



CITY OF ALAMEDA HEALTH CARE DISTRICT

PUBLIC NOTICE

CITY OF ALAMEDA HEALTH CARE DISTRICT BOARD OF DIRECTORS

REGULAR MEETING AGENDA

THURSDAY, NOVEMBER 21, 2013

6:00 p.m. (CLOSED) | 7:30 p.m. (OPEN)

[RESCHEDULED FROM NOVEMBER 6, 2013]

Location: Alameda Hospital (Dal Cielo Conference Room)
2070 Clinton Avenue, Alameda, CA 94501
Office of the Clerk: (510) 814-4001

Members of the public who wish to comment on agenda items will be given an opportunity before or during the consideration of each agenda item. Those wishing to comment must complete a speaker card indicating the agenda item that they wish to address and present to the District Clerk. This will ensure your opportunity to speak. Please make your comments clear and concise, limiting your remarks to no more than three (3) minutes.

- I. Call to Order (6:00 p.m. – 2 East Board Room)** J. Michael McCormick
- II. Roll Call** Kristen Thorson
- III. Adjourn into Executive Closed Session**
- IV. Closed Session Agenda**
 - A. Call to Order
 - B. Approval of Closed Session Minutes
 - 1. October 9, 2013 (Regular)
 - 2. October 30, 2013 (Special)
 - C. Medical Executive Committee Report and Approval of Credentialing Recommendations [H & S Code Sec. 32155](#)
 - D. Board Quality Committee Report (BQC) [H & S Code Sec. 32155](#)
 - E. Discussion of Pooled Insurance Claims [Gov't Code Sec. 54956.95](#)
 - F. Consultation with Legal Counsel Regarding Pending and Threatened Litigation [Gov't Code Sec. 54957.6](#)
 - G. Instructions to Bargaining Representatives Regarding Salaries, Fringe Benefits and Working Conditions [Gov't Code Sec. 54956.9\(a\)](#)
 - H. Discussion of Report Involving Trade Secrets [H & S Code Sec. 32106](#)
 - 1. Discussion of Hospital Trade Secrets applicable to District's Strategy for Delivery of New Programs and Services
 - No action will be taken.
 - I. Public Employee Performance Evaluation Title: CEO [Gov't Code Sec 54957](#)
 - J. Adjourn into Open Session

V. Reconvene to Public Session (Expected to start at 7:30 p.m. – Dal Cielo Conference Room)

A. Announcements from Closed Session

J. Michael McCormick

VI. General Public Comment

VII. Regular Agenda

A. Consent Agenda

ACTION ITEMS

- ✓ 1) Approval of October 9, 2013 Regular Meeting Minutes [\[enclosure\]](#) (pages 3-9)
- ✓ 2) Approval of October 30, 2013 Special Meeting Minutes [\[enclosure\]](#) (page 10)
- ✓ 3) Approval of Proposed Amendments to Medical Staff Bylaws [\[enclosure\]](#) (pages 11-14)
- ✓ 4) Acceptance of September Unaudited Financial Statements [\[enclosure\]](#) (pages 15-38)

B. Action Items

- ✓ 1) Approval of Definitive Agreement with Alameda Health System [\[enclosure\]](#) (pages 39-120) Deborah E. Stebbins

C. District Board President's Report **INFORMATIONAL**

J. Michael McCormick

D. Community Relations and Outreach Committee Report **INFORMATIONAL**

Jordan Battani

E. Medical Staff President Report **INFORMATIONAL**

Emmons Collins, MD

G. Chief Executive Officer Report **INFORMATIONAL**

Deborah E. Stebbins

1) Affiliation Updates

2) Hospital Updates | CEO Report

VIII. General Public Comments

IX. Board Comments

X. Adjournment



CITY OF ALAMEDA HEALTH CARE
DISTRICT

Minutes of the City of Alameda Health Care District Board of Directors
Open Session
Wednesday, October 9, 2013 Regular Meeting

Board Members Present	Management Present	Legal Counsel Present	Guests
Jordan Battani Lynn Bratchett, RN Robert Deutsch, MD Tracy Jensen J. Michael McCormick	Deborah E. Stebbins Kerry Easthope Tony Corica Louise Nakada Mary Pat Skropeta ,RN Clint Barnes, RN	Thomas Driscoll, Esq.	
		Medical Staff Present	Excused
			Emmons Collins, MD
Submitted by: Kristen Thorson, District Clerk and Sheroza Haniff, Administrative Receptionist			

Topic	Discussion	Action / Follow-Up
I. Call to Order	The meeting was called to order at 6:07 p.m.	
II. Roll Call	Ms. Thorson called roll noting a quorum of Directors was present.	
III. Adjourn into Executive Closed Session	The meeting was adjourned into Executive Closed Session at 6:08 p.m.	
IV. Closed Session Agenda		
V. Reconvene to Public Session	The meeting was reconvened into public session at 7:53 p.m.	
A. Announcements from Closed Session	Director McCormick announced that the September 4, 2013 Closed Session Minutes, Medical Executive Committee Credentials, and the August Monthly Quality Dashboard were approved.	
<u>Initial Appointments – Medical Staff</u> Appointment to Provisional Staff category, for a period not to exceed one (1) year ending September 30, 2013.		

Topic		Discussion		Action / Follow-Up	
	Name	Specialty	Affiliation		
	<ul style="list-style-type: none">Amy Asandra, MD	Teleradiology	BIC		
	<ul style="list-style-type: none">Patricio Chavez, MD	Emergency Medicine	CEP		
	<ul style="list-style-type: none">Elaine Chiu, MD	Emergency Medicine	CEP		
	<ul style="list-style-type: none">Nicola Hanchock, MD	Internal Med/Hospice	Vitas Hospice		
	<ul style="list-style-type: none">Tsuan Li, MD	Otolaryngology	Summit ENT		
	<ul style="list-style-type: none">Shiena Sharma, MD	Anesthesiology	Island Anesthesia		
<u>Reappointments – Medical Staff</u>					
	Name	Specialty	Staff Status	Appointment Period	
	<ul style="list-style-type: none">Giovanni Begossi, MD	General Surgery	Courtesy	11/01/13-10/31/15	
	<ul style="list-style-type: none">Kyle Belek, MD	Plastic/Recon Surgery	Active	11/01/13-10/31/15	
	<ul style="list-style-type: none">Kimberly Blumberg, MD	Teleradiology	Courtesy	11/01/13-10/31/15	
	<ul style="list-style-type: none">Lorraine Bonner, MD	Internal Medicine Wound Care	Active	11/01/13-10/31/15	
	<ul style="list-style-type: none">Joseph Chan, MD	Radiology	Courtesy	11/01/13-10/31/15	
	<ul style="list-style-type: none">Samuel Choi, MD	Teleradiology	Courtesy	11/01/13-10/31/15	
	<ul style="list-style-type: none">Raymond Davis, MD	Internal Medicine	Courtesy	11/01/13-10/31/15	
	<ul style="list-style-type: none">Denis Drew, MD	Cardiology	Active	11/01/13-10/31/15	
	<ul style="list-style-type: none">Barry Engelstad, MD	Teleradiology	Courtesy	11/01/13-10/31/15	
	<ul style="list-style-type: none">Ira Finch, MD	Teleradiology	Courtesy	11/01/13-10/31/15	
	<ul style="list-style-type: none">Carol Gerdes, MD	OB/GYN	Active	11/01/13-10/31/15	
	<ul style="list-style-type: none">David Goldberg, MD	Teleradiology	Courtesy	11/01/13-10/31/15	
	<ul style="list-style-type: none">Tom Joseph, MD	Radiology	Courtesy	11/01/13-10/31/15	
	<ul style="list-style-type: none">Teresa Kim, MD	General Surgery	Courtesy	11/01/13-10/31/15	
	<ul style="list-style-type: none">Keyvan Nouri, MD	Radiology	Courtesy	11/01/13-10/31/15	

Topic		Discussion		Action / Follow-Up
	<ul style="list-style-type: none">Ronald Olson, MD	Radiology	Courtesy	11/01/13-10/31/15
	<ul style="list-style-type: none">Florence Tso, MD	Internal Medicine	Courtesy	11/01/13-10/31/15
	<ul style="list-style-type: none">Susan Walkerlin, MD	Internal Medicine	Courtesy	11/01/13-10/31/15
	<ul style="list-style-type: none">Randolph Wright, DPM	Podiatric Surgery	Active	11/01/13-10/31/15
<u>Appointment – Allied Health Professional Status</u>				
	Name	Specialty	Appointment Period	
	<ul style="list-style-type: none">Mary Ann Gelera, NP	Nurse Practitioner	10/09/13-09/30/15	
	<ul style="list-style-type: none">Armine Tayag, RN, NP	Nurse Practitioner	10/09/13-09/30/15	
<u>Proctoring</u>				
Proctoring reports for Bupinder Virk, MD, Nephrologist were approved.				
<u>Resignations</u>				
	Name	Specialty		
	<ul style="list-style-type: none">Ryszard Chetkowski, MD	Gyn (Reproductive Endocrinology/ Infertility)		
	<ul style="list-style-type: none">Christopher Herndon, MD	Gyn (Reproductive Endocrinology/ Infertility)		
	<ul style="list-style-type: none">David Irwin, MD	Hematology/Oncology		
	<ul style="list-style-type: none">Lana Louie, MD	General Surgery(Breast)		
	<ul style="list-style-type: none">Katlin Muscarello, PA-C	Physician Assistant - Vascular		
VI. <u>General Public Comments</u>				
There were no public comments				
VII. <u>Regular Agenda</u>				
	A.	Consent Agenda	Director Battani made a motion to approve the September 4, 2012 Minutes as presented. Director McCormick seconded the motion. The motion carried.	
		1) Approval of September 4, 2013 Regular Meeting Minutes		
		2) Approval of Proposed Amendments to Medical Staff Bylaws Director Battani stated she had questions and was uncomfortable voting on the approval of		

Topic	Discussion	Action / Follow-Up
	<p>Proposed Amendments to Medical Staff Bylaws in the absence of Dr. Collins. She asked that the item be deferred to the next Board meeting. Director Deutsch offered input on the amendments but Director Battani felt it was important to have the Medical Staff President present to answer the questions. Director Bratchett asked if there was a sense of urgency to the approval of the amendments. Director Deutsch responded that while it was important to the Medical Staff, a month delay would do no harm. This agenda will be voted on at the next District Board meeting.</p>	
B.	<u>Special Presentation Education Session</u>	
	<p>The presentation on the Bay Area Bone and Joint Center was deferred to a future meeting due to the physicians being surgery.</p> <p>A presentation entitled Patient Centered Experience, Board Update was presented by Louise Nakada, Director of Community Relations, Mary Pat Skropeta, Director of Respiratory Care and Clint Barnes, RN, Nurse Manager of Inpatient Care Services. This follow up presentation was meant to inform the Board of measurement standards, assessments and practices in regards to improving the patient experience. Copies of the presentation are available from Administration and are available with the Board meeting video.</p> <p>The Board responded positively to the presentation, stating it was policy driven and useful in understanding how the quality dashboard statistics could be changed. Director Jensen requested clarification about the way surveys were done, Ms Nakada stated surveys were conducted in an interview format during the early morning and evening shifts, the responses were written down. Director Battani questioned if real time changes were taking place after receiving the results from the survey, Ms. Skropeta stated they would be addressed by communicating to management after getting feedback from the Board. Ms. Stebbins inquired about plans to rollout scripting guidelines, Ms. Skropeta stated email, signage, specific challenges to each department and large scale events are options for the rollout.</p>	No action taken.
C.	<u>Action Items.</u>	
	<p>1) Acceptance of August 2013 Unaudited Financial Statements and September 26, 2013 Finance and Management Committee Report</p> <p>Director Deutsch summarized points from the Unaudited Financial Statements starting on page 13 of the Board Packet. The Hospital experienced a combined net operating loss of \$399,000 against a budgeted loss of \$121,000 in the month of August due to a decrease in volume (17.5% below budget) and an increase in length of stay. Hospital expenses were in line with budget. Water's Edge earned positive net contribution of \$138,000 and Wound Care had had 459 visits in the month of August compared to their budget of 350 a 31.1 % increase over budget.</p>	<p>Director Battani made a motion to accept the August Unaudited Statement and September 26, 2013 Finance and Management Committee Report. Director Bratchett seconded the motion. The motion carried.</p>

Topic	Discussion	Action / Follow-Up
	<p>Revenues are also improving for the Wound Care program. .Director Battani asked if previous patient accounting performance for the wound care program was improving and if the Hospital was able to recover any lost revenue, Mr. Easthope stated claims were being appealed and there has been improvement. Mr. Easthope also reported an increase of RAC activity in the last two months, as back log cases have been recently processed in the second level of appeal.</p> <p>Mr. Easthope mentioned the Hospital was invited to participate in an inter governmental transfer program in late September, a financial matching program for district hospitals through the federal government. An estimated \$433,155 to be matched by the program which will assist with cash flow for the Hospital.</p> <p>Mr. Easthope also reported the recoupment of the \$1.2 M for Medi-Cal over payment, that has been put aside, has started to take place in September.</p> <p>Director McCormick inquired about the net variance for the Ortho Clinic to the original proforma, Ms. Stebbins referred to page 31 of the Board Packet. Ortho's direct performance is a loss of about \$80,000 year to date for the practice and the contribution to net margin to the Hospital is a positive \$206,000 year to date. Director Deutsch questioned why the net to gross ratio for the Orthopedic activity is lower than the general hospitals. Mr. Easthope responded the primary factor is that on average the payor mix and the outpatient net to gross being lower than inpatient net to gross.</p>	
C.	<p>District Board President's Report</p> <p>President McCormick announced the Health Fair is scheduled on October 19, 2013.</p>	No action taken.
D.	<p>Community Relations and Outreach Committee Report</p> <p>Director Battani reported a positive turnout and lively discussion for the Healthcare Reform Presentation by Alex Briscoe, from Alameda County Healthcare Services Agency. She also noted upcoming community events, referenced in the CEO report of the Board packet, including the Foundation Gala on October 12, 2013.</p>	No action taken.
E.	<p>Medical Staff President Report</p> <p>There was no Medical Staff Report due to Dr. Collins absence.</p>	No action taken.
F.	<p>Affiliation Updates</p> <ol style="list-style-type: none"> 1) Due Diligence Transition and Transaction Planning Update 2) Report on Communication and Community Input Plan <p>Ms Stebbins briefly highlighted our standing with the affiliation discussions, categorized by Due Diligence and Transition and Transaction Planning, which relates to the June Letter of Intent. She reported positive productivity at a reverse due diligence meeting with Alameda Health System, which will be greater described in next month's Board packet. The current goal towards</p>	No action taken.

Topic	Discussion	Action / Follow-Up
	<p>approval of the Definitive Agreement is early November, the CHOW or Change of Ownership, a re-designation process of licensure will take a minimum of ninety days, therefore the close of the transaction and affiliation is estimated to be in effect by January to early February. Both parties are currently discussing the transition strategy and are implementing a referral of services, which includes outpatient surgery referrals from Highland Hospital to Alameda Hospital by November 15, 2013 and medical inpatient direct admits in January 2014. The referral of these services is meant to increase activity at the hospital during the transition process before licensure is transferred.</p>	
G.	<p>Chief Executive Officer Report</p> <p>Ms. Stebbins provided an overview of the information found in her written CEO report (beginning on page 37 of the Board packet). She noted page 45 as a reference to the Affordable Care Act, the Hospital may have representative from Covered California and possibly Alameda Alliance attend the Health Fair to educate the community. Ms. Stebbins directed the Board to page 41 of the Board packet noting the solid progress has been made in meeting the thresholds for Meaningful Use Stage I; this may allow for continued incentive payments from Meaningful Use in the future. Director Jensen requested clarification on Meaningful Use. Ms. Stebbins and Director Battani described briefly the legislation for the requirement of an Electronic Health Record, Meaningful Use and different stages of attestation. Ms. Stebbins further stated Stage II of Meaningful Use will be more complex and would require assistance and collaboration from AHS; steps for this stage include creating a patient portal for patients to access their medical records electronically via the internet..</p> <p>Ms. Stebbins further stated September was a better performing month for the Hospital with Acute 15 % over budget and Long Term Care also above budget. ER and Outpatient Surgery visits were down by 10.2 % and 25.2 % respectively. The first week of October has been busy in the acute nursing units.</p> <p>Director Jensen inquired about the 1115 Waiver and summary in the CEO Report on page 38 of the Board packet. Ms. Stebbins noted that the District Hospital Leadership Forum has been lobbying for districts throughout California for supplemental funding similar to designated public hospitals. Mr. Easthope noted that the legislation (AB498) was signed by the Governor and now needs CMS approval.</p>	No action taken.
VIII. General Public Comments		
No comments.		
IX. Board Comments		
No comments.		

Topic	Discussion	Action / Follow-Up
X. Adjournment		
	Being no further business the meeting was adjourned at 9:00 p.m.	

Attest:

J. Michael McCormick
President

Tracy Jensen
Secretary



CITY OF ALAMEDA HEALTH CARE
DISTRICT

Minutes of the City of Alameda Health Care District Board of Directors
Open Session
Wednesday, October 30, 2013 Special Meeting

Board Members Present	Management Present	Legal Counsel Present	Guests
Jordan Battani Lynn Bratchett, RN Robert Deutsch, MD Tracy Jensen J. Michael McCormick, President	Deborah E. Stebbins Kerry J. Easthope	Thomas Driscoll, Esq.	
		Medical Staff Present	Excused
		Emmons Collins, MD	
Submitted by: Kristen Thorson, District Clerk			

Topic	Discussion	Action / Follow-Up
I. Call to Order	The meeting was called to order at 4:30 p.m.	
II. Roll Call	Ms. Thorson called roll noting a quorum of Directors was present.	
III. Adjourn into Executive Closed Session		
IV. Closed Session Agenda		
V. Reconvene to Public Session	The meeting was reconvened into public session at 7:14 p.m. Director McCormick announced that there were no announcements from Closed Session and no action was taken.	
VI. General Public Comments	No public comment.	
VII. Board Comments	No Board comment.	
VIII. Adjournment	Being no further business the meeting was adjourned at 7:15 p.m.	

Attest:

J. Michael McCormick
President

Tracy Jensen
Secretary

Date: November 11, 2013

For: November 21, 2013 District Board Meeting

To: City of Alameda Health Care District, Board of Directors

From: Emmons Collins, MD
President, Alameda Hospital Medical Staff

Subject: Approval of Proposed Amendments to Medical Staff Bylaws

RECOMMENDATION:

It is recommended that the Board of Directors approve the proposed amendments to the Medical Staff Bylaws as set forth on the enclosed attachments.

BACKGROUND:

The first of the two proposed amendments is to the section entitled "Definitions." If approved, electronic mail will be considered a legitimate form of communication unless the bylaws specify that the communication be sent certified or registered mail.

The second proposed amendment is to Article III, "Categories of the Medical Staff." Tremendous changes have taken place over the years in the ways in which physicians choose to serve patients and interact with hospitals, including Alameda Hospital. Many of our Medical Staff members are actively and substantially involved in supporting the mission of Alameda Hospital and the Medical Staff through admissions, referrals, consultations, service on Hospital and Medical Staff committees, providing continuing medical education and serving as speakers on behalf of the Hospital at community functions. It is important that a member's involvement be reflected by an appointment to the appropriate staff status category. The amendment, if approved, will:

- 1) increase the length of appointment on the Provisional Staff to two (2) years. This corresponds to the length of appointment for members on the Courtesy and Active Staffs and
- 2) define the expectations of practitioners appointed to the Medical Staff, regardless of category, in order for the Medical Staff to satisfy its responsibilities for delivering quality patient care.

Finally, it is important to recognize that category assignment will have no impact on the assignment of hospital privileges.

In accordance with Article XI, the Medical Executive Committee respectfully requests your consideration in approving the proposed amendment to the Medical Staff Bylaws.

ALAMEDA HOSPITAL MEDICAL STAFF

PROPOSED AMENDMENT TO MEDICAL STAFF BYLAWS (10/13)

<i>ARTICLE/SECTION</i>	<i>TITLE</i>	<i>STATUS</i>	<i>REFERENCE</i>
Article III Sections 1.1 & 1.2	Categories of the Medical Staff	<i>Revision</i>	None

ARTICLE III

CATEGORIES OF THE MEDICAL STAFF

All appointments to the Medical Staff shall be recommended by the Medical Executive Committee for final action to the Board and shall be to one (1) of the following categories of the staff. Changes in medical staff category not requested by the member shall not be grounds for a hearing unless such change adversely affects the member's privileges.

1.1 PROVISIONAL STAFF

The Provisional Staff shall consist of those currently licensed physicians, dentists and podiatrists who have met the initial requirements for appointment as defined in Article

VI. Provisional Staff appointment shall be for a period of not less than ~~one~~ two years.

Each appointee to the Provisional Staff shall be a person of demonstrated competence who agrees to assume certain functions and responsibilities of appointment, including, where appropriate, patient care, emergency service care, consultation and teaching assignments. Persons appointed to the Provisional Staff shall not be entitled to vote at

any general or special meeting of the medical staff, hold office or serve as chairman of medical staff committee, but may serve as members on Medical Staff committees.

Provisional Staff members must provide call coverage to the emergency department on a fair and equitable basis with other members of the same specialty, unless excused from such obligation by the Medical Executive Committee.

1.2 **ACTIVE STAFF**

The Active Staff shall consist of those currently licensed physicians, dentists and podiatrists who: (a) regularly care for patients in the hospital or (b) maintain an active medical practice in the Alameda Healthcare District. Each appointee to the Active Staff shall be a person of demonstrated competence who agrees to assume all the functions and responsibilities of appointment to the Active Staff, including, where appropriate, patient care, proctoring, emergency service care, consultation and teaching assignments. These requirements may be modified by the Medical Executive Committee in special circumstances. Persons appointed to the Active Staff shall be entitled to vote, to hold office, to serve on Medical Staff committees, and serve as chairmen of such committees. They shall be required to attend Medical Staff meetings. [Active Staff members must provide call coverage to the emergency department on a fair and equitable basis with other members of the same specialty, unless excused from such obligation by the Medical Executive Committee.]

1.3 **COURTESY STAFF (No changes proposed)**

The Courtesy Staff shall consist of currently licensed physicians, dentists and podiatrists who have demonstrated competence qualified for staff appointment under Part A of Article VI, only occasionally use the hospital and have completed their provisional period. They shall not be entitled to vote or to hold office and need not attend Medical Staff meetings, but may serve on Medical Staff committees and vote on matters before such committees. Courtesy Staff members are strongly encouraged to be on the Active Staff or be in the process of acquiring Active Staff Status at another hospital.

ALAMEDA HOSPITAL
MEDICAL STAFF

PROPOSED AMENDMENT TO MEDICAL STAFF BYLAWS (10/13)

ARTICLE/SECTION	TITLE	STATUS	REFERENCE
--	Definitions	Revision	None

In the **Definitions** section, revise the definition of "Date of Receipt" as follows:

5. Date of Receipt means the day any notice, special notice or other communication was delivered personally; or if such notice, special notice or communication was sent by mail, it shall mean 72 hours after the notice, special notice or communication was **either : (a)** deposited, postage prepaid, in the United States mail **or (b) sent by electronic mail.**

Then add the following new definition and renumber the remaining definitions:

9. **Mail** means first class United States mail or electronic mail; provided, however, that if these bylaws specify certified or registered mail, "mail" shall not include electronic mail.

(Note: this amendment was not approved until 10/13)

THE CITY OF ALAMEDA HEALTH CARE DISTRICT

ALAMEDA HOSPITAL

UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDING SEPTEMBER 30, 2013

**CITY OF ALAMEDA HEALTH CARE DISTRICT
ALAMEDA HOSPITAL
SEPTEMBER 30, 2013**

Table of Contents

Page

Financial Management Discussion	1 – 10
Highlights	
Activity	
Payer Mix	
Case Mix Index	
Income Statement	
Revenues	
Expenses	
Balances Sheets	
FTE's and Key Ratios	
Statements	
Key Statistics for Current Month and Year-to-Date	11
Statement of Financial Position	12
Statement of Operations	13
Statement of Operations - Per Adjusted Patient Day	14
Statement of Operations – Wound Care	15
Statement of Operations – Waters Edge	16
Statement of Operations – Orthopedic Clinic	17
Statement of Operations – 1206(b) Clinic	18
Statement of Cash Flows	19
Ratio Comparisons	20-21
Glossary of Financial Ratios	22

ALAMEDA HOSPITAL

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 2013

The management of Alameda Hospital (the "Hospital") has prepared this discussion and analysis in order to provide an overview of the Hospital's performance for the period ending September 30, 2013 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments*. The intent of this document is to provide additional information on the Hospital's financial performance as a whole.

Highlights

Overall for the month of September, the third month of fiscal 2014, the hospital experienced a combined net operating gain of \$204,000 against a budgeted loss of \$313,000. This gain was helped by higher acute census in September as well as recognition of \$390,000 in Intergovernmental Transfer program (IGT) funds.

September discharges were 228, which were 12 or 4.9% below budget, and total patient days were 6,006 or 275 (4.8%)% above budget. With the lower discharges and higher patient days, the acute ALOS increased again from 4.03 in the prior month to 4.82 in the current month. Total patient days for inpatient acute services were up 15.7%; subacute days were up 2.4%, skilled nursing days were up at South Shore by 8.2% and Waters Edge were up by 1.9%.

Overall outpatient activity was mixed again this month. Outpatient registrations were up 1.0% ,Emergency Room visits were 149 or 10.2% below budget. Outpatient surgeries were below budget for the month by 24 or 18.3%.

The Wound Care program had 392 visits in September compared to a budget of 350, or 12.0% above budget. In September there were 58 HBO treatments compared to 78 in August.

Total gross and net revenue in August was consistent with activity. The overall inpatient component was above budget by 7.0% driven by the higher acute census and outpatient was below budget 4.1% driven by lower emergency room and ancillary visits.

The overall Case Mix Index (CMI) in September was 1.3052, slightly above the prior month and also above the FY 2014 average of 1.2975.

Total expenses were just over \$7.1 million in September, which is \$64,300 or 0.9% above the budget.

Rents and leases were over budget while salaries, temporary agency, benefits, professional fees, supplies and purchased services were under budget. All other categories were close to budget. Please see the Expense section for further explanation of the expense variances.

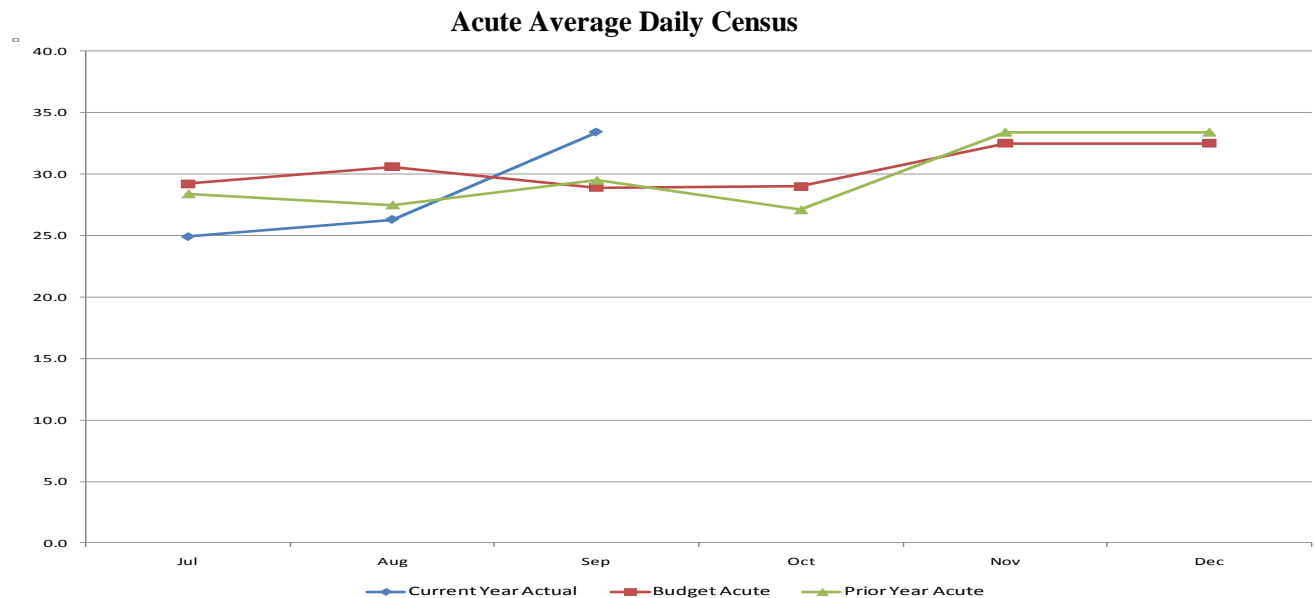
Cash and cash equivalents were just over \$3.0 million at the end of September, down from prior month in part as a result of \$475,000 IGT transfer at the end of September and just under 1.2 million withheld by the State for the Medi-Cal LTC overpayment recoupment. Cash collections in September were shown as \$6.4 million and includes recognition of the \$1.2 million. There remains about \$1.1 million to still be recouped for these overpayments.

ACTIVITY

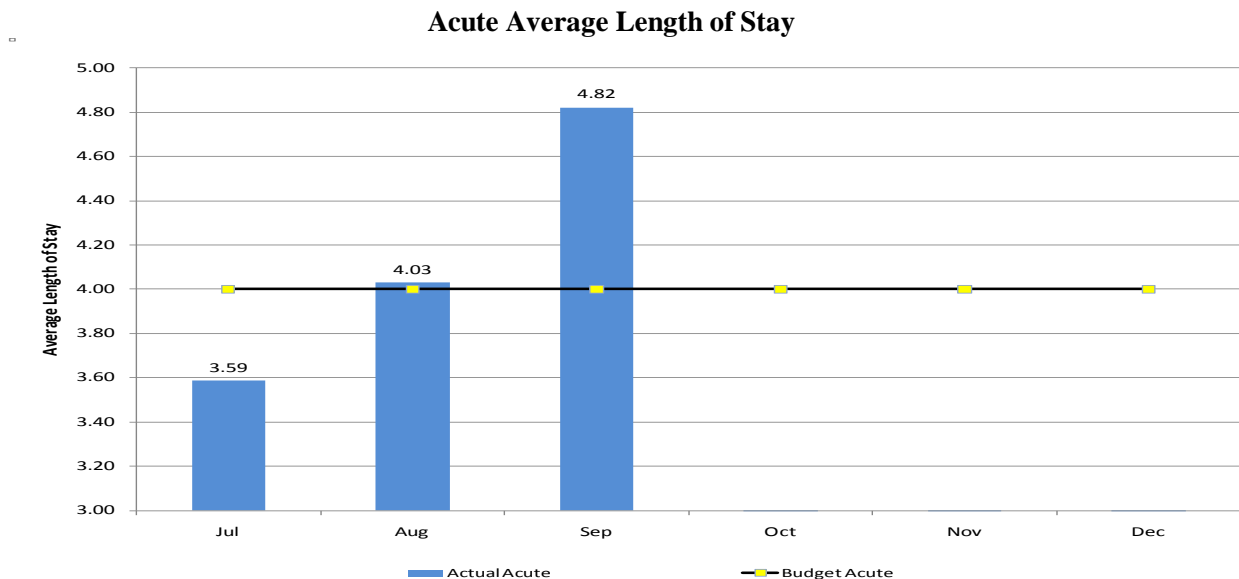
ACUTE, SUBACUTE AND SNF SERVICES

Overall, patient days were 4.8% above budget for the month and above September of last year. This month's acute days were above budget by 15.7%, Subacute was up 2.4%, South Shore was up 8.2% and Waters Edge was up 1.9%.

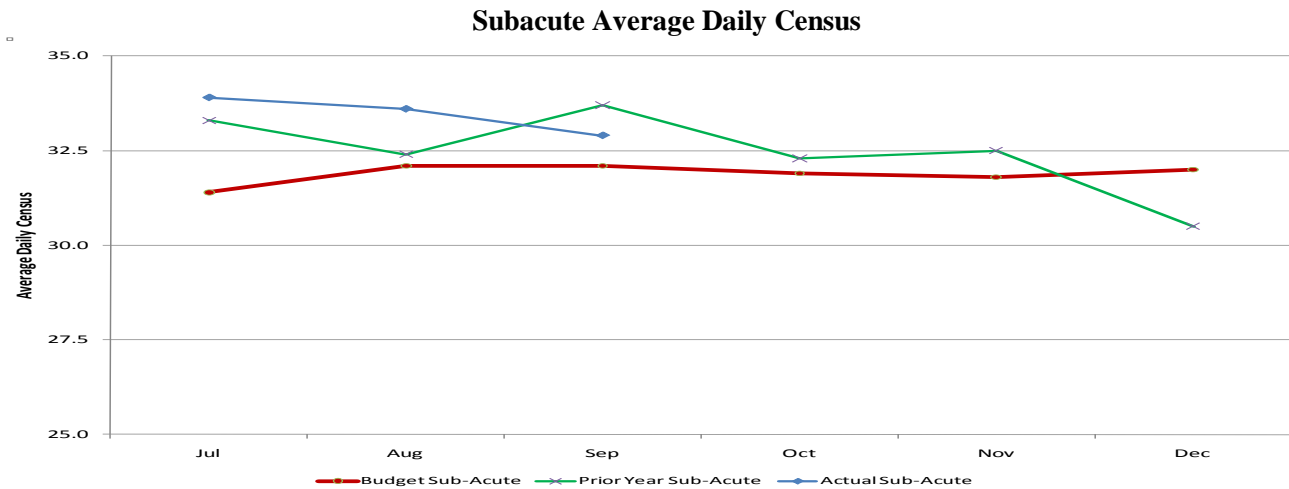
September's acute patient days were 136 days or 15.7% higher than budget for the month and 13.6% higher than September 2012. All areas of the Acute Hospital units contributed to the higher acute census. The acute care program is comprised of the Critical Care Unit (5.1 ADC, 10.1% above budget), Telemetry / Definitive Observation Unit (12.8 ADC, 18.2% above budget) and Med/Surg Unit (15.6 ADC, 15.6% above budget).



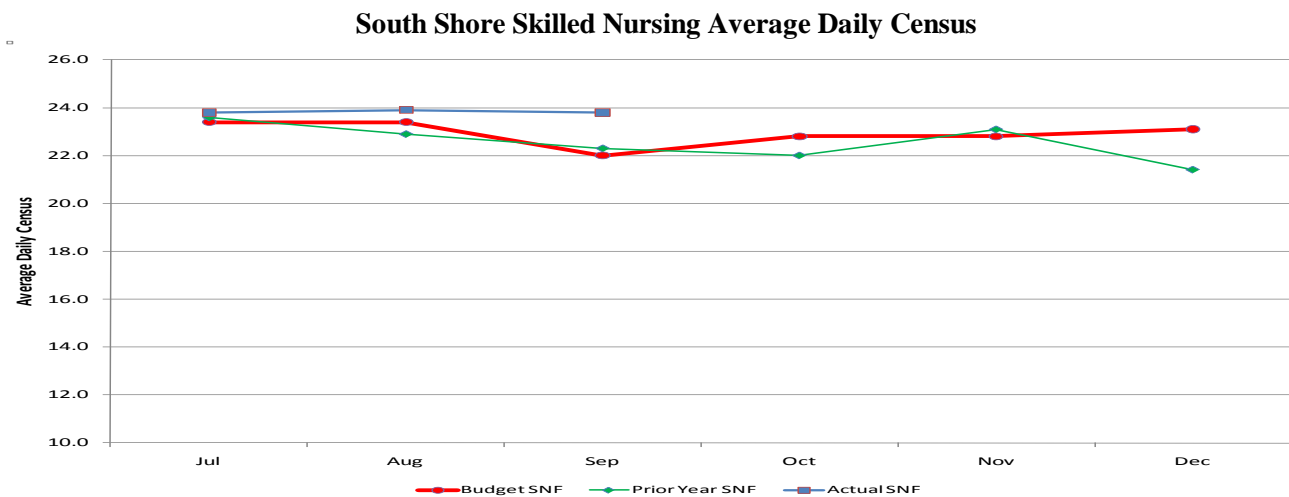
The acute Average Length of Stay (ALOS) increased from 4.03 in August to 4.82 in September and is well above the budget of 4.00. The longer length of stay has some correlation to the higher CMI (case mix index) seen in the acute setting, however, there were several sick patients whose LOS exceeded the average for their respective diagnosis. Management reviews these cases with our case managers and physicians to minimize extended lengths of stay. The graph below shows the ALOS by month compared to the budget.



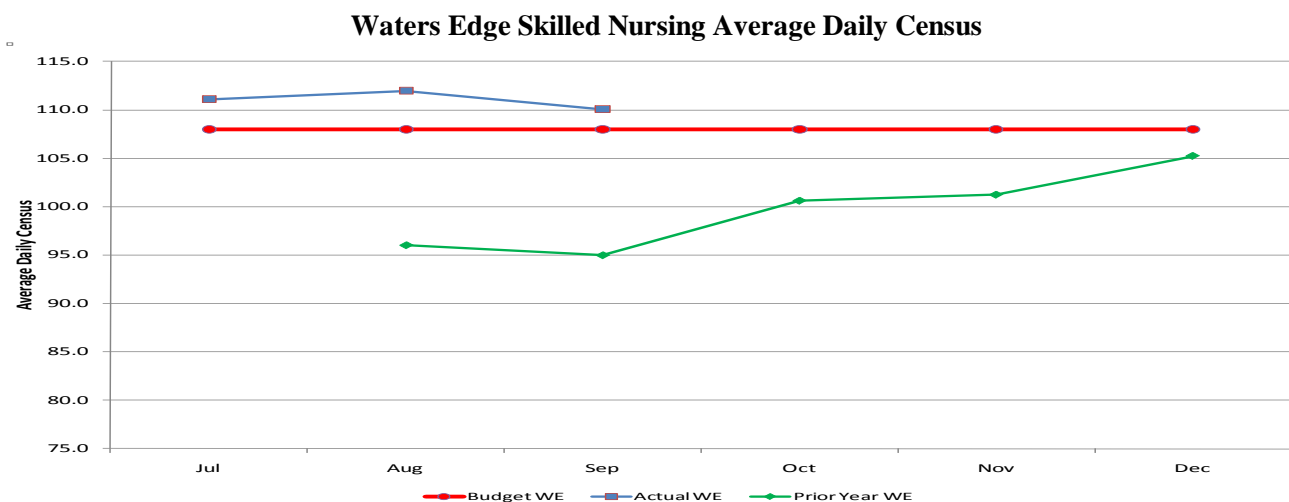
The Subacute program ADC of 32.9 was above the budget by 0.77 ADC or 2.4%. The graph below shows the Subacute ADC for the current fiscal year as compared to budget and the prior year.



The South Shore ADC was above budget again by 54 patient days (8.2%) for the month of September. The graph below shows the South Shore monthly ADC as compared to budget and the prior year. In September the number of Medicare A skilled patients was 2.8 ADC, above the 2.77 ADC in August but below the budget of 3.88.



Waters Edge census was 110.07 ADC or 1.9% above the budget of 108.0 in September. The Medicare census was 7.73 ADC below the 12.13 ADC in the prior month, and below the Medicare ADC budget of 16.2.

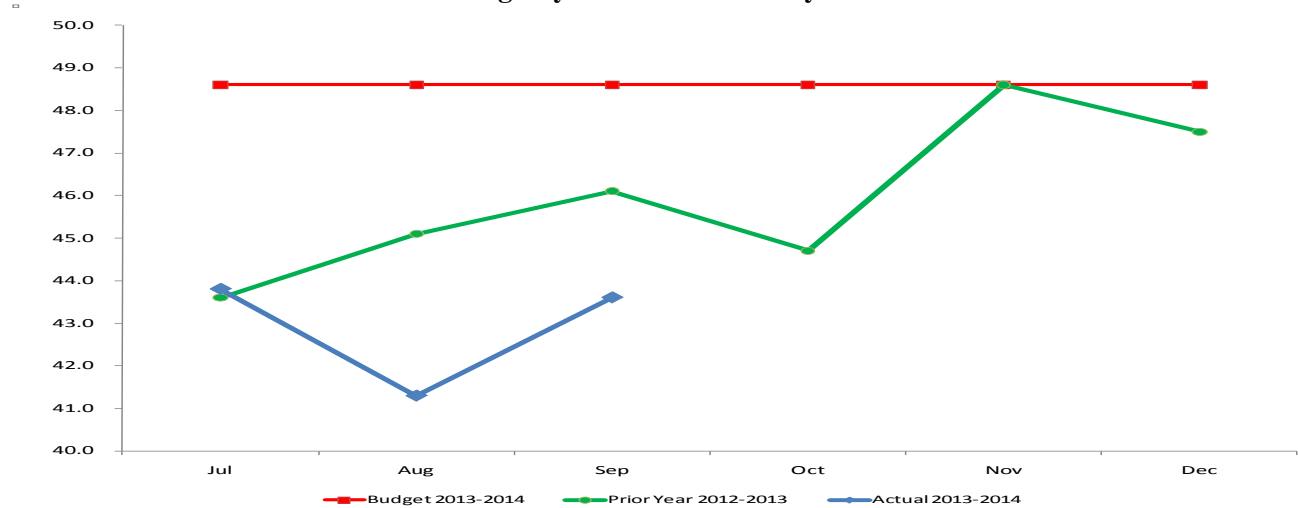


ANCILLARY SERVICES

Outpatient Services

Emergency Care Center (ECC) visits in September were 1,309, or 149 visits (10.2%) below the budget of 1,458. The inpatient admission rate from the ECC was 17.8% just above the 17.6% admit rate in August. On a per day basis, the total visits represent an increase of 5.6% from the prior month daily average. In September, there were 295 ambulance arrivals versus 279 in the prior month. Of the 295 ambulance arrivals in the current month, 212 or 71.9% were from Alameda Fire Department (AFD).

Emergency Care Visits Per Day



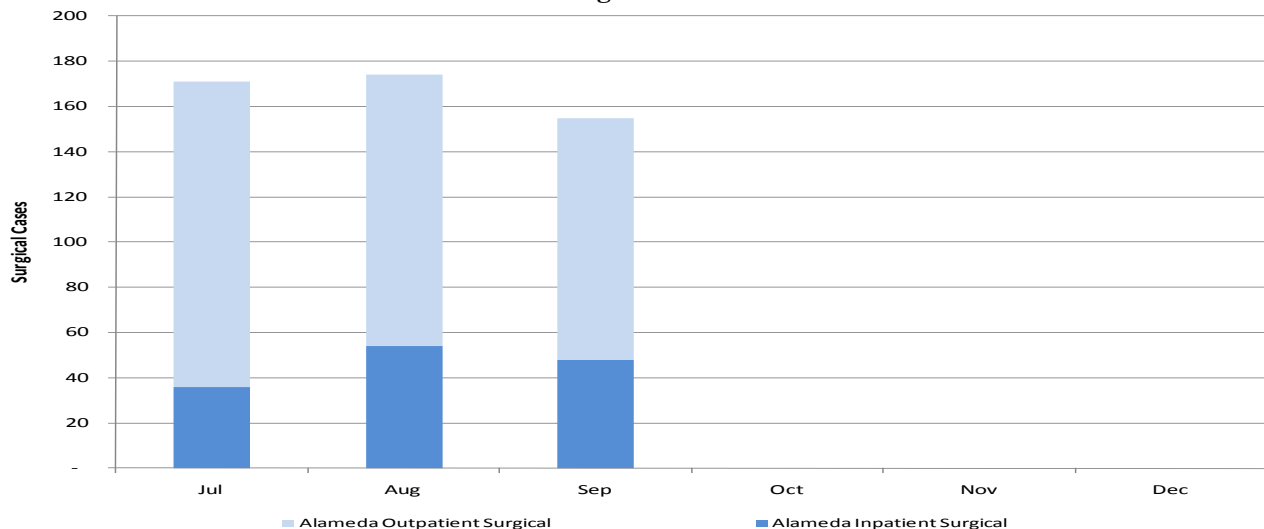
Outpatient registrations totaled 1,867 or 1.0% above the budget. In September the number of patient visits were down in Laboratory (20), IV Therapy (23) and Occupational Therapy (14). Visits were up in MRI (11) and Physical Therapy (41). In September there were 149 Therapy visits and 120 Imaging procedures from the new orthopedic clinic, compared to 153 and 120 respectively in August.

In September, Wound Care was above the budget of 350 with 392 visits, or 12.0% over budget. Hyperbaric Oxygen treatments accounted for 58 of those visits, compared to 78 in August.

Surgery

The total number of surgery cases in September were 155 or 16.7% below the budget of 186 and just below last year's case volume of 168. Inpatient cases of 48 were below the budget of 55 and outpatient was below budget by 24 (18.3%) at 107 cases. Included in the total cases are 5 surgeries for our new general surgeon, Dr. John Lee. In comparison, Dr. Celada performed 12 surgeries compared to the 15 he performed in September 2012.

Surgical Cases



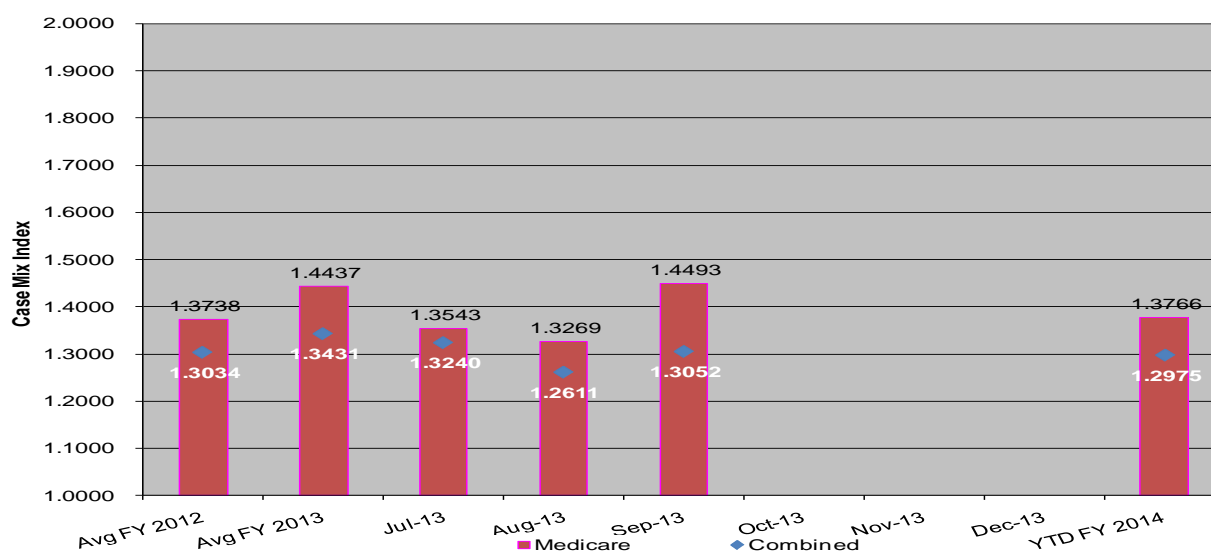
Payer Mix

The Hospital's overall payer mix compared to budget is illustrated below. This is inclusive of the Waters Edge revenue.

	<u>Sep Actual</u>	<u>Sep Budget</u>
Medicare	51.5%	47.1%
Medi-Cal	27.2%	27.5%
Managed Care	13.8%	16.2%
Other	2.8%	2.8%
Commerical	-0.3%	1.4%
Self-Pay	5.1%	5.0%
Total	100.0%	100.0%

Case Mix Index

The Hospital's overall Case Mix Index (CMI) for September was 1.3052, up from the prior month of 1.2611 (3.5%). The Medicare CMI was 1.4493 in September, well above the prior month of 1.3269 (9.22%). The graph below shows the Medicare CMI for the Hospital during the current fiscal year as compared to the prior two years.



Revenue

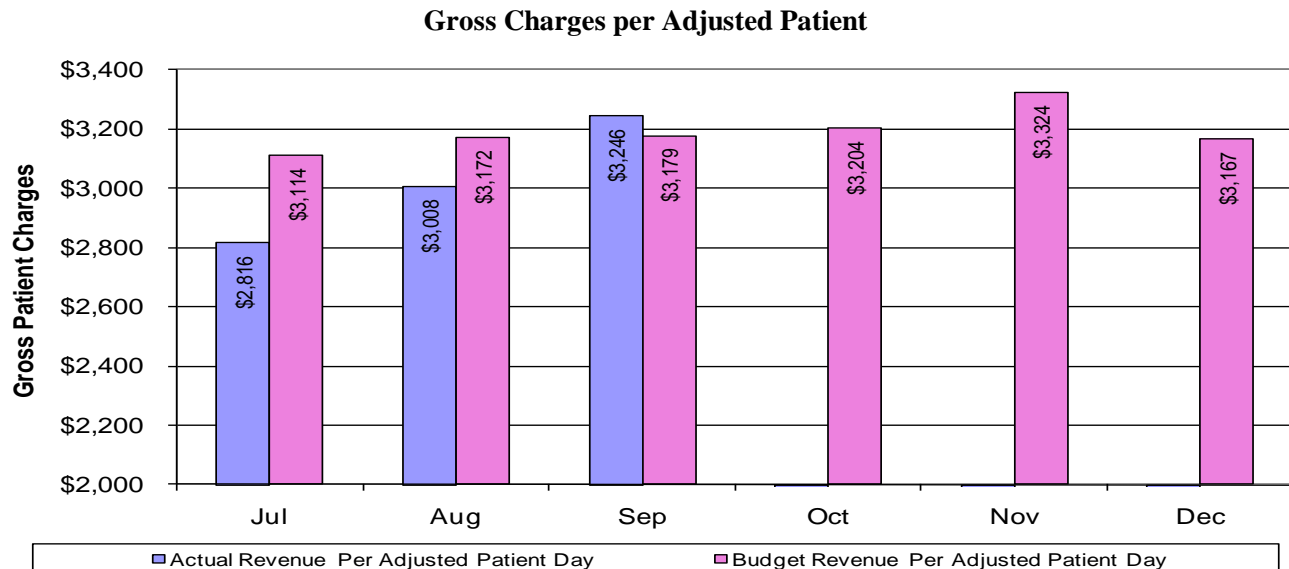
Gross patient charges in September were above the budget by more than \$930,000 or 3.5%. Inpatient gross revenues were almost \$1.3 million above budget and outpatient gross revenues were down \$340,000. Acute inpatient days were 136 (15.7%) above budget and acute gross revenue was up almost 19.0%. Inpatient ancillary service charges were above budget in Surgery, Medical Supplies, Laboratory and Imaging, but down in Emergency, Respiratory and Rehab.

Waters Edge gross and net revenue were above budget in September consistent with the volume. The ancillary revenue was above budget 25.6% (again mostly due to therapy services) and the routine daily room and board revenue was above budget by 3.9%.

Outpatient gross revenues were lower than budget by \$340,000 (4.1%). Emergency, Laboratory, surgery and Medical Supplies were the largest contributors to this being below budget while the Wound Care, Imaging, Pharmacy and Rehab were above.

Wound Care volume was above budget 12.0% and the gross revenue was above budget by \$118,000 (17.1%), resulting in Net Revenue coming in \$27,000 (17.3) above budget for the month. While the use of skin products drove up revenue, HBOT activity was down from prior month as previously mentioned.

On an adjusted patient day basis, total patient revenue was \$3,246 above the budget of \$3,179 for the month of September. The table below shows the Hospital's monthly gross revenue per adjusted patient day by month and year-to-date for Fiscal Year 2014 compared to budget.



Contractual Allowances and Net Revenue

Contractual allowances are computed as deductions from gross patient revenues based on the difference between gross patient charges and the contractually agreed upon rates of reimbursement with third party government-based programs such as Medicare, Medi-Cal and other third party payers such as Blue Cross. A Net Revenue percentage of 23.2% was budgeted and 24.6% was realized. Medi-Cal reimbursement at both South Shore and Waters Edge were calculated at a per diem rate of \$316 which is consistent with budget and AB97 rate reduction.

Overall, Net Revenue was just over \$6.8 million, \$587,000 above the budget of \$6.2 million. The higher than budgeted inpatient acute census, as well as the IGT net impact of \$390,000 which is expected to be received early November, are key contributors to the higher Net Revenue.

The medicare RAC recovery activity was also very high in September. The hospital had been experiencing a net average of \$35,000 in RAC recoveries each month. This increased to just over \$100,000 in August and just over \$250,000 in September. There were a number of accounts in second level appeal that had money taken back. Most of these will be appealed to the Administrative Law Judge (ALJ) and we do feel that we will prevail in most cases. Case management continues to provide education and feedback to specific physicians as needed to improve on documentation and medical necessity concerns that come up during the RAC review process.

Waters Edge had Net Revenues of almost \$1.2 million, just above the budget by \$2,000 or 0.2%. Although census was higher than budgeted overall, we had less of the higher paying Medicare patients and more of the lower paying Medi-Cal patients.

Wound Care net revenue was \$27,355 (17.3%) above budget. The increased use of skin graft products helped contribute to the higher revenue and helped offset the decline this month in HBO treatments which were down by about 20 treatments from prior month.

Expenses

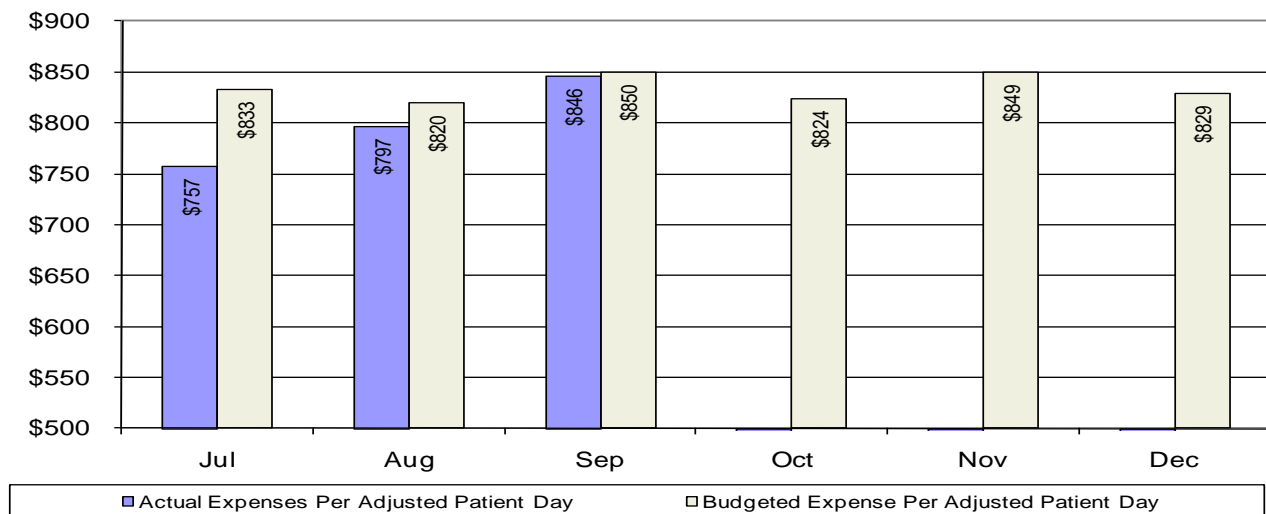
Total Operating Expenses

Total operating expenses were \$7.1 million which was just higher than the fixed budget by \$64,000 or 0.9%. Expenses are higher to a great extent because of the higher acute census in September.

Salaries, temporary agency, supplies/drugs and rents and leases were above budget while benefits, professional fees, purchased services and other expenses were all under budget. All other expense categories were reasonably close to budget.

The graph on the below shows the actual Hospital operating expenses on an adjusted patient day basis for the fiscal year by month as compared to budget.

Expenses per Adjusted Patient Day



The following are explanations of the significant areas of variance that were experienced in the current month.

Salary and Temporary Agency Expenses

Salary and temporary agency costs combined were unfavorable to the fixed budget by \$237,000 (6.6%). Total salaries are above budget \$205,000 and Registry (temporary agency services) is above budget \$32,000.

The \$205,000 unfavorable salary expense variance is comprised of productive salaries being \$105,000 (3.6%) over budget and non-productive salaries were \$100,000 (21.6%) over budget.

Productive salaries were above budget in Acute nursing units, driven by the higher volume and accounting for most of the budget variance. On the acute nursing units, there was also an increased need for sitters for certain some patient throughout the month. Productive salaries were also higher in Sub Acute and South Shore due to higher patient activity in these areas as well. In addition to overtime and doubletime, which were a little higher in September than in recent months, there was also premium holiday pay on Labor Day which totaled about \$25,000 additional expense. The budget did not take into consideration this differential in those months with a holiday, this will be.

Non-productive salaries being over budget is off-set, in part, by benefits expense being under budget \$244,000, some of this coming from reduction in PTO / Vacation accrual as employees continue to take time off. The expense benefit comes from those positions that do not need to be replaced when off e.g. administration etc. In addition, non-productive was high due to, new hire employee orientations in the Emergency department, acute nursing units and surgery, PCS training in DOU & CCU, and HIPAA and MAT training on the acute nursing units contributed to additional non-productive salary expense. We have hired many new nurses who are now oriented / preceptorships and will be available to fill open shifts in the weeks to come. In additionl there were final payments on employee settlements totaling about \$19,000.

The use of overtime and double time premium pay has dropped by approximately \$50,000 from the prior six month average as we strive to get better control of this expensive component of the total salaries. There were some overtime incurred with the above mentioned PCS training as well as premium pay needed to cover sick calls and break coverage on some weekend shifts. The productive salaries per adjusted patient day (APD) were \$365 compared to a budget of \$358. Total salaries per APD were \$432 compared to a budget of \$413 per APD.

Registry expense was higher mainly due to the acute units using more staff due to the higher census, as well as higher in long term care, Rehab, Imaging and Patient Accounting to replace staff in positions that are currently vacant.

Management does continue to meet every other week as an Executive Team to review and discuss staffing and salary/wage actual to budget variances.

Benefits

Benefits were below the fixed budget by \$244,000. While these numbers fluctuate from month to month, benefits are down sharply this month due lower health claim expense. In addition, PTO/Vacation usage has continue to be higher as we have been encouraging employees to use their PTO/Vacation time which thus reduces the amount of accrual needed. Accrual for PTO / Vacation was \$18,000 under budget in September, and is a direct offset to the higher non-productive wages discussed above. Overall, health claim expense was about \$233,000 below budget. Cliaim check-writes were down \$156,000 and IBNR estimate down \$63,000. Unemployment insurance was \$10,000 below budget.

Professional Fees

Professional fees were under budget by \$31,000 or 6.2%. While QRM, Respiratory Therapy (includes August physician fees missed last month), legal and Information Systems were above budget, consulting and oteher Human Resources related fees were under budget resulting in a positive variance overall.

Supplies

Supplies expense were \$113,000 over budget. This variance is primarily due to Pharmaceuticals (about \$80,000), much of this increase is associated with IVT program and a couple of high cost regiments that are being administered. We are working with the physician and pharmacy team to manage the case and related expenditure to the extent possible. In addition, there are smaller variances in Surgery, Wound Care, Dietary and EVS. Wound care supplies were higher than budget as were patient visits in the clinic, however, there were a couple of August invoices that were not accrued for and expensed in September. Many of wound cares supply expenses are reimbursable and reflected in net revenue estimations.

Purchased Services

Purchased services were below budget for the month of September by \$13,000 or 2.3%. While there were some departments higher than budget such as Community Relations (advertising), Quality (RAC related expenses), Sub Acute and South Shore there were several departments under budget such as Waters Edge Rehab, Laboratory, Pharmacy and Linen resulting in the overall variance being positive to budget.

Rents and Leases

Rents and lease expense was \$14,000 over budget in the month. While Respiratory Therapy and Engineering were below budget this month, Central Supply and Administration were over budget. We continue to have higher equipment rental expense, primarily for bed/mattress rentals. In addition, the annual rent increase for the south shore building was about \$2,500 per month higher than budgeted (taxes and fees assessments) and Waters Edge rent has increased \$2,800 per month as well. These two rent increases were not anticipated during the budget process but will be in the budget for the second half of fiscal 2014.

Other Operating Expense

Other Operating Expenses were under budget this month by \$10,000. While there are some departments over budget such as Waters Edge and Administration (license fees), the positive variance is due mostly to Human Resources being under budget.

Depreciation Expense

Depreciation Expenses was again \$5,000 over budget. We have reviewed the detailed accounts to see why there is a difference between what we are recording monthly and have budgeted. The budget failed to pick up the proper value of recent projects that have moved from Construction in Progress to depreciable assets. We have had three key projects, meditech HER applications, seismic – emergency egress lighting and 2 west subacute sprinkler project. These new items will be accounted for in the budget for the second half of fiscal 2014.

Non-Operating Income / (Expense):

Other Income/(Expense) was just \$5,000 under budget. We had assumed in the budget a contribution from the Foundation during this six month budget period of \$150,000. We have not recorded any portion of the receivable for this but will do so once a contribution is made later in the year. In addition, caught up on the Parcel Tax accrual in September, as we had been under recording this by about \$5,000 a month in July and August.

Balance Sheet

Total assets decreased by almost \$1.3 million from the prior month. The following items make up the decrease in assets:

- Total unrestricted cash and cash equivalents for September decreased by approximately \$2.2 million and days cash on hand including restricted use funds also decreased to 13.9 days cash on hand in September down from 23.7 days cash on hand in August. Patient collections in September averaged just over \$214,000 per day when you account for the money recouped by Medi-Cal for the LTC overpayment, and this is higher than the prior month average. The state has began recoupment of the \$2.3 million overpayment money the week of September 16 and has recouped approximately \$1.2 million so far so now we are holding \$1.1 million for potential further recoupments.
- Net patient accounts receivable was \$10.8 million, remaining steady from the prior month end.
- Days in outstanding receivables were back down to 52.8 at September month end, a decrease from the August number of 55.9 days. Cash collections in September were \$6.4 million (including the \$1.2 million recoupment transfer) compared to \$6.0 million in August. Once again, September also experience \$250,000 in RAC recoveries, reducing cash by the same amount during the month.

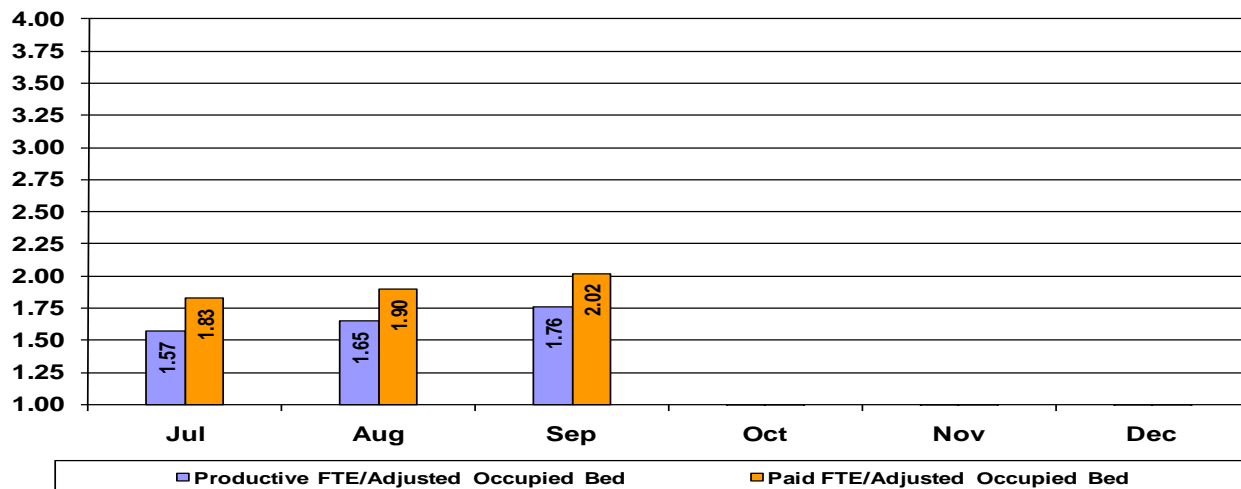
Overall, total liabilities decreased by \$1.5 million from the prior month:

- Accounts payable increased over \$400,000 in September to approximately \$12.1 million which equates to 155 AP Days, but down from the 159 days in August.
- Payroll related accruals decreased over \$200,000 due to the timing the the pay periods in the month.
- Deferred revenues decreased by \$472,000 due to the recognition of one-twelfth of the 2013/2014 parcel tax revenues, which will be realized over the course of the fiscal year.
- Current Portion of Long Term Debt in the month of September remained consistent with prior month.
- Third Party Payer Settlement decreased almost \$1.2 million from prior month due to repayment of a portion of the medi-cal LTC overpayment discussed previously.

Key Statistics

FTE's Per Adjusted Occupied Bed

For the month of August Productive FTE's per Adjusted Occupied Bed were 1.76, just above the budget of 1.70 FTE's by 3.1%. Paid FTE's per Adjusted Occupied Bed were 2.02 or 2.5% above the budget. The graph below shows the productive and paid FTE's per Adjusted Occupied Bed for FY 2014 by month.



Current Ratio

The current ratio for September remained at 0.86. We have received a waiver to the 1.0 loan covenant from the Bank of Alameda through the quarter ending September 30, 2013. We are looking at the way this ratio is calculated in light of new GASB accounting standards that are going into affect related to recognition of property tax revenues and the coresponding liability.

A/R days

Net days in accounts receivable (A/R) are currently at 52.8. This is again down from the prior month of 55.9. Net A/R days are down due to the higher cash collections as Medi-Cal payments have increased to normal levels in September.

Days Cash on Hand

Days cash on hand for September were 13.9, a decrease from prior month of 23.7. The decrease is primarily due the transfer of money held to offset for the Medi-Cal recoupment which began in September.

The following pages include the detailed financial statements for the three (3) months ended September 30, 2013, of Fiscal Year 2014.

**ALAMEDA HOSPITAL
KEY STATISTICS
SEPTEMBER 2013**

	<u>ACTUAL SEPTEMBER 2013</u>	<u>CURRENT FIXED BUDGET</u>	<u>VARIANCE (UNDER) OVER</u>	<u>%</u>	<u>SEPTEMBER 2012</u>	<u>YTD SEPTEMBER 2013</u>	<u>YTD FIXED BUDGET</u>	<u>VARIANCE</u>	<u>%</u>	<u>YTD SEPTEMBER 2012</u>
Discharges:										
Total Acute	208	217	(9)	-4.0%	225	625	680	(55)	-8.1%	664
Total Sub-Acute	3	3	-	0.0%	3	5	9	(4)	-44.4%	7
Total South Shore	10	5	5	100.0%	9	17	17	-	0.0%	16
Total Waters Edge	<u>7</u>	<u>15</u>	<u>(8)</u>	<u>-53.3%</u>	<u>14</u>	<u>28</u>	<u>45</u>	<u>(17)</u>	<u>-37.8%</u>	<u>24</u>
	228	240	(12)	-4.9%	251	675	751	(76)	-10.1%	711
Patient Days:										
Total Acute	1,003	867	136	15.7%	885	2,588	2,720	(132)	-4.9%	2,619
Total Sub-Acute	987	964	23	2.4%	1,011	3,079	2,931	148	5.0%	3,046
Total South Shore	714	660	54	8.2%	670	2,192	2,110	82	3.9%	2,110
Total Waters Edge	<u>3,302</u>	<u>3,240</u>	<u>62</u>	<u>1.9%</u>	<u>2,850</u>	<u>10,217</u>	<u>9,936</u>	<u>281</u>	<u>2.8%</u>	<u>5,827</u>
	6,006	5,731	275	4.8%	5,416	18,076	17,697	379	2.1%	13,602
Average Length of Stay										
Total Acute	4.82	4.00	0.82	20.6%	3.93	4.14	4.00	0.14	3.5%	3.94
Average Daily Census										
Total Acute	33.43	28.90	4.53	15.7%	29.50	28.13	29.57	(1.43)	-4.9%	28.47
Total Sub-Acute	32.90	32.13	0.77	2.4%	33.70	33.47	31.86	1.61	5.0%	33.11
Total South Shore	23.80	22.00	1.80	8.2%	22.33	23.83	22.93	0.89	3.9%	22.93
Total Waters Edge	<u>110.07</u>	<u>108.00</u>	<u>2.07</u>	<u>1.9%</u>	<u>95.00</u>	<u>111.05</u>	<u>108.00</u>	<u>3.05</u>	<u>2.8%</u>	<u>95.52</u>
	200.20	191.03	9.17	4.8%	180.53	196.48	192.36	0.17	0.1%	180.04
Emergency Room Visits	1,309	1,458	(149)	-10.2%	1,382	3,947	4,388	(441)	-10.1%	4,133
Wound Care Clinic Visits	392	350	42	12.0%	173	1,297	1,050	247	23.5%	276
Outpatient Registrations	1,867	1,849	18	1.0%	1,670	6,056	6,099	(43)	-0.7%	5,534
Surgery Cases:										
Inpatient	48	55	(7)	-12.7%	48	138	149	(11)	-7.4%	131
Outpatient	<u>107</u>	<u>131</u>	<u>(24)</u>	<u>-18.3%</u>	<u>120</u>	<u>362</u>	<u>365</u>	<u>(3)</u>	<u>-0.8%</u>	<u>334</u>
	155	186	(31)	-16.7%	168	500	514	(14)	-2.7%	465
Adjusted Occupied Bed (AOB)	281.40	277.52	3.88	1.4%	252.98	286.92	278.74	8.19	2.9%	212.60
Productive FTE	495.20	473.79	21.41	4.5%	553.19	477.08	479.77	(2.69)	-0.6%	420.78
Total FTE	567.04	545.43	21.60	4.0%	519.94	550.04	545.42	4.62	0.8%	485.18
Productive FTE/Adj. Occ. Bed	1.76	1.71	0.05	3.1%	2.19	1.66	1.72	(0.06)	-3.4%	1.98
Total FTE/ Adj. Occ. Bed	2.02	1.97	0.05	2.5%	2.06	1.92	1.96	(0.04)	-2.0%	2.28

City of Alameda Health Care District
Statements of Financial Position
September 30, 2013

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year End</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 3,049,246	\$ 5,245,396	\$ 4,861,959
Patient Accounts Receivable, net	10,748,398	10,807,792	12,041,516
Other Receivables	7,057,137	6,301,592	6,301,762
Third-Party Payer Settlement Receivables	-	-	-
Inventories	1,267,339	1,267,733	1,266,892
Prepays and Other	643,037	640,622	450,309
Total Current Assets	<u>22,765,156</u>	<u>24,263,136</u>	<u>24,922,439</u>
Assets Limited as to Use, net	220,571	212,549	189,755
Fixed Assets			
Land	877,945	877,945	877,945
Depreciable capital assets	45,535,062	45,505,551	45,422,895
Construction in progress	3,991,288	3,741,592	3,583,725
Depreciation	<u>(40,844,062)</u>	<u>(40,756,285)</u>	<u>(40,581,813)</u>
Property, Plant and Equipment, net	<u>9,560,233</u>	<u>9,368,803</u>	<u>9,302,752</u>
Total Assets	<u>\$ 32,545,960</u>	<u>\$ 33,844,487</u>	<u>\$ 34,414,946</u>
Liabilities and Net Assets			
Current Liabilities:			
Current Portion of Long Term Debt	\$ 2,292,882	\$ 2,292,882	\$ 826,007
Accounts Payable and Accrued Expenses	12,143,440	11,717,977	11,823,357
Payroll Related Accruals	4,503,862	4,692,993	5,195,271
Deferred Revenue	4,340,995	4,782,392	5,731,269
Employee Health Related Accruals	662,154	725,147	714,297
Third-Party Payer Settlement Payable	<u>2,552,014</u>	<u>3,738,204</u>	<u>3,796,593</u>
Total Current Liabilities	26,495,347	27,949,596	28,086,794
Long Term Debt, net	<u>1,797,992</u>	<u>1,854,520</u>	<u>1,578,289</u>
Total Liabilities	<u>28,293,339</u>	<u>29,804,116</u>	<u>29,665,083</u>
Net Assets:			
Unrestricted	4,032,051	3,827,822	4,350,108
Temporarily Restricted	<u>220,571</u>	<u>212,549</u>	<u>399,755</u>
Total Net Assets	<u>4,252,622</u>	<u>4,040,371</u>	<u>4,749,863</u>
Total Liabilities and Net Assets	<u>\$ 32,545,960</u>	<u>\$ 33,844,487</u>	<u>\$ 34,414,946</u>

City of Alameda Health Care District

Statements of Operations

September 30, 2013

\$'s in thousands

	Current Month					Year-to-Date				
	Actual	Budget	\$ Variance	% Variance	Prior Year	Actual	Budget	\$ Variance	% Variance	Prior Year
Patient Days	6,006	5,731	275	4.8%	5,416	18,076	17,697	379	2.1%	13,602
Discharges	228	240	(12)	-4.9%	251	675	750	(75)	-10.0%	711
ALOS (Average Length of Stay)	26.34	23.90	2.44	10.2%	21.58	26.78	23.60	3.18	13.5%	19.13
ADC (Average Daily Census)	200.2	191.0	9.17	4.8%	180.5	196.5	192.4	4.12	2.1%	147.8
CMI (Case Mix Index)	1.3052				1.3066	1.2975				1.3259
Revenues										
Gross Inpatient Revenues	\$ 19,493	\$ 18,217	\$ 1,276	7.0%	\$ 17,570	\$ 54,647	\$ 55,828	\$ (1,181)	-2.1%	\$ 48,959
Gross Outpatient Revenues	7,906	8,247	(341)	-4.1%	7,021	25,001	25,077	(75)	-0.3%	21,479
Total Gross Revenues	27,399	26,464	935	3.5%	24,591	79,648	80,904	(1,256)	-1.6%	70,438
Contractual Deductions	19,891	19,079	(812)	-4.3%	17,902	58,841	58,399	(442)	-0.8%	48,803
Bad Debts	525	1,102	577	52.4%	786	1,539	3,306	1,767	53.4%	4,711
Charity and Other Adjustments	243	133	(109)	-82.0%	-	539	400	(139)	-34.8%	246
Net Patient Revenues	6,740	6,150	591	9.6%	5,903	18,730	18,800	(70)	-0.4%	16,678
Net Patient Revenue %	24.6%	23.2%			24.0%	23.5%	23.2%			23.7%
Net Clinic Revenue	86	88	(1)	-1.4%	30	252	263	(10)	-3.8%	107
Other Operating Revenue	10	12	(2)	-17.9%	6	28	36	(8)	-22.7%	21
Total Revenues	6,836	6,249	587	9.4%	5,939	19,010	19,099	(89)	-0.5%	16,806
Expenses										
Salaries	3,643	3,438	(205)	-6.0%	3,272	10,742	10,467	(275)	-2.6%	9,602
Temporary Agency	199	167	(32)	-18.8%	189	470	528	58	11.0%	538
Benefits	801	1,045	244	23.3%	926	2,683	3,149	466	14.8%	2,455
Professional Fees	470	501	31	6.2%	433	1,450	1,503	53	3.6%	1,120
Supplies	916	803	(113)	-14.1%	749	2,446	2,379	(67)	-2.8%	2,205
Purchased Services	558	571	13	2.3%	520	1,656	1,714	58	3.4%	1,510
Rents and Leases	235	221	(14)	-6.3%	215	707	663	(44)	-6.6%	545
Utilities and Telephone	78	83	5	6.5%	81	227	250	24	9.5%	232
Insurance	36	38	2	5.6%	39	110	114	4	3.6%	119
Depreciation and amortization	88	83	(5)	-6.2%	73	263	248	(15)	-6.0%	216
Other Operating Expenses	116	126	10	7.8%	101	333	362	29	7.9%	271
Total Expenses	7,141	7,076	(64)	-0.9%	6,599	21,085	21,377	292	1.4%	18,813
Operating gain (loss)	(304)	(827)	523	63.2%	(660)	(2,075)	(2,278)	203	-8.9%	(2,007)
Non-Operating Income / (Expense)										
Parcel Taxes	492	487	5	1.0%	477	1,446	1,461	(15)	-1.0%	1,431
Investment Income	1	-	1	0.0%	2	3	-	3	0.0%	5
Interest Expense	(12)	(16)	3	20.1%	(25)	(37)	(47)	9	-20.1%	(52)
Other Income / (Expense)	28	43	(14)	-33.9%	27	84	128	(43)	-33.9%	82
Net Non-Operating Income / (Expense)	509	514	(5)	-1.0%	482	1,496	1,542	(45)	-2.9%	1,467
Excess of Revenues Over Expenses	\$ 204	\$ (313)	\$ 518	-165.2%	\$ (178)	\$ (579)	\$ (736)	\$ 158	-21.4%	\$ (540)

City of Alameda Health Care District
Statements of Operations - Per Adjusted Patient Day
September 30, 2013

	Current Month					Year-to-Date				
	Actual	Budget	\$ Variance	% Variance	Prior Year	Actual	Budget	\$ Variance	% Variance	Prior Year
Revenues										
Gross Inpatient Revenues	\$ 2,309	\$ 2,188	\$ 121	5.5%	\$ 2,318	\$ 2,074	\$ 2,177	\$ (103)	-4.7%	\$ 2,502
Gross Outpatient Revenues	937	991	(54)	-5.5%	926	949	978	(29)	-2.9%	1,098
Total Gross Revenues	3,246	3,179	67	2.1%	3,244	3,023	3,155	(131)	-4.2%	3,599
Contractual Deductions	2,356	2,292	(65)	-2.8%	2,362	2,233	2,277	44	1.9%	2,494
Bad Debts	62	132	70	53.0%	104	58	129	70	54.7%	241
Charity and Other Adjustments	29	16	(13)	-79.5%	-	20	16	(5)	-31.2%	13
Net Patient Revenues	798	739	60	8.1%	779	711	733	(22)	-3.0%	852
Net Patient Revenue %	24.6%	23.2%			24.0%	23.5%	23.2%			23.7%
Net Clinic Revenue	10	11	(0)	-2.8%	4	10	10	(1)	-6.4%	5
Other Operating Revenue	1	1	(0)	-19.0%	1	1	1	(0)	-24.7%	1
Total Revenues	810	751	59	7.9%	784	722	745	(23)	-3.1%	859
Expenses										
Salaries	432	413	(19)	-4.5%	432	408	408	0	0.1%	491
Temporary Agency	24	20	(3)	-17.2%	25	18	21	3	13.3%	27
Benefits	95	125	31	24.4%	122	95	123	28	22.8%	125
Professional Fees	56	60	5	7.5%	57	55	59	4	6.1%	57
Supplies	109	96	(12)	-12.5%	99	93	93	(0)	-0.1%	113
Purchased Services	66	69	2	3.6%	69	63	67	4	6.0%	77
Rents and Leases	28	27	(1)	-4.8%	28	27	26	(1)	-3.8%	28
Utilities and Telephone	9	10	1	7.8%	11	9	10	1	11.9%	12
Insurance	4	5	0	6.9%	5	4	4	0	6.1%	6
Depreciation and Amortization	10	10	(0)	-4.8%	10	10	10	(0)	-3.1%	11
Other Operating Expenses	14	15	1	9.0%	13	13	14	1	10.4%	14
Total Expenses	846	850	4	0.5%	871	793	834	40	4.8%	961
Operating Gain / (Loss)	(36)	(99)	63	63.7%	(87)	(71)	(89)	17	-19.3%	(103)
Non-Operating Income / (Expense)										
Parcel Taxes	58	58	(0)	-0.4%	63	55	57	(2)	-3.6%	73
Investment Income	0	-	0	0.0%	0	0	-	0	0.0%	0
Interest Expense	(1)	(2)	0	21.2%	(3)	(1)	(2)	0	-22.2%	(3)
Other Income / (Expense)	3	5	(2)	-34.8%	4	3	5	(2)	-35.6%	4
Net Non-Operating Income / (Expense)	60	62	(1)	-2.4%	64	57	60	(3)	-5.5%	75
Excess of Revenues Over Expenses	\$ 24	\$ (38)	\$ 62	-164.3%	\$ (23)	\$ (15)	\$ (28)	\$ 14	-48.4%	\$ (28)

Wound Care - Statement of Operations
September 30, 2013

	Current Month				Year-to-Date			
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
Clinic Visits	392	350	42	12.0%	1,297	1,050	247	23.5%
Revenue								
Gross Revenue	807,496	689,761	117,735	17.1%	2,749,221	2,069,283	679,938	32.9%
Deductions from Revenue	<u>621,772</u>	<u>531,392</u>	<u>90,380</u>		<u>2,134,368</u>	<u>1,594,176</u>	<u>540,192</u>	
Net Revenue	<u>185,724</u>	<u>158,369</u>	<u>27,355</u>	17.3%	<u>614,853</u>	<u>475,107</u>	<u>139,746</u>	
Expenses								
Salaries	19,837	18,562	(1,275)	-6.9%	63,158	50,235	(12,923)	-25.7%
Benefits	6,687	5,544	(1,143)	-20.6%	19,278	15,005	(4,273)	-28.5%
Professional Fees	74,179	73,306	(873)	-1.2%	263,114	219,918	(43,196)	-19.6%
Supplies	58,888	28,239	(30,649)	-108.5%	131,360	84,717	(46,643)	-55.1%
Purchased Services	4,234	4,000	(234)	-5.9%	14,424	12,000	(2,424)	-20.2%
Rents and Leases	6,291	5,686	(605)	-10.6%	18,100	17,058	(1,042)	-6.1%
Depreciation	8,834	8,685	(149)	-1.7%	26,502	26,055	(447)	-1.7%
Other	<u>3,079</u>	<u>2,079</u>	<u>(1,000)</u>	<u>-48.1%</u>	<u>8,874</u>	<u>6,237</u>	<u>(2,637)</u>	<u>-42.3%</u>
Total Expenses	<u>182,029</u>	<u>146,101</u>	<u>(35,928)</u>	<u>-24.6%</u>	<u>544,810</u>	<u>431,225</u>	<u>(113,585)</u>	<u>-26.3%</u>
Excess of Revenue over Expenses	<u>3,695</u>	<u>12,268</u>	<u>(8,573)</u>	<u>-69.9%</u>	<u>70,043</u>	<u>43,882</u>	<u>26,161</u>	<u>59.6%</u>

City of Alameda Health Care District
Waters Edge Skilled Nursing - Statement of Operations
September 30, 2013

	Current Month				Year-to-Date			
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
Patient Days								
Medicare	232	486	(254)	-52.3%	986	1,490	(504)	-33.8%
Medi-Cal	2,923	2,493	430	17.2%	8,897	7,645	1,252	16.4%
Managed Care	0	66	(66)	-100.0%	47	202	(155)	-76.7%
Self Pay/Other	<u>147</u>	<u>195</u>	<u>(48)</u>	<u>-24.6%</u>	<u>287</u>	<u>599</u>	<u>(312)</u>	<u>-52.1%</u>
Total	3,302	3,240	62	1.9%	10,217	9,936	281	2.8%
Revenue								
Routine Revenue	2,628,888	2,529,519	99,369	3.9%	8,128,286	7,757,191	371,095	4.8%
Ancillary Revenue	<u>323,678</u>	<u>257,707</u>	<u>65,971</u>	<u>25.6%</u>	<u>1,146,114</u>	<u>837,460</u>	<u>308,654</u>	<u>36.9%</u>
Total Gross Revenue	2,952,566	2,787,226	165,340	5.9%	9,274,400	8,594,651	679,749	7.9%
Deductions from Revenue	<u>1,768,819</u>	<u>1,605,442</u>	<u>(163,377)</u>	<u>-10.2%</u>	<u>5,509,129</u>	<u>4,950,519</u>	<u>(558,610)</u>	<u>-11.3%</u>
Net Revenue	<u>1,183,747</u>	<u>1,181,784</u>	<u>1,963</u>	<u>0.2%</u>	<u>3,765,271</u>	<u>3,644,132</u>	<u>121,139</u>	<u>3.3%</u>
Expenses								
Salaries	423,827	464,357	40,530	8.7%	1,331,861	1,417,000	85,139	6.0%
Temporary Agency	25,018	15,070	(9,948)	-100.0%	69,416	55,204	(14,212)	-100.0%
Benefits	92,072	96,526	4,455	4.6%	286,857	291,410	4,552	1.6%
Professional Fees	4,665	5,200	535	10.3%	10,270	15,600	5,330	34.2%
Supplies	57,094	62,281	5,187	8.3%	199,939	189,042	(10,897)	-5.8%
Purchased Services	109,988	129,300	19,312	14.9%	365,277	387,900	22,623	5.8%
Rents and Leases	78,388	75,400	(2,988)	-4.0%	233,814	226,200	(7,614)	-3.4%
Utilities	10,990	11,767	777	6.6%	25,566	35,301	9,735	27.6%
Insurance	-	2,392	2,392	100.0%	-	7,176	7,176	100.0%
Other	<u>17,179</u>	<u>16,308</u>	<u>(871)</u>	<u>-5.3%</u>	<u>35,713</u>	<u>48,924</u>	<u>13,211</u>	<u>27.0%</u>
Total Expenses	<u>819,221</u>	<u>878,601</u>	<u>59,381</u>	<u>6.8%</u>	<u>2,558,713</u>	<u>2,673,757</u>	<u>115,043</u>	<u>4.3%</u>
Excess of Revenue over Expenses	<u>364,526</u>	<u>303,183</u>	<u>61,343</u>		<u>1,206,557</u>	<u>970,376</u>	<u>236,182</u>	

City of Alameda Health Care District
Orthopedic Clinic - Statement of Operations
September 30, 2013

	Current Month				Year-to-Date			
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
Clinic Visits	240	302	(62)	-20.5%	783	906	(123)	-13.6%
Revenue								
Gross Revenue	66,819	128,652	(61,833)	-48.1%	242,109	385,956	(143,847)	-37.3%
Deductions from Revenue	<u>37,475</u>	<u>90,069</u>	<u>(52,594)</u>		<u>133,245</u>	<u>270,207</u>	<u>(136,962)</u>	
Net Revenue	<u>29,344</u>	<u>38,583</u>	<u>(9,239)</u>		<u>108,864</u>	<u>115,749</u>	<u>(6,885)</u>	
Expenses								
Salaries	32,259	32,903	644	2.0%	97,345	98,711	1,366	1.4%
Benefits	8,110	9,828	1,718	17.5%	24,473	29,485	5,012	17.0%
Professional Fees	23,331	25,000	1,669	6.7%	73,731	75,000	1,269	1.7%
Supplies	590	3,467	2,877	83.0%	2,877	10,401	7,524	72.3%
Purchased Services	5,170	6,083	913	15.0%	15,186	18,249	3,063	16.8%
Rents and Leases	4,660	4,667	7	0.1%	13,980	14,001	21	0.1%
Depreciation	-	-	-	0.0%	-	-	-	0.0%
Other	<u>977</u>	<u>2,608</u>	<u>1,631</u>	<u>62.5%</u>	<u>6,385</u>	<u>7,824</u>	<u>1,439</u>	<u>18.4%</u>
Total Expenses	<u>75,097</u>	<u>84,556</u>	<u>9,459</u>	<u>11.2%</u>	<u>233,977</u>	<u>253,671</u>	<u>19,694</u>	<u>7.8%</u>
Excess of Revenue over Expenses	<u>(45,753)</u>	<u>(45,973)</u>	<u>220</u>	<u>0.5%</u>	<u>(125,113)</u>	<u>(137,922)</u>	<u>12,809</u>	<u>9.3%</u>
<u>Hospital Based Activity:</u>								
Inpatient Days	37	22	15	68.2%	74	66	8	12.1%
Inpatient Surgeries	6	5	1	20.0%	10	15	(5)	-33.3%
Outpatient Surgeries	5	10	(5)	-50.0%	18	29	(11)	-37.9%
							-	
Therapy Referred Visits	149	175	(26)	-14.9%	532	525	7	1.3%
Imaging Referred Procedures	120	110	10	9.1%	368	330	38	11.5%
Inpatient Gross Charges	<u>605,469</u>	<u>309,500</u>	<u>295,969</u>	<u>95.6%</u>	<u>1,278,374</u>	<u>928,500</u>	<u>349,874</u>	<u>37.7%</u>
Inpatient Net Revenue	<u>112,604</u>	<u>69,500</u>	<u>43,104</u>	<u>62.0%</u>	<u>190,928</u>	<u>208,500</u>	<u>(17,572)</u>	<u>-8.4%</u>
Outpatient Gross Charges	<u>379,649</u>	<u>324,775</u>	<u>54,874</u>	<u>16.9%</u>	<u>1,221,964</u>	<u>955,305</u>	<u>266,659</u>	<u>27.9%</u>
Outpatient Net Revenue	<u>64,540</u>	<u>70,885</u>	<u>(6,345)</u>	<u>-9.0%</u>	<u>192,679</u>	<u>208,663</u>	<u>(15,984)</u>	<u>-7.7%</u>
Total Gross Charges	<u>985,118</u>	<u>634,275</u>	<u>350,843</u>	<u>55.3%</u>	<u>2,500,338</u>	<u>1,883,805</u>	<u>616,533</u>	<u>32.7%</u>
Total Net Revenue	<u>177,144</u>	<u>140,385</u>	<u>36,759</u>	<u>26.2%</u>	<u>383,607</u>	<u>417,163</u>	<u>(33,556)</u>	<u>-8.0%</u>

City of Alameda Health Care District
1206b Clinic - Statement of Operations
September 30, 2013

	Current Month				Year-to-Date			
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
Clinic Visits								
Primary Care	87	138	(51)		308	413	(105)	
Surgery	62	53	9		188	160	28	
Neurology	30	31	(1)		88	93	(5)	
Total Visits	<u>179</u>	<u>222</u>	<u>(43)</u>	-19.4%	<u>584</u>	<u>666</u>	<u>(82)</u>	-12.3%
Revenue								
Gross Revenue	111,542	129,400	(17,858)	-13.8%	306,624	388,200	(81,576)	-21.0%
Deductions from Revenue	<u>62,558</u>	<u>77,650</u>	<u>(15,092)</u>		<u>171,034</u>	<u>232,950</u>	<u>(61,916)</u>	
Net Revenue	<u>48,984</u>	<u>51,750</u>	<u>(2,766)</u>		<u>135,590</u>	<u>155,250</u>	<u>(19,660)</u>	
Expenses								
Salaries	30,214	29,818	(396)	-1.3%	94,245	87,322	(6,923)	-7.9%
Temporary Agency	-	-	-	-100.0%	-	-	-	-100.0%
Benefits	7,596	8,907	1,311	14.7%	23,693	26,083	2,390	9.2%
Professional Fees	15,319	18,000	2,681	14.9%	43,927	54,000	10,073	18.7%
Supplies	9,109	1,356	(7,753)	-571.8%	16,407	4,068	(12,339)	-303.3%
Purchased Services	3,502	6,468	2,966	45.9%	18,923	19,404	481	2.5%
Rents and Leases	15,194	12,661	(2,533)	-20.0%	45,582	37,983	(7,599)	-20.0%
Depreciation	494	182	(312)	-171.4%	1,482	546	(936)	-171.4%
Other	<u>1,787</u>	<u>5,167</u>	<u>3,380</u>	65.4%	<u>18,958</u>	<u>15,501</u>	<u>(3,457)</u>	-22.3%
Total Expenses	<u>83,215</u>	<u>82,559</u>	<u>(656)</u>	-0.8%	<u>263,217</u>	<u>244,907</u>	<u>(18,310)</u>	-7.5%
Excess of Revenue over Expenses	<u>(34,231)</u>	<u>(30,809)</u>	<u>(3,422)</u>	11.1%	<u>(127,627)</u>	<u>(89,657)</u>	<u>(37,970)</u>	42.4%
Clinic Rental Income	<u>13,071</u>	<u>13,100</u>	<u>(29)</u>	-0.2%	<u>39,213</u>	<u>39,300</u>	<u>(87)</u>	-0.2%
Net 1206b Clinic	<u>(21,160)</u>	<u>(17,709)</u>	<u>(3,451)</u>	19.5%	<u>(88,414)</u>	<u>(50,357)</u>	<u>(38,057)</u>	75.6%

Note:

Clinic Hours by Physician

Dr. Celada - M,W,F Mornings only

Dr. Brimer - M & Th full days, plus T Mornings

Dr. Dutaret - T & W full days

City of Alameda Health Care District
Statement of Cash Flows
For the Three Months Ended September 30, 2013

	<u>Current Month</u>	<u>Year-to-Date</u>
Cash flows from operating activities		
Net Income / (Loss)	\$ 204,228	\$ (578,611)
Items not requiring the use of cash:		
Depreciation and amortization	87,777	\$ 262,660
Write-off of Kaiser liability	-	\$ -
Changes in certain assets and liabilities:		
Patient accounts receivable, net	59,394	1,293,118
Other Receivables	(755,545)	(755,375)
Third-Party Payer Settlements Receivable	(1,186,190)	(1,244,579)
Inventories	394	(447)
Prepays and Other	(2,415)	(192,727)
Accounts payable and accrued liabilities	425,463	320,083
Payroll Related Accruals	(189,132)	(691,409)
Employee Health Plan Accruals	(62,993)	(52,143)
Deferred Revenues	(441,397)	(1,390,274)
Cash provided by (used in) operating activities	<u>(1,860,415)</u>	<u>(3,029,703)</u>
Cash flows from investing activities		
(Increase) Decrease in Assets Limited As to Use	(8,022)	(30,816)
Additions to Property, Plant and Equipment	(279,207)	(520,141)
Other	0	260,554
Cash provided by (used in) investing activities	<u>(287,229)</u>	<u>(290,403)</u>
Cash flows from financing activities		
Net Change in Long-Term Debt	(56,528)	1,686,578
Net Change in Restricted Funds	8,022	(179,184)
Cash provided by (used in) financing and fundraising activities	<u>(48,505)</u>	<u>1,507,394</u>
Net increase (decrease) in cash and cash equivalents	(2,196,150)	(1,812,713)
Cash and cash equivalents at beginning of period	5,245,396	4,861,959
Cash and cash equivalents at end of period	<u><u>\$ 3,049,249</u></u>	<u><u>\$ 3,049,247</u></u>

**City of Alameda Health Care District
Ratio's Comparison**

	Audited Results			Unaudited	YTD
Financial Ratios	FY 2010	FY 2011	FY 2012	FY 2013	9/30/2013
<u>Profitability Ratios</u>					
Net Patient Revenue (%)	24.16%	23.58%	22.90%	23.34%	23.52%
Earnings Before Depreciation, Interest, Taxes and Amortization (EBITA)	4.82%	-1.01%	-1.48%	-1.48%	-1.48%
EBIDAP ^{Note 5}	-3.66%	-13.41%	-11.22%	-9.39%	-9.07%
Total Margin	2.74%	-2.61%	-3.21%	-3.13%	-3.04%
<u>Liquidity Ratios</u>					
Current Ratio	1.23	1.05	0.96	0.89	0.86
Days in accounts receivable ,net	51.83	46.03	55.21	60.35	52.80
Days cash on hand (with restricted)	21.6	14.1	17.7	21.8	13.9
<u>Debt Ratios</u>					
Cash to Debt	249.0%	123.3%	123.56%	210.11%	79.93%
Average pay period (includes payroll)	57.11	62.68	72.94	78.69	76.34
Debt service coverage	5.98	(0.70)	(0.53)	(1.21)	(0.12)
Long-term debt to fund balance	0.14	0.18	0.28	0.33	0.49
Return on fund balance	18.87%	-19.21%	-27.35%	-48.16%	-13.61%
Debt to number of beds	10,482	11,515	16,978	9,728	9,728

City of Alameda Health Care District **Ratio's Comparison**

	Audited Results			Unaudited	YTD
Financial Ratios	FY 2010	FY 2011	FY 2012	FY 2013	9/30/2013
Patient Care Information					
Bed Capacity	161	161	161	281	281
Patient days(all services)	30,607	30,270	30,448	66,645	18,076
Patient days (acute only)	10,579	10,443	10,880	11,559	2,588
Discharges(acute only)	2,802	2,527	2,799	2,838	625
Average length of stay (acute only)	3.78	4.13	3.89	4.07	4.14
Average daily patients (all sources)	83.85	82.93	83.19	182.59	196.48
Occupancy rate (all sources)	52.08%	51.51%	51.67%	64.98%	69.92%
Average length of stay	3.78	4.13	3.89	4.07	4.14
Emergency Visits	17,624	16,816	16,964	17,175	3,947
Emergency visits per day	48.28	46.07	46.35	47.05	42.90
Outpatient registrations per day ^{Note 1}	79.67	65.19	60.67	64.07	65.83
Surgeries per day - Total	13.46	6.12	6.12	5.52	5.43
Surgeries per day - excludes Kaiser	5.32	6.12	6.12	5.52	5.43

Notes:

1. Includes Kaiser Outpatient Sugercial volume in Fiscal Years 2008, 2009 and through March 31, 2010.
2. In addition to these general requirements a feasibility report will be required.
3. Based upon Moody's FY 2008 preliminary single-state provider medians.
4. EBIDA - Earnings before Interest, Depreciation and Amoritzation
5. EBIDAP - Earnings before Interest, Depreciation and Amortization and Parcel Tax Proceeds

Glossary of Financial Ratios

Term	What is it? Why is it Important?	How is it calculated?
EBIDA	A measure of the organization's cash flow	Earnings before interest, depreciation, and amortization (EBIDA)
Operating Margin	Income derived from patient care operations	Total operating revenue less total operating expense divided by total operating revenue
Current Ratio	The number of dollars held in current assets per dollar of liabilities. A widely used measure of liquidity. An increase in this ratio is a positive trend.	Current assets divided by current liabilities
Days cash on hand	Measures the number of days of average cash expenses that the hospital maintains in cash or marketable securities. It is a measure of total liquidity, both short-term and long-term. An increasing trend is positive.	Cash plus short-term investments plus unrestricted long-term investments over total expenses less depreciation divided by 365.
Cash to debt	Measures the amount of cash available to service debt.	Cash plus investments plus limited use investments divided by the current portion and long-term portion of the organization's debt instruments.
Debt service coverage	Measures total debt service coverage (interest plus principal) against annual funds available to pay debt service. Does not take into account positive or negative cash flow associated with balance sheet changes (e.g. work down of accounts receivable). Higher values indicate better debt repayment ability.	Excess of revenues over expenses plus depreciation plus interest expense over principal payments plus interest expense.
Long-term debt to fund balance	Higher values for this ratio imply a greater reliance on debt financing and may imply a reduced ability to carry additional debt. A declining trend is positive.	Long-term debt divided by long-term debt plus unrestricted net assets.



Date: November 18, 2013
For: November 21, 2013 District Board Meeting
To: City of Alameda Health Care District, Board of Directors
From: Deborah E. Stebbins, Chief Executive Officer
Subject: Approval of Definitive Agreement with Alameda Health System

Recommendation:

Attached is final draft of the Definitive Agreement setting forth the terms of the affiliation between the City of Alameda Health Care District (aka: Alameda Hospital) and Alameda Health System (AHS). Management recommends that the Board of Directors approve the Definitive Agreement.

Background:

In June, 2013 the Board of Directors of Alameda Hospital approved a letter of intent for an affiliation between the Hospital and AHS. In the intervening months, management together with legal counsel from both organizations has been negotiating the terms of a Definitive Agreement which is based the general terms of the Letter of Intent, further due diligence on the part of both organizations and delineation of how the transaction and transition will be managed.

We believe the Definitive Agreement, which will be presented to the AHS Board next week, will ensure the preservation of acute care and emergency services for the residents of Alameda, enable us to complete seismic renovation and other technological upgrades to provide state of the art services. In addition, the synergy created by the affiliation will result in improved utilization of surgical and inpatient services at Alameda Hospital while relieving access issues for AHS patients. Over time it will enable Alameda Hospital to pay market competitive wages to our employees and allow our physicians to continue to practice in a community based environment.

If approved by both Boards, the Definitive Agreement will accompany the filing of the application to transfer the licensure to AHS, a process which is estimated to take at least 90 days, with the closure of the affiliation to follow.

JOINT POWERS AGREEMENT

This Joint Powers Agreement (this “Agreement”) is entered into as of this ____ day of _____, 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 such 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: _____

Name: _____

Title: _____

DISTRICT:

CITY OF ALAMEDA HEALTH CARE
DISTRICT

By: _____

Name: _____

Title: _____

EXHIBIT A-1

TRANSFER AND ASSIGNMENT AGREEMENT

THIS TRANSFER AND ASSIGNMENT AGREEMENT (this “Agreement”) is entered into as of this ____ day of _____, 2014, 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”.

WHEREAS, the Parties have entered into that certain Joint Powers Agreement, dated [____], 2013 (the “Joint Powers Agreement”), pursuant to which District and AHS intend, by the joint exercise of their common statutory powers to operate health care facilities as set forth in the Joint Powers 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 therein) of Alameda Hospital, all for the benefit of the communities that both parties serve; and

WHEREAS, in furtherance of the foregoing, the Parties desire to enter into this Agreement to convey, assign, transfer and deliver to AHS 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.

NOW, THEREFORE, pursuant to the Joint Powers Agreement and in consideration of the mutual promises it contains, and for other good and valuable consideration, the receipt and sufficiency of which AHS and District each acknowledge, the Parties agree as follows:

1. Each capitalized term used but not defined in this Agreement shall have the meaning ascribed to it in the Joint Powers Agreement.
2. Effective as of the date hereof, District hereby conveys, grants, assigns, transfers, delivers and sets over to AHS and its successors and assigns, 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), 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 (the “Transferred Assets”), together with all the rights and privileges in any way belonging thereto, free and clear of all Encumbrances.

3. Effective as of the date hereof, District hereby assigns and transfers to AHS all of District's right, title and interest in, to and under the contracts set forth on Exhibit A attached hereto (the "Assumed Contracts"). Subject to the terms of the Joint Powers Agreement, AHS accepts such assignment and assumes agrees to be responsible and liable for all the terms, conditions, provisions and covenants required of District under the Assumed Contracts.
4. Nothing in this Agreement shall be deemed to supersede, alter or modify any of the provisions of the Joint Powers Agreement, all of which survive the execution and delivery of this Agreement as provided and subject to the limitations set forth in the Joint Powers Agreement. If any conflict exists between the terms of this Agreement and the terms of the Joint Powers Agreement, the terms of the Joint Powers Agreement shall govern and control.
5. District covenants and agrees to warrant and defend the transfer, assignment, conveyance, grant and delivery of the Transferred Assets and Assumed Contracts hereby made against all persons whomsoever, to take all steps reasonably necessary to establish the record of AHS's title to the Transferred Assets and Assumed Contracts and, at the reasonable request of AHS, to execute and deliver (or cause to be executed and delivered) further instruments of transfer and assignment and take such other action as AHS may reasonably request to more effectively transfer and assign to and vest in AHS each of the Transferred Assets and Assumed Contracts.
6. This Agreement shall be governed by and construed in accordance with the laws of the State of California and shall be subject to the dispute resolution provisions in Article 8 of the Joint Powers Agreement, which are incorporated herein.
7. This Agreement may be executed in two or more counterparts (including by means of telecopied signature pages) each of which shall be deemed to be an original, but all of which together shall constitute one and the same agreement.

[Signatures on 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: _____
Name: _____
Title: _____

DISTRICT:

CITY OF ALAMEDA HEALTH CARE
DISTRICT

By: _____
Name: _____
Title: _____

Exhibit A

Assumed Contracts

EXHIBIT A-2

TRANSFER AND ASSIGNMENT AGREEMENT

THIS TRANSFER AND ASSIGNMENT AGREEMENT (this “Agreement”) is entered into as of this ____ day of _____, ____, 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”.

WHEREAS, the Parties previously entered into that certain Joint Powers Agreement, dated [____], 2013 (the “Joint Powers Agreement”), pursuant to which District and AHS intended, by the joint exercise of their common statutory powers to operate health care facilities as set forth in the Joint Powers Agreement, to provide for the operation of Alameda Hospital through the delegation to AHS of the possession and control, and the ongoing operation, management and oversight, of Alameda Hospital; and

WHEREAS, the Joint Powers Agreement was terminated effective _____, ____.

WHEREAS, the Joint Powers Agreement provides that, upon a termination of the Joint Powers Agreement, AHS shall convey, assign, transfer and deliver to District 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.

NOW, THEREFORE, pursuant to the Joint Powers Agreement and in consideration of the mutual promises it contains, and for other good and valuable consideration, the receipt and sufficiency of which AHS and District each acknowledge, the Parties agree as follows:

1. Each capitalized term used but not defined in this Agreement shall have the meaning ascribed to it in the Joint Powers Agreement.
2. Effective as of the date hereof, AHS hereby conveys, grants, assigns, transfers, delivers and sets over to District and its successors and assigns, 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, 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 (the “Transferred Assets”), together with all the rights and privileges in any way belonging thereto, free and clear of all Encumbrances.
3. Effective as of the date hereof, AHS hereby assigns and transfers to District all of AHS’s right, title and interest in, to and under the contracts set forth on Exhibit A

attached hereto (the “Assumed Contracts”). Subject to the terms of the Joint Powers Agreement, District accepts such assignment and assumes agrees to be responsible and liable for all the terms, conditions, provisions and covenants required of AHS under the Assumed Contracts.

4. Nothing in this Agreement shall be deemed to supersede, alter or modify any of the provisions of the Joint Powers Agreement, all of which survive the execution and delivery of this Agreement as provided and subject to the limitations set forth in the Joint Powers Agreement. If any conflict exists between the terms of this Agreement and the terms of the Joint Powers Agreement, the terms of the Joint Powers Agreement shall govern and control.
5. AHS covenants and agrees to warrant and defend the transfer, assignment, conveyance, grant and delivery of the Transferred Assets and Assumed Contracts hereby made against all persons whomsoever, to take all steps reasonably necessary to establish the record of District’s title to the Transferred Assets and Assumed Contracts and, at the reasonable request of District, to execute and deliver (or cause to be executed and delivered) further instruments of transfer and assignment and take such other action as District may reasonably request to more effectively transfer and assign to and vest in District each of the Transferred Assets and Assumed Contracts.
6. This Agreement shall be governed by and construed in accordance with the laws of the State of California and shall be subject to the dispute resolution provisions in Article 8 of the Joint Powers Agreement, which are incorporated herein.
7. This Agreement may be executed in two or more counterparts (including by means of telecopied signature pages) each of which shall be deemed to be an original, but all of which together shall constitute one and the same agreement.

[Signatures on 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: _____

Name: _____

Title: _____

DISTRICT:

CITY OF ALAMEDA HEALTH CARE
DISTRICT

By: _____

Name: _____

Title: _____

Exhibit A

Assumed Contracts

EXHIBIT A-3

Legal Description of Real Property

EXHIBIT A-4

ROFR Grant Deed

RECORDING REQUESTED BY ALSTON
& BIRD LLP, AND WHEN RECORDED,
RETURN TO:

Alston & Bird LLP
333 South Hope Street, 16th Floor
Los Angeles, California 90071
Attn: Danny Park, Esq.

MAIL TAX STATEMENTS TO:

Attn: _____

FOR RECORDER'S USE

Assessor Parcel Numbers: [_____]

GRANT DEED

In accordance with Section 11932 of the California Revenue and Taxation Code, Grantor has declared the amount of the transfer tax which is due by a separate statement which is not being recorded with this Grant Deed.

For valuable consideration, receipt of which is acknowledged, CITY OF ALAMEDA HEALTH CARE DISTRICT ("**Grantor**"), hereby grants to ALAMEDA COUNTY MEDICAL CENTER ("**Grantee**"), the real property in the City of Alameda, County of Alameda, State of California, described in Exhibit "A" attached hereto and made a part hereof (the "**Property**"), together with all rights, privileges, easements, rights-of-way, and appurtenances relating and appurtenant to the Property, and all right, title, and interest of Grantor in, to, and under adjoining streets, rights-of-way, and easements of record or apparent.

[signature page follows]

IN WITNESS WHEREOF, Grantor has caused this instrument to be duly executed.

Dated: _____, 2013.

“GRANTOR”

CITY OF ALAMEDA HEALTH CARE
DISTRICT

By: _____
Name: _____
Title: _____

EXHIBIT "A"
TO
GRANT DEED

LEGAL DESCRIPTION

EXHIBIT A-5

Memorandum of ROFR

RECORDING REQUESTED BY ALSTON
& BIRD LLP, AND WHEN RECORDED,
RETURN TO:

Alston & Bird LLP
333 South Hope Street, 16th Floor
Los Angeles, California 90071
Attn: Danny Park, Esq.

FOR RECORDER'S USE

MEMORANDUM OF RIGHT OF FIRST REFUSAL

THIS MEMORANDUM OF RIGHT OF FIRST REFUSAL (this "Memorandum"), is made and entered into this ____ day of _____, 2013, 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 ("Alameda"), 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 District and Alameda are referred to herein as a "Party" and together as the "Parties".

RECITALS:

A. District is the owner of the fee estate in certain real property more particularly described on Exhibit A attached hereto and made a part hereof, together with any and all improvements and fixtures thereon and all permits, easements, licenses, rights-of-way, rights, and related appurtenances thereof (the "Real Property")

B. Alameda and District entered into that certain Joint Powers Agreement dated as of _____, 2013 (the "Agreement"), pursuant to which, among other things, District has granted Alameda a right of first refusal with respect to the Real Property.

AGREEMENT

FOR good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by District, the Parties agree as follows:

1. Right of First Refusal. District has granted Alameda a right of first refusal for the purchase of the Real Property (the "ROFR") upon the terms and conditions set forth in the Agreement, which terms and conditions are incorporated herein by this reference.

2. Recordation. This Memorandum shall be recorded in the public land records of Alameda County, California against the Real Property. This Memorandum is being recorded to give notice of certain rights and interests of Alameda in and to the Real Property pursuant to the terms of the Agreement. In the event of a conflict between the Agreement and this Memorandum, the terms and conditions of the Agreement shall prevail.

3. Successors and Assigns. This Memorandum shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

4. Counterparts. This Memorandum may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same instrument.

5. Governing Law. This Memorandum shall be interpreted, construed and enforced according to the laws of the State of California.

[signatures begin on the next page]

ALAMEDA:

ALAMEDA COUNTY MEDICAL
CENTER, a public hospital authority doing
business as Alameda Health System

By: _____

Name: _____

Title: _____

DISTRICT:

CITY OF ALAMEDA HEALTH CARE
DISTRICT

By: _____

Name: _____

Title: _____

EXHIBIT A
to Memorandum of Right of First Refusal

Legal Description

STATE OF CALIFORNIA)
) ss.
COUNTY OF ALAMEDA)

On _____, 2013, before me, _____, a Notary Public in and for said County and State, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
) ss.
COUNTY OF ALAMEDA)

On _____, 2013, before me, _____, a Notary Public in and for said County and State, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

EXHIBIT A-6

LEASE

This Lease (“**Lease**”) is made and entered into as of _____, _____, by and between the undersigned parties (collectively, the “**Parties**,” or individually a “**Party**”), and in consideration of the mutual covenants and agreements contained herein. The Parties hereby agree to the following terms and conditions:

1. BASIC LEASE PROVISIONS.

1.1. Tenant. The “**Tenant**” for purposes of this Lease is **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. Tenant’s address for receipt of notices is as follows:

Alameda Health System
1411 East 31st. Street
Oakland, CA 94602
Fax: (510) 535-7722
Attn: Chief Executive Officer

1.2. Landlord. The “**Landlord**” for purposes of this Lease is **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.* Landlord’s address for receipt of notices is as follows:

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

1.3. Description of Real Property.

1.3.1. Premises. Subject to the terms, covenants, and conditions set forth herein, and to allow the continued operation of Alameda Hospital for the benefit of the community, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Real Property and the Building described in Sections 1.3.3 and 1.3.2, respectively, of this Lease, including (a) a total of approximately [_____] rentable square feet of space in the Building, constituting [_____] percent (____%) (“**Tenant’s Pro Rata Share**”) of the rentable area of the Building; together with (b) all of the parking spaces located on the Land; and (c) the grounds appurtenant to the Building and situated within the boundaries of the Land, described in Section 1.3.3 of this Lease, all as more particularly shown on the interior floor plan of the Building attached hereto as

Exhibit “B” and the site plan of the Real Property attached hereto as **Exhibit “A”** (collectively, the “**Premises**”).

1.3.2. Building. The Premises are located at 2070 Clinton Avenue, Alameda, California 94501, which is identified as “[_____]” on the site plan attached hereto as **Exhibit “A”** (“**Building**”). The Building contains approximately [_____] rentable square feet of floor space; [_____] of which are subject to this Lease.

1.3.3. Real Property. The Building is located upon that certain parcel of real property in the City of Alameda, County of Alameda, State of California, on the parcel with Assessor Parcel Number [_____] , as shown on the site plan attached hereto as **Exhibit “A”** (“**Land**”), which Land is owned in fee by the Landlord. The Land and all appurtenances thereto and improvements thereon, are collectively referred to herein as the “**Real Property**”.

1.3.4. Common Areas. The areas of the Building used by Tenant and its employees, agents, licensees, customers and other invitees for ingress and egress to and from the enclosed spaces within the Building, including without limitation, the common corridors and hallways, stairwells, elevators, public restrooms, parking area(s), pathways, exits, entrances, driveways, retaining walls, landscaped areas, and other public areas located on the Real Property are collectively referred to herein as the “**Common Areas**”.

1.4. Lease Term. Unless specifically provided otherwise herein, the initial term of this Lease is [_____] ([_____]) years (“**Lease Term**”), commencing on the “**Commencement Date**” and expiring on the “**Expiration Date**” (as those terms are defined in Section 3 below).

1.5. Term Rent. Tenant shall pay to Landlord the following amount as “**Term Rent**” in accordance with the terms of this Lease:

<u>Years</u>	<u>Term Rent</u>
[_____]	\$10.00

1.6. Intentionally Omitted.

1.7. Permitted Use. The Premises shall be used as an acute care hospital or for other lawful business purposes (“**Permitted Use**”), subject to Section 6 below.

1.8. Exhibits. The following exhibits are attached to, and incorporated as a part of, this Lease:

EXHIBIT “A” –	SITE PLAN
EXHIBIT “B” –	FLOOR PLAN
EXHIBIT “C” –	MEMORANDUM OF LEASE

2. COMMON AREAS.

2.1. Common Areas. Landlord grants to Tenant the right to the exclusive use of the Common Areas by Tenant and Tenant's employees, agents, contractors, and invitees.

3. LEASE TERM.

3.1. Lease Term. The Lease Term shall commence on [_____] ("Commencement Date"). The Lease Term shall expire as of 11:59 on [_____] ("Expiration Date").

4. RENT.

4.1. Payment of Term Rent. On or prior to the Commencement Date, Tenant shall pay to Landlord, in legal tender of the United States of America, an amount equal to the Term Rent, which amount shall be the only rent due or payable for the duration of the Lease Term.

4.2. Utilities, Real Estate Taxes, Maintenance, and Insurance. Tenant shall be responsible for Tenant's Pro Rata Share of costs and expenses attributable to the Premises for: (i) the water, gas, heat, light, power, telephone, trash disposal and other utilities and services; (ii) the management, operation, maintenance and repairs of the Premises; (iii) 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; and (iv) insurance premiums, in accordance with the terms and conditions set forth in that certain Joint Powers Agreement by and between Landlord and Tenant, dated as of [_____] 2013 (the "Agreement").

5. REPRESENTATIONS AND WARRANTIES.

5.1. Landlord's Representations and Warranties. Landlord hereby represents and warrants to Tenant that Landlord knows of no person or entity claiming to be entitled to a commission, finder's fee, or other like payment in connection with this Lease.

5.2. Tenant's Representations and Warranties. Tenant hereby represents and warrants to Landlord that Tenant knows of no other person or entity claiming to be entitled to a commission, finder's fee, or other like payment in connection with this Lease.

6. USE.

Tenant shall use and occupy the Premises only for the Permitted Use set forth in Section 1.7 above and in a manner consistent with the Agreement, and Tenant shall not use or occupy the Premises or permit the same to be used or occupied for any other purpose without the prior written consent of Landlord, which consent will be given or withheld in Landlord's reasonable discretion. Subject to the terms of this Lease, Tenant shall have access to the Premises twenty-four (24) hours per day seven (7) days per week.

7. MAINTENANCE AND REPAIRS.

7.1. Tenant's and Landlord's obligations to maintain and repair the Premises shall be in accordance with the terms and conditions of the Agreement.

8. INSURANCE.

8.1. From and after the Commencement Date, and continuing thereafter throughout the Lease Term, Tenant shall maintain insurance coverage for the Premises in accordance with the Agreement.

9. ASSIGNMENT AND SUBLETTING.

9.1. Tenant shall have the right to assign and/or sublease all or any portion of the Premises without first obtaining the consent of Landlord.

10. DAMAGE AND DESTRUCTION.

10.1. Property Loss Notice. Upon the occurrence of any physical loss of or damage to, or destruction of the Premises that arises from a cause other than the gross negligence or willful misconduct of Landlord or Tenant ("Property Loss Event"), Landlord shall notify Tenant in writing within thirty (30) days of the occurrence of such Property Loss Event with Landlord's estimate of whether such Property Loss Event can be repaired and/or restored within one hundred eighty (180) days after the occurrence of the Property Loss Event.

10.2. Termination by Tenant. In addition to all other remedies Tenant may have under this Lease, at law or in equity, if any Property Loss Event cannot be repaired and/or restored within one hundred eighty (180) days after the occurrence of such Property Loss Event (as reasonably estimated by Landlord), or the Property Loss Event materially and adversely interferes with Tenant's business operations, or Tenant's use of, and access to, the Premises (as reasonably estimated by Tenant), Tenant shall have the right to elect to either: (i) terminate this Lease upon thirty (30) days prior written notice to Landlord, in which event, Tenant shall surrender the Premises in accordance with Section 6.6 of the Agreement, and Tenant and Landlord shall meet and confer with each other within thirty (30) days after the occurrence of the Property Loss Event to determine an equitable and appropriate allocation between the Parties of any insurance proceeds resulting from such Property Loss Event; or (ii) maintain the Lease in full force and effect, in which event, Tenant shall be entitled to all insurance proceeds resulting from such Property Loss Event, provided that Tenant shall have no obligation to repair and/or restore the Property Loss Event.

11. EMINENT DOMAIN.

If the whole of the Premises, or so much thereof as to render the balance unusable by Tenant, shall be taken under power of eminent domain, this Lease may, at Tenant's option, terminate as of the date of such condemnation, or as of the date possession is taken by the condemning authority. Tenant shall have the right to assert a claim for an apportionment of the condemnation award for the value of Tenant's leasehold interest

under the Lease, including the unamortized cost of any leasehold improvements paid for by Tenant, Tenant's personal property, fixtures and moving expenses, the value of Tenant's leasehold estate and the loss of Tenant's business.

12. DEFAULT AND REMEDIES.

12.1. Event of Default. Each of the following acts or omissions of Tenant shall constitute an "Event of Default":

12.1.1. Non-Payment of Term Rent. Tenant's failure or refusal to pay the Term Rent.

12.1.2. Abandonment; Vacation. Tenant's complete abandonment of the Premises.

12.2. Remedies.

12.2.1. Landlord's Remedies. Upon the occurrence of an Event of Default under this Lease as provided in Section 12 above, Landlord may exercise any and all remedies available to Landlord at Law or in equity.

12.2.2. Default by Landlord. Landlord shall not be in default under this Lease unless Landlord fails to perform obligations required of Landlord within thirty (30) days after written notice is delivered by Tenant to Landlord, specifying the obligation which Landlord has failed to perform; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) calendar days are required for performance, then Landlord shall not be in default if Landlord commences performance within such thirty (30) calendar day period and thereafter diligently prosecutes the same to completion within ninety (90) days after the date of Landlord's receipt of the above-described notice from Tenant.

13. PARKING.

The Premises include Tenant's right to use, at no additional charge to Tenant, the parking spaces located on the Land.

14. WAIVER.

No waiver by Landlord or Tenant of any term of this Lease, or of any breach or Event of Default by the other Party of its obligations under this Lease, shall be deemed to be a waiver of any other provision hereof or of any other or subsequent breach by Tenant or Landlord, as applicable, of the same or any other provision of this Lease. No provision of this Lease may be waived by Landlord or Tenant, except by an instrument in writing executed by the waiving Party.

15. INABILITY TO PERFORM.

This Lease and the obligations of Landlord and Tenant hereunder shall not be affected or impaired because Landlord or Tenant, as the case may be, is unable to fulfill

any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of any prevention, delay, stoppage due to strikes, lockouts, acts of God, or any other cause previously, or at such time, beyond the reasonable control or anticipation of Landlord or Tenant, as the case may be (collectively, a “**Force Majeure**”), and Landlord’s or Tenant’s, as the case may be, obligation under this Lease shall be forgiven and suspended by any such Force Majeure. Notwithstanding the foregoing, neither Party shall be excused from performance of any financial obligation under this Lease by virtue of a Force Majeure event.

16. OPTION TO RENEW.

Tenant shall have three (3) successive options (each an “**Option**”) to renew the term of the Lease, and each such renewal period shall be equal to the duration of the original Lease Term (each an “**Option Period**”), for a total of up to [] ([]) years, upon the same terms, covenants, conditions and Term Rent as set forth in the Lease. Tenant shall have the right, but not the obligation, to exercise each Option by giving Landlord written notice of Tenant’s election at least thirty (30) calendar days prior to the expiration of the then-applicable Option Period or Lease Term.

17. MEMORANDUM OF LEASE.

Upon the mutual execution of this Lease, Landlord shall record or cause to be recorded in the Official Records of Alameda County a Memorandum of Lease in the form and content attached hereto as Exhibit C.

18. DISPUTE RESOLUTION.

Any and all disputes, claims, or causes of action between the Parties concerning or relating to this Lease shall be resolved in accordance with Article 8 of the Agreement, which is incorporated herein by this reference.

19. MISCELLANEOUS.

19.1. Severability. Any provision of this Lease that shall prove to be invalid, void, or illegal shall in no way affect, impair or invalidate any other provision of this Lease, and such other provisions shall remain in full force and effect.

19.2. Attorneys’ Fees. In any action to enforce the terms of this Lease, including any suit by Landlord for possession of the Premises, the losing Party shall pay the prevailing Party a reasonable sum for attorneys’ fees and costs in respect of such action actually incurred by such prevailing Party.

19.3. Time of Essence. Time is of the essence with respect to the performance of each and every provision of this Lease.

19.4. Headings; Certain Terms. The section headings contained in this Lease are for convenience only and do not in any way limit or amplify any term or provision hereof. The words “hereof,” “herein,” and “hereunder,” and other words of similar import, refer to this Lease as a whole and not to any specific section of this

Lease. The words “include” and “including” when used are not exclusive and mean “include, but are not limited to” and “including but not limited to,” respectively.

19.5. Quiet Possession. So long as Tenant has paid the Term Rent and other sums provided hereunder and observes and performs all of the covenants, conditions and provisions on Tenant’s part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the entire Lease Term, subject to all of the provisions of this Lease.

19.6. Successors and Assigns. Subject to the provisions of Section 9 hereof, all of the covenants, conditions and provisions of this Lease shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and permitted assigns.

19.7. Notices. Any notice required or permitted to be given hereunder shall be in writing and may be given by personal service evidenced by a signed receipt or sent by registered or certified mail, return receipt requested, or via overnight courier, and shall be effective upon proof of delivery, addressed to Tenant at the addresses set forth in Section 1.1 above, and to Landlord at the addresses set forth in Section 1.2 above. Either Party may, by notice to the other, specify a different address for notice purposes.

19.8. Facsimile Signature. Signatures on this Lease that are delivered by facsimile are valid as though they were original signatures.

19.9. Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State of California without resort to choice of law principles.

19.10. Exhibits. The Exhibits attached to this Lease are incorporated herein by this reference as though fully set forth herein.

19.11. Counterparts. This Lease may be executed in counterparts, each of which shall be deemed an original, but such counterparts, when taken together, shall constitute one agreement.

[Signatures on following page]

IN WITNESS WHEREOF, the Parties have executed this Lease as of the date first above written.

“LANDLORD”

**CITY OF ALAMEDA HEALTH CARE
DISTRICT**

By: _____
Print Name: _____
Title: _____

“TENANT”

**ALAMEDA COUNTY MEDICAL
CENTER**

By: _____
Print Name: _____
Title: _____

EXHIBIT “A” TO LEASE

SITE PLAN

(SEE ATTACHED)

EXHIBIT “B” TO LEASE

FLOOR PLAN

(SEE ATTACHED)

EXHIBIT “C” TO LEASE

MEMORANDUM OF LEASE

RECORDING REQUESTED BY ALSTON
& BIRD LLP, AND WHEN RECORDED,
RETURN TO:

Alston & Bird LLP
333 South Hope Street, 16th Floor
Los Angeles, California 90071
Attn: Danny Park, Esq.

FOR RECORDER'S USE

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE (this “Memorandum”), is made and entered into this ____ day of _____, ____, 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 (“Alameda”), 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 District and Alameda are referred to herein as a “Party” and together as the “Parties”.

RECITALS:

A. District is the owner of the fee estate in certain real property more particularly described on Exhibit A attached hereto and made a part hereof, together with any and all improvements and fixtures thereon and all permits, easements, licenses, rights-of-way, rights, and related appurtenances thereof (the “Real Property”)

B. Alameda and District entered into that certain Lease dated as of _____, ____ (the “Agreement”) demising the Real Property.

AGREEMENT

FOR good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by District, the Parties agree as follows:

6. Lease. District has leased to Alameda the Real Property upon the terms and conditions set forth in the Lease for a term of [__] years, expiring on [_____]. Pursuant

to the Lease, District has granted Alameda three (3) successive [____]-year options to renew the term of the Lease, for a total of up to [____] years.

7. Recordation. This Memorandum shall be recorded in the public land records of Alameda County, California against the Real Property. This Memorandum is being recorded to give notice of the Lease and the rights created thereby, all of which are hereby confirmed, and shall in no way modify the express and particular provisions of the Lease. This Memorandum is made subject to and together with all of the terms, covenants and conditions contained in the Lease and any amendments thereto that may be made from time to time. All of the terms, covenants and conditions of the Lease and any amendments made from time to time thereto are incorporated in this Memorandum by this reference as if they had been fully set forth in this Memorandum.

8. Successors and Assigns. This Memorandum shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

9. Counterparts. This Memorandum may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same instrument.

10. Governing Law. This Memorandum shall be interpreted, construed and enforced according to the laws of the State of California.

[signatures begin on the next page]

ALAMEDA:

ALAMEDA COUNTY MEDICAL CENTER, a
public hospital authority doing business as Alameda
Health System

By:_____

Name:_____

Title:_____

DISTRICT:

CITY OF ALAMEDA HEALTH CARE
DISTRICT

By:_____

Name:_____

Title:_____

STATE OF CALIFORNIA)
) ss.
COUNTY OF ALAMEDA)

On _____, ____, before me, _____, a Notary Public in and for said County and State, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
) ss.
COUNTY OF ALAMEDA)

On _____, ____, before me, _____, a Notary Public in and for said County and State, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

EXHIBIT A-7

Memorandum of Lease

RECORDING REQUESTED BY ALSTON
& BIRD LLP, AND WHEN RECORDED,
RETURN TO:

Alston & Bird LLP
333 South Hope Street, 16th Floor
Los Angeles, California 90071
Attn: Danny Park, Esq.

FOR RECORDER'S USE

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE (this "Memorandum"), is made and entered into this ____ day of _____, ____, 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 ("Alameda"), 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 District and Alameda are referred to herein as a "Party" and together as the "Parties".

RECITALS:

A. District is the owner of the fee estate in certain real property more particularly described on Exhibit A attached hereto and made a part hereof, together with any and all improvements and fixtures thereon and all permits, easements, licenses, rights-of-way, rights, and related appurtenances thereof (the "Real Property")

B. Alameda and District entered into that certain Lease dated as of _____, ____ (the "Agreement") demising the Real Property.

AGREEMENT

FOR good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by District, the Parties agree as follows:

1. Lease. District has leased to Alameda the Real Property upon the terms and conditions set forth in the Lease for a term of [__] years, expiring on [_____] . Pursuant to the Lease, District has granted Alameda three (3) successive [____]-year options to renew the term of the Lease, for a total of up to [____] years.

2. Recordation. This Memorandum shall be recorded in the public land records of Alameda County, California against the Real Property. This Memorandum is being recorded to give notice of the Lease and the rights created thereby, all of which are hereby confirmed, and shall in no way modify the express and particular provisions of the Lease. This Memorandum is made subject to and together with all of the terms, covenants and conditions contained in the Lease and any amendments thereto that may be made from time to time. All of the terms, covenants and conditions of the Lease and any amendments made from time to time thereto are incorporated in this Memorandum by this reference as if they had been fully set forth in this Memorandum.

3. Successors and Assigns. This Memorandum shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

4. Counterparts. This Memorandum may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same instrument.

5. Governing Law. This Memorandum shall be interpreted, construed and enforced according to the laws of the State of California.

[signatures begin on the next page]

ALAMEDA:

ALAMEDA COUNTY MEDICAL CENTER, a
public hospital authority doing business as Alameda
Health System

By:_____

Name:_____

Title:_____

DISTRICT:

CITY OF ALAMEDA HEALTH CARE
DISTRICT

By:_____

Name:_____

Title:_____

STATE OF CALIFORNIA)
) ss.
COUNTY OF ALAMEDA)

On _____, ____, before me, _____, a Notary Public in and for said County and State, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
) ss.
COUNTY OF ALAMEDA)

On _____, ____, before me, _____, a Notary Public in and for said County and State, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

EXHIBIT A-8

Memorandum of Lease Option

RECORDING REQUESTED BY ALSTON
& BIRD LLP, AND WHEN RECORDED,
RETURN TO:

Alston & Bird LLP
333 South Hope Street, 16th Floor
Los Angeles, California 90071
Attn: Danny Park, Esq.

FOR RECORDER'S USE

MEMORANDUM OF OPTION TO LEASE

THIS MEMORANDUM OF OPTION TO LEASE (this "Memorandum"), is made and entered into this ____ day of _____, 2013, 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 ("Alameda"), 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 District and Alameda are referred to herein as a "Party" and together as the "Parties".

RECITALS:

A. District is the owner of the fee estate in certain real property more particularly described on Exhibit A attached hereto and made a part hereof, together with any and all improvements and fixtures thereon and all permits, easements, licenses, rights-of-way, rights, and related appurtenances thereof (the "Real Property")

B. Alameda and District entered into that certain Joint Powers Agreement dated as of _____, 2013 (the "Agreement"), pursuant to which, among other things, District has exclusively and irrevocably granted Alameda an option to lease all or a portion of the Real Property for an initial term not to exceed thirty (30) years.

AGREEMENT

FOR good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by District, the Parties agree as follows:

1. Option to Lease. Upon the terms and conditions of the Agreement, District has granted Alameda an option to lease all or a portion of the Real Property for an initial term not to exceed thirty (30) years (the “Option”).

2. Term. The term of such Option shall commence on the date hereof, and shall expire on January 1, 2100.

3. Recordation. This Memorandum shall be recorded in the public land records of Alameda County, California against the Real Property. This Memorandum is being recorded to give notice of the Agreement, the Option, and the rights created thereby, all of which are hereby confirmed, and shall in no way modify the express and particular provisions of the Agreement. This Memorandum is made subject to and together with all of the terms, covenants and conditions contained in the Agreement and any amendments thereto that may be made from time to time. All of the terms, covenants and conditions of the Agreement and any amendments made from time to time thereto are incorporated in this Memorandum by this reference as if they had been fully set forth in this Memorandum.

4. Successors and Assigns. This Memorandum shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

5. Counterparts. This Memorandum may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same instrument.

6. Governing Law. This Memorandum shall be interpreted, construed and enforced according to the laws of the State of California.

[signatures begin on the next page]

ALAMEDA:

ALAMEDA COUNTY MEDICAL CENTER, a
public hospital authority doing business as Alameda
Health System

By:_____

Name:_____

Title:_____

DISTRICT:

CITY OF ALAMEDA HEALTH CARE
DISTRICT

By:_____

Name:_____

Title:_____

STATE OF CALIFORNIA)
) ss.
COUNTY OF ALAMEDA)

On _____, 2013, before me, _____, a Notary Public in and for said County and State, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
) ss.
COUNTY OF ALAMEDA)

On _____, 2013, before me, _____, a Notary Public in and for said County and State, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

EXHIBIT A-9

Memorandum of Restrictive Covenants

RECORDING REQUESTED BY ALSTON
& BIRD LLP, AND WHEN RECORDED,
RETURN TO:

Alston & Bird LLP
333 South Hope Street, 16th Floor
Los Angeles, California 90071
Attn: Danny Park, Esq.

FOR RECORDER'S USE

MEMORANDUM OF AGREEMENT AND RESTRICTIVE COVENANTS

THIS MEMORANDUM OF AGREEMENT AND RESTRICTIVE COVENANTS (this "Memorandum"), is made and entered into this ____ day of _____, 2013, 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 ("Alameda"), 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 District and Alameda are referred to herein as a "Party" and together as the "Parties".

RECITALS:

A. District is the owner of the fee estate in certain real property more particularly described on Exhibit A attached hereto and made a part hereof (the "Real Property")

B. Alameda and District entered into that certain Joint Powers Agreement dated as of _____, 2013 (the "Agreement"), pursuant to which, among other things, District agreed not to further encumber, transfer, or sell the Real Property during the term of the Agreement as more particularly set forth herein.

AGREEMENT

FOR good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by District, the Parties agree as follows:

1. Restrictions. District does hereby covenant and agree that during the Term of the Agreement, District, its successors, and assigns shall not voluntarily or involuntarily, by operation of law or otherwise, without the prior written consent of Alameda: (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 liens, pledges, mortgages, deeds of trust, security interests, claims, leases, options, rights of first refusal, covenants, easements, transfer restrictions or other encumbrances, 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.

2. Recordation. This Memorandum shall be recorded in the public land records of Alameda County, California against the Real Property. This Memorandum is being recorded to impart constructive notice of the Agreement, and the covenants, and restrictions set forth herein in accordance with California Government Code § 27281.5. In the event of any conflict between the Agreement and this Memorandum, the terms and conditions of the Agreement shall prevail.

3. Termination. This Memorandum shall remain in full force and effect during the Term of the Agreement.

4. Covenant Running with the Land. Each and all of the agreements, restrictions and covenants of District set forth in this Memorandum are expressly made and intended to be a direct burden upon the Real Property that shall run with the Real Property, shall be binding upon District and all of District's successors and assigns, and all parties hereafter claiming under or through any of the foregoing, during each such party's respective period as owner of the Real Property, and shall inure to the benefit of and enforcement by Alameda and its successors and assigns. The terms and conditions of this Memorandum shall also survive any transfer, dedication or other conveyance of the whole or any portion of any interest in Real Property. Any reference in this Memorandum to "District" or "Alameda" shall also mean and refer to such party and such party's successors, and assigns.

5. Default. In the event of any failure by District, its successors or assigns, to comply with the terms of this Memorandum, District agrees that Alameda shall have the right in addition to such other remedies as may be available to it, to injunctive relief enjoining such breach of this Memorandum, and none of District, its officers, directors, employees, agents or representatives, successors, or assigns shall urge that such remedy is not appropriate under the circumstances, it being expressly acknowledged by District that any breach of the terms of this Memorandum shall cause Alameda damage for which other legal remedies are inadequate to fully protect Alameda.

6. Definitions. Capitalized terms not defined in this Memorandum shall have their meaning set forth in the Agreement.

7. Counterparts. This Memorandum may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same instrument.

8. Governing Law. This Memorandum shall be interpreted, construed and enforced according to the laws of the State of California.

9. Expenses. District agrees that it shall pay, on demand, all costs, charges, impositions and expenses (including, without limitation, reasonable attorneys' fees, incurred by Alameda in connection with the enforcement or protection of its rights hereunder.

[signatures begin on the next page]

ALAMEDA:

ALAMEDA COUNTY MEDICAL CENTER, a
public hospital authority doing business as Alameda
Health System

By:_____

Name:_____

Title:_____

DISTRICT:

CITY OF ALAMEDA HEALTH CARE
DISTRICT

By:_____

Name:_____

Title:_____

EXHIBIT A
to Memorandum of Agreement and Restrictive Covenants
Legal Description

STATE OF CALIFORNIA)
) ss.
COUNTY OF ALAMEDA)

On _____, 2013, before me, _____, a Notary Public in and for said County and State, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
) ss.
COUNTY OF ALAMEDA)

On _____, 2013, before me, _____, a Notary Public in and for said County and State, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

EXHIBIT B-1

Alameda Hospital Real Estate Provisions

1. The District shall delegate, and AHS shall assume, the possession, use and control of the Premises, as described on Schedule 1 attached hereto. For the purposes hereof, unless otherwise indicated, the word "Premises" shall include both the real estate (owned, leased and subleased) and the fixtures, equipment and personal property which are located on the Premises.
2. This Agreement shall confer no rights to AHS with respect to the Premises that are greater or more extensive than those held by District.
3. AHS accepts the Premises in their present condition as of the date of this Agreement "AS IS", with all faults, if any, and without any warranty whatsoever, specifically, but without limiting the generality of the foregoing, without any warranty of the nature or quality of the construction of the Premises or any portion thereof, the adequacy of the design of the Premises or any portion thereof, the quality of the labor or materials included in any of the work of improvements on the Premises or any portion thereof, or the fitness of the Premises or any portion thereof for any particular purpose.
4. AHS shall, at AHS's sole cost and expense, but for the mutual benefit of District, AHS, and any Lessors of any part of the Premises, as their interests may appear, take out and keep in force during the term of this Agreement broad form comprehensive public liability and property damage insurance against claims for personal injury, death or property damage arising out of or in connection with AHS's use or occupancy of the Premises or the conduct of its business thereon. Such insurance shall have a single combined liability limit of not less than Five Million Dollars (\$5,000,000.00) and property damage limits of not less Two Million Dollars (\$2,000,000.00) and shall insure performance by AHS of all insurable acts set forth in the indemnity provisions of this Agreement, and shall name both parties and any Lessors of any part of the Premises, (and at the election of District, any lender of District having a deed of trust, mortgage or security interest against the Premises) as additional insureds. AHS's insurance maintained under this paragraph shall be primary to any insurance maintained by District.
5. AHS shall, at AHS's sole cost and expense, take out and keep in force during the term of this Agreement fire and extended coverage insurance, including vandalism and malicious mischief coverage, on all personal property and all other fixtures, furnishings, equipment and personal property installed or located in or on the Premises in an amount equal to their full replacement value. The proceeds from any such insurance shall be used by AHS for the replacement or repair of such personal property. Any such policy shall name AHS as primary insured, and District and any Lessors of any part of the Premises, (and at the election of District, any lender of District having a security interest against such personal property) as a loss payee, as their interests may appear.

6. AHS shall, at AHS's sole cost and expense, take out and keep in force during the term of this Agreement fire and extended coverage all peril casualty insurance, including vandalism and malicious mischief coverage, in an amount equal to the full replacement value of the improvements on the Premises, exclusive of personal property and all other fixtures, furnishings, equipment and personal property installed or located in or on the Premises, and full coverage boiler and machinery insurance on all boilers, air conditioning equipment, and other pressure vessels and systems located in, on about the Premises. The insurance policy or policies shall be issued in the names of District, AHS, any Lessor, and District's and Lessor's lender, if any, as their interests may appear.
7. AHS shall, at AHS's sole cost and expense, take out and keep in force during the term of this Agreement business interruption insurance insuring that the minimum monthly rent under the Waters Edge Sublease will be paid to District's Sublessor for a period of up to two (2) years if the subleased Premises are destroyed or rendered inaccessible by a risk insured against by a policy or policies of fire and extended coverage insurance as provided in said Sublease.
8. The insurance policies required by this Agreement shall be in a form reasonably satisfactory to District and issued by insurance companies with a financial rating of at least "A-" status, or higher, as rated in the most recent edition of Best's Insurance Reports. A certificate as to such insurance (and a full copy of the policy(ies) if requested by the District) shall be presented to District. AHS shall have the right to provide insurance coverage which it is obligated to provide under this Agreement pursuant to blanket policies obtained by AHS, provided such blanket policies expressly afford coverage as required by this Agreement and any applicable lease or sublease. AHS shall obtain a written obligation on the part of any such insurance company to notify District in writing of any delinquency in premium payments, and at least ten (10) days prior thereto, of any cancellation of any such policy. At the election of both AHS and District, any of the above mentioned insurance coverages required of one party may, in the interests of mutual cost savings, be purchased by the other party. In the event that the parties make such an election, the parties shall meet and confer to adjust the purchasing and reimbursement responsibilities, and note same in a written memorandum.
9. The obligations set forth in this Agreement shall be binding upon the legal representatives, successors, and assigns of the parties hereto.
10. AHS shall keep the Premises in reasonably good condition and state of repair to the extent consistent with the budgetary considerations, the operating plan for Alameda Hospital, and planned expenditures for the comprehensive health system operated by AHS, and free from any liens arising out of work performed, materials furnished, or obligations incurred by AHS (or shall discharge the same upon receipt of notice thereof) and shall indemnify, hold harmless and defend District from any liens and encumbrances arising out of any work performed and materials furnished by or at the direction of AHS. District shall have the right at

all times to post and keep posted on the Premises any notices permitted or required by law for the protection of District and the Premises from mechanics' and materialmens' liens. District shall be entitled to inspect the Premises on an annual basis or may request additional inspections from AHS.

11. Upon vacating the Premises, AHS shall surrender the Premises in a clean and orderly condition. No covenant, agreement, condition or representation or the breach thereof shall be deemed waived, except by written consent of the party against whom the waiver is claimed, specifically referring to this Agreement and the intention to waive the same, and any such waiver of the breach of any covenant, agreement, condition or representation shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other covenant, agreement, condition or representation.

12. Time is of the essence of this Agreement and each and every provision hereof.

Schedule 1

Description of Real Property

EXHIBIT B-2

Permitted Encumbrances

EXHIBIT C

Transition Period Exceptions

(to be finalized prior to Closing)

EXHIBIT D

STATEMENT OF PRINCIPLES OF COLLABORATION

In an attempt to develop a guide to collaboration resulting in an integrated health care delivery system where the whole is stronger than its parts, the following principles are agreed upon:

- The Parties' goal is to combine services and programs into an integrated health care system that respects the long and honorable traditions of each of Alameda Hospital and the Alameda Health System.
- To achieve this goal, the Parties plan to balance and support local decision-making, including of the Medical Staff, with the need to develop and maintain a system-wide vision and strategy.
- The Parties goal is for each of AHS and Alameda Hospital, including their respective Medical Staffs, to view the collaboration as fair and having the potential for each to support and enhance access to high quality health care, both in the City of Alameda and throughout Alameda County.
- Throughout the Alameda Health System, the physician will always be the patient's advocate and the goal of the Parties in developing and supporting an integrated delivery system is to respect the right of the patient to choose his or her physician wherever possible.

The Principles expressed above will be effected through:

- Linkage of the clinical expertise of the Medical Staffs of Alameda Hospital and the Alameda Health System to enhance the quality and cost-effective delivery of services to the residents of both the City of Alameda and of Alameda County.
- Focus on continuous quality improvement through the use of and sharing of data sources, quality improvement methods and developmental research.
- Collaboration regarding the efficient and clinically effective delivery of services and use of Alameda Hospital as a site for development of innovative services and systems, with the intent that such innovations should begin to the extent feasible with health care delivered in local practice settings.
- Operates in a manner that permits a financial return sufficient to ensure the current and future financial viability of both Alameda Hospital and the Alameda Health System.

EXHIBIT E

Hospital Financial Requirements through the year 2020

(to be finalized prior to Closing)