebbins |
| 3. Purpose/Charge of Joint Planning Committee | All |
| 4. Review of District Seismic Planning (2019-present):
Preliminary Options for Alameda Hospital Configuration | Debi Stebbins
Katy Ford, Ratcliff |
| 5. Analysis of Current Volume and Referral Trends: AHS - AH | Mark Fratzke
Ashley Brizuela
Ethan Torrence
Eric Gulley |

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6. Program Development Ideas for Alameda Hospital All
7. Next Steps
8. Schedule for Future Joint Planning Committee Meetings All

June 10, 2020

Memorandum to: Alameda Health System Board of Trustees
City of Alameda Health Care District Board of Directors

From: Joint AHS-AHCD 2030 Seismic Planning Committee RE: **Next Steps in
Planning for 2030 Seismic Requirements**

This report summarizes the progress and recommendations by the Joint 2030 Seismic Planning Committee to both Alameda Health System (AHS) and City of Alameda Health Care District Board. The Joint Committee has considered the actions necessary to address Alameda Hospital's continued operation and compliance with the Hospital Facilities Seismic Safety Act (as amended under SB 1953). As part of this process the Joint Committee also discussed ways in which services might be reconfigured to best serve residents of both the City and County of Alameda.

Background:

The Joint AHS-AHCD 2030 Seismic Planning Committee was formed in late 2019 and is comprised of the following members:

AHS Board of Trustees:

Ross Peterson, Committee Co-Chair
Kinkini Banerjee

District Board of Directors:

Gayle Godfrey Codiga, Committee Co-Chair

AHS Trustee and AHCD Director:

Tracy Jensen

Staff:

Luis Fonseca, AHS COO
Debi Stebbins, District Executive Director

The Committee has held six meetings and is scheduled to meet monthly going forward.

The Committee adopted the following charge:

Develop a joint planning process for addressing the California 2030 Seismic hospital building requirements at Alameda Hospital. The process is to be consistent with the Joint Powers Agreement between AHS and AHCD, which, with regard to Alameda Hospital seismic compliance, establishes that "the manner and funding of such a facility shall be the subject of further negotiations between the parties beginning in the year 2020". Also, consistent with this charge, the Committee acknowledges section 1.1 (n) of the JPA which states:
Joint AHS-AHCD 2030 Seismic Planning Committee Report, page 2

(n) Seismic Upgrades at Alameda Hospital. AHS shall initiate and thereafter oversee and implement, out of funds made available for the payment of Hospital Financial Requirements (including the Parcel Tax Revenue), the process of completing seismic upgrades required at Alameda Hospital for compliance with the seismic requirements established by the State of California for the year 2013 (as the same have been and may be extended with respect to Alameda Hospital) (the "2013 Seismic Requirements"); provided, however, that AHS shall not be required to undertake any financial obligations with respect to any upgrades or any related matters with respect to the seismic requirements established by the State of California for the year 2030 (the "2030 Seismic Requirements").

The Committee charge also includes reviewing current and future capital and operational needs, and service demands as well as possible sources and applications of funds, making recommendations to the two Boards. The intent is to address the health care needs of the residents of Alameda consistent with the mission, operational capacity and fiscal constraints of both the healthcare district and the healthcare system.

The Committee also intends to make recommendations including a project schedule with key milestones and a defined critical path to ensure the continuous non-interrupted operation of Alameda Hospital.

Status of Committee Work:

In its deliberations to date, the Joint Committee has:

- Issued a joint statement to the public and media about the purpose of the committee and its work plan
- Reviewed a document prepared in April 2018 entitled AHS: Future of Healthcare Service on Alameda Island (*Attachment A*)
- Reviewed the terms of the JPA with AHS obligations to bring Alameda Hospital into compliance with 2020 seismic requirements, a project which is underway and due for completion in late 2021. The Committee is also guided by the requirement under the JPA that the two parties meet no later than 2020 to discuss further negotiations.

Review of District Studies:

The Joint Committee has also heard presentations and discussed two studies that had been commissioned in 2019 by the District Board of Directors in anticipation of the need for planning the disposition of the hospital and health services in Alameda by 2030. Joint AHS-AHCD 2030 Seismic Planning Committee Report, page 3

These studies included:

1. Kaufman Hall Study (*Attachment B*)

Kaufman Hall is a national health care consulting company that was involved in facilitating the affiliation structure and agreement between AHS and the City of Alameda Health Care District in 2014. They have also done previous consulting work for AHS.

In 2018 the District engaged Kaufman Hall to do an assessment of the competitive environment and trajectory of the health care market facing the District, including projecting future demand for services. The study was based on stakeholder interviews with AHS and District leadership, a review of the statistics and financial information provided by AHS, and an assessment of the market factors, such as changes in demand for inpatient and outpatient services and increasing market share by Kaiser.

The Kaufman Hall study provided a baseline financial analysis of Alameda Hospital as part of the AHS system as of 2018 as well forecasts, based on revenue and expenses, for the financial performance of Alameda Hospital in 2029, as it is currently configured within the AHS system, as well as a standalone organization.

In summary, the Kaufman Hall study states:

- Alameda Hospital provides a positive margin before AHS support allocation in both FY18 and the enhanced performance proforma for FY 29. (see pg. 13)
- Alameda Hospital currently receives about 28% of inpatient admissions as a result of transfers from Highland Hospital: The Kaufman Hall projections forecast a need by 2029 for about 25 acute beds, generated from the immediate Alameda service area under the scenario of Alameda Hospital as a standalone facility. That inpatient bed need projection is based on a variety of factors: aging population, increased Kaiser market share, and increased use of outpatient vs inpatient care. If Alameda Hospital remains in the AHS system, transfer activity would increase the number of acute care beds between 50% and 100%.
- The scenario of a standalone Alameda Hospital by 2029 would not be financially viable.

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2. Ratcliff Architects (*Attachment C*)

Ratcliff Architects have provided design and architectural services to Alameda Hospital for over a decade. Ratcliff projects include the design of the current project to relocate the kitchen and other departments to complete the 2020 seismic retrofit.

The District Board commissioned Ratcliff to complete an assessment of the four

major buildings on the Alameda campus (Administration Building, Stephens Wing, West Wing and the South Wing) to determine their capability to accommodate functions by 2029. The Ratcliff analysis was informed in part by the conclusions regarding acute care and long-term care services developed by Kaufman Hall.

The Joint Committee heard presentations by Ratcliff that had been presented to the District Board about the approach of placing all acute care services (estimated 25 beds) in the South Wing, a building that by and large already meets 2030 seismic standards. This approach would require either a major retrofit or replacement of the West Wing to accommodate the central plant functions. The scenario also preserved the operation of 35 subacute beds within the Stephens Wing, which does not have to be upgraded under the 2030 seismic requirements for acute care hospitals.

This scenario would require a major reconfiguration and relocation of most services in the hospital, thereby creating a significant disruption of services and prolonged period of construction. Ratcliff completed a projected timeline for this option which illustrates a need to make major decisions this year about facility master planning for Alameda Hospital, assuming the current 2030 seismic deadlines remain in place.

Ratcliff also projected the cost of a remodeling of the South Wing and retrofit or replacement of central plant facilities, estimating that the cost of construction alone could be about \$120 million in 2029 dollars.

Ratcliff projected that the cost of building a new hospital on a new site would be \$284 million in 2029 dollars. The Ratcliff report does not include any estimates on the operational losses that would occur during construction for the retrofit options.

It should be noted that under all of the above scenarios, the process would have to begin in the next 12 months to meet 2030 requirements.

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Recommendations:

While some issues were raised in the public dialogue conducted by the AHS Board of Trustees in May 2020 as part of the WIPFLI presentation, the Joint Committee recommendations are built on the foundation that the services provided and populations served by Alameda Hospital are consistent with the mission of AHS. That is: Healing, Teaching, Serving All –*in promoting wellness, eliminating disparities and optimizing the health of our communities.* As a safety net provider, AHS acknowledges that the access to care provided by Alameda Hospital is an integral component of AHS continuum of care.

The Joint AHS-AHCD 2030 Seismic Planning Committee recommends for the Board of Trustees of AHS and the Board of Directors of the City of Alameda Health Care District consider the following actions:

- 1. Board Review. After both your Boards have had an opportunity to review this report and the attachments in their entirety, formal presentations and discussions will be scheduled with each Board to take place within the next 30 to 45 days. It is further recommended that each Board take appropriate actions with respect to issues herein presented by September 30, 2020.**
- 2. Legislative Advocacy. That a legislative advocacy plan be developed that promotes amendments to the current Seismic 2030 requirements of Hospital Facilities Seismic Safety Act as amended under SB1953 (Chapter 740, Statutes of 1991, Seismic Mandate). Such amendments might include delays of implementation date and funding for retrofitting or new hospital constructions.**

Given the enormity of the issues of access to care and limited hospital resources raised by the COVID 19 pandemic, this may provide the opportunity for legislative relief either in the form of changes to current Seismic regulations, compliance deadlines and/ or funding for seismic retrofitting or new construction. Working with trade organizations, lobby efforts may provide timely opportunities for financial or legislative relief from the Hospital Facilities Seismic Safety Act 2030 requirements.

- 3. Explore New Programs to Increase use of Alameda Hospital and ED. AHS management explore options for leveraging the use of Alameda Hospital ED and underutilized acute capacity to improve the overall AHS system of care.**

Such options might include exploring the possibility of (1) expanding the Emergency Department's (ED) geographical coverage. For example, if working with EMS and Highland ED coverage were expanded beyond the City of Alameda, it would reduce the overcrowding of the Highland Hospital's Emergency Department, while improving access and decreasing waiting times

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and lengths of stay. Other options might include but are not limited to (2) adding psychiatric inpatient beds (perhaps geropsychiatric or medically compromised psychiatric unit); or (3) reconfiguring the ED to also provide primary care coverage pending further analysis to verify compliance with Title 22; () further expansion of Subacute beds or some other option that creates a win-win for AHS and AHCD.

- 4. Service Line Distribution and Optimization. AHS management expedite the strategic planning efforts and recommend to the AHS Board engagement with a consultant to help define the future direction of the health system including service line reconfiguration and optimization. While the project entails a systemwide review and assessment, the timing of the assessment is crucial in determining the future of Alameda Hospital.**

The Joint Committee has concluded that one of the next steps in its work should include an analysis of the options for development of an array of services at Alameda Hospital by 2030 which could optimize the use of the Hospital within the

AHS system while also considering the District mandate to maintain an emergency department on the island and acute care bed capacity.

The Joint Seismic Planning Committee has not yet developed a critical path timeline for the seismic upgrades given the various options under consideration and need for more data on future system service demand. The Committee directed staff to solicit a proposal from Kaufman Hall to conduct a new analysis of how Alameda Hospital might fit into some overall options for service distribution, including inpatient, outpatient, behavioral health and post-acute across all five hospitals within the AHS system. A scope of work proposal has been developed by Kaufman Hall and is attached as an alternative that may be considered by the organization (*Attachment D*). The Committee and management felt it was appropriate to seek the proposal from Kaufman Hall due to their extensive knowledge of the organizations, prior research completed during the District study and due to the time pressures facing our organizations to develop a plan for 2030 within the next 12 months.

JOINT POWERS AGREEMENT

This Joint Powers Agreement (this "Agreement") is entered into as of this 26th day of ~~November~~ 2013 (the "Effective Date"), by and between Alameda County Medical Center, a public hospital authority created by the Alameda County Board of Supervisors pursuant to Section 101850 of the California Health and Safety Code, doing business as Alameda Health System ("AHS"), and the City of Alameda Health Care District, a California health care district organized under the California Local Health District Law, California Health and Safety Code 32000 *et seq.* ("District"). Each of AHS and District are referred to herein as a "Party" and together as the "Parties".

This Agreement is entered into pursuant to California law, including the provisions of (i) Chapter 5 (beginning with Section 6500) of Division 7 of Title 1 of the Government Code, authorizing local public entities, including healthcare districts and counties, to exercise their common powers through joint powers agreements, and (ii) Section 14000.2 of the California Welfare and Institutions Code, authorizing the integration of county hospitals with other hospitals into a system of community service.

RECITALS

A. District owns and operates Alameda Hospital, a duly licensed general acute care hospital, and owns and/or leases other separately located facilities and hospital distinct part units, all located in Alameda, California (collectively, "Alameda Hospital").

B. District is seeking ways to operate Alameda Hospital within budgetary constraints while continuing to deliver comprehensive, high quality acute medical care, emergency services, health and wellness services, and community health benefits responsive to the diverse needs of the community. District has sought assistance from AHS to accomplish these goals.

C. AHS operates a comprehensive county health system that provides integrated health care services to residents of Alameda County.

D. District and AHS believe that county residents are best served by the preservation of Alameda Hospital as a health care resource in Alameda County under the terms and conditions of this Agreement.

E. To facilitate the preservation of Alameda Hospital as a health care resource in Alameda County, District and AHS intend, by the joint exercise of their common statutory powers to operate health care facilities as set forth in this Agreement, to provide for the continuing operation of Alameda Hospital through the delegation to AHS of the possession and control, and the ongoing operation, management and oversight, of Alameda Hospital, which shall include, but not be limited to, responsibilities for licensure, governance, operation, administration, financial management and maintenance (including, but not limited to, compliance with ongoing regulatory and seismic requirements to the extent set forth herein) of Alameda Hospital, all for the benefit of the communities that both parties serve.

AGREEMENT

THEREFORE, the parties agree as follows:

ARTICLE 1. GOVERNANCE, OPERATION AND MANAGEMENT OF ALAMEDA HOSPITAL

1.1. AHS' Governance, Operation and Management. As of the Closing (defined below), and subject to the terms and conditions of this Agreement, AHS shall take over possession, use and control of Alameda Hospital, and shall thereupon and thereafter provide the governance and all necessary management, supervision, and oversight (on behalf of District) for the ongoing administration and operation of Alameda Hospital. To effectively accomplish this task, it is necessary that AHS evaluate all matters affecting the operation of Alameda Hospital and be empowered to act on behalf of District and the Board of Directors of District (the "District Board") upon such matters where appropriate. Accordingly, the District Board hereby delegates its governance of Alameda Hospital and its authority over all matters relating to the management, direction, control, operation, licensure, financial management and maintenance of Alameda Hospital, including without limitation all matters specified in this Agreement, to the Board of Trustees of AHS (the "AHS Board"). District and the District Board will take all required actions necessary for the delegation of authority set forth herein. In addition to the general delegation of authority over the operation of Alameda Hospital as set forth above, AHS' specified powers and responsibilities shall include (but are not limited to):

(a) Governance. The AHS Board shall be the governing body of Alameda Hospital and shall exercise all rights, powers and privileges related thereto to the full extent permitted by law.

(b) Management. AHS shall have the authority and responsibility to supervise, control, operate and manage the day-to-day business affairs and administrative operations of Alameda Hospital. AHS shall provide all services necessary or appropriate for the supervision, control and management of Alameda Hospital. The AHS Board may delegate responsibility for the day-to-day operations of Alameda Hospital in its sole discretion, including without limitation to the Chief Executive Officer and management team of AHS.

(c) Personnel and Employment Policies and Procedures. AHS shall oversee all personnel decisions involving members of Alameda Hospital's executive management team and, except to the extent provided in Section 1.7, all other Hospital Personnel (as defined in Section 1.7(a)), including, without limitation, decisions involving the negotiation of, and "meet & confer" issues specified in, labor agreements and other recruitment, hiring, compensation, discipline and termination decisions. District shall promptly provide AHS copies of all memoranda of understanding affecting Alameda Hospital, together with a written description of District's current policies and practices regarding recruitment, salary levels, employee benefits, training programs, promotion procedures, disciplinary corrective action, and termination protocols affecting all Hospital Personnel; provided, however, that except to the extent provided in Section 1.7,

AHS shall have the authority in its sole discretion to revise and replace such policies and practices from time to time.

(d) Financial Responsibility; Financial Policies; Rates and Charges. As more particularly described in Article 2 below, AHS shall, upon the Closing and during the term of this Agreement, assume financial responsibility for the ongoing administration and operation of Alameda Hospital, including the responsibility for payment of all liabilities incurred by the District in connection with the operation of Alameda Hospital prior to the Closing (except as limited in this Agreement or as the Parties may otherwise agree). AHS shall oversee and determine Alameda Hospital's pricing and reimbursement policies and practices, including without limitation Alameda Hospital's chargemaster, collection, and charity care policies and practices, rates and charges for the services provided by Alameda Hospital, and such other fiscal policies underlying ordinary financial and strategic operations of Alameda Hospital.

(e) Licenses and Certifications. District shall cooperate with AHS to transfer promptly to AHS all licenses, accreditations and certifications required for proper operation of Alameda Hospital, including without limitation a general acute care hospital license. Pursuant to its delegated power set forth herein, AHS shall take such actions and implement such policies, procedures and protocols at Alameda Hospital as it deems necessary or appropriate in order to timely accomplish the relicensure and re-certification of Alameda Hospital and thereafter maintain compliance at all times with all licenses, accreditations and certifications required for proper operation of Alameda Hospital.

(f) Compliance with Law. AHS shall develop and implement policies, practices and compliance plans for ensuring compliance with federal, state and local laws and regulations governing the delivery of health care services at Alameda Hospital. AHS shall be responsible for obtaining and maintaining in force all licenses and permits to operate Alameda Hospital as required by local, county, state and federal laws and regulations throughout the term of this Agreement.

(g) Quality Assurance; Risk Management. AHS shall develop and carry out the day-to-day implementation of Alameda Hospital's quality assurance and quality control and risk management programs.

(h) Contracts and Contracting Policies. AHS will be the "provider" within the meaning of all third party contracts for hospital services provided at Alameda Hospital, including, without limitation, contracts with all state and federal health care programs (e.g., Medicare, Medi-Cal, Tri-Care). AHS shall oversee and direct Alameda Hospital's contracting with third party payors (e.g., health maintenance organizations, preferred provider organizations, insurance companies and state and federal health care programs) and shall have the authority to enter into, modify and terminate all such agreements. AHS shall further oversee and direct all operations of Alameda Hospital concerning contracts with third party vendors, the selection and installation of business office systems, data processing systems and computer hardware and software to provide management and clinical information systems support for Alameda Hospital, and all changes to such systems. Nothing in this Agreement shall be deemed to modify or amend any collective

bargaining or other labor contracts. Such contracts and/or policies shall be altered or amended, if at all, only pursuant to negotiation and execution of contract amendments with any other contracting party(ies).

(i) Procurement; Payment of Expenses. AHS shall be responsible for procuring and paying for all supplies, equipment and services necessary for the operation and maintenance of Alameda Hospital. AHS shall cause all expenses incurred in connection the operation of Alameda Hospital to be satisfied or discharged out of amounts made available therefor pursuant to Article 2.

(j) Marketing. AHS shall be responsible for all marketing and advertising of Alameda Hospital to patients, insurance companies and physicians.

(k) Legal Disputes. AHS shall be responsible for initiating, defending and settling, mediating and arbitrating all legal disputes and claims relating to Alameda Hospital, whether arising prior to or after the Closing.

(l) Records. AHS shall own and maintain all patient records and other records of Alameda Hospital.

(m) Bank Accounts. AHS shall own and maintain all bank accounts of the Hospital, and District shall cause such accounts to be transferred to AHS effective upon the Closing or as promptly thereafter as practicable, and in a manner that is consistent with the existing loans and bank covenants associated with such bank accounts.

(n) Seismic Upgrades at Alameda Hospital. AHS shall initiate and thereafter oversee and implement, out of funds made available for the payment of Hospital Financial Requirements (including the Parcel Tax Revenue), the process of completing seismic upgrades required at Alameda Hospital for compliance with the seismic requirements established by the State of California for the year 2013 (as the same have been and may be extended with respect to Alameda Hospital) (the "2013 Seismic Requirements"); provided, however, that AHS shall not be required to undertake any financial obligations with respect to any upgrades or any related matters with respect to the seismic requirements established by the State of California for the year 2030 (the "2030 Seismic Requirements").

1.2. Ownership of Real and Personal Property.

(a) Transfer. At the Closing, District and AHS shall enter into a Transfer and Assignment Agreement in the form attached hereto as Exhibit A-1, pursuant to which all of the right, title and interest of District in and to all of the assets, properties and rights of District relating to or used in the operation of Alameda Hospital, directly or indirectly, in whole or in part (other than the Real Property), shall be conveyed, assigned, transferred and delivered to AHS, including without limitation, all cash and other deposits, accounts receivable, personal property (including all supplies, equipment and other fixed assets), intangible property, contractual rights, licenses, intellectual property and claims and causes of action. Upon any termination of this Agreement that requires the return of possession and control of Alameda Hospital to the District, District and AHS shall enter

into a Transfer and Assignment Agreement in the form attached hereto as Exhibit A-2, pursuant to which all of the right, title and interest of AHS in and to all of the assets, properties and rights of AHS located at or otherwise primarily relating to or used in the operation of Alameda Hospital, directly or indirectly, in whole or in part, as of the date of such termination shall be conveyed, assigned, transferred and delivered to the District.

(b) Owned Real Property. District shall retain title to and ownership of the real property (and all improvements thereon) currently owned by District and used in the operation of Alameda Hospital, as further described on Exhibit A-3 attached hereto (the "Real Property"); provided, however, that all such property shall be made available to AHS for possession, use and control by AHS in the operation of Alameda Hospital during the term of this Agreement, all in accordance with the Alameda Hospital Real Property Provisions attached hereto as Exhibit B-1. District represents and warrants to AHS that, except as set forth on Exhibit B-2 attached hereto (collectively, the "Permitted Encumbrances"), District owns the Real Property free and clear of all liens, pledges, mortgages, deeds of trust, security interests, claims, leases, options, rights of first refusal, covenants, easements, transfer restrictions or other encumbrances ("Encumbrances"). During the Term, District shall not, without the prior written consent of AHS, do any of the following, whether voluntarily or involuntarily, by operation of law or otherwise (each a "Transfer"): (i) sell, lease, convey, transfer, hypothecate, or otherwise dispose of any interest in all or any part of the Real Property, (ii) subject all or any part of the Real Property to any new or additional Encumbrance, or (iii) execute any agreement, letter of intent, or similar writing with a third party under which District agrees to do any of the foregoing in (i) or (ii) above with respect to all or a portion of the Real Property. District hereby grants to AHS the right, during the Term, to grant such licenses, leases or other similar rights as shall be reasonably incidental to the operation of the Hospital; provided, however, that other than the foregoing and other than immaterial Encumbrances, AHS shall not subject the Real Property to any Encumbrance without the prior written consent of District.

(c) Leased Real Property. District is the tenant under those certain leases and subleases described in Exhibit B-3 attached hereto (which the Parties shall mutually prepare in good faith prior to the Closing). District represents and warrants to AHS that: (i) Exhibit B-3 accurately describes any and all of the leases, subleases, amendments, modifications, documents, and agreements pursuant to which District holds a leasehold or sub-leasehold interest in any real property comprising or relating to Alameda Hospital (the "Real Property Leases"), and such Real Property Leases as described in Exhibit B-3 constitute the entirety of any agreement with respect to any leasehold or sub-leasehold interest held by District, and (ii) the Real Property Leases are in full force and effect and there exists no condition that constitutes a default or breach by District, the landlord, or sub-landlord under the Real Property Leases. Prior to Closing, with respect to each and every Real Property Lease, District shall exercise diligent efforts to obtain and deliver to AHS the written consent of each landlord, sublandlord, and other party whose consent is required under such Real Property Lease for the assignment of such Real Property Lease by District to AHS, or the sublease by District to AHS under such Real Property Lease. Upon or prior to Closing, District shall deliver to AHS duly executed originals of all lease assignments and/or subleases, each in form and content acceptable to AHS, to which

District has obtained the respective landlord or sub-landlord's prior written consent. Notwithstanding any other provision in this Agreement, AHS shall not be obligated to enter into any lease assignment or sublease, or otherwise assume any liabilities or obligations arising under any Real Property Lease, with respect to which District has not delivered the written consent required under this Section 1.2(c).

(d) Right of First Refusal. District hereby grants AHS the exclusive, irrevocable right to purchase all of District's right, title, and interest in and to the Real Property (the "ROFR") on the terms and conditions set forth in this Section 1.2(d), which right may be exercised by AHS upon the District's receipt of a bona fide offer to purchase all or a portion of the fee estate in the Real Property ("Offer"), which offer District is willing to accept. District shall give written notice of any Offer to AHS, together with a true and complete copy of such Offer, within five (5) business days after District's receipt of such Offer. AHS shall have the right, but not the obligation, to exercise the ROFR by delivering to District, within ten (10) business days after AHS' receipt of such notice or after AHS' good faith determination that an Offer was received by District, written notice of AHS' election to exercise the ROFR. The closing of the purchase and sale of the Real Property (the "ROFR Closing") shall occur within one hundred eighty (180) calendar days after the date of District's receipt of AHS' ROFR exercise notice. The ROFR Closing shall be deemed to have occurred when District has delivered to AHS a duly signed and notarized Grant Deed substantially in the form and content of Exhibit A-4 attached hereto (the "ROFR Grant Deed") conveying to AHS all of District's right, title, and interest in and to the Real Property, including but not limited to, fee title to the Real Property, subject only to the Permitted Encumbrances and other Encumbrances to which AHS has consented in accordance with Section 1.2(b) hereof, if any, and AHS has paid to District an amount equal to the ROFR Price. The term "ROFR Price" as used herein shall mean the amount equal to the exact purchase price specified in the Offer *minus* the aggregate amount of the AHS Capital Contributions (as defined in Section 2.4 hereof) that AHS has made from the Closing to the date that AHS exercises the ROFR as provided hereunder, which ROFR Price shall be payable by AHS in immediately available funds upon the same terms and conditions set forth in the Offer. Upon the Closing, District shall record or cause to be recorded in the Official Records of Alameda County, California (the "Official Records") a memorandum of the ROFR in substantially the form and content attached hereto as Exhibit A-5.

(e) Option to Lease. District hereby grants AHS the exclusive, irrevocable right to lease all or a portion of the Real Property (the "Lease Option") for an initial term of not more than thirty (30) years, with total rent for the duration of such initial term equal to ten (10) dollars, pursuant to a lease in substantially the form and content attached hereto as Exhibit A-6 (the "Lease"). District represents and warrants that it has received separate and adequate consideration for the grant of the Lease Option, and District acknowledges that the Lease Option is a material inducement for AHS to enter into this Agreement. The term of the Lease Option (the "Option Term") shall commence upon the Closing and shall expire on January 1, 2100. During the Option Term AHS shall have the right, but not the obligation, to exercise the Lease Option by delivering to District within ten (10) business days after the occurrence of a District Breach (as defined in

Article 5 hereof), written notice of AHS' election to exercise the Lease Option. Within sixty (60) calendar days after District's receipt of such written notice, AHS shall deliver an additional notice (the "Designation Notice") to District providing the duration of the initial term of the Lease, and a reasonably detailed description of the premises to be demised under the Lease (the "Leased Premises"); provided, however, that such sixty (60) day period shall be extended to accommodate any additional time that AHS reasonably determines to be necessary to complete its assessment of the Real Property and its designation of the Leased Premises. District acknowledges and agrees that AHS shall have the right, to designate, in its sole and absolute discretion (i) the duration of the initial term of the Lease, provided that such term does not exceed thirty (30) years, and (ii) the physical locations and proportions of the Leased Premises, and whether the Leased Premises shall include all or a portion of the Real Property. District shall cooperate in good faith with AHS, which shall bear all reasonable out-of-pocket-expenses incurred by AHS, in AHS' determination of and preparation of the description of the Leased Premises, including but not limited to, obtaining an ALTA land survey of all or a portion of the Real Property, and obtaining all necessary permits and approvals by all applicable governmental authorities in subdividing the Real Property. Within ten (10) business days after AHS' delivery of the Designation Notice to District, District shall deliver duly executed originals of the Lease demising the Leased Premises to AHS, and District shall record or cause to be recorded in the Official Records a Memorandum of Lease in the form and content attached as Exhibit A-7 hereto. District shall record or cause to be recorded in the Official Records a memorandum of the Lease Option in the form and content attached as Exhibit A-8 hereto as of the Closing.

(f) Restriction on Transfers. Upon the Closing, District shall deliver to AHS a duly signed and notarized original of the Memorandum of Agreement and Restrictive Covenants (the "Memorandum of Restrictive Covenants") in the form and content attached hereto as Exhibit A-9. The Memorandum of Restrictive Covenants shall be recorded in the Official Records as of the Closing.

(g) License. District hereby grants AHS and its successors and assigns a perpetual, irrevocable, royalty-free license to use all copyrights, trade secrets, patents, proprietary information or other intellectual property of District that are necessary for the operation of Alameda Hospital.

(h) Further Assurance. District will at any time, and from time to time, after the Closing, execute such additional instruments and take such actions as may be reasonably requested by AHS to confirm or perfect or otherwise to carry out the intent and purposes of this Section 1.2.

1.3. Annual Business Plans; Reports to District. AHS shall annually develop, direct performance of, and monitor compliance with, an annual business plan for Alameda Hospital, which will set forth short-range and long-range financial and operational performance goals for Alameda Hospital and the means for the attainment of those goals. AHS shall furnish the District with quarterly reports during the first two years of the Term of this Agreement, and annual reports during each year thereafter, in such form as the Parties may agree from time to time, on the operations of Alameda Hospital. Such reports shall address, without limitation, quality and

patient safety and satisfaction (to the extent such information is not privileged or confidential), finances (profit/loss, balance sheet and capital expenditures), AHS' utilization of Parcel Tax Revenue, compliance with seismic requirements and a summary of the results of any material state surveys or inspections.

1.4. Development of Health Care Delivery System at Alameda Hospital. AHS shall develop a plan on behalf of District and Alameda Hospital for the creation and operation of an efficient health care delivery system for indigent and non-indigent residents of Alameda County in order to maintain the existence at Alameda Hospital of emergency services as well as such inpatient and outpatient hospital services as are determined by AHS in its sole discretion to be needed. To the extent deemed by AHS to be financially and operationally appropriate and to the extent permissible under applicable laws, AHS shall endeavor to rationalize services between Alameda Hospital and other hospitals in the AHS system so as to enable Alameda Hospital and the community it serves to benefit from synergies between AHS and Alameda Hospital; provided, however, that except as set forth on Exhibit C to this Agreement (which the Parties shall mutually prepare in good faith prior to the Closing), AHS shall not divert any Hospital Personnel (as defined below) from, or consolidate any services at, Alameda Hospital during the Transition Period (as defined below) without the prior consent of District, which shall not be unreasonably withheld, conditioned or delayed.

1.5. Other Services. AHS shall provide such additional oversight and direction as are necessary and appropriate to implement the purposes of this Agreement by AHS pursuant to its delegated powers.

1.6. Medical Staff.

(a) The Alameda Hospital Medical Staff shall be governed by, and accountable to, the AHS Board or its delegated committees for all purposes, including without limitation, credentialing, peer review, patient quality and medical staff development. AHS shall oversee and support the Alameda Hospital Medical Staff's administrative affairs, including monitoring the performance of professional services by the Alameda Hospital Medical Staff and other health care professionals to ensure that Alameda Hospital maintains standards of quality patient care, treatment and related functions. The Alameda Hospital Medical Staff shall be expected to cooperate with other medical staffs organized by AHS to support the most efficient delivery of health care services within the AHS system. The Alameda Hospital Medical Staff shall be maintained without modification for a minimum period of one (1) year following the Closing.

(b) AHS and District understand and agree that the evolving health care marketplace will require AHS to continually monitor and implement best practices for the integration of health care services and the delivery of high quality and cost-efficient patient care with respect to both institutional and physician services. To that end, AHS expects to study, consider and offer a variety of voluntary integrative medical practice structures and opportunities for AHS, Alameda Hospital and community physicians even as it continues to accommodate physicians practicing in traditional office settings. Additionally, the Parties recognize that, to take advantage of the evolving health care

marketplace, reimbursement changes, regulatory and licensure opportunities, AHS may determine that the merger of hospital licenses and permits of AHS and Alameda Hospital is in the best economic interests of the health system. It is anticipated that such reimbursement, regulatory or licensure changes may require the integration of the AHS and Alameda Hospital Medical Staffs. In the event a merger of the hospital licenses is in the best economic interest of the health system, AHS shall discuss and consult with the Alameda Hospital Medical Staff as part of making such determination and shall engage in such discussions prior to implementation of any such proposed merger of licenses. Additionally, such discussions shall be guided by the "Principles of Collaboration" delineated on Exhibit D, which have been approved by the Boards of Directors of each Party.

(c) At the time the AHS Board resolves to appoint the Medical Staff of Alameda Hospital, which shall be effective as of the Closing, the AHS Board or its designee shall:

- (i) Invite all members of the Medical Staff of Alameda Hospital who are on staff as of the Closing to continue to provide services at the Hospital;
- (ii) Recognize and ratify the Alameda Hospital Medical Staff's Medical Executive Committee's recommendations as to the Medical Staff membership in effect for each member of the Medical Staff as of the Closing who accept such invitation ("Current Medical Staff") and;
- (iii) Permit all members of the Current Medical Staff to retain their membership on the Medical Staff until such time as they are no longer members of the Medical Staff of Alameda Hospital as currently constituted or in any successor form of Medical Staff.

1.7. Employment Matters.

(a) For a period ending on the one (1) year anniversary of the date of this Agreement or such earlier date as AHS may elect in its sole discretion (the "Transition Period"), all employees of District charged with carrying out the day-to-day work and duties of Alameda Hospital, including nurses and other healthcare professionals, managerial and administrative personnel, and housekeeping and janitorial workers (the "Hospital Personnel"), shall be employed by District and shall have no employment relationship with AHS. During such Transition Period, AHS shall oversee the general operation of Alameda Hospital; provided, however, that at a minimum, District human resources and labor relations staff, immediate supervisors of rank and file Hospital Personnel, and rank and file Hospital Personnel themselves, shall be employed and directed by District. As such, District shall remain responsible during the Transition Period for the payment of the Hospital Personnel's compensation and the provision of employee benefits to Hospital Personnel; provided, however, that AHS shall remit to District (or discharge on behalf of District) all amounts incurred by District in connection

therewith. District's decisions during the Transition Period to hire, terminate, discipline, effect any change in the compensation, benefits or responsibilities of, or enter into or amend any agreement with, any Hospital Personnel or labor organization representing Hospital Personnel shall be made in accordance with any overarching business and/or operational plans and operating budgets adopted by AHS for Hospital Personnel from time to time.

(b) During the Transition Period, the District will continue to maintain the frozen Alameda Hospital Pension Plan (the "Pension Plan"), and AHS shall remit amounts sufficient to fund (i) required contributions to the Pension Plan as determined by the District and the Pension Plan actuary and (ii) required employer contributions to the City of Alameda Health Care District 401(a) Retirement Plan (the "Retirement Plan") and all multiemployer plans to which the District contributes. Contributions to the District's 403(b) Plan and 457(b) Plan shall continue to be made by the District on a salary deferral basis. During the Transition Period, the District shall not, without AHS' prior written consent, amend or terminate the Pension Plan, Retirement Plan, 403(b) Plan or 457(b) Plan, or withdraw from any multiemployer plan to which the District contributes. The District shall discharge its duties with respect to the plans described in the previous sentence with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

(c) The Parties intend that the employment of Hospital Personnel by District during the Transition Period serve as a temporary and transitional arrangement only. As soon as practicable, but in no event later than the end of the Transition Period, AHS shall transition the employment of Hospital Personnel to AHS or to an appropriate AHS subsidiary. After the end of the Transition Period, AHS shall become the plan sponsor of the District benefit plans, including the plans described in Section 1.7(b) and shall determine whether to terminate the District benefit plans and transition District employees to AHS plans or assume District plans; provided, however, that, after the end of the Transition Period, AHS shall assume responsibility for funding the Pension Plan, including contributions and fees required to terminate the Pension Plan. In connection therewith, AHS agrees to assume, after the end of the Transition Period, all memoranda of understanding with labor organizations representing Hospital Personnel, subject to applicable law and the rights of AHS and the labor organizations representing Hospital Personnel to collectively bargain. After the end of the Transition Period, AHS shall also assume responsibility for contributions to the multiemployer plans to which the District contributes under such memoranda of understanding. While the parties will endeavor to avoid any withdrawal liability, AHS shall assume any withdrawal liability that arises after the Closing under any multiemployer plan, subject to the requirement that the District not withdraw from any multiemployer plan during the Transition Period, as set forth in Section 1.7(b).

1.8. Debts and Liabilities. AHS shall assume all liabilities of District, whether known and unknown, incurred in the ordinary course of the operation of Alameda Hospital, both pre- and post-Closing, including without limitation accounts payable, obligations under contracts assumed by AHS and indebtedness for borrowed money primarily relating to the operation of

Alameda Hospital; provided, however, that AHS shall not assume any other non-operational liabilities or liabilities of District that are unrelated to the operation of Alameda Hospital. Nothing in this Agreement shall be deemed to alter or affect the responsibility of District or AHS for their own respective debts, liabilities, claims or obligations unrelated to the administration and operation of Alameda Hospital. Subject to the first sentence of this Section 1.8, the debts, liabilities, claims and obligations of each Party shall at all times remain the debts, liabilities, claims and obligations of such Party, and shall not be, or by virtue hereof become, the debts, liabilities, claims or obligations of the other Party.

1.9. District Operations Apart From Administration of Alameda Hospital. AHS is not by virtue of this Agreement delegated oversight of those general operations of District under Health and Safety Code Section 32121 that are unrelated to the administration and operation of Alameda Hospital as a health care facility. Such general powers include (but are not limited to) the organization or any reorganization of District or its governing body, the sale or disposition of surplus District property, conducting elections, the assessment and collection of the Parcel Tax Revenue (as defined below) and similar general powers of District. Should District and AHS disagree about whether a proposed action of District falls within the purview of this Agreement, either Party may pursue dispute resolution with respect to such disagreement through the process described in Article 8 of this Agreement.

1.10. Verification of Costs. If and to the extent required by Section 1395(x)(v)(1) of Title 42 of the United States Code, until the expiration of four (4) years after the termination of this Agreement, AHS shall make available upon written request, to the Secretary of the United States Department of Health and Human Services or, upon request, to the Comptroller General of the United States General Accounting Office, or any of their duly authorized representatives, a copy of this contract and such books, documents and records as are necessary to certify the nature and extent of the costs of the services provided by AHS to Alameda Hospital under this Agreement. In the event that AHS carries out any of its duties under this Agreement through a subcontractor with a value or cost of Ten Thousand Dollars (\$10,000) or more over a twelve (12) month period, such subcontract shall contain a clause to the effect that until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract, the subcontractor shall make available, upon written request, to the Secretary of the United States Department of Health and Human Services or to the Comptroller General of the United States General Accounting Office, or any of their duly authorized representatives, a copy of such subcontract and such books, documents and records of such organization as are necessary to verify the nature and extent of such costs. Should either Party receive an oral or written request for copies of this Agreement and the books, documents, and records referenced hereinabove, such Party shall give prompt written notice to the other Party in order that such Party may exercise its legal rights as to such request.

ARTICLE 2. FINANCIAL MATTERS

2.1. Capital Requirements. AHS and District acknowledge that expenditures for the operational, financial and capital needs of Alameda Hospital shall be required for the continued operation of Alameda Hospital (the "Hospital Financial Requirements"), which shall include, without limitation, all costs and expenses for the operation and maintenance of Alameda Hospital, including heat, water, electricity and all other utilities; taxes; insurance premiums;

licenses; supplies; permits and inspection fees; facilities and equipment (including leases therefor); costs of labor including Hospital Personnel (including all salaries, fringe benefits, insurance benefits, payroll taxes and similar costs); costs of services and materials; marketing and advertising expenses; costs of legal, accounting and audit services; architectural services, feasibility studies, and similar items related to capital expenditures; electronic health records implementation; compliance with 2013 Seismic Requirements; and routine property, plant and equipment repair, maintenance and replacement. Attached as Exhibit E to this Agreement (which the Parties shall mutually prepare in good faith prior to the Closing) is an estimate of the Hospital Financial Requirements through the year 2020. The parties have made no estimate of the financial and capital needs of Alameda Hospital after 2020.

2.2. Parcel Tax Revenue. District shall support the ongoing operation and capital needs of Alameda Hospital through the annual assessment and collection of its duly authorized parcel tax. District agrees that it shall use its best efforts to assess and collect its parcel tax, and, except as provided below with respect to District Expenses, District shall promptly pay all amounts that it collects from the parcel tax after the date of this Agreement, together with any other revenue received by District after the date of this Agreement except as set forth on Schedule 2.2 (which the Parties shall mutually prepare in good faith prior to the Closing) (collectively, the "Parcel Tax Revenue"), to AHS (a) first, for the repayment of any outstanding amounts advanced under the Line of Credit (as defined below) and any interest accrued thereon and (b) thereafter, for use by AHS in its operation of Alameda Hospital. The Parties agree and acknowledge that the Parcel Tax Revenue shall be used solely and exclusively for repayment of amounts outstanding under the Line of Credit and the operating and capital support of Alameda Hospital, including the funding of the Hospital Financial Requirements and the Capital Reserve Fund (as defined in Section 2.5). For the avoidance of doubt, any amounts repaid under the Line of Credit from the Parcel Tax Revenue shall be the property of AHS, and AHS shall not be required to use such amounts to fund Hospital Financial Requirements. Notwithstanding anything in this Agreement to the contrary, District shall be permitted to withhold and retain from the Parcel Tax Revenue an amount equal to the reasonable out-of-pocket costs and expenses actually incurred by District for its statutorily required operations, including without limitation expenses of administrative, legal and accounting services, cost of elections, meetings, strategic planning, insurance, administration and collection of the parcel tax, and payment of legal obligations, if any (known or unknown), unrelated to the administration and operation of Alameda Hospital ("District Expenses"); provided, however, that in no event shall the amounts withheld and retained by District in accordance with the foregoing exceed what is reasonably required for such District Expenses during any fiscal year without the prior written approval of AHS.

2.3. Parcel Tax Budget. At least sixty (60) days before the end of each fiscal year, AHS shall prepare and submit to District for its approval, which shall not be unreasonably withheld, conditioned or delayed, a proposed spending plan for the Parcel Tax Revenue for the next fiscal year, which shall set forth generally the anticipated Hospital Financial Requirements for which the Parcel Tax Revenue shall be allocated (the "Parcel Tax Budget"). The Parcel Tax Budget shall (i) make specific allocation for capital and operating costs of Alameda Hospital and (ii) cover the reasonably anticipated costs of ongoing District operations including, without limitation, the District Expenses. AHS shall, on an on-going basis, propose appropriate revisions to the Parcel Tax Budget to reflect material changes during the course of each fiscal year. Once

District has approved the Parcel Tax Budget and any appropriate revisions thereto, AHS shall be authorized to proceed with expenditures contemplated by the approved Parcel Tax Budget without the need for further approval by District. If there is no approved Parcel Tax Budget at the beginning of any fiscal year, AHS shall operate Alameda Hospital in accordance with the most recent approved Parcel Tax Budget until the Parcel Tax Budget for the fiscal year is adopted. If District fails to approve the Parcel Tax Budget or the Parties otherwise disagree on the Parcel Tax Budget, such dispute shall be subject to the Dispute Resolution Process.

2.4. AHS Capital Contributions. AHS agrees to make such capital commitments as AHS shall deem necessary, in its sole discretion, to supplement the Parcel Tax Revenue described in Section 2.2 for the funding of the Hospital Financial Requirements on an annual basis (the "AHS Capital Contributions"). The amount of AHS Capital Contributions shall be determined after giving consideration to, and in a manner consistent with, AHS' obligations hereunder and the overall capital requirements and planned expenditures for the comprehensive health system operated by AHS. Notwithstanding anything in this Agreement to the contrary, AHS shall not be required to construct, or make any capital commitments for the construction of, a new acute care facility in compliance with the 2030 Seismic Requirements. The manner and funding of such a facility shall be the subject of further negotiations between the Parties beginning in the year 2020.

2.5. Capital Reserve Fund. The parties shall establish a long-term capital reserve fund for meeting the ongoing capital needs of Alameda Hospital, including compliance with the 2030 Seismic Requirements (the "Capital Reserve Fund"), which shall be funded solely by any Parcel Tax Revenue that exceeds the applicable Hospital Financial Requirements in a given year. AHS shall be entitled to draw from the Capital Reserve Fund to fund any Hospital Financial Requirements that exceed the Parcel Tax Revenue from time to time.

2.6. Line of Credit. On July 1, 2013, AHS and District entered into that certain Line of Credit Agreement, whereby AHS has made available to District a line of credit with an initial advance in the amount of \$1,500,000 and has agreed to consider making an additional advance, up to \$1,500,000, available to District upon the execution hereof, in order to assist District in paying operating expenses essential to the continued operation of Alameda Hospital (as the same may be increased or decreased from time to time, the "Line of Credit"). Following the Closing, District shall repay to AHS the amounts loaned under the Line of Credit from the Parcel Tax Revenue collected by District. In the event this Agreement is terminated, any outstanding amounts advanced under the Line of Credit (and any interest thereon as provided in the Line of Credit Agreement) shall become immediately due and payable to AHS, and District shall pay such amounts in full from the next year's assessment and collection of the Parcel Tax Revenue.

2.7. Real Estate Taxes. During the term hereof, AHS shall pay all real estate taxes, levies, assessments and all other charges in the nature of taxes or assessments, general or special, ordinary and extraordinary of any kind or nature, if any, which during the term of this Agreement may be laid, levied, assessed or imposed or become a lien upon or chargeable against any of the Real Property. AHS shall pay to the taxing authorities any such real estate taxes not later than ten (10) days before the taxing authority's delinquency date. AHS shall not be required to pay any municipal, county, state or federal income or franchise taxes of District.

ARTICLE 3. GOVERNANCE

3.1. District Designee. AHS and District agree that, in order to ensure the advancement of District's and Alameda Hospital's interests in the affiliation contemplated by this Agreement and the broader interests of AHS' emerging health system, District shall be entitled to nominate one (1) designee (the "District Designee") to serve as a voting member of the AHS Board during the term of this Agreement, except as provided in Article 5.

3.2. Nomination and Appointment Process. District may nominate any person to serve as the District Designee by providing written notice thereof to the AHS Board, provided that the appointment of such nominee to the AHS Board shall require the approval of the Board of Supervisors of Alameda County (the "Board of Supervisors"). The Board of Supervisors may, in its sole discretion, elect to accept or reject any District nominee to the AHS Board; provided, however, that in the event that the Board of Supervisors (i) rejects three (3) successive nominees to serve as the District Designee or (ii) fails to appoint or reject any nominee to serve as the District Designee within six (6) months of District's initial nomination thereof, there shall be deemed to be a material breach of District's Reserved Rights (as defined in Section 4.1) and District may pursue remedies set forth in Section 4.2, subject to the dispute resolution requirements set forth therein.

3.3. Term of Service; Removal; Vacancies. Each District Designee shall serve in such capacity until the end of three (3) years (or such shorter or longer term as may apply to the members of the AHS Board from time to time) or the earlier of his or her death, resignation or removal; provided, however, that each District Designee may be reappointed to serve additional terms in accordance with provisions of this Agreement up to the maximum term limit then applicable to the members of the AHS Board. District Designees may be removed as a member of the AHS Board for cause by District or the other members of the AHS Board in accordance with the AHS Bylaws, but District Designees may only be removed without cause by District. Any vacancy in the position to be held by the District Designee shall be filled pursuant to the procedures set forth in Section 3.2.

3.4. AHS Board Committees. The AHS Board shall permit one or more members of the District Board to serve as regular appointed members on one or more of the committees of the AHS Board.

ARTICLE 4. DISTRICT RESERVED RIGHTS; REMEDIES

4.1. Reserved Rights. AHS hereby agrees that, throughout the term of this Agreement, District shall have the following rights and privileges (collectively, the "Reserved Rights"), which shall be binding contractual obligations of AHS:

- (a) AHS shall not change the name of Alameda Hospital without the consent of District.
- (b) AHS shall not reduce the number of Alameda Hospital's licensed beds for acute inpatient services to less than fifty (50) or close Alameda Hospital's Basic Level Emergency Department, in either case, without the prior written consent of District.

(c) The District Designee shall be appointed to the AHS Board in accordance with Section 3.2.

(d) District shall have the rights set forth in Section 3.4.

(e) AHS shall develop and submit to District for approval the Parcel Tax Budget within the time period set forth in Section 2.3.

(f) AHS shall make the AHS Capital Contributions for planned expenditures for the financial and capital needs of Alameda Hospital as contemplated in Section 2.4.

(g) AHS shall make available on a regular and mutually agreeable basis meeting rooms and support personnel (including, without limitation, an individual to serve as "Clerk of the District") required for the conduct of District business.

4.2. Breach of Reserved Rights; Remedies. In the event that AHS fails to comply in any material respect with any of the Reserved Rights set forth in Section 4.1(a)-(f), and either such failure is not curable or AHS does not cure such failure within sixty (60) days of its receipt of written notice thereof from District, such failure shall be deemed a Dispute (as defined in Article 8) and shall be subject to the dispute resolution procedures in Article 8. In the event that a final non-appealable order of a court of competent jurisdiction or final non-appealable arbitration decision has been made determining that AHS has materially breached and failed to cure its obligations set forth in Section 4.1(a)-(f) within such cure period, or AHS delivers to District a written acknowledgement regarding the same, District shall be entitled to elect, at its sole discretion, either of the following remedies:

(a) District may reaffirm the Agreement, and each Party shall be required to continue to fulfill its obligations hereunder; provided, however, that (i) District shall no longer be required to assess, collect or remit to AHS any portion of the Parcel Tax Revenue, (ii) the Line of Credit shall be terminated and District shall have no further obligation to repay AHS any principal or interest thereunder outstanding as of the date of such termination, (iii) District shall be relieved of any obligation to repay AHS any AHS Capital Contributions, and (iv) AHS shall cause any balance in the Capital Reserve Fund to be paid to District; or

(b) District may elect to terminate the Agreement, in which case AHS shall promptly return possession, control and operation of Alameda Hospital, together with title to all real and personal property located at Alameda Hospital or otherwise primarily used in its operation and any balance in the Capital Reserve Fund, to District or its designee. AHS shall reasonably cooperate with District or its designee to effectuate the transfer of the operation of Alameda Hospital, including but not limited to using commercially reasonable efforts to effectuate the transfer all licenses and certifications of Alameda Hospital back to District. In the event that District terminates the Agreement pursuant to this Section 4.2(b), (i) the Line of Credit shall be terminated and District shall have no further obligation to repay AHS any principal or interest thereunder outstanding as of the date of such termination and (ii) District shall be relieved of any obligation to repay AHS any AHS Capital Contributions.

ARTICLE 5. AHS REMEDIES

In the event that (i) District fails to assess, collect and distribute the Parcel Tax Revenue to AHS as provided herein, (ii) District rescinds the delegation of the operation, governance and management of Alameda Hospital to AHS or otherwise fails to support AHS in its operation and management of Alameda Hospital as contemplated in this Agreement, (iii) the voters of the City of Alameda rescind or reduce the parcel tax or District elects not to or is otherwise unable to assess, collect and distribute the Parcel Tax Revenue to AHS as provided herein, (iv) District's material breach of Section 1.2(b) or 1.2(d) hereof, including without limitation, a breach resulting from the occurrence of a Transfer without AHS' prior written consent, (v) the termination, disturbance, interruption, or impairment, for any reason, of AHS' exclusive occupancy, possession, use, control, or operation with respect to all or a portion of the Real Property, or (vi) District is dissolved, ceases to do business, makes an assignment for the benefit of creditors or files or has instituted against it any insolvency, receivership or bankruptcy proceeding, and either such failure is not curable or District does not cure such failure within sixty (60) days of its receipt of written notice thereof from AHS, such failure shall be deemed a Dispute (as defined in Article 8) and shall be subject to the dispute resolution procedures in Article 8. In the event that: (A) a final non-appealable order of a court of competent jurisdiction or final non-appealable arbitration decision has been made confirming any of the matters set forth in clauses (i) through (vi), or (B) District delivers to AHS a written acknowledgement regarding the same (in the case of (A) or (B), each a "District Breach"), AHS shall be entitled to elect, at its sole discretion, either of the following remedies (in addition to the rights set forth in Section 1.2(e), to the extent applicable):

(a) AHS may reaffirm the Agreement, and each Party shall be required to continue to fulfill its obligations hereunder; provided, however, that (i) District shall no longer be entitled to exercise any of the Reserved Rights, (ii) AHS may immediately remove the District Designee from the AHS Board and any members of the District Board that are serving on any committees of the AHS Board, (iii) any amounts outstanding under the Line of Credit (including any interest thereon), any AHS Capital Contributions, and any other amounts advanced by AHS for the use and benefit of Alameda Hospital (i.e. not attributable to Parcel Tax Revenue received from District), whether for capital expenses or for the support, management and operation of Alameda Hospital by AHS, from the date of this Agreement to such date (the "Default Payments"), shall become immediately due and payable under the terms of the Line of Credit; provided, further, however, that District shall not be required to pay any portion of the Default Payments that exceed a total cap equal to five (5) times the average annual amount of the Parcel Tax Revenue from the parcel tax assessments for three (3) years prior to such date (the "Cap"); or

(b) AHS may elect to terminate the Agreement, in which case AHS shall promptly return possession, control and operation of Alameda Hospital, together with title to the Real Property and personal property located at Alameda Hospital or otherwise primarily used in its operation, to District or its designee, with no further obligations on the part of AHS. AHS shall reasonably cooperate with District or its designee to effectuate the transfer of the operation of Alameda Hospital, including but not limited to using commercially reasonable efforts to effectuate the transfer personnel, leased

properties and all licenses and certifications of Alameda Hospital back to District. In the event of such termination by AHS, District shall be required to pay AHS the Default Payments, subject to the Cap. AHS shall cause any balance in the Capital Reserve Fund to be paid to District after payment by District of the Default Payments.

If District fails to pay the Default Payments within thirty (30) days' of the date such payments become due, AHS shall be entitled to enforce payment thereof by any legal process available to it and such breach shall not be further subject to the dispute resolution procedures in Article 8.

ARTICLE 6. CLOSING; TERM AND TERMINATION

6.1. Closing.

(a) The closing of the transactions contemplated by this Agreement, and the effective date of the delegation of the management and supervision of Alameda Hospital to AHS (the "Closing"), shall be conditioned upon, and shall occur as soon as reasonably practicable following, the receipt by AHS of the general acute care hospital license and such other licenses, certifications and permits (including skilled nursing facility licenses) necessary to operate Alameda Hospital as currently operated and the written consents contemplated in Section 1.2(c). The Parties anticipate the Closing will occur on or about February 28, 2014.

(b) Prior to the date of this Agreement, AHS commenced its due diligence inspection of Alameda Hospital and its operations and District commenced a more limited due diligence inspection of AHS and its operations (the "Due Diligence Activities"). Prior to the Closing, District shall, and shall cause its employees, representative and agents to, cooperate with AHS in connection with its Due Diligence Activities as reasonably requested by AHS. In furtherance of the foregoing, District shall (i) provide all information and documentation relating to the operation of Alameda Hospital as shall be reasonably requested by AHS or its representatives and (ii) afford to the officers and agents of AHS (which shall include accountants, attorneys, bankers and other consultants and authorized agents of AHS) reasonably full and complete access during normal business hours to, and the right to inspect, the facilities, properties, books, accounts, records and all other relevant documents and information with respect to the operation of Alameda Hospital. Prior to the Closing, either party shall be entitled to terminate this Agreement in the event that it determines not to continue with the transactions contemplated by this Agreement as a result of its Due Diligence Activities.

6.2. Term. This Agreement shall continue in effect until terminated as provided in this Article 6.

6.3. Mutual Termination. The Parties may terminate this Agreement at any time by mutual written consent.

6.4. Termination by AHS. AHS may terminate this Agreement in accordance with Article 5. AHS may also terminate this Agreement upon the occurrence of (i) any "act of God," including, without limitation, weather, earthquakes and other natural disasters, (ii) any hostilities, acts of war, sabotage or terrorism or (iii) any changes in law or reimbursement or shutdown of

any governmental body, in each case, that is reasonably expected to have a material and adverse effect on the operation of the Hospital.

6.5. Termination by District. District may terminate this Agreement in accordance with Article 4.

6.6. Effect of Termination. In the event that this Agreement is terminated pursuant to Section 6.3, 6.4 or 6.5, AHS shall promptly return possession, control and operation of Alameda Hospital, together with title to all real and personal property located at Alameda Hospital or otherwise primarily used in its operation, to District or its designee, and District or its designee shall assume all liabilities with respect thereto. In so doing, AHS shall use commercially reasonable efforts to effectuate the transfer of personnel, leased properties and all licenses and certifications of Alameda Hospital back to District. Except as set forth in this Agreement, no termination of this Agreement shall release either Party from any liability that has already accrued as of the effective date of the termination, nor in any way affect the survival of any right, duty or obligation of either Party that is intended to survive the termination hereof.

ARTICLE 7. INSURANCE; INDEMNIFICATION

7.1. Insurance.

(a) AHS shall be responsible for obtaining all insurance, including without limitation general, workers' compensation and professional liability insurance, appropriate and necessary for the operation of Alameda Hospital after the Closing. AHS shall be named as an additional insured party on all insurance policies of the District related to its operation, maintenance, or administration of Alameda Hospital prior to the Closing. AHS shall be subrogated to all rights and remedies of District to any insurance benefits with respect to Losses (as defined below) arising out of or relating to the operation of Alameda Hospital prior to the Closing, and District shall execute upon request all instruments necessary to evidence and perfect such subrogation rights.

(b) Prior to the Closing, the Parties shall meet and confer with each other and with knowledgeable insurance broker(s) to design and implement a mutually beneficial and cost-effective insurance program for each Party that appropriately provides all the coverages required hereunder without any unnecessary duplication of coverage or cost.

7.2 Indemnification.

(a) AHS shall indemnify and hold harmless District from and against any and all demands, losses, claims, costs, suits, liabilities and reasonable out-of-pocket costs and expenses (including attorneys' fees) (collectively, "Losses") suffered or incurred by District arising from (i) the operation of Alameda Hospital by AHS after the Closing, (ii) any breach of any representation, warranty or covenant of AHS under this Agreement and any failure by AHS to perform any of its obligations under this Agreement, or (iii) any willful act or gross negligence of AHS or any of its agents, representatives or employees. In the event any action or proceeding is brought against District for which District is entitled to indemnification hereunder, AHS, upon notice from District, shall defend the same at AHS' expense by counsel reasonably satisfactory to District. Except in the event

of the willful misconduct or gross negligence of AHS or any of its agents, representatives or employees, AHS shall not be liable for injury or damage which may be sustained by the person, goods, wares, merchandise or property of District, its employees or invitees or any other person in or about Alameda Hospital from any cause.

(b) District shall indemnify and hold harmless AHS from and against any and all Losses suffered or incurred by AHS arising from (i) any breach of any representation, warranty or covenant of District under this Agreement and any failure by District to perform any of its obligations under this Agreement, (ii) any violation of law, breach of contract or otherwise wrongful act arising from or relating to the District's maintenance, operation or administration of the benefit plans described in Section 1.7 of this Agreement during the Transition Period, or (iii) any willful act or gross negligence of District or any of its agents, representatives or employees. In the event any action or proceeding is brought against AHS for which AHS is entitled to indemnification hereunder, District, upon notice from AHS, shall defend the same at District's expense by counsel reasonably satisfactory to AHS. Except in the event of the willful misconduct or gross negligence of District or any of its agents, representatives or employees, District shall not be liable for injury or damage which may be sustained by the person, goods, wares, merchandise or property of AHS, its employees or invitees or any other person in or about Alameda Hospital from any cause.

(c) Notwithstanding anything in this Agreement to the contrary, in no event shall either party be liable to the other party or in connection with this Agreement for any consequential, special, incidental, indirect or punitive damages of any nature whatsoever, including, but not limited to, lost profits, or for any claims or liabilities that arise in whole or part from the acts or omissions of the indemnified party or its affiliates. Each party's obligation to indemnify the other party hereunder shall be reduced by any insurance proceeds recovered by the other party.

ARTICLE 8. DISPUTE RESOLUTION

8.1. Exclusive Process for Disputes. This Article 8 establishes the exclusive process by which any dispute, claim, or cause of action between the Parties concerning or relating to this Agreement shall be resolved (each, a "Dispute"). The dispute resolution process established herein shall apply to Disputes between the Parties related to the interpretation or enforcement of, or compliance with, the terms and provisions of this Agreement (including without limitation determinations as to the materiality of any alleged breaches of this Agreement and the violation of any of District's Reserved Rights). Disputes between the Parties that are not alleged to relate to the interpretation or enforcement of, or compliance with, this Agreement are not subject to this dispute resolution process.

8.2. Informal Conference. If a Dispute arises as described above in Section 8.1, the Parties will first attempt to resolve the Dispute through informal discussions by designated representatives of each Party. The Parties will coordinate the date, time and location of the informal conference, which shall take place within thirty (30) days following the date that the Party initiating dispute resolution notifies the other Party in writing of the existence of the dispute.

8.3. Mediation. In the event a Dispute cannot be resolved through informal conference within the thirty (30) day period set forth in Section 8.2, the Parties shall endeavor to settle the Dispute by mediation. The Parties shall select, by mutual agreement, a neutral third party to mediate the Dispute. The costs of the mediation will be paid borne equally by the Parties.

8.4. Arbitration. Should the Parties be unable to resolve a Dispute through informal discussions or mediation, within thirty (30) days of written notice by either Party, the Parties shall submit the dispute to the Judicial Arbitration and Mediation Service (“JAMS”) or other mutually agreeable arbitrator for binding arbitration. Arbitration will be conducted in accordance with the Streamlined Arbitration Rules and Procedures of JAMS. The arbitration shall be conducted by a single arbitrator and the selection of such arbitrator shall be governed by the Streamlined Arbitration Rules and Procedures of JAMS. The Parties shall bear the arbitrator’s fees and expenses equally. The arbitration shall take place in Alameda County, California. The Parties shall undertake to cause the arbitration to be concluded within one hundred eighty (180) days after the filing of the arbitration claim, and the final award shall be conclusive and binding. Judgment upon the award may be entered and enforced in the appropriate state or federal court sitting in Alameda County, California, in any court having jurisdiction thereof, and is subject only to challenge on the grounds set forth in California Code of Civil Procedure section 1285 *et seq.* or on the grounds that the arbitrator exceeded his or her powers by making a mistake of law or legal reasoning. The Parties agree the court shall have jurisdiction to review, and shall review, all challenged findings of law and legal reasoning based on a *de novo* review. The arbitrator shall have the power to grant all legal and equitable remedies available to the Parties under California law; provided, however, the arbitrator shall not be empowered to award punitive damages or decide matters contrary to law. The final award shall state findings of fact and conclusions of law and shall apply California and applicable federal law.

8.5. Specific Performance. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their respective terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, this being in addition to any other remedy they are entitled pursuant to this Agreement.

ARTICLE 9. MISCELLANEOUS PROVISIONS

9.1. Entire Agreement. This Agreement (together with all Exhibits attached hereto) contains the entire agreement of the Parties with respect to the matters contemplated herein and fully and completely integrates all prior or contemporaneous discussions, agreements and understandings of the Parties regarding its subject matter. There are no other agreements, written or oral, between the Parties or their representatives with respect to the matters set forth herein.

9.2. No Assignment; Successors and Assigns. Neither Party may assign any of its rights nor delegate any of its responsibilities under this Agreement without the written approval of the other Party. The provisions of this Agreement shall inure to the benefit of the Parties and their respective successors and permitted assigns.

9.3. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of California.

9.4. Interaction with Government Agencies. In all interactions with governmental agencies having jurisdiction over Alameda Hospital or any of the transactions contemplated herein or any aspect thereof, District will cooperate with AHS and shall keep AHS informed of its discussions with, and submissions to, such agencies.

9.5. Construction. This Agreement shall not be construed more strictly against either Party than against the other merely by virtue of the fact that it may have been prepared by counsel for one of the parties, it being recognized that both Parties have been independently represented and have contributed substantially and materially to the preparation of this Agreement.

9.6. Headings. The headings of various sections in this Agreement are for convenient reference only, are not intended to be utilized in construing the content or meaning of the substantive provisions hereof, and shall be of no legal force or effect.

9.7. Severability. If any one or more of the provisions of this Agreement is for any reason held to be invalid, illegal, void or unenforceable by a court of competent jurisdiction for any reason, the remaining provisions shall not be affected thereby, but shall remain in full force and effect.

9.8. Waiver. Either Party may specifically and expressly waive, but only in writing, any term or condition of this Agreement, or breach thereof, by the other Party, but no such waiver shall constitute a further or continuing waiver of any preceding or succeeding breach of the same or any other provision, whether or not similar. Consent by one Party to any act by the other Party for which such consent is required shall not be deemed to imply consent or waiver of the necessity of obtaining such consent for the same or similar acts in the future.

9.9. Notices. Any notice required or permitted hereunder shall be in writing and shall be deemed given (i) upon personal delivery; or (ii) twenty-four (24) hours following electronically confirmed transmission by facsimile, or by deposit for overnight delivery with a bonded courier holding itself out to the public as providing overnight service; or (iii) forty-eight (48) hours following deposit in the United States Mail, certified or registered mail, postage prepaid, and addressed as follows or to such other addresses as either party may provide to the other from time to time in the manner provided herein.

If to District: City of Alameda Health Care District
 2070 Clinton Avenue
 Alameda, CA 94501
 Fax: (510) 814-4005
 Attn: Chief Executive Officer

If to AHS: Alameda Health System
 1411 East 31st. Street
 Oakland, CA 94602
 Fax: (510) 535-7722

Attn: Chief Executive Officer

9.10. Further Assurances. Each Party shall each execute and deliver such other documents and instruments and take such other actions as may reasonably be required to consummate the transactions contemplated herein and to otherwise effectuate the agreements of the parties hereto.

9.11. No Joint Venture or Partnership; No Third-Party Beneficiaries. Nothing in this Agreement shall be deemed to establish relationships between the Parties other than those expressly described and set forth herein. No provision of this Agreement is intended to benefit any person or entity not a signatory hereto, nor shall any other person or entity have any right or standing to seek to enforce or recover any right or remedy that may be binding hereunder. There shall be no third party beneficiaries of this Agreement.

9.12. Amendments. This Agreement may only be amended by an instrument in writing signed by both Parties.

9.13. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

[Signatures on the Following Page]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their proper officers as of the date first above written.

AHS:

ALAMEDA COUNTY MEDICAL CENTER, a
public hospital authority doing business as
ALAMEDA HEALTH SYSTEM

By: W. J. Wright
Name: Wright Crasster, MD
Title: CEO

DISTRICT:

CITY OF ALAMEDA HEALTH CARE
DISTRICT

By: Reborah E. Skelbins
Name: Reborah E. Skelbins
Title: CEO