

EMPLOYMENT AGREEMENT

CHIEF EXECUTIVE OFFICER

This employment agreement (the "**Agreement**") is made and entered into as of February 1, 2008 (the "**Effective Date**") by and between Peninsula Health Care District, a political subdivision of the State of California (the "**District**") and Cheryl A. Fama (the "**Employee**").

RECITALS

The District desires to employ the Employee from the Effective Date until expiration of the term of this Agreement, and Employee is willing to be employed by District during that period, on the terms and subject to the conditions set forth in this Agreement.

In consideration of the mutual covenants and promises of the parties, the District and Employee covenant and agree as follows:

AGREEMENT

1. Duties

(a) During the term of this Agreement, Employee will be employed by the District to serve as the Chief Executive Officer of the District. The Employee will devote such amount of business time to the conduct of the business of the District as may be reasonably required to effectively discharge Employee's duties under this Agreement and, subject to the supervision and direction of the District's Board of Directors (the "Board"), will perform those duties and have such authority and powers as are customarily associated with the office of an Chief Executive Officer of a healthcare district engaged in a business that is similar to the business of the District. These duties shall include, but not be limited to the duties set forth in **Exhibit A**, attached hereto and made a part hereof. Employee shall report directly to the Chair of the Board.

(b) Unless the parties agree otherwise in writing, during the term of this Agreement, Employee will not be required to perform services under this Agreement other than at District's principal place of business in San Mateo County, California provided, however, that District may, from time to time, require Employee to travel temporarily to other locations on the District's business. Notwithstanding the foregoing, nothing in this Agreement is to be construed as prohibiting Employee from continuing to serve as a director, officer or member of various professional, charitable and civic organizations in the same manner as immediately prior to the execution of this Agreement.

2. Term of Employment

2.1 At Will Status

Employment with District is voluntarily entered into and shall be considered "at-will". Employee is free to resign at any time, with or without notice, and with or without cause. Similarly,

District may terminate the employment relationship at any time, with or without notice, and with or without cause, so long as there is no violation of applicable federal or state law. Nothing in this Agreement or in any document or statement shall limit the right of District to terminate the employment relationship "at-will" at any time, with or without cause. Only the Board of Directors of the District has the authority to make any such agreement altering the "at-will" nature of this Agreement, and then only in writing.

2.2 Basic Term

The term of employment of Employee by the District will commence on the Effective Date and will extend for a period of four years until January 31, 2012.

3. Salary, Benefits and Other Compensation

3.1 Base Salary

As payment for the services to be rendered by Employee as provided in Section 1, District agrees to pay to Employee a base salary ("**Base Salary**") of One Hundred and sixty thousand dollars (\$160,000.00) per year payable in accordance with the District's normal payroll practices, which may change from time to time. Upon each one year anniversary of this Agreement (February 1 of each year the Agreement is effective), Employee's base salary shall be automatically adjusted by application of the Consumer Price Index, all items for the San Francisco-Oakland -San Jose Regional Area ("CPI") published by the United States Department of Labor, Bureau of Labor Statistics, for the month recently published prior to the anniversary date and covering the preceding 12 month period, such that the percentage CPI change over the preceding 12 months shall be applied to adjust the then existing base salary to reflect the percentage change in CPI. District and Employee agree to meet and confer prior to each anniversary date and consider merit increases to Employee's base salary as may be determined in the discretion of the District Board of Directors. Within 30 days of the Effective Date and within 30 days of each anniversary date of this Agreement, the District and Employee will meet and confer to develop, and draft for presentation to the District Board, specific performance goals. Upon each anniversary date the Board approved goals will be utilized by the Board for consideration of a discretionary incentive bonus award to Employee based on the Board's assessment of the Employee's overall performance and the accomplishment of the prior year's performance goals.

3.2 Vacation and Holidays

During the term of this Agreement, Employee will be entitled to accrue 20 days of paid vacation time per year, and eight (8) days of paid holidays. Employee may accrue vacation up to a maximum of 20 days of vacation. Once the accrual cap is reached, no further vacation will accrue until some vacation is used. When some vacation is used, vacation compensation will begin to accrue again. The District does not grant compensation for any period of time during which the accrued vacation compensation was at the cap. All accrued, but unused vacation will be paid upon termination of employment.

In accordance with District's policy, Employee shall be entitled to sick leave, holiday leave as noted above and as scheduled by the District, jury duty and bereavement leave.

3.3 Health and Retirement Benefits

During the term of this Agreement, consistent with general District employee benefits programs, Employee shall be entitled to health and retirement benefits as may be adopted by the District and in place for the general benefit of District employees during the term of this Agreement. As of the commencement of this Agreement, the District has no retirement benefits in place, but is pursuing qualification for available programs.

3.4 Expenses

During the term of this Agreement, District will reimburse Employee for Employee's reasonable out-of-pocket expenses incurred in connection with District's business, including travel expenses, food, and lodging while away from the District offices. This shall include, but not be limited to, Employee's attendance at ACHD and other associations deemed useful to the performance by Employee of her job duties for not more than five (5) days per year. Expenses shall be reviewed and approved by the Board Chair, or a board member designated by the Chair.

4. Severance Compensation

4.1 Termination by District Without Cause; Pay in Lieu of Notice.

In the event Employee's employment is terminated by the District for any reason other than (1) "For Cause" (as defined in Section 4.4 below); or (2) due to the death of the Employee, Employee will be paid a severance pay equal to the Employee's Base Salary for the period commencing on the date that Employee's employment is terminated and extending for a period of not more than 18 months (the "**Severance Pay**"). The Severance Pay will be paid on the same dates specified in Section 3.1 for payment of Employee's Base Salary. Notwithstanding the foregoing, in no event during the term of this Agreement may monthly Severance Pay compensation paid after termination exceed the number of months remaining of the term of the Agreement at the time of termination.

4.2 Termination by District For Cause

In the event Employee's employment is terminated by the District "For Cause" (as defined in Section 4.4 below), Employee shall not be entitled to any Severance Pay.

4.3 Termination by Employee for any Reason; No Severance; Ninety Day Notice Required

In the event Employee terminates her employment with District for any reason, Employee or Employee's estate will not be entitled to any Severance Pay. Employee is requested to give District ninety (90) days prior written notice of her intent to terminate this Agreement for any reason, except in the event of Employee's death.

4.4 Definitions

For purposes of this Agreement the following terms have the following meanings:

(a) "For Cause" means termination by District of Employee's employment (i) by reason of Employee's willful dishonesty towards, fraud upon, or deliberate injury or attempted injury to, the District, (ii) by reason of Employee's material breach of this Agreement or (iii) by reason of Employee's intentional misconduct with respect to the performance of Employee's duties under this Agreement; provided, however, that no such termination will be deemed to be a termination For Cause unless the District has provided Employee with written notice of what it reasonably believes are the grounds for any termination For Cause and Employee fails to take appropriate remedial actions during the ten (10) day period following receipt of such written notice.

5. Confidentiality

Because of Employee's employment by District, Employee will have access to trade secrets and confidential information about District, its products, its customers, and its methods of doing business (the "Confidential Information"). During and after the termination of Employee's employment by the District, Employee may not directly or indirectly disclose or use any such Confidential Information; provided, that Employee will not incur any liability for disclosure of information which (a) is required in the course of Employee's employment by the District, (b) was permitted in writing by the Board or (c) is within the public domain or comes within the public domain without any breach of this Agreement.

6. Miscellaneous

6.1 Waiver

The waiver of any breach of any provision of this Agreement will not operate or be construed as a waiver of any subsequent breach of the same or other provision of this Agreement.

6.2 Entire Agreement; Modification

Except as otherwise provided in the Agreement, this Agreement represents the entire understanding among the parties with respect to the subject matter of this Agreement, and this Agreement supersedes any and all prior understandings, agreements, plans, and negotiations, whether written or oral, with respect to the subject matter hereof, including without limitation, any understandings, agreements, or obligations respecting any past or future compensation, bonuses, reimbursements, or other payments to Employee from District. All modifications to the Agreement must be in writing and signed by the party against whom enforcement of such modification is sought.

6.3 Notice

All notices and other communications under this Agreement must be in writing and must be given by personal delivery, telecopier or telegram, or first class mail, certified or registered with return receipt requested, and will be deemed to have been duly given upon receipt if personally delivered, three (3) days after mailing, if mailed, or twelve (12) hours after transmission, if delivered by telecopies or telegram, to the respective persons named below:

If to District

Attention: Chair, Board of Directors

If to Employee:

Cheryl A. Fama

Any party may change such party's address for notices by notice duly given pursuant to this Section.

6.4 Headings

The Section headings of this Agreement are intended for reference and may not by themselves determine the construction or interpretation of this Agreement.

6.5 Governing Law

This Agreement is to be governed by and construed in accordance with the laws of the State of California applicable to contracts entered into and wholly to be performed within the State of California by California residents. Venue shall be in San Mateo County.

6.6 Attorney's Fees

If either party brings an action for any relief or collection against the other party, declaratory or otherwise, arising out of the arrangement described in this Agreement, the losing party shall pay to the prevailing party a reasonable sum for attorneys' fees and costs actually incurred in bringing such action, including fees incurred at trial, on appeal and on any review therefrom, all of which shall be deemed to have accrued upon the commencement of such action and shall be paid whether or not such action is prosecuted to judgment. Any judgment or order entered in such action shall contain a specific provision providing for the recovery of attorneys' fees and costs incurred in enforcing such judgment.

6.7 Survival of District's Obligations

This Agreement will be binding on, and inure to the benefit of, the executors, administrators, heirs, successors, and assigns of the parties; provided, however, that except as expressly provided in this Agreement, this Agreement may not be assigned either by District or by Employee.

6.8 Counterparts

This Agreement may be executed in one or more counterparts, all of which taken together will constitute one and the same Agreement.

6.9 Enforcement

If any portion of this Agreement is determined to be invalid or unenforceable, that portion of this Agreement will be adjusted, rather than voided, to achieve the intent of the parties under this Agreement.

6.10 Indemnification

The District agrees that it will indemnify and hold the Employee harmless to the fullest extent permitted by applicable law from and against any loss, cost, expense or liability resulting from or by reason of the fact of the Employee's employment hereunder, whether as an officer, employee, agent, fiduciary, director or other official of the District, except to the extent of any expenses, costs, judgments, fines or settlement amounts which result from conduct which is determined by a court of competent jurisdiction to be knowingly fraudulent or deliberately dishonest or to constitute some other type of willful misconduct.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on January 31, 2008, in Burlingame, California.

Peninsula Health Care District
By: Donald E. Newman, M.D.

Its: Chair, Board of Directors

Cheryl A. Fama
Chief Executive Officer

Exhibit A

Job Duties

Chief Executive Officer's job duties shall include, but not be limited to, the following:

General Nature of Services:

Chief Executive Officer shall have overall responsibility for the successful organization and operation of the District's activities. Chief Executive Officer will, at the direction of the District develop, manage, and/or operate programs that meet the goals, mission, and vision established by the District.

Specific Services:

- Provide leadership and guidance to District's Board of Directors to meet the mission and vision of the organization.
- Develop the necessary infrastructure to assure the successful ongoing operations and activities of the District
- Recruit and hire office staff.
- Ensure the sound fiscal operation of the District through revenue enhancement and cost containment strategies.
- Maintain appropriate budgetary controls, monitors activities, and initiates corrective actions to stay within budget.
- Define measurable financial outcomes for District's overall and individual programs.
- Monitor the performance of District's programs and take corrective actions as necessary.
- Implement District's Strategic Plan.
- Strengthen community partnerships to achieve District's goals.
- Serve as a resource to District's Board of Directors in areas of health care trends, legislative issues and policy.
- Translate directives and desires of District into appropriate actions.
- Act as liaison with the public and other public agencies and elected officials.
- Track the Peninsula Health Care District/Sutter lease compliance and take corrective actions as appropriate.
- Ensure that District complies with all regulatory agencies, Healthcare District Law, and the Ralph M. Brown Act

Monthly/Quarterly Status Report:

Chief Executive Officer shall, on a monthly basis, submit to District's Board of Directors a status report, in a form acceptable to District setting forth the duties performed by the Chief Executive Officer during the preceding month.