

SUMMARY OF THE PROPOSED AGREEMENT CONCERNING SAN LEANDRO HOSPITAL

Background and Reasons for the Agreement Regarding San Leandro Hospital

Eden Township Health Care District ("District") purchased San Leandro Hospital ("SLH") in 2004 with the intent that SLH would offer acute care inpatient hospital services for approximately three years before converting to acute rehabilitation or other services after the development of the Eden Medical Center ("EMC") replacement hospital. EMC affiliate operates San Leandro Hospital ("SLH") under a lease ("Lease") from the District.

Under the Lease and an agreement between Sutter Health and the District, Sutter Health must convert SLH's fourth floor to acute rehabilitation use at a cost of up to \$5 million. Sutter has already begun the planning for the conversion of SLH to an acute care rehabilitation hospital.

The County of Alameda ("County") and Alameda County Medical Center ("ACMC") need to relocate the acute rehabilitation provided at Fairmont Hospital. In addition, the acute rehabilitation services currently provided by EMC at Laurel Grove Hospital in Castro Valley are slated for closure as part of the EMC replacement. The County and ACMC, therefore, would like to acquire SLH to replace Fairmont Hospital and continue to provide acute rehabilitation services as needed for continued designation of Highland Hospital and EMC as trauma centers under state guidelines.

SLH's conversion to acute rehabilitation services and the creation of an urgent care center on its campus (at the District's urging) are consistent with the District's original plans for SLH, will replace the County and ACMC's loss of Fairmont Hospital and will meet the community's need for acute rehabilitation and urgent care services.

Terms of the Proposed Agreement Regarding San Leandro Hospital

Under the proposed Agreement Regarding San Leandro Hospital ("Agreement"):

- *Transfer of Option.* Sutter, which has an option to purchase SLH, will assign its option to the County and/or ACMC. Sutter will not seek payment from the County and/or ACMC for the assignment of the option.
- *Exercise of Option.* The County and/or ACMC will exercise the option and acquire SLH, then renovate and convert it into an acute rehabilitation hospital. The District will transfer, and County and/or ACMC will accept, SLH (including all fixtures, equipment and supplies located in the hospital) in an AS IS condition but after having an opportunity to inspect the facility and its campus prior to the closing.
- *ACMC Operation.* After the closing, ACMC will be solely responsible for developing, constructing and operating SLH as an acute care rehabilitation hospital and any other services at the SLH campus. ACMC and/or County intend to invest up to \$25 million to convert SLH to acute rehabilitation care and develop an urgent care center. The District

will not have any obligation to provide funding for the project. Sutter is providing \$1.5 million to assist in funding urgent care

- *Regulatory Approvals.* ACMC will be solely responsible for applying for and obtaining all licenses, permits and approvals necessary for ACMC's renovation, conversion and operation of SLH into an acute care rehabilitation hospital.
- *Development and Operation of an Urgent Care Center.* County and ACMC will develop and operate an urgent care center on the SLH campus in consultation with the District. The urgent care center may be developed in phases. The initial phase of development of the center commence no later than the closing date, and the provision of services at the center will commence no later than seven (7) days after the closing date but in no event prior to the Closing. The urgent care center will operate from at least 8:00 am to 8:00 pm, seven (7) days a week. The services provided at the urgent care center will include general medicine, diagnostic laboratory and radiology. The urgent care center will accept private health insurance and maintain and use a call-roster of local physician specialists to accept follow-up referrals of patients initially treated at the center.
- *Closing Date.* The transfer of SLH and all related actions and transactions must close by September 30, 2009.
- *Pre-Closing Obligations.* Prior to the closing, the County and/or ACMC and District, at County's cost, will take all actions necessary, including but not limited to creating additional parcels or parcel adjustments of SLH, to transfer SLH's ownership of SLH to the County and/or ACMC while permitting the District to retain ownership of the medical office building on the SLH campus.
- *Purchase Price.* The purchase price payable to District will be calculated under a formula that will result in no money being paid by the County and/or ACMC to acquire SLH.
- *Sutter Grant for Development of Acute Rehabilitation and Urgent Care Services.* At the closing Sutter will grant ACMC \$5 million to develop the acute rehabilitation hospital and in addition to the \$1.5 million urgent care center contribution.
- *Termination.* The Agreement may be terminated at any time by the mutual written agreement of the parties, by County or ACMC if ACMC is not issued a State license by the closing date to operate SLH as intended or by Sutter if the closing does not occur by September 30, 2009.
- *Election to Terminate Lease and Transfer SLH to District.* If the closing does not occur by September 30, 2009, Sutter may cause the Lease to terminate, SLH to cease operating and the District to repossess SLH.