

**SALE OF SAN LEANDRO HOSPITAL BY
SAN LEANDRO HOSPITAL, L.P., AND TRIAD HOSPITALS, INC., TO
EDEN TOWNSHIP HEALTHCARE DISTRICT
AND LEASE TO EDEN MEDICAL CENTER,
AN AFFILIATE OF SUTTER HEALTH**

**PRECLOSING AND
CLOSING MEMORANDUM**

**Preclosing and Closing Location
Sutter Health
345 California Street, 20th Floor
San Francisco, CA 94111**

Time

**Preclosing: Tuesday, June 29, 2004, at 10:30 a.m. pst
Preclosing Sign Off: Wednesday, June 30, 2004, at 9:00 a.m. pst
(Preclosing Conference Call Call-In Numbers)
((800) 242-2214 Passcode 544-458)**

Closing: Thursday, July 1, 2004

PARTIES

**Triad Hospitals, Inc. ("Triad")
San Leandro Hospital, L.P. ("SLH" or "Seller")
Eden Township Healthcare District ("District" or "Buyer")
Sutter Health ("Sutter")
Eden Medical Center ("EMC")
Ervin, Cohen & Jessup, LLP (Triad's and SLH's Counsel) ("ECJ")
Hooper, Lundy & Bookman, Inc. (District's Counsel) ("HLB")
Sutter Health Legal Counsel Department ("SHLC")
McDonough Holland & Allen PC (Sutter's and EMC's Counsel) ("MHA")**

The parties indicated below will deliver each of the respective documents so indicated below in executed form or as certified counterparts unless otherwise indicated. The documents, with the exception of opinions to be given by counsels for the District and SLH, will be executed in advance or at the Preclosing by the respective parties thereto and delivered no later than the Preclosing. At that time, a Preclosing Conference will be held to confirm that all documents and papers are on hand, in proper form and properly executed. Any documents delivered will be deemed to have been held in escrow until the Closing and certain schedules and exhibits may be initialed for purposes of identification only.

An executed copy of the (1) Asset Sale Agreement dated May 25, 2004 ("Asset Sale Agreement"), between the District and the Hospital, (2) Wrap Around Agreement dated as of May 25, 2004 ("Wrap Around Agreement"), among the District, Triad, SLH, Sutter and EMC, (3) Lease and Hospital Operations Agreement dated May 17, 2004 ("Lease"), between the District and EMC, (4) Agreement Regarding Medicare and Medi-Cal Provider Numbers, Medicare and Other Payors' Provider Agreements and Pharmacy License dated May 25, 2004 ("Provider Transfer Agreement"), among SLH, Triad, EMC and Sutter, (5) Security and Escrow Agreement dated May 17, 2004 ("Escrow Agreement"), between Sutter and Triad, and (6) Addendum to Escrow Agreement ("Addendum") among Chicago Title Company, Triad and Sutter, will be made available to the parties at Preclosing. The opinions of counsels for the District and the Hospital will be executed and delivered at the Closing. Opinions and Certificates shall be dated as of the Closing.

Responsibility for preparing or assembling the documents is indicated in parentheses.

PRECLOSING

Agreements

1. Asset Sale Agreement. (MHA)

Included in the Asset Sale Agreement are the following updated, completed, restated or corrected Schedules to the Asset Sale Agreement (which, upon Closing, shall replace the previous Schedules and constitute the mutually agreed upon Schedules to the Asset Sale Agreement).

- A. Updated Exhibit 1.1(n)-B (regarding actions concerning the San Leandro Surgery Center, Ltd.). (ECJ)
- B. Updated Schedule 4.1(c) Supplemental Disclosure (amending Schedules A-1, 1.1(a), 1.1(c), 1.1(f), 3.2, 4.4(b), 5.3(a), 5.5, 5.8, 5.14, 5.15, 5.20, 7.9, 9.8 and 10.5). (SLH)

- C. **Corrected Exhibit 9.9 (as provided in Section 9.9 of the Asset Sale Agreement.**
 - (1) **Bill of Sale. (ECJ)**
 - (2) **Assignment of Contracts. (ECJ)**
 - (A) **All contracts except McKesson.**
 - (B) **McKesson.**
- D. **Completed Exhibit 14.16 Special limited powers of attorney for controlled substance permit (as provided in Paragraph 14.16 of the Asset Sale Agreement. (ECJ)**
- E. **The following information shall be provided at Closing to be maintained by Triad, SLH and EMC:**
 - (1) **Updated Paid Time Off and Sick Time Policies/Amounts as provided for in Schedule 2.1(h). (SLH)**
 - (2) **Updated schedule of loss runs showing open insurance claims as provided for in Schedule 5.8. (SLH)**
 - (3) **Updated schedule of open workers compensation claims and open unemployment compensation claims as provided for in Schedule 5.10. (SLH)**
- 2. **Lease. (MHA)**
- 3. **Provider Transfer Agreement. (MHA)**
- 4. **Wrap Around Agreement. (MHA)**
- 5. **Escrow Agreement. (MHA)**
- 6. **Addendum. (MHA)**
- 7. **Joint Defense Agreement by and among Triad, SLH, District, and EMC. (MHA)**
- 8. **Confidentiality Agreement and first and second amendments by and among Triad, SLH, District, and EMC. (MHA)**
- 9. **Letter of Intent dated March 8, 2004, by and among Triad, SLH, District, and EMC. (MHA)**

Sale Documents

10. Letter Agreement regarding the Closing Date. (HLB)
11. Letters signed by SLH and addressed to contracting parties to all Assumed Contracts. (SLH)
 - A. Assumed Contracts exclusive of third party payor contracts (as provided in Paragraph 1.1(f) of the Asset Sale Agreement).
 - B. All third party payor contracts (as provided in Article II of the Provider Transfer Agreement).
12. Closing Statement (working capital adjustment with Estimated Purchase Price) (including May financial statements for SLH). (SLH)
13. Hospital license dated July 1, 2004, issued by the California State Department of Health Services. (MHA)
14. Certificate of Non-Foreign Status. (SLH)
15. Resolution of Triad regarding SLH's authorization to execute Asset Sale Agreement and perform transactions. (Triad)
16. Resolution of District regarding District's authorization to execute Asset Sale Agreement and perform transactions. (District)
17. Certificate of SLH's CEO regarding representations and warranties, performance of obligations and good standing of SLH as described in Paragraph 9.10 of the Asset Sale Agreement. (HLB)
18. Certificate of District's Secretary regarding representation and warranties, performance of obligations and compliance with all Laws as described in Paragraph 10.6 of the Asset Sale Agreement. (ECJ)
19. Opinion of Counsel to SLH as required under Paragraph 9.11 of the Asset Sale Agreement. (ECJ)
20. Opinion of District's Counsel as required under Paragraph 10.8 of the Asset Sale Agreement. (HLB)
21. Letter Agreement regarding use of SLH's Medicare and Medi-Cal provider numbers. (SHLC)

22. Supplemental Deliverables. (ECJ)
23. Letter from District regarding delegation to EMC of Asset Sale Agreement obligations and duties. (HLB)
24. Letter Agreement regarding Hospital building compliance issues. (HLB)
25. Good Standing Certificates—San Leandro Hospital, L.P.
 - A. California.
 - B. Delaware.
26. [Intentionally left blank.]
27. Letter from legal counsel to plaintiff Access Care regarding dismissal of SLH from outstanding litigation. (ECJ)
28. Requests for UCC-1 Releases. (ECJ)
29. Wire instructions. (Triad)
 - A. For wire from District to Triad. (Triad)
 - B. Escrow Instructions for release of escrow funds from Escrow to Sutter Health. (Sutter Health)
 - C. For wire from District to title company. (District)

Real Estate Documents

30. Preliminary Title Report. (HLB)
31. Commitments to issue policies of title insurance. (HLB)
 - A. APN 77D-1429-19 (Hospital and Medical Arts Office Building).
 - B. APN 77D-1429-18 (Doctors Office Building).
 - C. APN 77D-1429-3-5 (Hospital Employee Parking Lot).
 - D. APN 77D-1429-2-3 (Prior Location of Ford Dealership).

32. Deeds and Acceptance of Deeds (2) (in form for recordation). (SLH)
 - A. APN 77D-1429-19 (Hospital and Medical Arts Office Building)
APN 77D-1429-3-5 (Hospital Employee Parking Lot)
APN 77D-1429-2-3 (Prior Location of Ford Dealership)
 - B. APN 77D-1429-18 (Doctors Office Building).
33. ALTA title insurance policy. (HLB)
34. Waiver of title issues. (HLB)
35. Letter regarding preliminary ALTA Survey.
36. Escrow Instructions. (ECJ, HLB)
37. Rent roll contemporaneous with the Closing Date. (SLH)
38. Assignment, Assumption and Consent Agreement (evidencing consents required to be obtained under Schedule 5.5 of the Asset Sale Agreement). (ECJ)
 - A. PSC San Leandro lease (South Campus—CORF).
 - B. Bridgeport Partnership lease (North Campus).
39. Doctors Office Building of San Leandro ground lease.
 - A. Assignment of Lease (in form for recordation). (ECJ)
 - B. Notice to Doctors Office Building of San Leandro of assignment of lease. (HLB)
 - C. Assignment of Rents. (HLB)
40. Letters requesting tenants of the Medical Arts Office Building to execute Estoppel Certificates. (ECJ)
41. Memorandum of Lease regarding the Lease between District and EMC (in form for recordation). (HLB)

CLOSING

42. Wire confirmation. (HLB)
 - A. For wire from District to Triad. (Triad)
 - B. For wire from Escrow to Sutter Health. (Sutter Health)
43. Recorded Deeds. (HLB)
 - A. APN 77D-1429-19 (Hospital and Medical Arts Office Building)
APN 77D-1429-3-5 (Hospital Employee Parking Lot)
APN 77D-1429-2-3 (Prior Location of Ford Dealership)
 - B. APN 77D-1429-18 (Doctors Office Building).

POST-CLOSING

44. Final ALTA Survey. (EMC)
45. Amended ALTA Title Insurance Policy. (HLB)
46. Complete Final Closing Statement (working capital adjustment including June financial statements) (within 90 days after Closing). (District and EMC)
47. Acceptance or Dispute of Final Closing Statement. (Triad and SLH)
48. Wire confirmation evidencing payment of amounts under Final Closing Statement. (SLH/District, as appropriate)
49. Dismissal of SLH to Access Care litigation. (ECJ)
50. UCC-1 releases.

After the Closing, MHA will distribute closing transcripts to all parties.