

**BEFORE THE BOARD OF DIRECTORS OF THE  
PENINSULA HEALTH CARE DISTRICT  
RESTRUCTURED RELATIONSHIP WITH  
MILLS-PENINSULA HEALTH SERVICES**

RESOLUTION TO APPROVE THE DEFINITIVE  
AGREEMENTS FOR THE TRANSFER OF CERTAIN  
DISTRICT ASSETS TO A NON-PROFIT CORPORATION / RESOLUTION 2005 - 2

WHEREAS, the community general acute care Hospital, Peninsula Medical Center, built and owned by the Peninsula Health Care District, will need substantial modification to comply with Senate Bill 1953 seismic standards, and if Peninsula Medical Center fails to comply with these standards, the law will require Peninsula Medical Center to cease operations as a general acute care hospital on January 1, 2013; and

WHEREAS, based on independent engineering, strategic planning, and financial evaluations with expert assistance, and numerous public sessions and forums over a five year period, the District has concluded that compliance with these seismic standards and other facility benefits are more efficiently and economically achieved by construction of a new facility and campus rather than substantial reconstruction of Peninsula Medical Center; and

WHEREAS, Mills-Peninsula Health Services ("MPHS"), a Sutter Health affiliate, and long term operator of the District's facility, agrees with these conclusions and has embarked with the District in this multi-year discussion, study, and negotiation of vehicles to achieve seismic compliance for this critical community resource, along with the many additional benefits brought to the healthcare needs of the residents of the District with construction of a state-of-the-art new Medical Center and associated campus; and

WHEREAS, the District's expenditure of substantial time and resources independently studying the strategic and land use options available to the community has led to the conclusion of the Terms for a Restructured Relationship, encompassed in the contents of five "Definitive Agreements" as the vehicle for bringing to this community a 50-year commitment for the operation of the new campus, with the provision of full time basic emergency services and a level of District oversight of the maintenance of core services at the center of that commitment, and

WHEREAS, on December 15, 2004, this Board received, considered, and approved a Letter of Intent outlining the major terms and conditions of the proposed Restructured Relationship between the parties; and

WHEREAS, since receipt and approval of the Letter of Intent, the District proceeded to negotiate the draft Definitive Agreements to implement the proposed Restructured Relationship, which led to the publication of the draft Definitive Agreements, and the Board thereafter held six public meetings at community forums throughout the District to receive public input on the terms of the Agreements; and

WHEREAS, as a result of public input, representatives of the District and MPHS have negotiated the final terms of the Definitive Agreements presented along herewith, whereby the District will transfer specified assets to a non-profit public benefit corporation to operate and maintain the specified District assets; and

WHEREAS, the Board finds that the transactions contemplated by the Definitive Agreements are the best alternative to other potential arrangements, especially by maintaining the new facilities in a non-profit setting; and

WHEREAS, the Board finds that the transactions contemplated by the Definitive Agreements are necessary to provide for the continued maintenance and operation of the District's assets in the best interests of health care services and programs benefiting the residents of the District and to enhance availability to residents of local emergency services; and

WHEREAS, the Board has determined it to be in the public interest, in the best interests of the District, and in the best interests of the communities served by the District, and in furtherance of the purposes of the District, that the District enter into the Definitive Agreements and consummate the transactions contemplated by the Agreements; and

WHEREAS, the Definitive Agreements presented along herewith are: the Restructured Relationship Pre-Closing Agreement, draft dated July 6, 2005, Master Agreement, draft dated June 15, 2005, Ground Lease Agreement, draft dated June 15, 2005, Construction Ground Lease Agreement, draft dated July 6, 2005, and the Construction Agreement, draft dated July 6, 2005, as such Agreements are modified by the Proposed Revisions to draft Definitive Agreements, presented herewith and reflecting public input received by the District, dated August 30, 2005.

**NOW, THEREFORE,** the Board of Directors of the Peninsula Health Care District hereby resolve:

1. That all the actions and findings of the Board described above are hereby severally ratified, confirmed, approved and adopted in all respects.

2. That the form, terms and provisions of the Definitive Agreements are hereby approved in all respects.

3. That the execution of the Definitive Agreements by the Chair of the Board is hereby authorized and approved.

4. That the Chair and Secretary of the Board and any person or persons designated and authorized to act by the Chair and Secretary are hereby authorized and directed to:

(a) Prepare, or cause to be prepared, and/or approve and execute in accordance with, as contemplated by or as consistent with the terms of the Agreements, all exhibits, schedules, certificates, letters, agreements, papers and instruments and other documents, and amendments and restatements thereof (collectively, with the Agreement, the "Transaction Documents"),

(b) To make such representations in writing, and

(c) To take such other steps and do such acts and things, all as in their respective individual judgments may be necessary, appropriate or desirable on behalf of and in the name of the District to carry out, observe and perform and enforce the performance by others of, and comply with the terms and provisions of the Transaction Documents, and to consummate the transactions contemplated by the Transaction Documents.

5. That any of the acts of the Chair and Secretary of the District, and any person or persons designated and authorized by them to act, which acts would have been authorized by this Resolution except that such actions were taken prior to the adoption of this Resolution, are hereby severally ratified, confirmed, approved and adopted as acts in the name and on behalf of the District.

6. That the District shall hereafter, pursuant to the terms of the Definitive Agreements, submit to the voters of the District a measure proposing to approve the

transfer of assets as contemplated by the Agreements.

**PASSED AND ADOPTED** this 30th day of August, 2005, by the following votes:

AYES:

NOES:

ABSENT:

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Secretary of the Board of Directors of  
the Peninsula Health Care District

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Chair of the Board of Directors of  
the Peninsula Health Care District

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