

**Before the Board of Directors
Peninsula Health Care District
Proposed Revisions to Draft Definitive Agreements
Reflecting Public Input / Public Forums**

**Restructured Relationship between
Peninsula Healthcare District and Mills-Peninsula Health Services**

August 30, 2005

I. Construction Ground Lease

Section 9.08 is deleted. Section 9.08 previously read as follows:

"9.08. No Condemnation by District. District shall not use any power of eminent domain to take fee title to all or any portion of the Premises or the Improvements. District further shall assist MPHS in any action taken by MPHS to avoid the taking of all or any portion of the Premises or the Improvements by eminent domain."

II. Master Agreement

Section 6.02 shall be revised as follows, with new language underlined and deleted language crossed out for easier reference:

"6.02. Entire Agreement. This Agreement and the Exhibits hereto constitute the entire agreement between the parties pertaining to their subject matter and supersede all prior and contemporaneous agreements, representations and understandings of the parties. No supplement, modification or amendment to this Agreement shall be binding unless executed in writing by the party to be charged. Notwithstanding the foregoing, any supplement, modification or amendment to this Agreement shall not be approved by the District until: (a) approval by voters of the District of such supplement, modification or amendment if such supplement, modification or amendment would materially modify (i) the term of the Ground Lease as set forth in Sections 1.03 and 1.05 of the Ground Lease or the rent payable from MPHS to the District as set forth in Section 2.01 of the Ground Lease and in Section 2.01 of the Construction Ground Lease, (ii) the District's oversight role as set forth in Section 3.02 of this Agreement; or (iii) the default and remedies as set forth in Article V of this Agreement or Article VI of the Ground Lease, or (b) that would be subject, if applicable, to voter approval if required pursuant to California Health and Safety Code Section 32121(p) or its successor statute(s). ~~shall not be approved by the District until compliance with any such voter approval process.~~ The parties agree that the material modifications described in this Section 6.02 (a) (i) – (iii) shall constitute new lease transactions subject to voter approval pursuant to provisions of California

Health and Safety Code Section 32121(p) or its successor statute(s) or such other appropriate election procedures available to the District. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver."

III. Pre-Closing Agreement

Section 3.01.D shall be revised as follows, with new language underlined and deleted language crossed out for easier reference:

D. District's Secondary Consent to Replacement Project. Subject to the conditions therefor set forth in Section 3.01.D.1 below, MPHS shall have the right to propose a Replacement Project (as defined below). If MPHS proposes a Replacement Project, then the District shall not be bound to substitute such Replacement Project in lieu of the Improvements until the District's Board of Directors has consented to such Replacement Project ("Secondary Consent"). Such Secondary Consent shall be within the sole discretion of the District. The parties intend that any Replacement Project be sized in a manner consistent with projected needs and uses within the community and good business practices. If the District's Board of Directors fail to approve or disapprove any change that requires Secondary Consent hereunder within sixty (60) days after the District's Board of Directors is presented with the change, the District's Board of Directors shall be deemed to have not provided Secondary Consent of such change.