

**PROPOSED ACTIONS  
RESOLUTION NO. 378  
EDEN TOWNSHIP HEALTHCARE DISTRICT  
BOARD OF DIRECTORS**

June 2, 2004

The following actions and approvals are proposed as of the date hereof by the Board of Directors (the "*Board*") of Eden Township Healthcare District, a California healthcare district (the "*District*"), at a duly held special public meeting of the Board.

**PURCHASE AND LEASE AGREEMENTS**

**WHEREAS**, the District is authorized to establish, maintain, operate or provide assistance in the operation of, one or more health facilities or health services, through purchasing property of every kind and transferring that property, pursuant to Sections 32121(c), Sections 32121(j) and 32121(p) of the California Local Health Care District Law;

**WHEREAS**, the Board previously considered a proposal to acquire substantially all of the assets of San Leandro Hospital, LP ("*SLH*") under the terms of an Asset Sale Agreement (the "*Agreement*"), attached hereto as Exhibit A;

**WHEREAS**, the Board previously considered a lease from the District of the Hospital-related assets acquired from SLH ("*Hospital*") to Eden Medical Center ("*EMC*") in accordance with the terms of a Lease and Hospital Operations Agreement (the "*Lease*"), attached hereto as Exhibit B;

**WHEREAS**, the Lease is consistent with the requirements of 32121(p)(2) of the California Local Health Care District Law.

**WHEREAS**, George Bischalaney, the District's Chief Executive Officer, has disclosed publicly that he is a member of the Board of Directors and a paid employee of EMC;

**WHEREAS**, George Bischalaney has abstained from participating in the District's decision related to the acquisition of the assets of SLH and the District's decision related to the lease of the Hospital to EMC, including recusing himself from discussing the matters, and will not participate in any of the District's decisions related to these matters;

**WHEREAS**, Francisco Rico, M.D., a member of the Board of Directors of the District and EMC, has disclosed publicly that he is a member of a medical group that has a contractual relationship with SLH to provide health care services, and that the District will be assuming that contract and subsequently assigning it to EMC;

**WHEREAS**, Francisco Rico, M.D. has abstained from participating in the District's decision related to the acquisition of the assets of SLH and the District's decision related to the lease of the Hospital to EMC, including recusing himself from discussing and voting on the matters, and will not participate in any of the District's decisions related to these matters.

**NOW, THEREFORE BE IT APPROVED**, that the Board has determined in good faith, without the participation of Francisco Rico, M.D., based on the advice of independent advisors, accountants and attorneys other than George Bischaney, that the acquisition of substantially all of the assets of SLH, under the terms of the Agreement, including the contracts assumed, is fair to the District and is in its best interest, consistent with its statutory authority, and in furtherance of the District's public purpose of providing healthcare and related services to the community;

**APPROVED, FURTHER**, that the Board has determined in good faith, without the participation of Francisco Rico, M.D., based on the advice of independent advisors, accountants and attorneys other than George Bischaney that the lease of the Hospital to EMC in accordance with the terms of the Lease, including the contracts assigned, is fair to the District and is in its best interest, consistent with its statutory authority, and in furtherance of the District's public purpose of providing healthcare and related services to the community;

**APPROVED, FURTHER**, that the form of the Agreement be and hereby is approved by the Board, with such changes, additions, deletions, supplements, modifications, and/or substitutions as any executing officer or officers may deem necessary, appropriate, or advisable (the execution thereof to be conclusive evidence of such officer or officers' approval of any such changes, additions, deletions, supplements, modifications and/or substitutions); and

**APPROVED, FURTHER**, that the form of the Lease be and hereby is approved by the Board, with such changes, additions, deletions, supplements, modifications, and/or substitutions as any executing officer or officers may deem necessary, appropriate, or advisable (the execution thereof to be conclusive evidence of such officer or officers' approval of any such changes, additions, deletions, supplements, modifications and/or substitutions);

#### **GENERAL AUTHORITY**

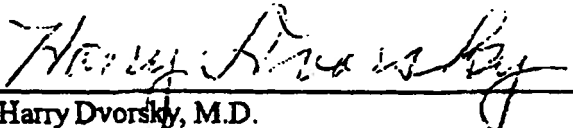
**APPROVED**, that the Chairman and/or Secretary of the District be, and hereby are, authorized and directed to execute and deliver the Agreement and any related documents in the name of and on behalf of the District, with such minor changes, additions, deletions, supplements, modifications, and/or substitutions as any executing officer or officers may deem necessary, appropriate, or advisable (the execution thereof to be conclusive evidence of such officer or officers' approval of any such changes, additions, deletions, supplements, modifications and/or substitutions); and

**APPROVED**, that the Chairman and/or Secretary of the District be, and hereby are, authorized and directed to execute and deliver the Lease and any related documents in the name of and on behalf of the District, with such minor changes, additions, deletions, supplements, modifications, and/or substitutions as any executing officer or officers may deem necessary, appropriate, or advisable (the execution thereof to be conclusive evidence of such officer or officers' approval of any such changes, additions, deletions, supplements, modifications and/or substitutions).

\*\*\*\*\*

The foregoing actions and approvals were proposed and properly approved by the Board of Directors of Eden Township Healthcare District at a duly held meeting on the 2nd day of June, 2004.

**APPROVED:**

  
\_\_\_\_\_  
Harry Dvorsky, M.D.  
Chairman  
Board of Directors Eden Township Healthcare  
District

**ATTESTED TO:**

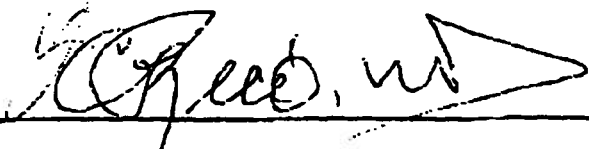
  
\_\_\_\_\_  
Secretary/Treasurer  
Board of Directors Eden Township Healthcare District

Exhibit A

**ASSET SALE AGREEMENT**

\_\_\_\_\_

**Exhibit B**

**LEASE AND HOSPITAL OPERATIONS AGREEMENT**

**SAN LEANDRO HOSPITAL, LP  
SELLER'S CLOSING DATE CERTIFICATE**

This Seller's Closing Date Certificate is delivered pursuant to Section 9.10 of the Asset Sale Agreement dated May 25, 2004 (the "Agreement"), by and between Eden Township Healthcare District, a California local health care district ("Buyer"), and San Leandro Hospital, LP, a Delaware limited partnership ("Seller"). Unless otherwise defined, capitalized terms used herein shall have the same meaning ascribed to them in the Agreement.

Seller hereby certifies that, as of the date hereof:

1. There are no facts known to Seller that have not been disclosed to Buyer in the Disclosure Statement and any Supplemental Disclosure Statements that would cause Seller to be in material breach of any of the representations and warranties under the Agreement; and

2. Seller has duly performed all obligations and covenants to be performed by it under the Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of June 30, 2004.

**SAN LEANDRO HOSPITAL, L.P.**

**By: San Leandro Medical Center, LLC**

By: *Deborah Brehe*  
Name: Deborah Brehe  
Title: CEO



July 1  
June 30, 2004

Eden Township Healthcare District  
20103 Lake Chabot Road  
Castro Valley, California 95456  
Attention: Chief Executive Officer

Re: Asset Sale Agreement, dated May 25, 2004 (the "Agreement"), by and between Eden Township Healthcare District and San Leandro Hospital, LP a Delaware limited partnership ("Seller").

Ladies and Gentlemen:

I am the General Counsel of Triad Hospitals, Inc., a Delaware corporation ("Triad"). In that connection and inasmuch as Seller is a subsidiary of Triad, I also serve as counsel to Seller generally and in respect of the Agreement.

This opinion is being rendered to you pursuant to Paragraph 9.11 of the Agreement with respect to matters set forth in Paragraphs 5.1 and 5.2 of the Agreement. Capitalized terms used herein and not otherwise defined have the meaning given them in the Agreement

In connection with the opinions expressed herein, I have made such examination of matters of law and of fact as I considered appropriate or advisable for purposes hereof. As to matters of fact material to the opinions expressed herein, I have relied upon the representations and warranties as to factual matters contained in and made by Seller pursuant to the Agreement and upon certificates and statements of authorized representatives of Seller. I also have examined and relied upon such records, documents, instruments and certificates as I have considered necessary or appropriate to render the opinions set forth below. I have assumed for the purposes of this opinion that the signatures on documents and instruments examined by me are authentic, that each document is what it purports to be, and that all documents submitted to me as copies conform with the originals.

Whenever the existence or absence of facts is stated to be "to the best of my knowledge" or is qualified by any other similar statement, such statement is intended to signify that during the course of my service as counsel to Seller, no information has come to my attention which would give me actual knowledge of facts contrary to the existence or absence of the facts indicated, but I have made no investigation in respect of any of such facts.

I am admitted to practice law only in the State of Texas. Accordingly, I am opining herein as to the effect on the subject transactions of only the federal laws of the United States of America, matters pertaining to Delaware partnership law, and the laws of the State of Texas.

Based on my examination of and reliance upon the foregoing and subject to the limitations, exceptions, qualifications and assumptions set forth above and below, I am of the opinion that as of the Closing:

1. Seller is a Delaware limited partnership, duly organized, formed, and validly existing under the laws of the State of Delaware, and is authorized to exercise its powers, rights, and privileges, and is in good standing, in the State of California.

2. Seller has the full partnership power and authority to execute, deliver, perform or cause to be performed, its obligations and covenants set forth in the Agreement and in each related agreement to which Seller is a party, and to carry out the transactions contemplated therein.

3. The execution, delivery and performance of the Agreement by Seller and the consummation of the transactions contemplated thereby have been duly authorized by all necessary partnership action on the part of Seller, and no further action by Seller is necessary to make the Agreement and each related agreement to which Seller is party enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to creditor's rights generally, and general principles of equity.

4. To my knowledge, there are no pending or threatened actions or proceedings against Seller which could have a material adverse effect upon the consummation of any of the transactions contemplated by the Agreement or any other agreement executed in connection therewith or the performance by Seller of any of its obligations under the Agreement or any other agreement executed in connection therewith.

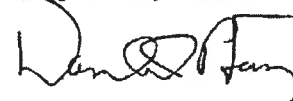
The opinions expressed above are specifically subject to the following limitations, exceptions, qualifications and assumptions:

A. The opinions set forth in this letter are limited to matters expressly set forth herein, and I render no opinion which hereafter may be implied or may be inferred beyond the matters expressly so stated.

B. The information set forth herein is as of the date of this letter, and I disclaim any undertaking to advise you of changes which hereafter may be brought to my attention.

This opinion is rendered as of the date first written above solely for your benefit in connection with the Agreement and may not be delivered to, or quoted or relied upon by, any person other than you, or for any other purpose, without my prior written consent.

Respectfully submitted,



Donald P. Fay  
General Counsel,  
Triad Hospitals, Inc.

HOOPER, LUNDY & BOOKMAN, INC.

HEALTH CARE LAWYERS

1875 CENTURY PARK EAST, SUITE 1600  
LOS ANGELES, CALIFORNIA 90067-2799

TELEPHONE (310) 551-8111

FACSIMILE (310) 551-8181

WEB SITE: WWW.HEALTH-LAW.COM

SAN FRANCISCO OFFICE

180 MONTGOMERY STREET, SUITE 1000

SAN FRANCISCO, CALIFORNIA 94104

TELEPHONE (415) 875-8500

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ARNOLD V. PAMPLONA  
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LEON ALTMAN  
MICHAEL A. DUBIN  
MICHAEL D. GELFOND  
SUZANNE S. CHOU

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ROBERT W. LUNDY, JR.  
PATRIC HOOPER  
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SCOTT J. KIEPEN  
MARK S. HARDIMAN  
HOPE R. LEVY-BIEHL

21107-902

July 1, 2004

San Leandro Hospital, L.P.  
5800 Tennyson Parkway  
Plano, Texas 75024  
Attn: James Shannon

**Re: Asset Sale Agreement, by and between Eden Township Healthcare District, a California local health care district (the "District" or "Buyer") and San Leandro Hospital, L.P., a Delaware limited partnership ("Seller")**

Ladies and Gentlemen:

This firm has served as Special Counsel to the District in connection with the transactions contemplated under the Agreement by and between the District and Seller pursuant to which the District will purchase from Seller substantially all of the assets of Seller, in accordance with the terms of the Agreement.

This opinion is being rendered to you pursuant to Paragraph 10.8 of the Agreement with respect to matters set forth in Paragraphs 6.1 and 6.2 of the Agreement. Capitalized terms used herein and not otherwise defined have the meaning given them in the Agreement.

For purposes of rendering this Opinion, we have reviewed only the documents listed below (collectively, the "Documents"):

- (a) Asset Sale Agreement by and between Seller and Buyer, dated May 25, 2004, and all schedules and exhibits attached thereto (the "Agreement");
- (b) Formation Documents and Bylaws of the District (the "Governing Documents");
- (c) Resolution of the Board of Directors of the District dated June 2, 2004;
- (d) Certificate of the Secretary of the Board of Directors of the District; and

July 1, 2004

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The documents listed in items (c) through (d) above are referred to collectively herein as the "Supporting Certificates."

Our investigation hereunder is limited to a review of the Documents, agreements referenced therein, public filings with the California Secretary of State's office and review of applicable law. In connection with the opinions expressed herein, we have taken such steps and made such inquiries and examination of matters of law as we have considered appropriate or advisable for purposes hereof, including respecting the open meeting and conflict of interest laws. We have not undertaken any other independent due diligence or verification of facts, have made no examination of other private or public records (including, without limitation, the plaintiff or defendant indices of the state and federal courts), nor have we verified any factual information received from or produced by the Buyer; provided, however, that no fact to our current actual knowledge causes us to believe that such factual information is not accurate. With respect to matters of fact upon which conclusions of law herein are based, we have relied upon, and assumed to be true and correct, the statements contained in the Supporting Certificates and the representations and warranties made by the Buyer in the Documents and have assumed that any certificates, instruments or agreements executed in connection therewith or delivered to us are true, correct, complete and not misleading.

We have assumed the authenticity of all documents, certificates and records submitted to us as originals, the genuineness of all signatures, the legal capacity of all natural persons executing documents, certificates and records, the conformity to originals of all documents, certificates and records submitted to us as certified or reproduction copies, and the completeness and accuracy as of the date of this Opinion of all the information contained in such documents, certificates and records.

We have also assumed that the Agreements, and all other documents required to be delivered by the Seller, have been duly authorized, executed and delivered by the Seller, are valid and binding obligations of the Seller enforceable against the Seller in accordance with their respective terms, and that the Seller has all requisite power and authority to effect the transactions contemplated thereby. Other than with respect to Buyer, we have further assumed that each organization that is a party to the Documents is an organization in good standing under the laws of the state of their respective formation and each such organization is qualified to do business in California.

Whenever the existence or absence of facts is stated to be "to the best of our knowledge" or is qualified by any other similar statement, such statement is intended to signify that during the course of our representation of Buyer, no information has come to the attention of the attorneys of Hooper, Lundy & Bookman, Inc. involved in representing the Buyer in connection with the Agreement which would give us actual knowledge of facts contrary to the existence or absence of the facts indicated.

The law covered by opinions expressed herein is limited to the federal laws of the United States of America, the internal laws of the State of California, including without limitation the Open Meeting and Conflict of Interest Laws. We express no opinion with respect to the laws, regulations or ordinances of any other jurisdiction.

Based upon the foregoing and subject to the limitations, exceptions, qualifications and assumptions set forth herein, it is our opinion that as of the date hereof:

July 1, 2004

Page 3

1. Buyer is a California local health care district duly organized, validly existing and in good standing under the laws of the State of California, and is authorized to conduct its business as now conducted and to own, or hold under lease, its assets and to enter into the Agreement and perform its obligations thereunder.

2. Buyer has the full power and authority to execute, deliver and perform the Agreement (and its exhibits and attachments) to which Buyer is a party. The execution, delivery and performance of the Agreement has been duly authorized by all necessary actions of the Buyer, and the Agreement has been duly executed and delivered by Buyer.

3. To our knowledge, the execution and delivery of the Agreement and Buyer's performance of its obligations under the Agreements do not: (i) violate any federal or California statute, rule or regulation applicable to Buyer, including without limitation, Open Meeting and Conflict of Interest Laws applicable to Buyer or to any member of the Buyer's elected Board and any Board committee, (ii) violate the provisions of any of Buyer's Governing Documents, or (iii) result in the breach or a default under any contract or commitment between Buyer and a third party.

The opinions expressed above are specifically subject to the limitations, exceptions, qualifications and assumptions set forth above and the following:

A. The opinions set forth in this letter are limited to matters expressly set forth herein, and we render no opinion which hereafter may be implied or may be inferred beyond the matters expressly so stated.

B. The information set forth herein is as of the date of this letter, and we disclaim any undertaking to advise you of changes which hereafter may be brought to our attention.

This Opinion is provided for the exclusive and confidential use of the Seller and may not be relied upon by any other person, entity, assignee or successor. It is understood that the opinions herein are provided solely by Hooper, Lundy & Bookman, Inc. and not by any of its shareholders or employees. This opinion is rendered as of the date first written above solely for your benefit in connection with the Agreement and may not be delivered to, quoted or relied upon by any person other than you, or for any other purpose, without my prior written consent.

Very truly yours,



Hooper, Lundy & Bookman

**RECORDING REQUESTED BY:**  
**AND WHEN RECORDED MAIL TO**

NAME: Craig Cannizzo, Esq.  
ADDRESS: Hooper, Lundy & Bookman  
180 Montgomery Street, Suite 1000  
CITY: San Francisco, CA 94104  
STATE/ZIP: United States of America

**AND MAIL TAX STATEMENTS TO:**

[Assignee is a governmental agency  
and not subject to property tax]

NAME Attn: Chief Executive Officer  
STREET Eden Township Healthcare District  
ADDRESS 20103 Lake Chabot Road  
CITY Castro Valley,  
STATE CA 94546

Assessor's Parcel No. 077D-1429-019  
Assessor's Parcel No. 077D-1429-003-05  
Assessor's Parcel No. 077D-1429-002-03

Space Above This Line For Recorder's Use

**GRANT DEED**

THE UNDERSIGNED GRANTOR(s) DECLARE(s):

DOCUMENTARY TRANSFER TAX is \$ NONE, as Grantee is a Governmental Agency CITY TAX  
\$ NONE, as Grantee is a Governmental Agency.

- Computed on full value of property conveyed, or  Computed on full value less value of liens or encumbrances remaining at time of sale,
- Unincorporated area:  City of San Leandro, and

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, San Leandro Hospital, LP, a Delaware limited partnership, hereby GRANT(s) to Eden Township Healthcare District, a California local health care district, the following described real property in the city of San Leandro, county of Alameda, state of California, and more particularly described as follows:

See Legal Description on Exhibit A attached hereto and incorporated herein by this reference

Date: June 30, 2004

Signature:

Deborah Brehe

STATE OF CALIFORNIA }  
COUNTY OF Alameda } S.S.

On 6/25/04 before me, Vivian Ann Joyner, Notary  
(here insert name and title of the officer),  
personally appeared Deborah Baker

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature: Vivian Ann Joyner, Notary

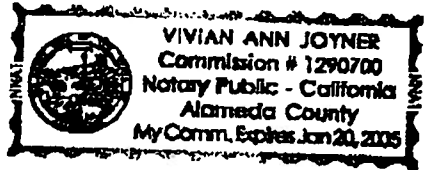


EXHIBIT A

The real property in the City of San Leandro, County of Alameda, State of California, and described as follows:

PARCEL 1:

PARCEL A, PARCEL MAP 5309, FILED OCTOBER 5, 1987, BOOK 172 OF MAPS, PAGE 23. ALAMEDA COUNTY RECORDS.

ASSESSOR'S PARCEL NO. 077D-1429-019

PARCEL 2:

PARCEL B, PARCEL MAP 1008, FILED FEBRUARY 23, 1973, BOOK 79 OF MAPS, PAGE 9, ALAMEDA COUNTY RECORDS.

ASSESSOR'S PARCEL NO. 077D-1429-003-05

PARCEL 3:

THAT PORTION OF THE 2 ACRE TRACT OF LAND IN RANCHO SAN LEANDRO, DESCRIBED IN THE DEED TO SOPHIE LARSEN PENROD, RECORDED APRIL 4, 1934, IN BOOK 3010 OR, PAGE 301, ALAMEDA COUNTY RECORDS, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTHWESTERN LINE OF SAID 2 ACRE TRACT, DISTANT SOUTHWESTERLY ALONG SAID LINE SOUTH 42° 15' WEST, 300 FEET FROM THE INTERSECTION OF SAID LINE WITH THE SOUTHWESTERN LINE OF EAST 14TH STREET, AS WIDENED BY DEED TO COUNTY OF ALAMEDA, RECORDED AUGUST 14, 1929, IN BOOK 2167 OR, PAGE 435; THENCE SOUTHWESTERLY ALONG SAID LINE, SOUTH 42° 15' WEST, 209.18 FEET, MORE OR LESS, TO THE SOUTHWESTERN LINE OF SAID 2 ACRE TRACT; THENCE ALONG THE LAST NAMED LINE, SOUTH 47° 45' EAST, 151.14 FEET TO THE SOUTHEASTERN LINE OF SAID 2 ACRE TRACT; THENCE ALONG THE LAST NAMED LINE, NORTH 42° 15' EAST, 88.18 FEET, MORE OR LESS, TO A POINT DISTANT 421 FEET FROM THE INTERSECTION OF SAID LINE WITH THE SOUTHWESTERN LINE OF EAST 14TH STREET; THENCE NORTH 47° 45' WEST, 50 FEET; THENCE NORTH 42° 15' EAST, 60 FEET; THENCE NORTH 47° 45' WEST, 86.5 FEET; THENCE NORTH 42° 15' EAST, 61 FEET; THENCE NORTH 47° 45' WEST, 14.64 FEET, MORE OR LESS, TO THE POINT OF BEGINNING.

ASSESSOR'S PARCEL NO. 077D-1429-002-03

[legal description continues on the following page]

**PARCEL 4:**

THAT PORTION OF THE 2 ACRE TRACT OF LAND IN RANCHO SAN LEANDRO, DESCRIBED IN THE DEED TO SOPHIE LARSEN PENROD, RECORDED APRIL 4, 1934, IN BOOK 3010 OR, PAGE 301, DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE SOUTHWESTERN LINE OF EAST 14TH STREET, AS WIDENED BY DEED TO COUNTY OF ALAMEDA, RECORDED AUGUST 14, 1929, IN BOOK 2167 OR, PAGE 435, WITH THE NORTHWESTERN LINE OF SAID 2 ACRE TRACT; THENCE ALONG SAID LINE OF EAST 14TH STREET, SOUTHEASTERLY 151.14 FEET TO THE SOUTHEASTERN LINE OF SAID 2 ACRE TRACT; THENCE ALONG THE LAST NAMED LINE, SOUTH 42° 15' WEST, 421 FEET; THENCE NORTH 47° 45' WEST, 50 FEET; THENCE NORTH 42° 15' EAST, 60 FEET; THENCE NORTH 47° 45' WEST, 86.5 FEET; THENCE NORTH 42° 15' EAST, 61 FEET; THENCE NORTH 47° 45' WEST, 14.64 FEET, MORE OR LESS, TO THE NORTHWESTERN LINE OF SAID 2 ACRE TRACT; THENCE ALONG THE LAST NAMED LINE, NORTH 42° 15' EAST, 300 FEET TO THE POINT OF BEGINNING.

ASSESSOR'S PARCEL NO. 077D-1429-002-03



**RECORDING REQUESTED BY:  
AND WHEN RECORDED MAIL TO**

NAME: Craig Cannizzo, Esq.  
ADDRESS: Hooper, Landy & Bookman  
180 Montgomery Street, Suite 1000  
CITY: San Francisco, CA 94104  
STATE/ZIP: United States of America

**AND MAIL TAX STATEMENTS TO:**

[Assignee is a governmental agency  
and not subject to property tax]

NAME Attn: Chief Executive Officer  
STREET Eden Township Healthcare District  
ADDRESS 20103 Lake Chabot Road  
CITY Castro Valley,  
STATE CA 94546

Assessor's Parcel No. 077D-1429-018 Space Above This Line For Recorder's Use

**GRANT DEED**

THE UNDERSIGNED GRANTOR(s) DECLARE(s):

DOCUMENTARY TRANSFER TAX is \$ NONE, as Grantee is a Governmental Agency. CITY TAX  
\$ NONE, as Grantee is a Governmental Agency.

- Computed on full value of property conveyed, or  Computed on full value less value of liens or encumbrances remaining at time of sale,
- Unincorporated area:  City of San Leandro, and

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, San Leandro Hospital, LP, a Delaware limited partnership, hereby GRANT(s) to Eden Township Healthcare District, a California local health care district, the following described real property in the city of San Leandro, county of Alameda, state of California, and more particularly described as follows:

See Legal Description on Exhibit A attached hereto and incorporated herein by this reference

Date: June 30, 2004

Signature:

*Deborah Prehe*

STATE OF CALIFORNIA }  
COUNTY OF Alameda } S.S.

On 6/25/04 before me, Vivian Ann Joyner, Notary  
personally appeared Liberah Drake (here insert name and title of the officer),

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature: Vivian Ann Joyner, Notary

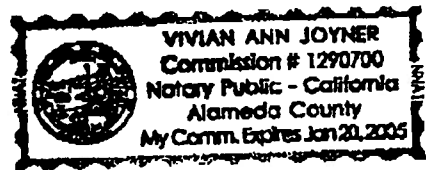


EXHIBIT A

The real property in the City of San Leandro, County of Alameda, State of California, and described as follows:

Parcel B of Map No. 5309, Filed October 5, 1987, Book 172 of Maps, Page 23, Alameda County Records.

Assessor's Parcel Number: 077D-1429-018



**RECORDING REQUESTED BY:**  
Eden Township Healthcare District

**WHEN RECORDED, MAIL TO:**  
Elspeth K. Delaney, Esq.  
Hooper, Lundy & Bookman, Inc.  
1875 Century Park East, Suite 1600  
Los Angeles, California 90067

Space Above This Line For Recorder's Use

### MEMORANDUM OF LEASE

This Memorandum of Lease ("Memorandum") is made as of June 30, 2004, by and between Eden Township Healthcare District, a California healthcare district ("Landlord") and Eden Medical Center, a California nonprofit public benefit corporation ("Tenant"). Landlord and Tenant are sometimes referred to herein individually as a "Party" or collectively as the "Parties." The Parties agree as follows:

1. Leased Property. Pursuant to that certain Lease and Hospital Operations Agreement dated May \_\_, 2004 (the "Lease"), Landlord leased to Tenant and Tenant leased from Landlord the property described as follows (the "Leased Property"):

- (a) All Real Property designated by Assessor's Parcel Numbers 77D-1429-19, 77D-1429-18, and 77D-1429-3-5 (the "Real Property");
- (b) All Improvements to the Real Property;
- (c) All Tangible Personal Property owned by Landlord and located in or on the Real Property or the Improvements;
- (d) All data and records related to the operations of San Leandro Hospital (the "Hospital");
- (e) Any contract rights prepaid expenses and deposits owned by Landlord used in the operation of the Hospital;
- (f) Landlord's interest in profits and equity in the San Leandro Surgery Center, Ltd.; and
- (g) All other property, whether tangible or intangible, of every kind, character or description, owned by Landlord and used in the operation of the Hospital.

2. Term. The term of the Lease shall commence on June 30, 2004 and will continue for a period of twenty (20) consecutive years, unless earlier terminated as set forth in the Lease.

3. Termination.

(a) If either party receives notice of any Special Action, either party has the right to terminate the Agreement. For the purposes of the Lease, "Special Action" means any legislation, regulation, rule or procedure passed, adopted or implemented or interpreted by any federal, state or local government or legislative body or any private agency; or any notice of a decision, finding, or action by any governmental or private agency, court or other third party which, in the opinion of counsel to either party, if or when implemented, would: (i) prevent

Tenant from being able to access and use the Leased Property; (ii) prohibit or limit Tenant from billing for services at the Hospital located on the Leased Property; or (iii) subject Tenant or Landlord or any of their respective employees or agents, to civil or criminal prosecution on the basis of such party's participation in executing this Agreement or performing its obligations under this Agreement.

(b) Upon completion of the construction of the Replacement Facility to be build by Tenant, Tenant may terminate this Agreement without penalty upon thirty (30) days prior written notice to Landlord.

(c) Either party may terminate this Agreement upon the default of the other party, pursuant to the Lease.

4. Replacement Facility. Tenant will plan, build, coordinate, permit and construct a replacement facility for Tenant's current general acute care hospital at 20103 Lake Chabot Road, Castro Valley, California 94546, or such other location to which the parties agree (the "Replacement Facility").

5. Purchase of Leased Property. In the event the Replacement Facility is not open to provide healthcare services to patients on or before December 1, 2011, then Tenant shall purchase all of the Leased Property from Landlord.

6. Incorporation of Lease. The provisions and conditions of the Lease are incorporated into this Memorandum by reference and made a part hereof as though fully set forth herein, and unless expressly defined herein, all capitalized terms shall have the meanings ascribed to them in the Lease.

7. Recordation; Counterpart Signatures. This Memorandum is prepared for the purpose of recordation only, and in no way modifies the provisions and conditions of the Lease. This Memorandum may be executed in one or more counterparts, all of which taken together shall constitute one original document.

**"LANDLORD"**

Eden Township Health Care District

Signature: 

Print Name: FRANCISCO CURICO MD

Title: Secretary, Board of Directors

**"TENANT"**

Eden Medical Center

Signature: 

Print Name: GEMMA BISCHOFF

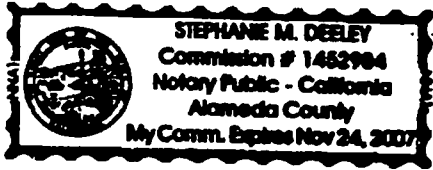
Title: CEO

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

State of California }  
County of Alameda } ss.

On 6/29/04 before me, Stephanie M. Deeley  
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")  
personally appeared Francisco C. Rico, M.D. & George Brochamarty  
Name(s) of Signer(s)

- personally known to me
- proved to me on the basis of satisfactory evidence



to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal  
Stephanie M. Deeley  
Signature of Notary Public

**OPTIONAL**

*Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.*

**Description of Attached Document**

Title or Type of Document: Memorandum of Lease

Document Date: 6/30/04 Number of Pages: 2

Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer**

Signer's Name: \_\_\_\_\_

- Individual
- Corporate Officer -- Title(s): \_\_\_\_\_
- Partner --  Limited  General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: \_\_\_\_\_

Signer Is Representing: \_\_\_\_\_



**PRELIMINARY CHANGE OF OWNERSHIP REPORT**



(To be completed by transferee (buyer) prior to transfer of subject property in accordance with section 480.3 of the Revenue and Taxation Code.) A Preliminary Change of Ownership Report must be filed with each conveyance in County Recorder's office for the county where the property is located; this particular form may be used in all counties of California.

THIS REPORT IS NOT A PUBLIC DOCUMENT

ASSESSOR'S USE ONLY	
N.S.P.:	_____
C.E.:	_____
APR.:	_____
DATE:	_____
USE	NBHD

SELLER/TRANSFEROR: San Leandro Hospital, I.P  
 BUYER/TRANSFEEE: Eden Township Healthcare District  
 ASSESSOR'S PARCEL NUMBER(S): See Exhibit A, attached  
 PROPERTY ADDRESS OR LOCATION: 13855 E. 14th St., San Leandro, CA  
 MAIL TAX INFORMATION TO: Name: Eden Township Healthcare District  
 Address: 20103 Lake Chabot Rd, Castro Valley California 94546

**NOTICE:** A lien for property taxes applies to your property on January 1 of each year for the taxes owing in the following fiscal year, July 1 through June 30. One-half of these taxes is due November 1, and one-half is due February 1. The first installment becomes delinquent on December 10, and the second installment becomes delinquent on April 10. One tax bill is mailed before November 1 to the owner of record. If this transfer occurs after January 1 and on or before December 31, you may be responsible for the second installment of taxes due February 1.

The property which you acquired may be subject to a supplemental assessment in an amount to be determined by the Alameda County Assessor. For further information on your supplemental roll obligation, please call the Alameda County Assessor at (510) 272-3787.

**PART I: TRANSFER INFORMATION (please answer all questions)**

- |                          |                                     |  |
|--------------------------|-------------------------------------|--|
| YES                      | NO                                  |  |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | A. Is this transfer solely between husband and wife (addition of a spouse, death of a spouse, divorce settlement, etc.)?   |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | B. Is this transaction only a correction of the name(s) of the person(s) holding title to the property (for example, a name change upon marriage)?   |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | C. Is this document recorded to create, terminate, or reconvey a lender's interest in the property?  |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | D. Is this transaction recorded only as a requirement for financing purposes or to create, terminate, or reconvey a security interest (e.g., cosigner)?  |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | E. Is this document recorded to substitute a trustee under a deed of trust, mortgage, or other similar document?   |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | F. Did this transfer result in the creation of a joint tenancy in which the seller (transferor) remains as one of the joint tenants?   |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | G. Does this transfer return property to the person who created the joint tenancy (original transferor)?   |
|                          |                                     | H. Is this transfer of property:   |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | 1. to a trust for the benefit of the <input type="checkbox"/> Grantor <input type="checkbox"/> Grantor's spouse?   |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | 2. to a trust revocable by the transferor?   |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | 3. to a trust from which the property reverts to the grantor within 12 years?  |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | I. If this property is subject to a lease, is the remaining lease term 35 years or more including written options?   |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | *J. Is this a transfer between <input type="checkbox"/> parent(s) and child(ren)? <input type="checkbox"/> or from grandparent(s) to grandchild(ren)?  |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | *K. Is this transaction to replace a principal residence by a person 55 years of age or older?<br>Within the same county? <input type="checkbox"/> Yes <input type="checkbox"/> No   |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | *L. Is this transaction to replace a principal residence by a person who is severely disabled as defined by Revenue and Taxation Code section 69.5? Within the same county? <input type="checkbox"/> Yes <input type="checkbox"/> No |

\*If you checked yes to J, K or L, you may qualify for a property tax reassessment exclusion, which may result in lower taxes on your property. If you do not file a claim, your property will be reassessed.

Please provide any other information that will help the Assessor to understand the nature of the transfer.

If the conveying document constitutes an exclusion from a change in ownership as defined in section 62 of the Revenue and Taxation Code for any reason other than those listed above, set forth the specific exclusions claimed: \_\_\_\_\_

Please answer all questions in each section. If a question does not apply, indicate with "NIA." Sign and date at bottom of second page.

**PART II: OTHER TRANSFER INFORMATION**

- A. Date of transfer if other than recording date July 1, 2004
- B. Type of transfer (please check appropriate box):  
 Purchase  Foreclosure  Gift  Trade or Exchange  Merger, Stock, or Partnership Acquisition  
 Contract of Sale - Date of Contract \_\_\_\_\_  
 Inheritance - Date of Death \_\_\_\_\_  Other (please explain): \_\_\_\_\_  
 Creation of Lease  Assignment of a Lease  Termination of a Lease  Sale/Leaseback  
 Date lease began \_\_\_\_\_  
 Original term in years (including written options) \_\_\_\_\_  
 Remaining term in years (including written options) \_\_\_\_\_  
 Monthly Payment \_\_\_\_\_ Remaining Term \_\_\_\_\_
- C. Was only a partial interest in the property transferred?  Yes  No  
 If yes, indicate the percentage transferred \_\_\_\_\_ %.

Please answer, to the best of your knowledge, all applicable questions, then sign and date. If a question does not apply, indicate with "N/A."

**PART III: PURCHASE PRICE AND TERMS OF SALE**

**CASH DOWN PAYMENT OR value of trade or exchange (excluding closing costs)** Amount \$ 35,000,000

**FIRST DEED OF TRUST @ \_\_\_\_\_ % interest for \_\_\_\_\_ years. Pymts./Mo. = \$ \_\_\_\_\_ (Prin. & Int. only) Amount \$ \_\_\_\_\_**

FHA( \_\_\_\_\_ Discount Points)  Fixed rate  New loan  
 Conventional  Variable rate  Assumed existing loan balance  
 VA ( \_\_\_\_\_ Discount Points)  All inclusive D.T. (\$ \_\_\_\_\_ Wrapped)  Bank or savings & loan  
 Cal-Vet  Loan carried by seller  Finance company  
 Balloon payment  Yes  No Due Date \_\_\_\_\_ Amount \$ \_\_\_\_\_

**C. SECOND DEED OF TRUST @ \_\_\_\_\_ % interest for \_\_\_\_\_ years. Pymts./Mo. = \$ \_\_\_\_\_ (Prin. & Int. only) Amount \$ \_\_\_\_\_**

Bank or savings & loan  Fixed rate  New loan  
 Loan carried by seller  Variable rate  Assumed existing loan balance  
 Balloon payment  Yes  No Due Date \_\_\_\_\_ Amount \$ \_\_\_\_\_

**D. OTHER FINANCING: Is other financing involved not covered in (b) or (c) above?  Yes  No Amount \$ \_\_\_\_\_**

Type \_\_\_\_\_ @ \_\_\_\_\_ % interest for \_\_\_\_\_ years. Pymts./Mo. = \$ \_\_\_\_\_ (Prin. & Int. only)

Bank or savings & loan  Fixed rate  New loan  
 Loan carried by seller  Variable rate  Assumed existing loan balance  
 Balloon payment  Yes  No Due Date \_\_\_\_\_ Amount \$ \_\_\_\_\_

**E. WAS AN IMPROVEMENT BOND ASSUMED BY THE BUYER?  Yes  No Outstanding Balance: Amount \$ \_\_\_\_\_**

**F. TOTAL PURCHASE PRICE (or acquisition price, if traded or exchanged, include real estate commission if paid)**  
**TOTAL ITEMS A THROUGH E** \$35,000,000

**G. PROPERTY PURCHASED  Through a broker  Direct from seller  From a family member  Other (please explain): \_\_\_\_\_**

If purchased through a broker, provide broker's name and phone number: \_\_\_\_\_

Please explain any special terms, seller concessions, or financing and any other information that would help the Assessor understand the purchase price and terms of sale: \_\_\_\_\_

**PART IV: PROPERTY INFORMATION**

**A. TYPE OF PROPERTY TRANSFERRED:**

Single-family residence  Agricultural  Timeshare  
 Multiple-family residence (no. of units: \_\_\_\_\_)  Co-op/Own-your-own  Manufactured home  
 Commercial/Industrial  Condominium  Unimproved lot  
 Other (Description: i.e., timber, mineral, water rights, etc. \_\_\_\_\_)

**IS THIS PROPERTY INTENDED AS YOUR PRINCIPAL RESIDENCE?  Yes  No**

If yes, enter date of occupancy \_\_\_\_\_ / \_\_\_\_\_ / 20\_\_\_\_ or intended occupancy \_\_\_\_\_ / \_\_\_\_\_ / 20\_\_\_\_  
(month) (day) (year) (month) (day) (year)

**C. IS PERSONAL PROPERTY INCLUDED IN PURCHASE PRICE (i.e., furniture, farm equipment, machinery, etc.) (other than a manufactured home subject to local property tax)?  Yes  No**  
 If yes, enter the value of the personal property included in the purchase price \$ 3,000,000 (Attach itemized list of personal property.)

**D. IS A MANUFACTURED HOME INCLUDED IN PURCHASE PRICE?  Yes  No**  
 If yes, how much of the purchase price is allocated to the manufactured home? \$ \_\_\_\_\_

Is the manufactured home subject to local property tax?  Yes  No What is the decal number? \_\_\_\_\_

**E. DOES THE PROPERTY PRODUCE INCOME?  Yes  No** If yes, is the income from:  
 Lease/Rent  Contract  Mineral rights  Other (please explain): \_\_\_\_\_

**F. WHAT WAS THE CONDITION OF THE PROPERTY AT THE TIME OF SALE?**  
 Good  Average  Fair  Poor

Please explain the physical condition of the property and provide any other information (such as restrictions, etc.) that would assist the Assessor in determining the value of the property: \_\_\_\_\_

**CERTIFICATION**

OWNERSHIP TYPE ( ) <input type="checkbox"/> Proprietorship <input type="checkbox"/> Partnership <input type="checkbox"/> Corporation <input checked="" type="checkbox"/> Other	I certify that the foregoing is true, correct and complete to the best of my knowledge and belief. This declaration is binding on each and every co-owner and/or partner.
NAME OF NEW OWNER/CORPORATE OFFICER <u>Francisco C. Rico MD, Secretary</u>	TITLE <u>Secretary</u>
SIGNATURE OF NEW OWNER/CORPORATE OFFICER 	DATE <u>June 30, 2004</u>
NAME OF ENTITY (typed or printed) <u>Eden Township HealthCare District</u>	FEDERAL EMPLOYER ID NUMBER <u>94600-3788</u>
ADDRESS (typed or printed) <u>20103 Lake Chabot Rd, Castro Valley, CA 94546</u>	TELEPHONE NUMBER <u>(510) 727-2703</u>

(NOTE: The Assessor may contact you for additional information.)  
 If a document evidencing a change of ownership is presented to the recorder for recordation without the concurrent filing of a preliminary change of ownership report, the recorder may charge an additional recording fee of twenty dollars (\$20).

**Exhibit A to  
Preliminary Change of Ownership Report  
(form BOE-502-A), Rev. 5 (8-03)**

**Seller/Transferor: San Leandro Hospital, LP**

**Buyer/Transferee: Eden Township Healthcare District**

**Assessor's Parcel Number(s):** 077D-1429-019  
077D-1429-018  
077D-1429-003-05  
077D-1429-002-03

San Leandro Hospital, LP  
c/o Triad Hospitals, Inc.  
5800 Tennyson Parkway  
Plano, Texas 75024

March 8, 2004

Board of Directors  
Eden Township Healthcare District  
c/o Craig Cannizzo Esq.  
Hooper, Lundy, Bookman  
180 Montgomery Street, Suite 1000  
San Francisco, CA 94104

Ladies and Gentlemen:

This Term Sheet sets forth a non-binding agreement in principle between San Leandro Hospital, LP., a Delaware limited partnership ("Seller"), a wholly-owned subsidiary of Triad Hospitals, Inc., a Delaware corporation ("Triad") and Eden Township Healthcare District ("District"), covering some of the major terms and conditions of the proposed purchase by the District or District affiliates (both the District and District affiliates are referred to as "Buyer") of all of the assets of Seller which are associated with or used in the operation of San Leandro Hospital in San Leandro, California (the "Hospital"), including, without limitation, the assets listed on Exhibit A-1 (collectively, the "Assets"), but specifically excluding the assets listed on Exhibit A-2 (the "Excluded Assets").

1. **Simultaneous Transactions.** It is understood by the parties that this Term Sheet anticipates two related transactions as described in this paragraph:
  - a. Seller's sale of the Assets to the Buyer; and
  - b. Buyer's lease ("Lease") of all or a portion of the Assets to Sutter Healthcare ("Sutter") or Eden Medical Center ("EMC") in form and substance satisfactory to the parties to the Lease.

It is also understood that the agreement relating to the sale of the Assets will be executed prior to the Lease and closed conditioned on, and simultaneously or nearly simultaneously with, the Lease.

This document deals specifically with Seller's sale of the Hospital Assets to Buyer pursuant to a definitive agreement or agreements to be prepared

by Seller and acceptable to Buyer (the "Definitive Agreement") and the related conditional Lease. The Definitive Agreement shall be structured as a sale of the Assets by Seller to Buyer.

2. Purchase Price.

a. Buyer intends to pay Seller \$35,000,000 as consideration for the Assets (the "Purchase Price"), *plus or minus* the Adjustment Amount (which may be a positive or negative number). The Adjustment Amount shall be the amount of the Closing Net Working Capital of the Hospital, *less* a credit amount for any Capital Leases acceptable to Buyer as described in Section 6(b), below. "Closing Net Working Capital" (which may be a positive or negative number) shall be calculated as Eligible Current Assets minus Eligible Current Liabilities, defined as follows:

(1) Eligible Current Assets shall include:

Prepaid expenses acceptable to Buyer;  
Inventories and Supplies subject to a pre-closing audit by Buyer if requested and with results reasonably acceptable to Seller;

Other Receivables acceptable to Buyer.

(2) Eligible Current Liabilities shall include:

Accounts Payable;  
Accrued Salaries;  
Accrued Expenses;  
Accrued PTO;

Other Current Liabilities acceptable to the Buyer and agreement by Seller as to the consequences of any changes resulting from Buyer's rejection of Current Liabilities.

- b. Amounts recorded as due to or due from the Hospital with respect to any cost report for any period prior to the Closing Date shall be excluded from the transaction.
- c. Buyer shall pay the Purchase Price plus or minus Closing Net Working Capital as shown on the books of Seller for the full month prior to closing to Seller at closing by wire transfer of federal funds to an account of Seller's designation.
- d. Sixty (60) days following the Closing Date, Buyer shall calculate Closing Net Working Capital on the Closing Date reflecting the principles, specifications and methodologies used in determining Closing Net Working Capital for the full month prior to closing.

Seller shall pay to Buyer the amount by which Closing Net Working Capital exceeds the Net Working Capital for the full month prior to closing and Buyer shall pay to Seller the amount by which Closing Net Working Capital is less than the amount paid at Closing. The payment by either Buyer or Seller described in this Section 2(d) shall be by wire transfer of federal funds within ninety (90) days of the Closing Date. Any dispute respecting such determinations shall be resolved through a method of private dispute resolution or third party expert determination to be agreed upon in the Definitive Agreement.

- e. For purposes of clarity, the parties acknowledge that Seller will retain accounts receivable and that the Definitive Agreement will prorate payments received for patients whose admission was prior to the Closing Date and whose discharge was on or after the Closing Date.

3. San Leandro Surgery Center Ltd. After the approval of the Definitive Agreement by the District Board, Seller shall use its best efforts to cause to be transferred to Buyer the limited partnership interests in the San Leandro Surgery Center owned by Seller and its affiliates as part of the Assets purchased by Buyer pursuant to this transaction. If the terms of the limited partnership agreement preclude such a transfer or if pursuant to such terms consent to such transfer is not approved then Seller shall cause the transfer of its and its affiliates' interests in the net cash distributions of the partnership to Buyer or covenant to pay over to Buyer an amount equal to such net cash distributions actually received by Seller and its affiliates. In addition, Seller shall cause to be transferred to Buyer the net proceeds received before or after Closing by Seller and its affiliates in connection with any sale or transfer of their ownership interests to any other party, including the limited partnership, pursuant to the terms of the partnership agreement.
4. Escrow Deposit. Subsequent to the date of execution of the Definitive Agreement and completion of the review of information by Buyer by the date set forth in Section 8, but prior to the date that Buyer provides public notice of public meeting(s) required for approval of the contemplated Asset sale and Lease and prior to any permitted disclosure of the contemplated Asset sale by way of courtesy or comity to public officials, Sutter/EMC shall have deposited in an escrow account in favor of Seller the amount of Three Million Dollars (\$3,000,000) (the Escrow Amount) coupled with irreversible instructions permitting Seller to withdraw said funds if Buyer or Sutter/EMC elect for any reason within their control not to consummate the purchase of the Assets. Seller acknowledges that any Definitive Agreement regardless of execution by an authorized individual is subject to public disclosure, debate and the approval of the Board of the Buyer to become binding and to consummate the transactions contemplated hereby and thereby. However, failure to consummate the

transaction contemplated by the executed Definitive Agreement, whether or not the Definitive Agreement shall have been approved by the Buyer's Board, for any reason within the control of Buyer, Sutter or EMC shall permit the Seller to unilaterally instruct the escrow holder to pay and effect the payment of the Escrow Amount to Seller. Any such separate Escrow Agreement shall permit the recovery by Sutter or EMC of funds paid pursuant to said Escrow Agreement upon close of the purchase of the Assets by Buyer or if the transaction fails to close by reason of a material adverse change in the financial condition of the Hospital not caused by the disclosure by Buyer, EMC or Sutter of information in violation of the Confidentiality Agreement described in 10.a., or by reason of a material breach of the Definitive Agreement by Seller. To make clear the Seller's intent with respect to payment of the Escrow Amount and by way of non exclusive examples, the Seller does not intend a right by the District, Sutter or EMC to recover the Escrow Amount on account of the failure of the District Board to approve the Definitive Agreement, or by reason of the District and Sutter/EMC failing to agree upon and consummate the Lease. The terms and conditions of the parties to the Escrow Agreement, which parties shall not include the Buyer, but which parties shall include Sutter and EMC, and the rights and remedies of the parties outside of escrow shall be described in the separate Escrow Agreement.

5. Encumbrances. Seller will convey title to the Assets, free and clear of all liens, liabilities, encumbrances and defects in title, except for such encumbrances and defects in title that have not interfered with Seller's use of the Assets in its operation of the Hospital as accepted by Buyer or except as Buyer and Seller otherwise agree. Real property shall be conveyed with Seller to provide CLTA title insurance; provided however that Buyer may obtain ALTA coverage by paying the title insurance premium difference between CLTA and ALTA insurance.
6. Assumed Obligations and Liabilities, Excluded Liabilities.
  - a. Buyer shall assume all written contracts, leases, agreements, open purchase orders made in the ordinary course which provide for the routine delivery of goods or services subsequent to the closing, obligations, commitments, or covenants (other than those pertaining to the Excluded Assets or liabilities described in paragraph 6.d) to which a Seller is a party at the Closing Date that (i) are separately scheduled in the Definitive Agreement, (ii) constitute routine supply or service contracts pursuant to which Seller expects to pay or receive less than \$50,000 for any one such contract, (iii) extend for a period of not more than one year or which regardless of term are terminable on 90 days written notice or terminable on lesser notice by the payment of a sum not to exceed \$50,000, whether or not scheduled, or (iv) are entered into after the date hereof after notice and consent to by Buyer.

- b. All obligations and liabilities of Seller with respect to the Capitalized Lease obligations to the extent set forth on the Seller's financial statements and which Buyer has expressly accepted. If a rejected Capital Lease relates to equipment or other movable personalty then Seller may at its election remove the related equipment or personalty and exclude such equipment or personalty from the purchased assets.
- c. Notwithstanding the foregoing provisions of this paragraph 6, Buyer shall not be obligated to assume any contract, agreement, or lease which in its good faith and reasonable judgment constitutes a risk of non-compliance with federal and state laws related to Medicare and Medi-Cal. Seller reserves the right to renegotiate the Purchase Price respecting any such contract, agreement or lease which is not assumed by Buyer.
- d. Except as set forth in this paragraph 6 and for current liabilities and as the parties may agree in the Definitive Agreement, Buyer will not assume and Seller will remain responsible for, and indemnify Buyer against, any and all liabilities, indebtedness, commitments or obligations relating to the operation of the Hospital and Assets by Seller or its affiliates prior to the closing, including without limitation, cost report matters, tax matters and medical malpractice or general liability claims.

7. Additional Terms and Conditions.

- a. Employees. With the possible exception of the Hospital CEO, Buyer shall hire at closing all of the Hospital's employees in positions and at compensation levels consistent with their employment immediately prior to closing and subject to existing collective bargaining agreements; provided, however that 1) Seller shall have the option to offer to continue the employment of the Hospital CEO with Seller or Seller's affiliates, and 2) Buyer shall not be obligated to hire aliens found to be not lawfully permitted to work in the U. S., employees found to be on a list of debarred individuals maintained in connection with federal health care programs, or employees not in good standing or subject to current disciplinary actions not resolved by the Closing. The Buyer shall indemnify and hold Seller harmless from any claim or liability arising after closing with respect to actions taken by the Buyer or by Sutter which would cause the Seller to be in violation of any federal or state law or collective bargaining agreement relating to multiple terminations, layoff, or plant closure affecting employees including, without limitation, the Worker Adjustment Retraining and Notification Act. Where Seller has prior qualified retirement programs, Buyer shall honor prior length of service for purposes of eligibility and vesting in Buyer's retirement benefit plans, but shall not make contributions to such

plans with respect to prior service and shall not assume Seller's retirement plans. Buyer intends to assume Seller's obligations for paid time off and extended illness benefits related to such employees, unless Buyer and Seller reasonably determine that such assumption will result in the recordation of increased aggregate liability of Buyer for such benefits when compared to the liability reflected on the Seller's balance sheet under generally accepted accounting principles.

- b. Covenant Not to Compete. Seller and Triad will execute and deliver at the closing, a covenant not to compete without the consent of Buyer within a defined geographic area, and containing other terms acceptable to Buyer and Seller and Triad. The investment interest of Seller and Seller's affiliates in San Leandro Surgery Center, Ltd. would be exempt from the covenant not to compete.
  - c. Medical Staff. Buyer will process without delay applications for medical staff privileges by any member the existing medical staff of the Hospital so as to minimize any disruption in the practice patterns and patient care of existing practitioners at the Hospital. To effect such application, current medical staff members may signify their assent by permitting review of their current credentials files and other relevant information held in such files and responding to Buyer's reasonable request to confirm or update any such information.
  - d. Information Services. If required by Buyer, Seller would facilitate the continuation of information services currently provided to the Hospital by HCA or its affiliates for a mutually agreeable period under a separately negotiated contract with the providing entity following the closing.
  - e. Maintenance of Services. Upon purchase of the Assets by Buyer, certain of the health care services provided at the Hospital may be relocated and consolidated with services provided at Eden Medical Center. However, for a period of three (3) years following the Closing Date, Buyer agrees to maintain an acute care license and medical/surgical and basic emergency services, physician on duty, at the Hospital.
8. Access to Information. Pending the execution of the Definitive Agreement provided that such period shall not extend beyond April 15, 2004 unless extended by mutual written agreement, Seller will permit Buyer and its representatives reasonable access to inspect and appraise the Assets, the Hospital and its business prospects, and will disclose and make available to representatives of Buyer all books, agreements, papers and records relating to the ownership and operation of the Assets. In this regard,

Buyer agrees that such inspection shall not interfere with the operations of the Hospital and that no such inspection shall take place and no employees or physicians associated with the Hospital shall be contacted by Buyer without Buyer first coordinating such inspection or contact with Seller.

9. No Violation. Each party has relied on the representation of the other that the other is not currently bound under any contract, commitment or agreement with any third party, or by law which would materially interfere with or prohibit the Asset sale or lease contemplated under Paragraph 1. Laws applicable to the Buyer regarding open meetings are deemed not to materially interfere with the contemplated transaction.
10. Confidentiality; Disclosure; Expenses.
  - a. Except as otherwise required by law, Buyer and Seller agree to keep the existence and contents of this Term Sheet and all information provided by either party pursuant to this Term Sheet confidential and not disclose the same to any third party (except their respective attorneys, accountants and applicable governmental agencies in connection with any required notification or application related to the contemplated Transaction) without the written consent of the other party. The Confidentiality Agreement dated January 3, 2003, as extended, shall remain in effect pursuant to its terms through the earlier of June 30, 2004, or the date Sutter/EMC shall have deposited the Escrow Amount in accordance with the terms of Section 4 hereof.
  - b. Except as required by law, any release to the public of information with respect to the matters set forth herein will be made only in the form and manner approved by the parties and their respective counsel. The Buyer agrees that it shall impose this obligation regarding the release of information to the public on Sutter and that the Seller shall be a third party beneficiary of any such imposition.
  - c. Each party shall bear its own expenses in connection with the implementation of this Term Sheet and in preparation and negotiation of the Definitive Agreement, regardless of whether the Definitive Agreement is executed.
11. Definitive Agreement. Except for the provisions of Sections 8, 10, 13 and 14 hereof, this Term Sheet is not intended to be a binding agreement and shall not give rise to any obligations between the parties. Further, due to the complexity of the proposed transaction, it is the expressed intention of the parties that except for the provisions of Sections 8, 10, 13 and 14 hereof, no binding contractual agreement shall exist between them unless and until Buyer and Seller and Triad shall have executed the Definitive Agreement, which shall contain the provisions outlined in this Term Sheet

and the representations, warranties, and other terms and conditions customary in this type of transaction, all of which must be acceptable to both parties in their sole discretion (including, without limitation, contingencies for all necessary regulatory approvals). Notwithstanding the foregoing, Seller and Buyer agree that Seller shall give no warranty as to the physical condition of the Assets, it being expressly understood and agreed that the Assets will be conveyed "AS IS". Either party may for whatever reason terminate this Term Sheet and further negotiations by written notice to the other party. In such event, there shall be no liability between the parties as a result of the execution of this Term Sheet, any action taken in reliance on this Term Sheet, or such termination, except with respect to the provisions of Sections 8, 10, 13 and 14 hereof.

12. Continuation of Operations. As a condition of Buyer's obligation to close the transaction, from the date of execution of this Term Sheet until June 30, 2004 (unless negotiations towards the execution of the Definitive Agreement are terminated by Buyer or are terminated by Seller following a request by Buyer for a material change in the terms embodied by this Term Sheet), Seller shall continue to operate the Hospital in the ordinary course of business. Without Buyer's prior written consent, Seller shall not (i) remove or transfer any of the Assets, except in the ordinary course of business (with adequate replacement of any transferred Assets), (ii) make any material change in the business or operation of the Hospital, or (iii) enter into any other significant contract, commitment or transaction with respect to the Hospital.
13. No-Shop Provision. From the date of execution of this Term Sheet until April 15, 2004 (unless negotiations towards the execution of the Definitive Agreement are terminated by Buyer or are terminated by Seller following a request by Buyer for a material change in the terms embodied by this Term Sheet), Seller and Triad will not, without the approval of Buyer, (a) offer for sale the Assets (or any material portion thereof) or any ownership interest in any entity owning any of the Assets, (b) solicit offers to buy all or any material portion of the Assets or any ownership interest in any entity owning any of the Assets, (c) hold discussions with any party (other than Buyer) looking toward such an offer or solicitation or looking toward a merger or consolidation of any entity owning any of the Assets (d) enter into any agreement with any party (other than Buyer) with respect to the sale or other disposition of the Assets (or any material portion thereof) or any ownership interest in any entity owning any of the Assets or with respect to any merger, consolidation, or similar transaction involving any entity owning any of the Assets.
14. Duty To Defend. If legal action is brought challenging Buyer's ability to purchase the Assets or consummate the Lease with Sutter/EMC, Buyer shall be obligated to defend Seller if it is a named party in any legal challenge and pay the actual expenses of outside counsel not-of-record in such legal challenge retained by Seller to advise Seller with respect to any

such defense not to exceed Thirty Thousand Dollars (\$30,000). Buyer shall also be obligated to vigorously contest any such legal challenge that would otherwise preclude consummation of the purchase of the Assets or the Lease with Sutter/EMC; however, nothing herein shall obligate Buyer to appeal to the Court of Appeals any adverse trial court decision enjoining the proposed purchase and/or Lease.

15. Transaction Time Frame/Process. Exhibit C outlines key events and estimated completion dates related to the transaction contemplated in this Term Sheet.

Please indicate your approval of the terms and conditions of this proposal and your intention to enter into these negotiations by executing two copies of this letter in the space provided below and returning one executed copy to Seller, whereupon we shall proceed promptly with the preparation and negotiation of the Definitive Agreement.

Please be advised that this proposal shall expire March 15, 2004 unless there has been delivered to Seller a fully executed copy of this letter no later than 5:00 PM, Central Time, on March 15, 2004.

We look forward to a successful and mutually rewarding relationship in respect of the transaction set forth herein.

Sincerely,

SAN LEANDRO HOSPITAL, LP

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

THE FOREGOING IS APPROVED:

This 8th day of March, 2004

EDEN TOWNSHIP HEALTHCARE DISTRICT

By: Harry S. Dvorsky

Name: Harry Dvorsky, M.D.

Title: Chairman

## EXHIBIT A-1

### ASSETS

- All of the assets of San Leandro Hospital LP (the "Hospital), and any associated physician clinics, ancillary services, land and buildings, and any assets of Seller which are necessary for the operation of the Hospital.
- Equipment, inventory and supplies.
- Patient, medical, personnel and other records of the Hospital.
- Licenses, permits and trade names.
- Any prepaid expenses and deposits.
- The contracts relating to the operation of the assets of the Hospital.
- All other property, whether tangible or intangible, of every kind, character or description, owned by Seller and used in the operation of the Hospital.
- Seller's 50% interest in the San Leandro Surgery Center, Ltd.

## EXHIBIT A-2

### EXCLUDED ASSETS

- Cash and cash equivalents.
- All of Seller's insurance proceeds arising in connection with loss contingencies related to the Assets.
- All amounts due or to become due to Seller from the Medicare, Medicaid or other payor programs in respect of cost report periods ended on or prior to closing.
- The names and symbols used in connection with the Hospital and the Assets, which include the name "Triad" or any variants thereof or any other names which are proprietary to Seller or its affiliates.
- Computer software and programs, which are proprietary to Seller or its affiliates.
- All documents, records, operating manuals and film pertaining to the Hospital and proprietary to Seller or which Seller is required by law to retain.
- Any contracts, commitments or agreements, which are available only to Seller and its affiliates.
- Prepaids related to excluded assets, tax accruals and tax revenues received after closings
- Patient accounts receivable

**EXHIBIT C**

Transaction Time Frame / Process

<b>Key Event</b>	<b>Estimated Completion Date</b>
Sign non-binding Term Sheet	3/15/04
Conduct due diligence among and between Sutter, District and Seller	3/1/04 to 4/15/04
Complete Negotiation and execution of the Definitive Agreement	4/15/04
Sutter deposits \$3,000,000 in escrow naming Seller as beneficiary	4/15/04
Triad seeks approval from ASC General Partner to transfer its ASC interest to Buyer	4/19/04
Parties make optional preliminary courtesy calls on local officials.	4/15/04 to 4/30/04
Parties secure approval from their respective Boards <ul style="list-style-type: none"> <li>▪ Sutter</li> <li>▪ Seller</li> <li>▪ District... 2 public meetings are required – one for each of the 2 transactions that District is involved in.</li> </ul>	4/15/04 to 5/15/04  (public meetings subject to notice requirements of less than 3 days and perhaps only 24 hours)
Secure Regulatory Approval <ul style="list-style-type: none"> <li>▪ Justice Department/FTC...no Hart Scott Rodino filing required because District exempt</li> <li>▪ California Attorney General...his approval is not required to close deal, but comity interest</li> <li>▪ California Department of Health ...change of hospital license</li> </ul>	4/15/04 to 6/15/04
Close Transaction	6/30/04

such defense not to exceed Thirty Thousand Dollars (\$30,000). Buyer shall also be obligated to vigorously contest any such legal challenge that would otherwise preclude consummation of the purchase of the Assets or the Lease with Sutter/EMC; however, nothing herein shall obligate Buyer to appeal to the Court of Appeals any adverse trial court decision enjoining the proposed purchase and/or Lease.

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We look forward to a successful and mutually rewarding relationship in respect of the transaction set forth herein.

Sincerely,

SAN LEANDRO HOSPITAL, LP

By: 

Name: James B. Shannon

Title: Vice President

THE FOREGOING IS APPROVED:

This 8th day of March, 2004

EDEN TOWNSHIP HEALTHCARE DISTRICT

By: \_\_\_\_\_

Name: Harry Dvorsky, M.D.

Title: Chairman