



# Washington Township Health Care District

2000 Mowry Avenue, Fremont, California 94538-1716 | 510.797.1111

Kimberly Hartz, Chief Executive Officer

## Board of Directors

Jacob Eapen, MD  
William F. Nicholson, MD  
Bernard Stewart, DDS  
Michael J. Wallace  
Jeannie Yee

## BOARD OF DIRECTORS MEETING

Wednesday, May 12, 2021 – 6:00 P.M.

Meeting Conducted by Zoom

<https://us02web.zoom.us/j/83731410305?pwd=eStKZzMyROJBsmNXbk1HUGJ1VFpJUT09>

Password: 417699

## AGENDA

### PRESENTED BY:

- |   |  |
|---|--|
| <p><b>I. CALL TO ORDER &amp; PLEDGE OF ALLEGIANCE</b></p>   | <p>William Nicholson, M.D.<br/>Board President</p>                               |
| <p><b>II. ROLL CALL</b></p>   | <p>Dee Antonio<br/>District Clerk</p>  |
| <p><b>III. COMMUNICATIONS</b></p> <p>A. Oral</p> <p><i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not on the agenda and within the subject matter of jurisdiction of the Board.. “Request to Speak” cards should be filled out in advance and presented to the District Clerk. For the record, please state your name.</i></p> <p>B. Written</p>                     |  |
| <p><b>IV. CONSENT CALENDAR</b></p> <p><i>Items listed under the Consent Calendar include reviewed reports and recommendations and are acted upon by one motion of the Board. Any Board Member or member of the public may remove an item for discussion before a motion is made.</i></p> <p>A. Consideration of Minutes of the Regular Meetings of the District Board: April 14, 19, 26, and 28, 2021</p> <p>B. Consideration of Dornoch Waste Management Carts</p> | <p>William Nicholson, M.D.<br/>Board President</p> <p><i>Motion Required</i></p> |

**V. PRESENTATION**

A. The Journey to Magnet Redesignation

Brenda Brennan, MS, RN, CNS, CEN  
Assistant Chief Nursing Officer  
and  
Adelita Tinoco, PhD, RN, AGCNS-BC  
Magnet Project Manager

**VI. REPORTS**

**PRESENTED BY:**

A. Medical Staff Report

Prasad Kilaru, M.D.  
Chief of Medical Staff

B. Service League Report

Debbie Feary  
Service League President

C. Quality Report:  
Quality Dashboard Quarter Ending March 31,  
2021

Mary Bowron, DNP, RN, CIC, CNL,  
CPHQ  
Chief of Quality & Resource  
Management

D. Finance Report

Chris Henry  
Vice President & Chief Financial  
Officer

E. Hospital Operations Report

Kimberly Hartz  
Chief Executive Officer

**VII. ACTION ITEMS**

*Motion Required*

A. Consideration of Resolution No. 1225:  
Resolution of the Board of Directors of  
Washington Township Health Care District to  
Authorize the Chief Executive Officer to Enter  
Into a Joint Venture Agreement with the  
University of California, San Francisco and  
Approval of Budget

B. Consideration of Resolution No. 1226:  
Resolution of the Board of Directors of  
Washington Township Health Care District to  
Approve the District's Portion of the Estimated  
Phase I Construction Costs for Warm Springs  
Health Center Partnership, LLC and Authorize  
the Disbursement of Funds

**VIII. ANNOUNCEMENTS**

Kimberly Hartz  
Chief Executive Officer

**IX. ADJOURN TO CLOSED SESSION**

*In accordance with Section 32106 and 32155 of the California Health & Safety Code, portions of this meeting may be held in closed session.*

- A. Report of Medical Staff and Quality Assurance Committee, Health & Safety Code section 32155

**X. RECONVENE TO OPEN SESSION & REPORT ON PERMISSIBLE ACTIONS TAKEN DURING CLOSED SESSION**

William Nicholson, M.D.  
Board President

**XI. ADJOURNMENT**

William Nicholson, M.D.  
Board President

*In compliance with the Americans with Disabilities Act, if you need assistance to participate in this meeting, please contact the District Clerk at (510) 818-6500. Notification two working days prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting.*

A meeting of the Board of Directors of the Washington Township Health Care District was held on Wednesday, April 14, 2021 via Zoom in order to comply with California Governor Gavin Newsom's and Alameda County's mandatory orders as revised on January 25, 2021 to comply with social distancing measures and other restrictions necessary to control the spread of COVID-19. Director Nicholson called the meeting to order at 6:00 pm and led those in attendance of the meeting in the Pledge of Allegiance.

*CALL TO ORDER*

*PLEDGE OF ALLEGIANCE*

Roll call was taken: Directors present: William Nicholson, MD; Jeannie Yee; Bernard Stewart, DDS; Jacob Eapen, MD; Michael Wallace  
Absent:

*ROLL CALL*

Also present: Kimberly Hartz, Chief Executive Officer; Dee Antonio, District Clerk

Guests: Ed Fayen, Chris Henry, Tina Nunez, Stephanie Williams, Paul Kozachenko, Prasad Kilaru MD, Carmen Acgaoili MD, Dianne Martin MD, Erin Brooks, Mary Bowron, John Lee, Angus Cochran, Jeff Stuart MD, Gisela Hernandez, Debbie Feary, Kel Kanady, and Sri Boddu.

Director Nicholson welcomed any members of the general public to the meeting. He stated that Governor's Newsom's Executive Order N-29-20 explicitly waives The Brown Act provision that requires physical presence of members, the clerk or other personnel of the body, or of the public as a condition of participation in, or quorum for, a public meeting. He noted that Washington Township Health Care District continues to comply with the Brown Act in providing appropriate connection information in order to provide the public the opportunity to participate in the meeting and that Public Notice for this meeting, including connection information, was posted appropriately on our website.

*OPENING REMARKS*

Director Nicholson announced that this meeting, conducted via Zoom, will be recorded for broadcast at a later date. When asked if any members of the general public were in attendance and/or interested in speaking, there was no response.

Director Nicholson presented the Consent Calendar for consideration:

*CONSENT CALENDAR*

- A. Minutes of the Regular Meetings of the District Board: March 10, March 15, March 22, and March 24, 2021
- B. Cepheid Diagnostics c360 and GeneXpert Xpress (POC) PCR Instruments
- C. Institutional Review Board (IRB) Policies
- D. Medical Staff: Revisions to the Moderate Sedation Privileges Form
- E. Center for Joint Replacement Garden Level Clinic X-ray Machine

In accordance with District law, policies, and procedures, Director Yee moved that the Board of Directors approve the Consent Calendar, items A through E. Director Stewart seconded the motion.

Roll call was taken:

William Nicholson, MD – aye  
Jeannie Yee – aye  
Bernard Stewart, DDS – aye  
Jacob Eapen, MD – aye

Michael Wallace – aye

The motion unanimously carried.  
There were no Oral communications.

*COMMUNICATIONS:  
ORAL*

There were no Written communications.

*COMMUNICATIONS:  
WRITTEN*

Kimberly Hartz, CEO, introduced Dr. Jeff Stuart, Chief Medical Officer, who gave a brief update on the vaccination statistics in Alameda County and Washington Hospital's participation in vaccinating the community since February 1, 2021.

*PRESENTATION:  
COVID-19  
VACCINATION and  
VACCINE ROLLOUT  
AND CURRENT STATE  
OF THE PANDEMIC*

Ms. Hartz then introduced Dr. Stephen Catalya, an internal medicine specialist with a special focus on infectious disease. Dr. Catalya spoke on the three vaccines currently in circulation in the U.S. and their efficacy in preventing confirmed COVID-19 and their side effects. He talked about the differences between the Pfizer and Moderna vaccines which are mRNA based and require two shots as compared with the Johnson and Johnson and (the not yet approved in the U.S.) AstraZeneca which are both DNA based. He cited the recent "pause" of the Johnson and Johnson vaccine due to a serious side effect (blood clots) while noting this occurred in 6 individuals out of approximately 6.8M administered doses.

Dr. Catalya reviewed several FAQs about the vaccines including safety of the vaccines, whether a vaccinated person can still contract/spread COVID-19, definition of "fully vaccinated," and whether you should still wear a mask, socially distance and wash your hands once you've been vaccinated. He also discussed safe travel within the U.S. for those who are unvaccinated as well as those who are fully vaccinated.

Dr. Catalya talked about the different variants and their categories: Variant of Interest, Variant of Concern, and Variant of High Consequence. He reviewed the variants that are currently found in California. He ended his presentation with encouragement for everyone to get vaccinated.

Dr. Prasad Kilaru reported there are 584 Medical Staff members including 355 active members and 96 ambulatory members. Dr. Kilaru reported the Medical Staff is preparing for their elections. Mark Salah MD has been nominated as Chief of Staff-Elect and Tim Tsoi MD has been nominated as Medical Staff Liaison. Dr. Kilaru reported that the Medical Staff is ready for The Joint Commission survey and has been working closely with Nursing to get ready for the upcoming Magnet Survey. He stated that the Medical Staff is 99% vaccinated for COVID-19.

*MEDICAL STAFF  
REPORT*

Ms. Debbie Feary, Service League President reported that the Service League members are slowly and safely returning following the COVID-19 pandemic. They are helping in the COVID-19 vaccine clinic, helping in the Pharmacy, making COVID-19 test kits for pre-op, and helping in Human Resources.

*SERVICE LEAGUE  
REPORT*

Ruth McGautha is the new Gift Shop manager. The Gift Shop is expanding its hours.

Kimberly Hartz introduced Erin Brooks, MSN, RN, CCRN, ICU & IMC Nurse Manager who presented the performance improvement results for the ICU's goal to reduce Hospital Acquired Pressure Injuries (HAPI) from 5.88 to zero by June 2021. This plan was initiated in August 2020 and involved developing a method to track skin breakdowns, creating a platform to discuss skin issues and fall outs, and educating staff on skin care. A staff skin care guide and tracking report were developed and staff was educated on wound formulary and products. Ms. Brooks discussed the contributing effect of COVID-19 on patients in the development of pressure injuries.

*LEAN REPORT:  
REDUCING HOSPITAL  
ACQUIRED PRESSURE  
INJURIES*

Kimberly Hartz introduced Dr. Dianne Martin, Antimicrobial Stewardship Leader, who presented the annual update. She began with an explanation of antimicrobial resistance and the program elements. She reviewed the Antimicrobial Administration Ratio and various statistics related to antibiotics, antifungal, and C-difficile. She talked about updated treatment guidelines for SSTI, UTI, PNA, and CRBSI. She reviewed treatments for COVID-19 including the COVID Monoclonal Antibody Formulary Review and Remdesivir usage.

*QUALITY REPORT:  
ANNUAL  
ANTIMOCROBIAL  
STEWARDSHIP  
UPDATE*

Chris Henry, Vice President & Chief Financial Officer, presented the Finance Report for February 2021. The average daily census was 154.1 with admissions of 683 resulting in 4,315 patient days. Outpatient observation equivalent days were 189. The average length of stay was 6.83 days. The case mix index was 1.547. Deliveries were 92. Surgical cases were 316. Joint Replacement cases were 133. Neurosurgical cases were 22. Cardiac Surgical cases were 14. The Outpatient visits were 6,556; Emergency visits were 3,077. Total productive FTEs were 1,346.6. FTEs per adjusted occupied bed were 6.59.

*FINANCE REPORT*

Kimberly Hartz, Chief Executive Officer, presented the Hospital Operations Report for March 2021. Preliminary information for the month indicated total gross revenue at approximately \$183,717,000. The Average Length of Stay was 5.70. The Average Daily Census was 138.9. It was noted that COVID-19 patients have a significantly higher than average acuity and length of stay. Of the 36 COVID-19 discharges in the month, there were seven outliers with lengths of stays between 30 and 57 days. Still in house at the end of March were four patients with length of stays of 60, 63, 154, and 196 days. There were 4,305 patient days. There were 392 Surgical Cases and 528 Cath Lab procedures at the Hospital. Deliveries were 102. Non-Emergency Outpatient visits were 7,990. Emergency Room visits were 3,418. Total Government Sponsored Preliminary Payor Mix was 75.1%, against the budget of 71.6%. Total FTEs per Adjusted Occupied Bed were 6.47. The Washington Outpatient Surgery Center had 522 cases and the clinics had approximately 17,314 visits.

*HOSPITAL  
OPERATIONS REPORT*

- Tuesday, March 16: Dr. Stephan Catalya presented *COVID-19: The Road Ahead*.
- Thursday, March 18: Dr. Victoria Leiphart presented *Making Sense of Current Nutrition Trends*.
- Tuesday, March 23: Luanne Sadueste RN presented *Managing Diabetes During Challenging Times*.
- Tuesday, March 30: Dr. Michael Goldin presented *Treating Neck and Back Pain from Home*.
- Tuesday, March 30: Dr. Jeff Stuart and Dr. Stephan Catalya presented *Staying Healthy in 2021*.
- Thursday, April 1: Lucy Hernandez provided a hand hygiene presentation during The Kids' Breakfast Club Spring Morning Story Time via Zoom.
- Thursday, April 1: Joyce Calixto RN presented *Continuous Glucose Monitors: Technology for Better Diabetes Management*.
- Tuesday, April 6: Bernie Roe NP and Dr. Vandana Sharma presented *Palliative Care, an Extra Layer of Support*.
- Raymond Espinosa, RN, Perioperative Services is the April Employee of the Month.

ANNOUNCEMENTS

There being no further business, Director Nicholson adjourned the meeting at 8:30 pm.

ADJOURNMENT

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William F. Nicholson, M.D.  
President

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Michael J. Wallace  
Secretary

A regular meeting of the Board of Directors of the Washington Township Health Care District was held on Monday, April 19, 2021 via Teleconference in order to comply with California Governor Gavin Newsom's and Alameda County's mandatory orders as revised on January 25, 2021 to comply with social distancing measures and other restrictions necessary to control the spread of COVID-19. Director Nicholson called the meeting to order at 6:01 p.m. and led those present in the Pledge of Allegiance.

*CALL TO ORDER*

Roll call was taken. Directors present: William Nicholson, MD; Jeannie Yee; Bernard Stewart, DDS; Jacob Eapen, MD; Michael Wallace

*ROLL CALL*

Absent:

Also present: Kimberly Hartz, Chief Executive Officer; Ed Fayen, Chief Operating Officer; Chris Henry, Chief Financial Officer; Paul Kozachenko, Legal Counsel; Dee Antonio, District Clerk

There were no oral communications.

*COMMUNICATIONS*

There were no written communications.

In accordance with District Law, Policies, and Procedures, Director Yee moved that the Board of Directors approve Resolution No. 1224 tentative agreements to be incorporated inside a Memorandum of Understanding with the Engineers and Scientists of California, Local 20, IFPTE, EFL/CIO & CLC, a recognized majority representative under the terms of Board Resolution 331A.

*CONSIDERATION OF  
RESOLUTION No. 1224:  
LOCAL 20  
MEMORANDUM OF  
UNDERSTANDING*

Director Wallace seconded the motion.

Roll call was taken:

William Nicholson, MD – aye  
Jeannie Yee – aye  
Bernard Stewart, DDS – aye  
Jacob Eapen, MD – aye  
Michael Wallace – aye

The motion unanimously carried.

Kimberly Hartz announced that Washington Hospital's Visitation Policy has been expanded in alignment with the California Department of Public Health.

*ANNOUNCEMENTS*

In accordance with Health & Safety Code Sections 32106 and 32155 and California Government Code 54956.9(d)(2), Director Nicholson adjourned the meeting to closed session at 6:11 p.m., as the discussion pertained to a Report of Medical Staff and Quality Assurance pursuant to Health & Safety Code Section 32155 and consideration of closed session Minutes: March 24, 2021. Director Nicholson stated that the public has a right to know what, if any, reportable action takes place during closed session. Since this is a Teleconference call and we have no way of knowing when the closed session will end, the public was informed they could contact the District Clerk for the Board's report beginning April 20, 2021. He indicated that the minutes of this meeting will reflect any reportable actions.

*ADJOURN TO CLOSED  
SESSION*



Director Nicholson reconvened the meeting to open session at 7:20 pm. The District Clerk reported that the Board approved the Closed Session Minutes of March 24, 2021 in closed session by unanimous vote of all Directors present:

*RECONVENE TO OPEN  
SESSION & REPORT ON  
CLOSED SESSION*

William Nicholson, MD – aye  
Jeannie Yee – aye  
Bernard Stewart, DDS – aye  
Jacob Eapen, MD – aye  
Michael Wallace – aye

There being no further business, Director Nicholson adjourned the meeting at 7:21 pm.

*ADJOURNMENT*

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William Nicholson, M.D.  
President

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Michael J. Wallace  
Secretary

A meeting of the Board of Directors of the Washington Township Health Care District was held on Monday, April 26, 2021 via Zoom in order to comply with Alameda County's orders as issued on January 25, 2021 to slow the spread of COVID-19 and reduce the rate of transmission by sheltering at home and continued social distancing. Director Nicholson called the meeting to order at 7:30 a.m.

*CALL TO ORDER*

Roll call was taken. Directors present: William Nicholson, MD; Bernard Stewart DDS; Jacob Eapen; Jeannie Yee  
Excused: Michael Wallace

*ROLL CALL*

Also present: Shakir Hyder, MD; Tim Tsoi, MD; Jeff Stuart, MD; Prasad Kilaru, MD; Jan Henstorf, MD; Kranthi Achanta, MD; Kimberly Hartz, Chief Executive Officer; Stephanie Williams, Vice President & Chief Nursing Officer

There were no oral or written communications.

*COMMUNICATIONS*

Director Nicholson adjourned the meeting to closed session at 7:30 a.m. as the discussion pertained to Medical Audit and Quality Assurance Matters pursuant to Health & Safety Code Sections 1461 and 32155.

*ADJOURN TO CLOSED SESSION*

Director Nicholson reconvened the meeting to open session at 8:30 a.m. and reported no reportable action taken in closed session.

*RECONVENE TO OPEN SESSION & REPORT ON CLOSED SESSION*

There being no further business, the meeting adjourned at 8:30 a.m.

*ADJOURNMENT*

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William Nicholson, M.D.  
President

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Michael Wallace  
Secretary

A regular meeting of the Board of Directors of the Washington Township Health Care District was held on Wednesday, April 28, 2021 via Teleconference in order to comply with Alameda County's orders as issued on January 25, 2021 to slow the spread of COVID-19 and to maintain restrictions on movement and public gathering. Director Nicholson called the meeting to order at 6:00 p.m. and led those present in the Pledge of Allegiance.

*CALL TO ORDER*

Roll call was taken. Directors present: William Nicholson, MD; Jeannie Yee; Bernard Stewart, DDS; Jacob Eapen, MD; Michael Wallace

*ROLL CALL*

Absent:

Also present: Kimberly Hartz, Chief Executive Officer; Ed Fayen, Executive Vice President & COO; Chris Henry, Vice President & CFO; Stephanie Williams, Vice President; Paul Kozachenko, Legal Counsel; Dee Antonio, District Clerk; Sri Boddu

There were no oral communications.

*COMMUNICATIONS*

There were no written communications.

In accordance with Health & Safety Code Sections 32106 and 32155 and California Government Code 54956.9(d)(2), Director Nicholson adjourned the meeting to closed session at 6:04 p.m., as the discussion pertained to a trade secret pursuant to Health & Safety Code section 32106: New Service or Program and Strategic Plan Update; and a Report of Medical Staff and Quality Assurance pursuant to Health & Safety Code Section 32155: Medical Staff Credentials Report. Director Nicholson stated that the public has a right to know what, if any, reportable action takes place during closed session. Since this is a Teleconference call and we have no way of knowing when the closed session will end, the public was informed they could contact the District Clerk for the Board's report beginning March 25, 2021. He indicated that the minutes of this meeting will reflect any reportable actions.

*ADJOURN TO CLOSED SESSION*

Director Nicholson reconvened the meeting to open session at 7:29 pm. The District Clerk reported that the Board approved the Medical Staff Credentials Report in closed session by unanimous vote of all Directors present:

*RECONVENE TO OPEN SESSION & REPORT ON CLOSED SESSION*

William Nicholson, MD – aye  
Jeannie Yee – aye  
Bernard Stewart, DDS – aye  
Jacob Eapen, MD – aye  
Michael Wallace – aye

There being no further business, Director Nicholson adjourned the meeting at 7:29 pm.

*ADJOURNMENT*

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William Nicholson, M.D.  
President

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Michael J. Wallace  
Secretary



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# Memorandum

**DATE:** April 27, 2021  
**TO:** Kimberly Hartz, Chief Executive Officer  
**FROM:** Ed Fayen, Executive Vice President and COO  
**SUBJECT:** Capital Purchase – Dornoch waste management carts

The Dornoch waste management system, by Zimmer Surgical is used in all Operating Rooms in the hospital, for the safe and more environmentally friendly disposal of patient blood and other fluids. Fluids suctioned from patients during procedures get siphoned into these devices, then are safely disposed of, and the containers are disinfected and reused.

When the OR replaced their devices, the last two in the OBORs were not replaced. These are no longer officially supported by the manufacturer, and they will provide service as much and for as long as they can. We actually have one that is a loaner because ours could not be repaired.

The FY 2021 Capital Budget includes \$22,350.00 to purchase Dornoch waste management carts. The quote comes to a total of \$37,050.00. The remaining \$14,700 would come from budgeted funds that have not been spent.

In accordance with District Law, Policies and Procedures, it is requested that the Board of Directors authorize the Chief Executive Officer to proceed with the purchase of the Dornoch waste management carts from Zimmer Surgical in the amount of \$37,050.00.



**WASHINGTON HOSPITAL**  
**MONTHLY OPERATING REPORT**

**March 2021**



**WASHINGTON HOSPITAL  
INDEX TO BOARD FINANCIAL STATEMENTS  
March 2021**

<b><u>Schedule Reference</u></b>	<b><u>Schedule Name</u></b>
<b>Board - 1</b>	Statement of Revenues and Expenses
<b>Board - 2</b>	Balance Sheet
<b>Board - 3</b>	Operating Indicators



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# Memorandum

**DATE:** May 6, 2021  
**TO:** Board of Directors  
**FROM:** Kimberly Hartz, Chief Executive Officer  
**SUBJECT:** Washington Hospital – March 2021  
Operating & Financial Activity

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**SUMMARY OF OPERATIONS** – (Blue Schedules)

1. **Utilization – Schedule Board 3**

	<u>March Actual</u>	<u>March Budget</u>	<u>Current 12 Month Avg.</u>
<u>ACUTE INPATIENT:</u>			
Average Daily Census	138.9	151.4	146.1
# of Admissions	793	925	769
Patient Days	4,305	4,693	4,448
Discharge ALOS	5.70	5.07	5.66
<u>OUTPATIENT:</u>			
OP Visits	8,005	7,282	6,439
ER Visits, including RSTU visits	3,418	6,524	4,595
Observation Equivalent Days – OP	245	186	180

Comparison of March acute inpatient statistics to those of the budget showed a lower level of admissions and a lower level of patient days. The average length of stay (ALOS) based on discharged days was above budget. Outpatient visits were higher than budget. Emergency Room visits were below budget for the month.

2. **Staffing – Schedule Board 3**

Total paid FTEs were 4.6 below budget. Total productive FTEs for March were 1,306.3, 6.5 below the budgeted level of 1,312.8. Nonproductive FTEs were 1.9 above budget. Productive FTEs per adjusted occupied bed were 5.87, .22 above the budgeted level of 5.65. Total FTEs per adjusted occupied bed were 6.47, 0.26 above the budgeted level of 6.21.

**3. Income - Schedule Board 1**

For the month of March the Hospital realized income of \$928,000 from operations.

Total Gross Patient Service Revenue of \$183,717,000 for March was 1.0% above budget.

Deductions from Revenue of \$142,645,000 represented 77.64% of Total Gross Patient Service Revenue. This percentage is below the budgeted amount of 77.84%, primarily due to lower bad debt expense for the month.

Total Operating Revenue of \$41,345,000 was \$676,000 (1.7%) above the budget.

Total Operating Expense of \$40,417,000 was \$306,000 (0.8%) below the budgeted amount.

The Total Non-Operating Loss of \$497,000 for the month includes an unrealized loss on investments of \$465,000 and property tax revenue of \$1,447,000.

The Total Net Income for March was \$431,000, which was \$841,000 more than the budgeted loss of \$410,000.

The Total Net Income for March using FASB accounting principles, in which the unrealized loss or income on investments, net interest expense on GO bonds and property tax revenues are removed from the non-operating income and expense, was \$740,000 compared to a budgeted loss of \$677,000.

**4. Balance Sheet – Schedule Board 2**

In March, the Hospital received preliminary information regarding the pension valuation as of January 1, 2021. Due to consistent funding over the past several years, combined with investment returns which have exceeded expectations, the Pension Plan has reached full funding and the Balance Sheet item “Liability for Pension Funding” is now zero. Currently, there is a small receivable amount included in Other Assets, which will be trued up once the final valuation results are received.

There were no other noteworthy changes in assets and liabilities when compared to February 2021.

KIMBERLY HARTZ  
Chief Executive Officer

KH/CH





**WASHINGTON HOSPITAL  
STATEMENT OF REVENUES AND EXPENSES  
March 2021  
GASB FORMAT  
(In thousands)**

March				YEAR TO DATE				
ACTUAL	BUDGET	FAV (UNFAV) VAR	% VAR.		ACTUAL	BUDGET	FAV (UNFAV) VAR	% VAR.
				<b>OPERATING REVENUE</b>				
\$ 114,690	\$ 118,475	\$ (3,785)	-3.2%	1 INPATIENT REVENUE	\$ 1,040,155	\$ 959,288	\$ 80,867	8.4%
69,027	63,504	5,523	8.7%	2 OUTPATIENT REVENUE	541,207	548,658	(7,451)	-1.4%
<b>183,717</b>	<b>181,979</b>	<b>1,738</b>	1.0%	3 <b>TOTAL PATIENT REVENUE</b>	<b>1,581,362</b>	<b>1,507,946</b>	<b>73,416</b>	4.9%
(140,966)	(137,918)	(3,048)	-2.2%	4 CONTRACTUAL ALLOWANCES	(1,204,942)	(1,138,667)	(66,275)	-5.8%
(1,679)	(3,728)	2,049	55.0%	5 PROVISION FOR DOUBTFUL ACCOUNTS	(29,625)	(30,889)	1,264	4.1%
<b>(142,645)</b>	<b>(141,646)</b>	<b>(999)</b>	-0.7%	6 <b>DEDUCTIONS FROM REVENUE</b>	<b>(1,234,567)</b>	<b>(1,169,556)</b>	<b>(65,011)</b>	-5.6%
<b>77.64%</b>	<b>77.84%</b>			7 <b>DEDUCTIONS AS % OF REVENUE</b>	<b>78.07%</b>	<b>77.56%</b>		
<b>41,072</b>	<b>40,333</b>	<b>739</b>	1.8%	8 <b>NET PATIENT REVENUE</b>	<b>346,795</b>	<b>338,390</b>	<b>8,405</b>	2.5%
273	336	(63)	-18.8%	9 OTHER OPERATING INCOME	3,166	4,879	(1,713)	-35.1%
<b>41,345</b>	<b>40,669</b>	<b>676</b>	1.7%	10 <b>TOTAL OPERATING REVENUE</b>	<b>349,961</b>	<b>343,269</b>	<b>6,692</b>	1.9%
				<b>OPERATING EXPENSES</b>				
18,291	17,947	(344)	-1.9%	11 SALARIES & WAGES	168,902	153,508	(15,394)	-10.0%
6,331	6,758	427	6.3%	12 EMPLOYEE BENEFITS	59,126	58,532	(594)	-1.0%
5,515	5,436	(79)	-1.5%	13 SUPPLIES	47,742	46,246	(1,496)	-3.2%
4,616	4,792	176	3.7%	14 PURCHASED SERVICES & PROF FEES	42,663	43,126	463	1.1%
1,739	1,706	(33)	-1.9%	15 INSURANCE, UTILITIES & OTHER	16,060	15,037	(1,023)	-6.8%
3,925	4,084	159	3.9%	16 DEPRECIATION	35,851	36,315	464	1.3%
<b>40,417</b>	<b>40,723</b>	<b>306</b>	0.8%	17 <b>TOTAL OPERATING EXPENSE</b>	<b>370,344</b>	<b>352,764</b>	<b>(17,580)</b>	-5.0%
<b>928</b>	<b>(54)</b>	<b>982</b>	1818.5%	18 <b>OPERATING INCOME (LOSS)</b>	<b>(20,383)</b>	<b>(9,495)</b>	<b>(10,888)</b>	-114.7%
<b>2.24%</b>	<b>-0.13%</b>			19 <b>OPERATING INCOME MARGIN %</b>	<b>-5.82%</b>	<b>-2.77%</b>		
				<b>NON-OPERATING INCOME &amp; (EXPENSE)</b>				
258	317	(59)	-18.6%	20 INVESTMENT INCOME	2,497	2,847	(350)	-12.3%
(65)	-	(65)	0.0%	21 REALIZED GAIN/(LOSS) ON INVESTMENTS	189	-	189	0.0%
(1,906)	(2,363)	457	19.3%	22 INTEREST EXPENSE	(16,416)	(18,615)	2,199	11.8%
80	286	(206)	-72.0%	23 RENTAL INCOME, NET	1,440	2,439	(999)	-41.0%
154	-	154	0.0%	24 FOUNDATION DONATION	1,812	-	1,812	0.0%
-	(39)	39	100.0%	25 BOND ISSUANCE COSTS	(718)	(349)	(369)	-105.7%
-	-	-	0.0%	26 FEDERAL GRANT REVENUE	1,069	-	1,069	0.0%
1,447	1,443	4	0.3%	27 PROPERTY TAX REVENUE	12,976	12,988	(12)	-0.1%
(465)	-	(465)	0.0%	28 UNREALIZED GAIN/(LOSS) ON INVESTMENTS	(2,188)	-	(2,188)	0.0%
<b>(497)</b>	<b>(356)</b>	<b>(141)</b>	-39.6%	29 <b>TOTAL NON-OPERATING INCOME &amp; EXPENSE</b>	<b>661</b>	<b>(690)</b>	<b>1,351</b>	195.8%
<b>\$ 431</b>	<b>\$ (410)</b>	<b>\$ 841</b>	205.1%	30 <b>NET INCOME (LOSS)</b>	<b>\$ (19,722)</b>	<b>\$ (10,185)</b>	<b>\$ (9,537)</b>	-93.6%
<b>1.04%</b>	<b>-1.01%</b>			31 <b>NET INCOME MARGIN %</b>	<b>-5.64%</b>	<b>-2.97%</b>		
<b>\$ 740</b>	<b>\$ (677)</b>	<b>\$ 1,417</b>	209.3%	32 <b>NET INCOME (LOSS) USING FASB PRINCIPLES**</b>	<b>\$ (20,068)</b>	<b>\$ (12,631)</b>	<b>\$ (7,437)</b>	-58.9%
<b>1.79%</b>	<b>-1.66%</b>			<b>NET INCOME MARGIN %</b>	<b>-5.73%</b>	<b>-3.68%</b>		

\*\*NET INCOME (FASB FORMAT) EXCLUDES PROPERTY TAX INCOME, NET INTEREST EXPENSE ON GO BONDS AND UNREALIZED GAIN(LOSS) ON INVESTMENTS



**WASHINGTON HOSPITAL  
BALANCE SHEET**

March 2021  
(In thousands)

SCHEDULE BOARD 2

<b>ASSETS AND DEFERRED OUTFLOWS</b>		<b>March 2021</b>	<b>Audited June 2020</b>	<b>LIABILITIES, NET POSITION AND DEFERRED INFLOWS</b>		<b>March 2021</b>	<b>Audited June 2020</b>
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
1	CASH & CASH EQUIVALENTS	\$ 33,710	\$ 68,355	1	CURRENT MATURITIES OF L/T OBLIG	\$ 10,930	\$ 9,500
2	ACCOUNTS REC NET OF ALLOWANCES	75,006	61,017	2	ACCOUNTS PAYABLE	17,752	18,669
3	OTHER CURRENT ASSETS	12,610	12,523	3	OTHER ACCRUED LIABILITIES	117,358	116,193
4	TOTAL CURRENT ASSETS	<u>121,326</u>	<u>141,895</u>	4	INTEREST	4,691	11,247
				5	TOTAL CURRENT LIABILITIES	<u>150,731</u>	<u>155,609</u>
<b>ASSETS LIMITED AS TO USE</b>				<b>LONG-TERM DEBT OBLIGATIONS</b>			
6	BOARD DESIGNATED FOR CAPITAL AND OTHER	215,447	214,744	6	REVENUE BONDS AND OTHER	212,134	223,881
7	REVENUE BOND FUNDS	6,635	10,923	7	GENERAL OBLIGATION BONDS	328,724	331,992
8	BOND DEBT SERVICE FUNDS	14,169	31,387				
9	OTHER ASSETS LIMITED AS TO USE	9,955	10,155	<b>OTHER LIABILITIES</b>			
10	TOTAL ASSETS LIMITED AS TO USE	<u>246,206</u>	<u>267,209</u>	10	NET PENSION LIABILITY	0	31,798
				11	SUPPLEMENTAL MEDICAL RETIREMENT	41,064	42,578
12	OTHER ASSETS	243,813	222,268	12	WORKERS' COMP AND OTHER	8,694	8,440
13	OTHER INVESTMENTS	11,993	11,679				
14	NET PROPERTY, PLANT & EQUIPMENT	649,105	684,274	14	NET POSITION	512,112	531,834
15	TOTAL ASSETS	<u>\$ 1,272,443</u>	<u>\$ 1,327,325</u>	15	TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,253,459</u>	<u>\$ 1,326,132</u>
16	DEFERRED OUTFLOWS	48,824	62,304	16	DEFERRED INFLOWS	67,808	63,497
17	TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 1,321,267</u>	<u>\$ 1,389,629</u>	17	TOTAL LIABILITIES, NET POSITION AND DEFERRED INFLOWS	<u>\$ 1,321,267</u>	<u>\$ 1,389,629</u>



**WASHINGTON HOSPITAL  
OPERATING INDICATORS  
March 2021**

12 MONTH AVERAGE	March						YEAR TO DATE			
	ACTUAL	BUDGET	FAV (UNFAV) VAR	% VAR.			ACTUAL	BUDGET	FAV (UNFAV) VAR	% VAR.
146.1	138.9	151.4	(12.5)	-8%	1					
5.9	7.9	6.0	1.9	32%	2	ADULT & PEDS AVERAGE DAILY CENSUS	153.9	140.6	13.3	9%
7.1	6.4	8.6	(2.2)	-26%	3	OUTPT OBSERVATION AVERAGE DAILY CENSUS	6.4	5.6	0.8	14%
						NURSERY AVERAGE DAILY CENSUS	7.1	9.3	(2.2)	-24%
159.1	153.2	166.0	(12.8)	-8%	4	TOTAL	167.4	155.5	11.9	8%
2.5	1.7	3.6	(1.9)	-53%	5	SPECIAL CARE NURSERY AVERAGE DAILY CENSUS *	2.4	3.5	(1.1)	-31%
4,448	4,305	4,693	(388)	-8%	6	ADULT & PEDS PATIENT DAYS	42,159	38,532	3,627	9%
180	245	186	59	32%	7	OBSERVATION EQUIVALENT DAYS - OP	1,761	1,527	234	15%
769	793	925	(132)	-14%	8	ADMISSIONS-ADULTS & PEDS	7,057	7,829	(772)	-10%
5.66	5.70	5.07	0.63	12%	9	AVERAGE LENGTH OF STAY-ADULTS & PEDS	5.90	4.92	0.98	20%
<b>OTHER KEY UTILIZATION STATISTICS</b>										
1.593	1.662	1.528	0.134	9%	10	OVERALL CASE MIX INDEX (CMI)	1.626	1.481	0.145	10%
<b>SURGICAL CASES</b>										
137	166	165	1	1%	11	JOINT REPLACEMENT CASES	1,299	1,433	(134)	-9%
21	18	21	(3)	-14%	12	NEUROSURGICAL CASES	204	185	19	10%
9	14	16	(2)	-13%	13	CARDIAC SURGICAL CASES	86	100	(14)	-14%
165	194	193	1	1%	14	ALL OTHERS	1,546	1,621	(75)	-5%
332	392	395	(3)	-1%	15	TOTAL CASES	3,135	3,339	(204)	-6%
352	528	359	169	47%	16	TOTAL CATH LAB PROCEDURES	3,319	3,190	129	4%
114	102	129	(27)	-21%	17	DELIVERIES	1,008	1,232	(224)	-18%
6,439	8,005	7,282	723	10%	18	OUTPATIENT VISITS	63,641	64,191	(550)	-1%
3,309	3,418	4,402	(984)	-22%	19	EMERGENCY VISITS, EXCLUDING RSTU VISITS	31,788	36,251	(4,463)	-12%
1,286	0	2,122	(2,122)	-100%	20	RSTU VISITS	11,196	18,757	(7,561)	-40%
4,595	3,418	6,524	(3,106)	-48%	19	EMERGENCY VISITS, INCLUDING RSTU VISITS	42,984	55,008	(12,024)	-22%
<b>LABOR INDICATORS</b>										
1,308.2	1,306.3	1,312.8	6.5	0%	21	PRODUCTIVE FTE'S	1,338.4	1,242.5	(95.9)	-8%
172.5	133.6	131.7	(1.9)	-1%	22	NON PRODUCTIVE FTE'S	175.6	180.7	5.1	3%
1,480.7	1,439.9	1,444.5	4.6	0%	23	TOTAL FTE'S	1,514.0	1,423.2	(90.8)	-6%
6.00	5.87	5.65	(0.22)	-4%	24	PRODUCTIVE FTE/ADJ. OCCUPIED BED	5.72	5.62	(0.10)	-2%
6.80	6.47	6.21	(0.26)	-4%	25	TOTAL FTE/ADJ. OCCUPIED BED	6.47	6.44	(0.03)	0%

\* included in Adult and Peds Average Daily Census

**RESOLUTION NO. 1225**

**RESOLUTION OF THE BOARD OF DIRECTORS OF WASHINGTON  
TOWNSHIP HEALTH CARE DISTRICT TO AUTHORIZE THE CHIEF  
EXECUTIVE OFFICER TO ENTER INTO A JOINT VENTURE  
AGREEMENT WITH THE UNIVERSITY OF CALIFORNIA,  
SAN FRANCISCO AND APPROVAL OF BUDGET**

WHEREAS, Washington Township Health Care District is a local health care district (“District”) which owns and operates a general acute care hospital and provides essential healthcare services to the population residing within the District’s political boundaries, including the cities of Fremont, Newark, Union City, parts of South Hayward and Sunol;

WHEREAS, the District previously entered into a Collaboration Agreement with the University of California, San Francisco (“UCSF”) under which the District and UCSF agreed to collaborate together on the delivery of high-quality care in the District and which contemplated that the District and UCSF would enter into one or more joint ventures for the delivery of health care services in the District;

WHEREAS, in connection with its affiliation with UCSF, on March 18, 2019, the District purchased a 51% undivided interest and UCSF purchased a 49% undivided interest in real property located at 45388 Warm Springs Boulevard in the Warm Springs area of Fremont, California with the goal of opening an outpatient care center (“Outpatient Center”) to expand the services offered by both the District and UCSF;

WHEREAS, the District and UCSF entered into a Tenancy-in-Common Agreement under which they agreed to jointly operate the property pending the negotiation of a permanent joint venture agreement under which they would develop and operate the property for the foreseeable future;

WHEREAS, the District and UCSF each contributed their pro rata portion of \$1,500,000 to fund the operation of the property until such time as the parties could negotiate a formal joint venture arrangement;

WHEREAS, the staffs of the District and UCSF have negotiated the terms of the proposed joint venture and have agreed that the parties will form a limited liability company named Warm Springs Health Center Partnership, LLC (“JV LLC”) that will be operating under the Limited Liability Company Agreement (the “LLC Agreement”) attached hereto as Exhibit A (Exhibit A is attached hereto and incorporated herein by this reference);

WHEREAS, the JV LLC would be responsible for managing the day to day affairs of the property and developing the Outpatient Center, which is currently estimated to begin operating in early 2023;

WHEREAS, the JV LLC will require funds to commence the work of developing the property for the Outpatient Center, which District and UCSF have agreed is a total of \$4,000,000, with 51% of this amount being the responsibility of the District (“District’s Contribution”) and 49% of this amount being the responsibility of UCSF (“UCSF’s Contribution”);

WHEREAS, the Board of Directors is required to authorize the District’s Contribution of the funds needed for the operation of the JV LLC for the calendar year 2021; and

WHEREAS, the Board of Directors has determined that it is in the best interest of the District to participate in the joint venture and expand its services to the Warm Springs area as contemplated above.

NOW, THEREFORE, be it resolved that:

1. The Board of Directors authorizes the Chief Executive Officer to execute the LLC Agreement attached hereto as Exhibit A.
2. The Board of Directors authorizes the Chief Executive Officer to execute a Grant Deed to transfer the District’s 51% interest in the real property located at 45388 Warm Springs Boulevard to the JV LLC.
3. The Board of Directors authorizes the transfer of funds from the District to the JV LLC in the amount of \$2,040,000, described in the recitals as the District’s Contribution.
4. The Board of Directors authorizes the transfer of the District’s pro rata portion of any unspent funds previously contributed by the District under the Tenancy in Common Agreement to the JV LLC;
5. The foregoing resolutions shall be contingent on the following: (i) UCSF has approved the LLC Agreement in substantially the same form as attached hereto as Exhibit A; (ii) UCSF has approved the transfer of UCSF’s 49% interest in the real property located at 45388 Warm Springs Boulevard to the JV LLC and (iii) UCSF has approved the transfer of UCSF’s Contribution to the JV LLC.
6. The Chief Executive Officer is hereby authorized to enter into any agreement or contract document necessary to carry out the intent of this Resolution, and to take any and all

further actions, which in the determination of the Chief Executive Officer, are necessary and proper to effectuate the intent of this Resolution.

Passed and adopted by the Board of Directors of the Washington Township Health Care District this 12th day of May, 2021 by the following vote:

AYES:

NOES:

ABSENT:

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William F. Nicholson, MD  
President, Board of Directors  
Washington Township Health Care District

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Michael J. Wallace  
Secretary, Board of Directors  
Washington Township Health Care District

*Draft 05/06/2021*

**EXHIBIT A  
LLC AGREEMENT**

See attached.

*Washington Draft 04/23/2021  
For Approval by:  
Washington Township Board of Directors  
The Regents of the University of California*

**LIMITED LIABILITY COMPANY AGREEMENT  
OF  
WARM SPRINGS HEALTH CENTER PARTNERSHIP, LLC**

**Dated as of \_\_\_\_\_, 20\_\_**

THE UNITS EVIDENCED BY THIS LIMITED LIABILITY COMPANY AGREEMENT HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR SIMILAR APPLICABLE STATE SECURITIES LAWS, IN RELIANCE UPON EXEMPTIONS THEREUNDER. THE SALE OR OTHER DISPOSITION OF THE UNITS (AS THAT TERM IS DEFINED IN THIS LIMITED LIABILITY COMPANY AGREEMENT) IS RESTRICTED AS SET FORTH IN THIS LIMITED LIABILITY COMPANY AGREEMENT AND IS PROHIBITED UNLESS WARM SPRINGS HEALTH CENTER PARTNERSHIP, LLC, IF IT SO REQUESTS, RECEIVES AN OPINION OF COUNSEL SATISFACTORY TO WARM SPRINGS HEALTH CENTER PARTNERSHIP, LLC THAT SUCH SALE OR OTHER DISPOSITION WILL BE MADE IN COMPLIANCE WITH THE SECURITIES ACT OF 1933, AS AMENDED, AND ANY APPLICABLE STATE SECURITIES LAWS. IN ACCORDANCE WITH SECTIONS 2.11 AND 6.02 OF THIS LIMITED LIABILITY AGREEMENT, BY THE EXECUTION OF THIS AGREEMENT AND THE ACQUISITION OF THE UNITS EVIDENCED HEREBY, EACH MEMBER REPRESENTS, AMONG OTHER THINGS, THAT SUCH MEMBER IS ACQUIRING SUCH MEMBER'S UNITS FOR INVESTMENT AND NOT WITH A VIEW TO DISTRIBUTION AND THAT SUCH MEMBER WILL NOT SELL OR OTHERWISE DISPOSE OF SUCH MEMBER'S UNITS WITHOUT REGISTRATION OR OTHER COMPLIANCE WITH SUCH LAWS AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER.



## **LIMITED LIABILITY COMPANY AGREEMENT**

This Limited Liability Company Agreement of Warm Springs Health Center Partnership, LLC, a California limited liability company (the “**Company**”), is entered into as of the Effective Date (as defined below) by and between Washington Township Health Care District, a California health care district (“**Washington**”), and The Regents of the University of California, a California public corporation (the “**Regents**”), on behalf of its San Francisco campus (“**UCSF**”), as Members (as defined below).

### **RECITALS**

**WHEREAS**, the Regents and Washington have jointly acquired the real property at 45388 Warm Springs Boulevard, Fremont, CA 94538 (the “**Warm Springs Property**”), which is more fully described on Exhibit A (Exhibit A is attached hereto and incorporated herein by this reference), as tenants in common. Washington owns a 51% undivided interest in the Warm Springs Property, and UCSF owns a 49% undivided interest in the Warm Springs Property.

**WHEREAS**, the parties have entered into that certain Tenancy In Common Agreement dated March 19, 2020 (the “**TIC Agreement**”) for the purpose of governing the operation and ownership of the Warm Springs Property until the negotiation and execution of this Agreement.

**WHEREAS**, the Regents and Washington intend to contribute their interests in the Warm Springs Property to the Company.

**WHEREAS**, the Company was formed on [\_\_\_\_\_, 20\_\_] as a limited liability company pursuant to the Act (as defined below).

**NOW, THEREFORE**, in consideration of the mutual covenants and promises contained herein and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the Members hereby agree as follows:

### **ARTICLE I DEFINITIONS; USAGE; INTERPRETATION**

Section 1.01 Defined Terms. As used herein, the following terms shall have the following meanings:

“**Act**” means the California Revised Uniform Limited Liability Company Act (Cal. Corp. Code 17701.01 et. seq.) and any successor statute, as amended from time to time.

“**Adjusted K-1 Election**” means an election made by the Company in accordance with Section 6226 of the IRC.

“**Adverse Consequences**” means all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, Court Orders, dues, penalties, fines, costs, amounts paid in settlement, liabilities, obligations, taxes, encumbrances, losses, damages, deficiencies, costs of

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*For Approval by:*

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*The Regents of the University of California*

investigation, court costs and other expenses (including interest, penalties and reasonable attorneys' fees and expenses), whether in connection with third-party claims or claims among the Members related to the enforcement of the provisions of this Agreement.

**"Affiliate"** means, with respect to any Person, any Persons directly or indirectly controlling, controlled by, or under common control with, such other Person at any time during the period for which the determination of affiliation is being made, excluding the Excluded UC Affiliates as defined in this Agreement. For purposes of this definition, the term "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

**"Agreement"** means this Limited Liability Company Agreement (including all exhibits hereto), as amended, supplemented or restated from time to time.

**"Breach Notice"** shall have the meaning set forth in Section 7.01(a).

**"Budget"** means the written statement of estimated revenues, estimated expenses, estimated capital expenditures and estimated cash flows for the Company, as the case may be, for any Fiscal Year, which will be presented to the Members. If the Budget submitted by the Manager to the Members for approval is not approved by the Members on or before the 1<sup>st</sup> day of any Fiscal Year of the Company, the prior year's Budget will carry over to that Fiscal Year until the Budget for the current Fiscal Year is approved.

**"Business"** means the ownership and operation of the Warm Springs Property as further described in this Agreement, which is contemplated to include (i) ownership of the Warm Springs Property; (ii) managing the Warm Springs Property, including the leasing of space to unrelated third parties as well as entities or parties related to Washington or UCSF or both (i.e., a joint venture); (iii) improving the Warm Springs Property as mutually agreed by the parties, and (iv) any other lines of business entered into by the Company pursuant to, and only as permitted by, this Agreement. Notwithstanding the foregoing, the term "Business" shall not include the provision of professional medical services.

**"Business Day"** means any day, other than a Saturday, Sunday or other legal holiday, on which banks in California are open for business.

**"Buying Member"** shall have the meaning set forth in Section 7.01.

**"Call Right"** shall have the meaning set forth in Section 7.02.

**"Call Units"** shall have the meaning set forth in Section 7.02.

**"Capital Account"** shall have the meaning set forth in Section 4.05.

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*For Approval by:*  
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*The Regents of the University of California*

“**Capital Call**” shall have the meaning set forth in Section 4.02(c).

“**Capital Call Notice**” shall have the meaning set forth in Section 4.02(c).

“**Capital Contribution**” means, with respect to any Member, the amount of money and the initial value of any other asset contributed to the Company with respect to the Units held or purchased by such Member, including any Mandatory Capital Contributions.

“**Cash Available for Distribution**” means all cash receipts of the Company less (i) all accounts payable and other current liabilities of the Company, and (ii) such reserves established by the Members for such time period as the Members deem appropriate for improvements, replacements, or repairs to Company properties or for anticipated Company expenses or debt repayments. Cash Available for Distribution shall also include any other Company funds, including, without limitation, any amounts previously set aside as reserves, no longer deemed by the Members necessary for the conduct of the Company’s business.

“**CEO**” means the chief executive officer of the Company.

“**Closing**” shall have the meaning set forth in Section 7.07.

“**Company**” shall have the meaning set forth in the Preamble.

“**Confidential Information**” means any and all proprietary information, including, without limitation, trade secrets concerning the business and affairs of the disclosing Person, ideas, know-how, processes and techniques, market data, customer and supplier lists, referral sources, pricing and cost information, contracting information, strategic plans, business and marketing plans and proposals, policies and strategies and operations methods and information concerning the business and affairs of the disclosing Person (which includes historical financial statements, financial projections and budgets, historical and projected revenues, capital spending budgets and plans, cost information, and personnel training techniques and materials), that have been or may hereafter be provided or shown by the disclosing Person to the receiving Person; provided, however, that Confidential Information shall not include information that (a) was in the possession of or known by the receiving Person or its representatives at the time of disclosure; (b) was or becomes generally available to the public other than as a result of a disclosure by the receiving Person or its representatives; (c) was or becomes available to the receiving Person on a non-confidential basis from a source other than the disclosing Person or its representatives (unless such source is known to the receiving Person to be bound by a confidentiality agreement with, or any other legal or fiduciary obligation to, the disclosing Person); or (d) was developed by the receiving Person without using the disclosing Person’s Confidential Information.

“**Conflicted Member**” shall have the meaning set forth in Section 9.02.

“**Court Order**” means any judgment, order, award, writ, subpoena, decree or verdict entered, issued, made or rendered by any federal, state, local or other court or judicial or quasi-judicial tribunal or any other Governmental Authority.

“**Default Interest Rate**” shall have the meaning set forth in Section 4.03(c).

“**Depreciation**” means, for a Fiscal Year or other period, an amount equal to the federal income tax depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such Fiscal Year or other period, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Fiscal Year or other period, Depreciation shall be an amount that bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization or other cost recovery deduction for such Fiscal Year or other period bears to such beginning adjusted tax basis; provided, however, that if the federal income tax depreciation, amortization or other cost recovery deduction for such Fiscal Year or other period is zero, then Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Partnership Representative.

“**Disinterested Member**” shall have the meaning set forth in Section 9.02.

“**Disqualifying Event**” means, with respect to a Member, the occurrence of any one or more of the following: (a) the Member is adjudicated as bankrupt or makes an assignment for the benefit of its creditors; (b) the Member files a petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, or similar relief under any Law or files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Member in a proceeding of such nature; (c) the Member seeks, consents to, or acquiesces in the appointment of a trustee, receiver, or liquidator of the Member or all or any substantial part of the Member’s property; (d) the Member is unable to get dismissed, within one hundred twenty (120) days after its commencement, any proceeding against the Member seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any Law; (e) the Member is unable to stay or vacate, within ninety (90) days after its commencement, the appointment without the Member’s consent or acquiescence of a trustee, receiver or liquidator of the Member or of all or any substantial part of the Member’s property and if the appointment is stayed as hereinabove provided, the appointment is not vacated within ninety (90) days after the expiration of any such stay; (f) the Member Transfers, or attempts to Transfer, all or any portion of the Member’s Units in the Company in violation of this Agreement; or (g) the Member is excluded from participation in any Government Health Care Program pursuant to a final determination by the Secretary of Health and Human Services pursuant to 42 U.S.C. § 1320a-7, as amended from time to time, or the corresponding Government Authority in the State of California.

“**Dissolution Event**” shall have the meaning set forth in Section 8.01.

“**Effective Date**” shall mean [\_\_\_\_\_, 20\_\_].

“**Encumbrance**” means any mortgage, pledge, assessment, security interest, lease, sublease, lien, adverse claim, levy, right of way, easement, encroachment, covenant, charge or other encumbrance of any kind, or any conditional sale contract, title retention contract or other agreement or arrangement to give or to refrain from giving any of the foregoing.

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*For Approval by:*

*Washington Township Board of Directors*

*The Regents of the University of California*

“**Excluded UC Affiliates**” shall have the meaning set forth in Section 3.03(b).

“**Fair Market Value**” of any property shall mean the fair market value of such property as determined by an Independent Appraiser as mutually agreed by the transferor and the transferee or, if they do not agree on such Independent Appraiser, then as determined under Section 7.06.

“**Fiscal Quarter**” means any of the quarterly accounting periods of the Company, ending March 31, June 30, September 30 and December 31, of each year.

“**Fiscal Year**” means (a) the period from the formation of the Company through the following December 31, and (b) any subsequent twelve (12)-month period commencing on January 1 and ending on December 31.

“**Funding Member**” shall have the meaning set forth in Section 4.03(a).

“**Funding Shortfall**” shall have the meaning set forth in Section 4.03(a).

“**GAAP**” means generally accepted accounting principles in the United States as set forth in pronouncements of the Financial Accounting Standards Board (and its predecessors) and the American Institute of Certified Public Accountants.

“**Government Health Care Program(s)**” means and includes the Medicare and Medi-Cal programs and any other health care program under 42 U.S.C. § 1320a-7, or any analogous Law of the State of California, as amended from time to time.

“**Governmental Authority**” means any federal, state (including the State of California) or local government; any political subdivision thereof; any other governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body, agency, department (including the California Department of Health Care Services), bureau, commission or entity; or any entity that contracts with a governmental entity to administer or assist in the administration of a government program (including any Medicare or Medicaid administrative contractors and the Medicare Advantage Program).

“**Gross Asset Value**” means, with respect to any asset, such asset’s adjusted basis for federal income tax purposes, except as follows:

(a) the initial Gross Asset Value of any asset contributed by a Member to the Company shall be the Fair Market Value of such asset, as determined by an Independent Appraiser as mutually agreed by the Member and the Company or, if they do not agree on such Independent Appraiser, then as determined under Section 7.06;

(b) the Gross Asset Values of all Company assets shall be adjusted to equal their Fair Market Values, as of: (i) the acquisition of an additional interest in the Company by any existing Member or additional Member in exchange for more than a de minimis Capital Contribution; (ii) the distribution by the Company to a

Member of more than a de minimis amount of assets of the Company as consideration for an interest in the Company; and (iii) the liquidation of the Company within the meaning of IRC Regulation §1.704-1(b)(2)(ii)(g); provided, however, that adjustments pursuant to clause (i) and clause (ii) of this sentence shall be made only if the Company reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company; and

(c) the Gross Asset Value of any Company asset distributed to any Member shall be the Fair Market Value of such asset on the date of distribution; provided, however, if the Gross Asset Value of an asset has been determined or adjusted pursuant to subsection (a) or subsection (b) above, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Income and Net Loss.

**“Indemnitees”** shall have the meaning set forth in Section 3.02(a).

**“Independent Appraiser”** means a Person (a) that is a member of a recognized professional organization for appraisers having at least five years’ experience in appraising or valuing assets similar to the asset that is being valued; (b) that performed a majority of its assignments during the immediately preceding three (3) year period for Persons other than the Company, Washington, UCSF or any of their respective Affiliates; (c) that does not have any material direct or indirect financial ownership interest in the Company, Washington or UCSF or any of their respective Affiliates; and (d) that will provide the Members a written “reasoned opinion” as that term is defined in IRC Regulation §53.4958-1(d)(4)(iii), including the certification required by IRC Regulation §53.4958-1(d)(4)(iii)(C).

**“Independent Third Person”** means any Person that is not the Company, UCSF, Washington or an Affiliate of the Company, UCSF or Washington.

**“Initial Appraisal”** shall have the meaning set forth in Section 7.06(a).

**“Initial Capital Contributions”** shall have the meaning set forth in Section 4.02(a).

**“Interested Member”** shall have the meaning set forth in Section 9.03(c).

**“IRC”** means the Internal Revenue Code of 1986, as amended from time to time, or any corresponding federal tax statute enacted after the Effective Date. Any reference in this Agreement to a specific section of the IRC shall include any IRC Regulations promulgated under that section of the IRC.

**“IRC Regulations”** means the income tax regulations and temporary regulations promulgated by the Internal Revenue Service, Department of Treasury, pursuant to the IRC.

**“Law”** means any federal, state or local law, statute, code, ordinance, regulation, rule,

consent agreement, constitution or treaty of any Governmental Authority, including the Act and common law.

“**Lease**” shall have the meaning set forth in Section 3.01(d)(xi).

“**Liquidator**” shall have the meaning set forth in Section 8.02(a).

“**Lobbying Activities**” are those activities that would constitute propaganda, or otherwise attempting, to influence legislation within the meaning of IRC §501(c)(3).

“**Mandatory Capital Contribution**” shall have the meaning set forth in Section 4.02(b).

“**Member Approval**” means, except as otherwise specifically provided herein, the approval of greater than fifty percent (50%) of the Percentage Interests; provided, however, that if a Member is prevented from voting on a matter pursuant to Section 9.02, “Member Approval” shall mean the approval of the other Member. With respect to each matter to be acted upon by the Members (a “**Member Action**”), the Washington Representatives shall vote as a block and together have that number of votes equal to the product of one thousand (1,000) multiplied by the total Washington Percentage Interest at the time of the Member Action, and the UCSF Representatives shall vote as a block and together have that number of votes equal to the product of one thousand (1,000) multiplied by the total UCSF Percentage Interest at the time of the Member Action. If any Member Representative is not present at a meeting of the Members, the voting power attributable to such absent Member Representatives shall automatically be allocated to the other Member Representatives appointed by the same Member who appointed the absent Member Representative.

“**Member Representatives**” means the Persons selected by a Member to serve as representatives of such Member in accordance with Section 3.01(b)(i).

“**Members**” means Washington and UCSF and such other Persons as are later admitted as members of the Company pursuant to the terms of this Agreement.

“**Net Income**” or “**Net Loss**” means, for each fiscal period, an amount equal to the Company’s taxable income or loss, as the case may be, for such period determined in accordance with Section 703(a) of the IRC (including for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Section 703(a)(1) of the IRC), as adjusted as follows:

- (a) any income of the Company exempt from federal income tax and not otherwise taken into account in computing Net Income or Net Loss pursuant to this definition shall be added to such taxable income or loss;
- (b) any expenditures of the Company described in §705(a)(2)(B) of the IRC (or treated as expenditures described in §705(a)(2)(B) of the IRC pursuant to Regulation §1.704-1(b)(2)(iv)(i)) and not otherwise taken into account in

computing Net Income or Net Loss pursuant to this definition shall be subtracted from such taxable income or loss;

- (c) in the event the Gross Asset Value of any asset of the Company is adjusted in accordance with subsection (b) or subsection (c) of the definition of “Gross Asset Value” above, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Net Income or Net Loss;
- (d) gain or loss resulting from any disposition of any asset of the Company with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of such asset, notwithstanding that the adjusted tax basis of such asset differs from its Gross Asset Value; and
- (e) in lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Fiscal Year or other period, computed in accordance with the definition of “Depreciation” above.

“**Non-Funding Member**” shall have the meaning set forth in Section 4.03(a).

“**Offeree**” shall have the meaning set forth in Section 7.05.

“**Offering Notice**” shall have the meaning set forth in Section 7.05.

“**Percentage Interest**” means with respect to any Member the percentage obtained by dividing the capital account balance of a Member by the total capital account balances of all Members.

“**Permitted Transfer**” means a Transfer of all, but not less than all, of the Units of the Company: (a) by a Member to a wholly-owned subsidiary, (b) by a Member to the Company, (c) by a Member to another Member, or (d) by a Member to any Person after the Member making the Transfer (i) has obtained the consent of the non-Transferring Members to admit the proposed Transferee as a Member under Section 3.01(c) and (ii) has complied with the right of first refusal provisions of Section 7.05 of this Agreement.

“**Permitted Transferee**” means any Person to which a Member is entitled to make a Permitted Transfer under this Agreement who complies with the terms and conditions set forth under this Agreement.

“**Person**” means any individual, for-profit or nonprofit corporation, association, partnership (general, limited or limited liability), joint venture, trust, estate, limited liability company or other legal entity or organization.

“**Purchase Event**” shall have the meaning set forth in Section 7.01.



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“**Purchase Event Notice**” shall have the meaning set forth in Section 7.01(b).

“**Purchase Option Election Notice**” shall have the meaning set forth in Section 7.01(c).

“**Put/Call Closing**” shall have the meaning set forth in Section 7.02(b).

“**Put/Call Exercise Period**” shall have the meaning set forth in Section 7.02(a).

“**Put/Call Notice**” shall have the meaning set forth in Section 7.02(a).

“**Put Right**” shall have the meaning set forth in Section 7.02.

“**Put Units**” shall have the meaning set forth in Section 7.02.

“**Real Property**” means the real property mutually selected by the Members upon which the Business will be located.

“**Reasonable Compensation**” as applied to the value of services shall mean the amount that would ordinarily be paid for like services by like enterprises (whether taxable or tax-exempt) under like circumstances. The standards set forth at IRC §162, § 501(c)(3) and § 4958 shall apply in determining reasonableness of compensation, taking into account the aggregate benefits provided to a Person and the rate at which any deferred compensation accrues.

“**Related Party Transaction**” shall have the meaning set forth in Section 9.01(b).

“**Securities Act**” means the Securities Act of 1933, as amended.

“**Selling Member**” shall have the meaning set forth in Section 7.01.

“**Small Partnership Election**” means an election made by the Company in accordance with Section 6221(b) of the IRC.

“**Tax**” or “**Taxes**” means any federal, state, local or foreign income, gross receipts, license, payroll, employment, business and occupation, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, hospital provider, unclaimed/abandoned property, registration, value added, alternative or add-on minimum, estimated or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

“**Tax Impediment**” means any Law passed, adopted or implemented by any Governmental Authority, or any decision, finding, interpretation or action by any Governmental Authority which, in the written reasoned opinion of independent tax counsel engaged by UCSF or Washington, as applicable, for such purpose and approved by the other party, which approval shall not be unreasonably withheld, as a result or consequence, in whole or in part, of the arrangement between the Members set forth in this Agreement, or a Member’s ownership interest in the Company, could

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reasonably be expected: (a) to result in or present a material risk of revocation of the federal tax-exempt status of the affected Member, The Regents or any Affiliate of The Regents or UCSF (with respect to UCSF) or their respective tax-exempt financial obligations; (b) to result in distributions from the Company being subject to unrelated business income tax under IRC §511(a) and which may reasonably be expected to result in a material adverse effect on the tax-exempt status of a Member, The Regents or their respective Affiliate, or any other Affiliate of a Member; or (c) to prohibit or restrict the ability of a Member, The Regents or their respective Affiliate, or any other Affiliate of a Member to issue or have issued for their benefit tax-exempt bonds, certificates of participation, or other tax-exempt financial obligations.

**“Tax Impediment Call Right”** shall have the meaning set forth in Section 7.03(a).

**“Tax Impediment Put Right”** shall have the meaning set forth in Section 7.03(a).

**“Tax Impediment Negotiation Period”** shall have the meaning set forth in Section 2.08.

**“Tax Impediment Sale Units”** shall have the meaning set forth in Section 7.03(b).

**“The Regents”** shall have the meaning set forth in the Preamble.

**“Third Appraisal”** shall have the meaning set forth in Section 7.06(b).

**“Third-Party Purchaser”** means a Person unaffiliated with the seller of Units or assets that is a prospective purchaser of Units or assets from such seller.

**“Transfer”** means, in respect of any Units, property or other asset, any direct or indirect sale, assignment, pledge, hypothecation, transfer, distribution or other disposition thereof or of a participation therein, or other conveyance of legal or beneficial interest therein, or any short position in a Unit or any other action or position otherwise reducing risk related to ownership through hedging or other derivative instruments, whether voluntarily or by operation of law or any agreement or commitment to do any of the foregoing. **“Transferred”** and **“Transferring”** shall have the correlative meanings.

**“Transfer Instrument”** shall have the meaning set forth in Section 6.03.

**“Transferee”** means a Person that is Transferred Units in the Company from a Member in accordance with this Agreement.

**“UCSF”** shall have the meaning set forth in the Preamble.

**“UCSF Representatives”** shall have the meaning set forth in Section 3.01(b).

**“UCSF Reserve Rights”** shall mean the UCSF Primary Reserve Rights and the UCSF Secondary Reserve Rights described in Section 3.01 of this Agreement.

**“Units”** shall have the meaning set forth in Section 2.12.

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“*Washington*” shall have the meaning set forth in the Preamble.

“*Washington Representatives*” shall have the meaning set forth in Section 3.01(b).

Section 1.02 Usage Generally; Interpretation. Whenever the context may require, any pronoun includes the corresponding masculine, feminine and neuter forms. All references herein to Articles, Sections, subsections or paragraphs shall be deemed to be references to Articles, Sections, subsections or paragraphs of this Agreement unless the context otherwise requires. All references herein to “*days*” shall be calendar days unless explicitly stated otherwise.

## **ARTICLE II**

### **FORMATION OF THE COMPANY; REPRESENTATION AND WARRANTIES OF THE MEMBERS; PURCHASE OF UNITS; CLOSING**

Section 2.01 Formation Filing. The Company has been formed as a California limited liability company pursuant to the Act by filing Articles of Organization with the Secretary of State of the State of California, and the rights and liabilities of the Members shall be as provided in the Act except as herein otherwise provided. In the event of any inconsistency between any terms and conditions contained in this Agreement and any non-mandatory provisions of the Act, the terms and conditions contained in this Agreement shall govern. The Company shall execute such further documents and take such further actions as shall be appropriate to comply with the requirements of the Act for the operation of a limited liability company.

Section 2.02 Name. The name of the Company shall be “Warm Springs Health Center Partnership, LLC” or such other name as from time to time may be determined by the Members.

Section 2.03 Principal Place of Business. The Company’s principal place of business will be at such place as the Members shall designate from time to time.

Section 2.04 Term. The term of this Agreement shall commence on the Effective Date and shall continue until terminated as described herein.

Section 2.05 Purposes of the Company. The Company shall be operated and managed in accordance with the following:

- (a) Purposes. The purposes of the Company shall be (i) to operate the Business; (ii) to operate the Company to promote health and provide healthcare services in a non-discriminatory manner to individuals without regard to race, creed, national origin, gender, payor source or the ability to pay for the services; and (iii) to generally engage in such other business and activities and to do any and all other acts and things permitted under the Act and in furtherance of the purposes of the Company as set forth in this paragraph (subject to the provisions of this Agreement).

(b) Operations in a Manner Consistent with UCSF's and Washington's Exempt Purposes.

(i) The Company's operations shall be conducted and managed in a manner that will not (v) cause UCSF to act in a manner inconsistent with its tax-exempt purpose, or (w) adversely affect UCSF's tax-exempt status under Section 501(c)(3) of the IRC. Other than distributions to Members with respect to their membership interests and withdrawals or returns of capital as permitted or contemplated by this Agreement, no part of the net earnings of the Company shall inure to the benefit of, or be distributable to, its members, directors, trustees, officers, or other private persons, except that the Company is expressly authorized and empowered to pay Reasonable Compensation for services rendered and to make payments and distributions in the furtherance of the purposes set forth herein. The Company shall ensure that all transactions involving payment for services are within the range of Reasonable Compensation for the services involved and that all transactions involving payment for property or the right to use property are within the range of Fair Market Value for the property or right to use property involved in the transaction and reasonably calculated to ensure that neither UCSF nor the Company participates in an excess benefit transaction as defined in IRC §4958. In no event may the Company (x) make any direct or indirect financial contribution to, or otherwise directly or indirectly endorse or oppose, any candidate for public office, (y) carry on any Lobbying Activities, or (z) engage in any other activities not permitted to be carried on by UCSF as an organization exempt from federal income tax under Section 501(c)(3) of the IRC.

(ii) The Members shall not cause the Company to engage in any activities or take any action which is materially inconsistent with the tax-exempt status of UCSF or would create material unrelated business taxable income to UCSF. All Members are aware of the limitations on the activities of the Company under this Section 2.05 and agree that the decision of the Members to forego an action or activity which would be inconsistent with the tax-exempt status of UCSF shall not be a breach of the duty of loyalty or any other duty of the Members.

(iii) The Company's operations and the operations of the Company Subsidiaries shall be conducted and managed in a manner that will not (v) cause Washington to act in a manner inconsistent with its tax-exempt purpose, or (w) adversely affect Washington's tax-exempt status under Section 501(c)(3) of the IRC. Other than distributions to Members with respect to their membership interests and withdrawals or returns of capital as permitted or contemplated by this Agreement, no part of the net earnings of the Company shall inure to the benefit of, or be distributable to, its members, directors, trustees, officers, or other private persons, except that the Company is expressly authorized and empowered to pay Reasonable Compensation for services rendered and to make payments and distributions in the furtherance of the purposes set forth herein. The Company shall ensure that all transactions involving payment for services are within the range of Reasonable Compensation for the services involved and that all transactions involving payment for property or the right to use property are within the range of Fair Market Value for the property or right to use property involved in the transaction and reasonably calculated to ensure that neither Washington nor the Company participates in an excess benefit transaction as defined in IRC §4958. In no event may the Company (x) make any direct or indirect financial

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contribution to, or otherwise directly or indirectly endorse or oppose, any candidate for public office, (y) carry on any Lobbying Activities, or (z) engage in any other activities not permitted to be carried on by Washington as an organization exempt from federal income tax under Section 501(c)(3) of the IRC.

(iv) The Members shall not cause the Company to engage in any activities or take any action which is materially inconsistent with the tax-exempt status of Washington or would create material unrelated business taxable income to Washington. All Members are aware of the limitations on the activities of the Company under this Section 2.05 and agree that the decision of the Members to forego an action or activity which would be inconsistent with the tax-exempt status of Washington shall not be a breach of the duty of loyalty or any other duty of the Members.

Section 2.06 Qualification and Registration. The Company shall execute and cause to be filed original or amended certificates and shall take any and all other actions as may be reasonably necessary to perfect and maintain the status of the Company as a limited liability company or similar type of entity under the Laws of the State of California and to qualify to do business in the State of California and any other jurisdictions in which the Company does business.

Section 2.07 Registered Office / Registered Agent. The Company's registered office and the name of the Company's registered agent shall be as determined by the Members from time to time.

Section 2.08 Tax Exemption Considerations. In the event of any Tax Impediment, the Members shall meet and confer in good faith as soon as reasonably practicable after an actual or potential Tax Impediment is identified in order to discuss the reasonable alternatives and solutions to resolve such Tax Impediment in a manner that will: (a) allow the Members and their Affiliates to retain their respective federal, state or local tax-exempt status; (b) ensure that a Member's distributions from the Company are not subject to unrelated business income tax under IRC §511(a) to such extent that may impair the tax-exempt status of a Member or its Affiliates; and (c) allow a Member and its Affiliates to maintain and issue or have issued for their benefit tax-exempt bonds, certificates of participation or other tax-exempt financial obligations. The Members shall negotiate in good faith with respect to alternatives and solutions to resolve such Tax Impediment, including any modifications or amendments to this Agreement that may be necessary or appropriate to resolve such Tax Impediment. If the Members are unable to resolve a Tax Impediment in a manner that satisfies clauses (a), (b) and (c) above to their mutual satisfaction in accordance with this Section 2.08 within sixty (60) days after a Member provides notice to the other Member of an actual or potential Tax Impediment (the "***Tax Impediment Negotiation Period***"), then UCSF and/or Washington (as applicable) may exercise the Tax Impediment Put Right or the Tax Impediment Call Right pursuant to Section 7.03.

Section 2.09 Title to Property. All property owned by the Company shall be owned by the Company as an entity and no Member shall have any ownership interest in such property in its individual name. The Company shall hold title to all of its property in the name of

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the Company and not in the name of any Member. Each Member's Units in the Company shall be personal property of such Member for all purposes.

Section 2.10 Entity Classification. The Members agree that the Company shall be classified as a partnership for United States federal and state tax purposes, and the Members and the Company agree that they shall refrain from making any elections under the Regulations, and from filing any returns or reports, that are inconsistent with such classification unless and until the Members consent to a change in the United States federal and state tax classification of the Company.

Section 2.11 Representations and Warranties of Members. Each Member represents and warrants to the Company and the other Member as follows:

(a) Organization and Authority. Such Member is duly incorporated or organized, validly existing and in good standing under the Laws of the jurisdiction of its incorporation or organization and has all necessary power and authority to enter into this Agreement and to carry out its obligations hereunder and to perform the actions contemplated hereby. The execution and delivery of this Agreement by such Member and the performance by such Member of its obligations hereunder and the performance by such Member of the actions contemplated hereby have been duly authorized by all requisite action on the part of such Member and no other corporate approval is needed for such execution, delivery and performance. This Agreement has been duly executed and delivered by such Member, and (assuming due authorization, execution and delivery by the other Persons signatory hereto) this Agreement constitutes a legal, valid and binding obligation of such Member enforceable against it in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium or similar Laws affecting creditors' rights generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at Law).

(b) No Conflict. The execution and delivery by such Member of, and performance by such Member of its obligations under, this Agreement do not and will not (i) violate, conflict with or result in the breach of any provision of such Member's charter or bylaws (or similar organizational documents) or (ii) either (A) conflict with or violate any Law, governmental regulation or governmental order applicable to such Member or any of its assets, properties or businesses or (B) conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to other Persons any rights pursuant to, any contract, agreement or arrangement by which such Member is bound, except to the extent that any conflict, violation, breach, default, failure to obtain consent or surrender of rights under this clause (B) would not prevent or materially hinder the performance of the actions contemplated by this Agreement.

(c) Governmental Consents and Approvals. The execution, delivery and performance of this Agreement by such Member do not and will not require any consent, approval, authorization or other order of, action by, filing with or notification to, any Governmental Authority.

(d) Securities Laws.

(i) All Units acquired by or for such Member are and will be acquired solely for such Member's own account for investment purposes only and not with a present view toward the distribution thereof or with any present intention of distributing or reselling any such Units in violation of the Securities Act or any state securities Laws. Irrespective of any other provisions of this Agreement, any Transfer of any of the Units acquired by such Member will be made only in compliance with all applicable federal and state securities Laws, including the Securities Act.

(ii) Such Member has had the opportunity to ask questions and receive answers concerning the Units acquired by or for such Member. Such Member has had full access to such information and materials concerning the Company as such Member has requested. The Company has answered all inquiries that such Member has made to the Company relating to the Company or the Units acquired by such Member.

(iii) Such Member has sufficient knowledge and experience in financial and business matters so that such Member is capable of evaluating the merits and risks of an investment in the Units and of making an informed investment decision with respect thereto, or such Member has consulted with advisors who possess such knowledge and experience.

(iv) Such Member is able to bear the economic risk of its investment in the Units for an indefinite period of time. Such Member understands that the Units have not been registered under the Securities Act and therefore cannot be sold unless subsequently registered under the Securities Act or unless an exemption from such registration is available.

(e) No Proxy or Voting Agreement. Such Member has not and will not grant any proxy or enter into or agree to be bound by any voting trust with respect to the Units nor will such Member enter into any Member agreements or arrangements of any kind with any Person with respect to the Units on terms which conflict with or violate any provision of this Agreement, including, without limitation, agreements or arrangements with respect to the acquisition, disposition or voting of Units inconsistent with this Agreement.

(f) Government Health Care Program. Neither such Member nor any of its Affiliates (nor any of their respective managers, directors, or officers) or material third party vendors or independent contractors who furnish services or supplies that may be reimbursed in whole or in part under any Government Health Care Program) is excluded, suspended or debarred from participation (or is otherwise ineligible to participate) in any Government Health Care Program, and no such Person has been convicted of or charged with any violation of any Laws related to any Government Health Care Program which conviction or charge is reasonably likely to serve as the basis for any exclusion, suspension, or debarment or ineligibility under Section 42 U.S.C. § 1320a-7, or any analogous exclusionary Law of the State of California.

(g) Compliance with Laws. The Members acknowledge that the Company's operations are subject to various state and federal laws regulating permissible relationships

between the Members and entities such as the Company, including without limitation 42 U.S.C. 1320a-7b(b) (the “**Fraud and Abuse Statute**”), U.S.C. 1395nn (the “**Stark Act**”), and similar California laws. It is the intent of the parties that the Company operate in a manner consistent and in compliance with the foregoing statutes. Accordingly, each Member represents and warrants that (i) such Member has not entered into this Agreement, and has not provided remuneration or been provided remuneration with the intent to induce the referral of Medicare or Medicaid items or services to any other Person, including a Member or the Company, (ii) no Person has requested information from the Member regarding the Member’s ability to refer Medicare and Medicaid items or services, and (iii) the Member has not been encouraged to invest or not invest based on his or her ability to direct referrals to the Company or other Members. The Members also acknowledge that the Stark Act may restrict the Company (as presently formed) from providing Designated Health Services (as defined by the Stark Act) to patients referred by Members.

Section 2.12      Purchase of Units.

(a)      UCSF Purchase of Units. As set forth on **Exhibit A**, UCSF hereby purchases and the Company hereby issues and sells to UCSF forty-nine (49) units (“**Units**”) at a purchase price of \_\_\_\_\_ Dollars (\$) per share, for a total purchase price of \_\_\_\_\_ Dollars (\$\_\_\_\_\_).

(b)      Washington Purchase of Units. As set forth on **Exhibit A**, Washington hereby purchases and the Company hereby issues and sells to Washington fifty-one (51) Units at a purchase price of \_\_\_\_\_ Dollars (\$) per share, for a total purchase price of \_\_\_\_\_ Dollars (\$\_\_\_\_\_).

(c)      Contribution of Rights under TIC Agreement. UCSF and Washington acknowledge and agree that a significant portion of each party’s purchase price shall be in exchange for such party’s rights under the TIC Agreement and respective ownership thereunder of the Warm Springs Property.

(d)      Closing. The purchase and sale of the Units set forth in this Section 2.12 shall occur simultaneously with the execution of this Agreement by the parties hereto.

**ARTICLE III**  
**MANAGEMENT AND OPERATIONS OF THE COMPANY**

Section 3.01      Management of the Company.

(a)      Management by Members.

(i)      The management and the exercise of powers of the Company is fully vested in the Members acting in their membership capacities. Decisions and actions of the Members will be made through the Member Representatives.



(ii) No Member acting individually without the express authority of the other Member shall be an agent of the Company or shall have authority to bind the Company or incur a debt or liability on behalf of the Company. Any Member who binds or obligates the Company for any debt or liability or causes the Company to act, except in accordance with this Agreement, shall be liable to the Company and to the other Members for any such debt, liability or act.

(b) Member Representatives.

(i) Purpose, Authority and Actions of the Member Representatives. To facilitate the orderly and efficient management of the Company, each Member shall select Member Representatives, whose decisions shall inform the decision of such Member. Such Member Representatives shall not be deemed “managers” under the Act.

(ii) Number: Appointment. The Member Representatives shall consist of six (6) members, three (3) of whom shall be appointed by Washington (the “**Washington Representatives**”) and three (3) of whom shall be appointed by UCSF (the “**UCSF Representatives**”). The initial Member Representatives are listed on Exhibit B attached hereto. Each Member Representative shall serve until his or her removal, resignation, death or incapacity to serve. Each Member shall have the right to remove (with or without cause) any Member Representative designated by such Member at any time. In addition, a Member Representative appointed by a Member may be removed upon the reasonable request of the other Member in case of fraudulent or dishonest acts of the Member Representative. In the event of such removal or in the event of any vacancies created by the resignation, death or incapacity of any Member Representative, the appointing Member may designate a replacement Member Representative.

(c) Member Action and Member Approval. Company actions shall require Member Approval, except as otherwise expressly set forth in this Agreement.

(d) UCSF Primary Reserve Rights. Notwithstanding anything to the contrary in this Agreement, with respect to any of the following actions or decisions (“**UCSF Primary Reserve Rights**”), the Company shall not take any of the following actions (each a “**Major Decision**”), unless approved in writing by UCSF in addition to any other voting rights granted to Washington and UCSF in this Agreement, provided that UCSF’s Percentage Interest shall be at least ten percent (10%):

(i) Merger, consolidation or other reorganization of the Company with or into any other entity, or the sale, exchange, transfer or other disposition of all or substantially all of the assets of the Company;

(ii) Changing or reorganizing the Company from a limited liability company to another legal form;

(iii) Amendment, addition, deletion, repeal or restatement, in whole or in part, of the Articles of Organization, this Operating Agreement, or other organizational or governance documents of the Company;

(iv) The removal, addition or substitution of any Member of the Company, the issuance of any Units or other interests in the Company, the repurchasing or redeeming of Percentage Interests of a Member, or the Transfer of an ownership interest in the Company (except in the case of a Transfer by a Member, in which case only the approval of the non-Transferring Member shall be required);

(v) The discontinuation of the Company's Business or any change in the general character of the business anticipated to be conducted by the Company on the date hereof;

(vi) The dissolution of the Company, the filing of a petition with respect to the Company requesting or consenting to an order for relief under the federal bankruptcy laws, or other actions with respect to the Company as a result of insolvency or the inability to pay debts generally as such debts become due;

(vii) Selecting or changing the purposes, mission or the name of the Company or the Business;

(viii) Any decision to finance, refinance, lien or enter into any other Encumbrance on the Warm Springs Property or any other real property held by the Company, or the execution of any guaranties on any such Encumbrance by the Members,

(ix) Consenting to a transfer or sale of any portion of the Warm Springs Property or any other real property held by the Company;

(x) Any decision to issue of Capital Call or other demand for Capital Contributions from the Members;

(xi) Approval and execution of all leases of any portion of the Warm Springs Property or any other real property held by the Company (each, a "***Lease***"), or a material modification, amendment or termination of a Lease;

(xii) The approval of any Related Party Transaction; and

(xiii) The approval of any material tax matters, except as set forth in Section 10.05.

(e) UCSF Secondary Reserve Rights. Notwithstanding anything to the contrary in this Agreement, with respect to any of the following actions or decisions ("***UCSF Secondary Reserve Rights***"), the Company shall not take any of the following actions, unless approved in writing by UCSF in addition to any other voting rights granted to Washington and UCSF in this Agreement, provided that UCSF's Percentage Interest shall be at least thirty-five percent (35%):

(i) Approval of the Company's Budget or any material modification thereto;

(ii) Approval of all business and strategic plans;

(iii) Any non-budgeted expense outside the course of day-to-day operations in excess of the lesser of twenty percent (20%) of the current year's budget cumulative per year or Two Hundred Fifty Thousand Dollars (\$250,000.00);

(iv) The approval of (A) all non-budgeted contracts, leases (whether operating or capital), or other agreements or transactions of the Company in which an amount in excess of the lesser of twenty percent (20%) of the current year's budget or Two Hundred Fifty Thousand Dollars (\$250,000.00) will be expended in any calendar year, or any material modification thereof, (B) any material contract of the Company with a term that (1) exceeds two (2) years (including renewal periods) and that is not terminable by the Company without cause upon one hundred eighty (180) days' or fewer prior notice or (2) includes any exclusivity or other restrictive covenants on the operation or activities of the Company or any Member;

(v) Any loan by the Company of any of its funds to any Person or entity, including any Member or its Affiliates, or the provision of any guarantees by the Company not otherwise approved as part of a budget or business or strategic plan;

(vi) Any non-budgeted borrowing by the Company in excess of of the lesser of twenty percent (20%) of the current year's budget or Two Hundred Fifty Thousand Dollars (\$250,000.00) (excluding accounts payable);

(vii) Any contract between the Company and any of its Members or their respective Affiliates (or any material modification thereof);

(viii) Entering into any development agreement or other agreement, arrangement or business dealing of any type related to the development or construction of the Warm Springs Property, any modifications or amendments to any such agreement, arrangement, business dealing, and the approval of any development or construction budgets related to the development or construction of the Warm Springs Property or any modifications or amendments thereto, including, without limitation, the approval of any change orders or other deviations from the approved development or construction budgets that exceed the lesser of twenty percent (20%) of the current year's budget or Two Hundred Fifty Thousand Dollars (\$250,000.00) (even if such change orders or deviations are within the contingency budget for the project);

(ix) The commencement, prosecution, defense, settlement, compromise or dismissal of any lawsuit or other judicial or administrative proceedings (including investigations) affecting the Company or the Members which has an amount in controversy or settlement value of \$250,000 or more, or where such action may implicate the Company's compliance with applicable Laws, subject, however, to Section 9.02;

(x) The distribution of any assets of the Company to the Members, other than as contemplated hereby;

(xi) The submission of any zoning, building or entitlement permit or license applications;

(xii) The hiring of any brokers or manager, or the negotiation of any management contract (or any extension or renewal of such contract);

(xiii) Approve any agreement between the Company and any academic medical center for any new affiliation; and

(xiv) The appointment, termination, or removal of the President of the Company.

(f) Meetings of Members.

(i) Regular meetings of the Members, through the Member Representatives, shall be held at such times and places as shall be designated from time to time by the Members, provided that such meetings shall be held no less frequently than quarterly.

(ii) Special meetings of the Members, through the Member Representatives, shall be held whenever called, on at least five (5) days' notice to each Member Representative by the Chair, Vice Chair, any Member, or any Member Representative at such times and places as may be specified in the respective notices thereof. Notice of any such special meeting may be delivered verbally, electronically or in writing. Any Member Representative may waive notice of any meeting. The attendance at a meeting of a Member Representative shall constitute a waiver of notice of such meeting, except where the Member Representative attends a meeting for the express purpose of objecting to the transaction of any business at such meeting on the basis that such meeting is not lawfully called or convened.

(iii) Quorum. A quorum shall exist for the transaction of business at a meeting of the Members if a minimum of at least one Washington Representative and at least one UCSF Representative are present in person, excluding any Washington Representative or UCSF Representative who is not eligible to vote on a matter due to the existence of a conflict of interest.

(iv) Chair and Vice Chair. The Chair shall preside at all meetings of the Member Representatives attended by the Chair. For any meeting of the Member Representatives in which the Chair is absent, the Vice Chair shall preside. The position of Chair and Vice Chair shall be rotated between UCSF Representatives and Washington Representatives (as selected by UCSF and Washington, respectively) at two-year intervals, and the Member that does not designate the individual to serve as Chair during such two-year period shall designate the Vice-Chair for such two-year period. The initial Chair shall be a Washington Representative as selected by Washington. The initial Vice Chair shall be a UCSF Representative as selected by UCSF.

(v) Action Without Meeting. Any action that may be taken by the Members at a meeting may be taken without a meeting of the Members if a consent in writing, setting forth the action to be so taken, shall be signed by Members holding the required Percentage Interest for such action.

(vi) Participation. A Member Representative may attend a meeting of the Member Representatives by means of a conference telephone or other communications equipment through which all Persons participating in such meeting can hear each other and such participation shall constitute being present in person.

(g) Use of Agents; Officers.

(i) The Members may, from time to time, retain any Person to provide services to the Company or the Members, and the Members are entitled to rely in good faith upon the recommendations, reports, advice or other services provided by any such Person.

(ii) The Members agree that Edward Fayen shall serve as the initial principal agent of the Company and shall hold the title of President. The President shall have such powers and authority as the Members shall determine from time-to-time. The President shall not be a “manager” as such term is used in the Act. The President shall not be compensated except as stated in a signed written consent signed by Washington and UCSF or as provided in a separate written agreement between the President and the Company duly approved by the Members (subject to any applicable UCSF Reserve Rights). The term of office for the President shall be two (2) years or until his or her successor is elected and qualified in accordance with the terms of this Agreement.

(iii) Subject to any limitations contained in the UCSF Reserve Rights, the Members may from time to time appoint or remove such other officers (except the President) of the Company as they deem necessary, each such officer to have the authority and responsibility and serve for the term designated by the Members or as agreed to by such officer and the Company. None of such officers shall be deemed “managers” as such term is used in the Act.

(iv) The Company may reimburse the officers of the Company for any actual and reasonable expenses incurred by such officers for their service on behalf of the Company, including, without limitation, travel and lodging, provided that such officers comply with the Company’s reimbursement policies and procedures in effect at such time.

Section 3.02 Indemnity

(a) No Member, in its capacity as such, or Member Representatives (hereinafter collectively referred to as “*Indemnitees*”) shall have any liability, responsibility or accountability in damages or otherwise to any Members or the Company for any Adverse Consequences suffered by the Company which arises out of any act or omission performed or omitted by such Indemnitee, except for, and only to the extent of, liability for gross negligence, or acts or omissions not in good faith or which involve willful misconduct or a knowing violation of Law and solely with respect to any Member, any acts or omissions of any Member under this

Agreement constituting a breach of this Agreement. Each Indemnitee shall be indemnified by the Company, and the Company hereby agrees to indemnify, defend, pay, protect and hold harmless the Indemnitee (on the demand of and to the reasonable satisfaction of such Indemnitee), from and against any and all Adverse Consequences arising from such Indemnitee's involvement with the affairs, or the management of the affairs, of the Company, provided that such Adverse Consequences were not the result of gross negligence or acts or omissions not in good faith or which involve willful misconduct or a knowing violation of Law by such Indemnitee. If any action, suit or proceeding shall be pending against the Company and an Indemnitee, such Indemnitee shall have the right to employ, at the expense of the Company, separate counsel of its, his or her choice in such action, suit or proceeding. The satisfaction of the obligations of the Company under this Section 3.02 shall be from and limited to the assets of the Company and no Member shall have any liability on account thereof.

(b) The Company shall indemnify any Person that was or is a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding by reason of the fact that such Person is or was an officer, employee or agent of the Company or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise; provided, however, that the Company shall not indemnify such Person for any act or omission that constitutes gross negligence or acts or omissions not in good faith or which involve willful misconduct or a knowing violation of Law.

(c) Any actual and reasonable expenses (including actual and reasonable attorneys' fees) incurred by any indemnitee under Section 3.02 in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Company in advance of the final disposition of such action, suit or proceeding upon receipt by the Company of an undertaking by or on behalf of such indemnitee to repay such amount if it shall ultimately be determined that such indemnitee is not entitled to be indemnified by the Company pursuant to Section 3.02(a) or 3.02(b).

### Section 3.03 Rights and Obligations of Members.

(a) Rights and Obligations of a Member. A Member as such shall not be personally liable for any of the debts of the Company or any of the losses thereof, whether arising in tort or contract or otherwise, beyond the Capital Contribution made by such Member to the Company; provided, however, that a Member may be required to repay distributions made thereto as provided in Section 17704.06 or other sections of the Act. The Member Representatives shall not have any personal liability for the repayment of any Capital Contribution of any Member.

(b) Regents. Each Member acknowledges that The Regents of the University of California ("**The Regents**") has entered into this Agreement solely on behalf of and with respect to UCSF, and any medical center, hospital, clinic, medical group, physician, or health or medical plan or program, business or operating unit, enterprise, or facility, that is or may be owned or controlled by, UCSF. The Regents has not entered into this Agreement on behalf of or with respect to any other division, business or operating unit, enterprise, facility, group, plan or

program that is or may be owned, controlled, governed or operated by, or affiliated with, The Regents, including, without limitation, any other university, campus, health system, medical center, hospital, clinic, medical group, physician, or health or medical plan or program (collectively, the “**Excluded UC Affiliates**”). In light of the foregoing, each Member further acknowledges and agrees that, notwithstanding any other provision contained in this Agreement:

(i) All obligations of UCSF under this Agreement shall be limited to The Regents as and when acting solely on behalf of or with respect to UCSF and shall in no way obligate, be binding on or restrict the business or operating activities (whether conducted inside or outside of the Region) of any of the Excluded UC Affiliates or The Regents as and when acting on behalf of or with respect to any of such Excluded UC Affiliates;

(ii) None of the Excluded UC Affiliates shall constitute or be deemed to constitute an “Affiliate” of UCSF for any purpose under this Agreement, and none of the Excluded UC Affiliates shall be subject to any limitations set forth herein that may otherwise be applicable to Affiliates; and

(iii) UCSF, through The Regents or otherwise, shall have the right to participate in, provide services under, contract as part of, and otherwise be involved in the management or operation of, any health or medical insurance or benefit plan, program, service or product that is sponsored or offered in whole or in part by The Regents on a system-wide basis.

(c) Withdrawal / Resignation. Except as otherwise provided in Article VIII, no Member shall demand or receive a return of its Capital Contributions, or resign or withdraw from the Company, without the approval of the other Member.

(d) Partition. While the Company remains in effect or is continued, each Member waives its rights to have any of the Company’s property or assets partitioned, or to file a complaint or to institute any suit, action or proceeding at Law or in equity to have any of the Company’s property or assets partitioned. Each Member, on behalf of itself and its successors and assigns, hereby specifically waives any such direct or indirect right it now has or may hereafter acquire to cause any assets of the Company now or hereafter acquired to be partitioned.

Section 3.04 New Members. Except for a Transferee that receives Units in a Permitted Transfer, a new Member of the Company may be admitted only upon approval of the Members. Such new Member shall make such Capital Contribution (if any) and shall receive Units and shall otherwise be admitted upon such terms and conditions required by this Agreement. Admission of a new Member is conditioned upon the execution of a joinder agreement to this Agreement. Upon such admission of a new Member of the Company, the Company shall amend Exhibit A to reflect the Capital Contribution, Percentage Interest and Units of such new Member. The terms and conditions of this Agreement shall be amended at such time of the admission of any new Members to reflect the rights and obligations of such additional Members.

Section 3.05 Deadlock Resolution. In the event of a Potential Deadlock Action, a Member may serve written notice on the other Members that a Potential Deadlock Action

*Washington Draft 04/23/2021*

*For Approval by:*

*Washington Township Board of Directors*

*The Regents of the University of California*

has occurred (with a specific description of the Potential Deadlock Action). Within ten (10) days of the date of such written notice, the matter shall first be referred for consideration to a committee comprised of executive officers of each Member. If such committee, acting in good faith, cannot reach resolution within sixty (60) calendar days after referral of the matter thereto, then the Potential Deadlock Action shall be referred for consideration to a second committee comprised of the senior-most decision makers of each Member, to the extent applicable. If such second committee, acting in good faith, cannot reach resolution within sixty (60) calendar days after referral of the matter thereto, then the Potential Deadlock Action shall be submitted to non-binding mediation with the American Association of Arbitration, in accordance with the rules and procedures thereof. If, following such non-binding mediation, the Members cannot reach resolution on the matter in question, a “Deadlock” shall be deemed to have occurred. The following events shall constitute a “**Potential Deadlock Action**”: (a) the failure of the Members to agree on a Major Decision, or (b) the failure to obtain a quorum at any three (3) consecutive meetings of the Members due to the failure of a Member, through its Member Representatives, to attend such meeting.

#### **ARTICLE IV CAPITALIZATION OF THE COMPANY**

Section 4.01      Capitalization. **Exhibit A** attached hereto sets forth each Member’s Initial Capital Contributions to the Company, as applicable, in the amount shown opposite each such Member’s name thereon. **Exhibit A** shall be amended from time to time by the Company to reflect the Percentage Interests of the Members. Ownership of Units shall not be certificated and shall be evidenced solely by the books and records of the Company as governed by this Agreement. Units may not be subdivided, combined, reclassified or consolidated. Each of the Members and other Persons that may, from time to time, become Members has or shall have contributed to the capital of the Company the amount listed on **Exhibit A** hereto, as amended from time to time, to reflect the admission of new Members of the Company, Permitted Transferees or other Transferees in accordance with Article VI.

Section 4.02      Funding for the Company.

(a)      The Members shall make initial Capital Contributions (the “**Initial Capital Contributions**”) as described on **Exhibit A**.

(b)      If the Members determine that (i) funds are required for any expenditure of the Company necessary for the operation of the Company and (ii) the amount of such required funds exceeds the cash generated by the operations of the Company, the Company shall, after receiving approval of the Members pursuant to Section 3.01(f), request that the Members make Capital Contributions to the Company in accordance with this Section 4.02(b) and Section 4.02(c), in proportion to their respective Percentage Interests, equal to the amount of the required funds (“**Mandatory Capital Contributions**”). If a request for Mandatory Capital Contributions is made pursuant to this Section 4.02(b) and Section 4.02(c), each Member shall be obligated to make such Mandatory Capital Contributions. If both Members contribute the Mandatory Capital



Contributions in proportion to their Percentage Interest, no Member shall be issued additional Units in connection with any Mandatory Capital Contributions made pursuant to this Section 4.02(b), nor shall the Members' respective Percentage Interests be adjusted in connection therewith.

(c) If the Members authorize any Mandatory Capital Contributions to the Company (a "**Capital Call**"), the Company shall deliver a written notice (the "**Capital Call Notice**") to each Member stating:

(i) the aggregate amount of Mandatory Capital Contributions requested at such time and the intended uses therefor;

(ii) the amount of the Mandatory Capital Contribution to be provided by each Member, which amount shall be equal to (A) the aggregate amount of the Capital Call made *multiplied by* (B) the Percentage Interest of such Member;

(iii) the due date for such Mandatory Capital Contributions, which due date shall be at least fifteen (15) days (or such other longer period mutually agreed upon by the Members) from the date of the Capital Call Notice;

(iv) wiring instructions for the wire transfer to the Company's bank account; and

(v) any other information the Company reasonably determines be included in the Capital Call Notice.

(d) All Mandatory Capital Contributions made by the Members shall be made by wire transfer of immediately available funds to the bank account designated by the Company in such Capital Call Notice prior to the close of business on the due date specified in such Capital Call Notice.

#### Section 4.03 Failure to Fund.

(a) If a Member does not make a Mandatory Capital Contribution within fifteen (15) days after the due date (such failure being referred to herein as the "**Funding Shortfall**"), such Member shall be designated as a "**Non-Funding Member**," and the Company shall promptly notify the Funding Member (as defined below) of the Funding Shortfall. If the other Member has made its Mandatory Capital Contribution in accordance with the terms hereof, such Member is hereafter referred to as the "**Funding Member**."

(b) In the event of a Funding Shortfall, the Funding Member shall have fifteen (15) Business Days after the date of receipt of the notice of the Funding Shortfall to provide written election to the Company to (i) terminate the Capital Call and return all Capital Contributions received pursuant to such Capital Call, (ii) ratify the Mandatory Capital Call and have each Member's Capital Account immediately adjusted accordingly (with the Funding

Member having the option – but not the obligation – to simultaneously make a further Capital Contribution covering part or all of the Funding Shortfall in return for further adjustment of such Member’s Capital Account), or (iii) advance the Company all or a portion of the Funding Shortfall to be treated as a loan to the Non-Funding Member.

(i) If the Funding Member elects to ratify the Mandatory Capital Call, then the Company shall issue Units to the Funding Member such that the relative Units held by the Members reflects the relative capital account of each Member. The Company shall make appropriate adjustments to the Capital Accounts of the Members and the Units held by the Members in the books and records of the Company and on **Exhibit A** hereto.

(ii) If the Funding Member advances a portion or all of the shortfall to the Company in the form of a loan to the Non-Funding Member, then the Funding Shortfall shall be treated as a loan to such Non-Funding Member (according to the terms set forth in Section 4.03(c)) for a period to be determined by the Funding Member in its sole discretion, and such loan shall terminate upon the earlier of (x) the payment of the Funding Shortfall (including accrued interest at the Default Interest Rate) by such Non-Funding Member and (y) the date on which the loan period, as determined by the Funding Member, expires (the “***Due Date***”), in which case the terms of Section 4.03(d) shall then be applicable.

(c) Any payment by a Funding Member of all or a portion of a Funding Shortfall that is treated as a loan pursuant to Section 4.03(b) shall, during all periods in which such payment is treated as a loan, have the following terms: (i) the principal balance of such loan and all accrued and unpaid interest thereon shall be due and payable in whole on the Due Date; (ii) such loan shall bear interest (“***Default Interest Rate***”) at the Prime Rate as published in *The Wall Street Journal* on the date of funding plus 2% (not to exceed the highest rate permitted by applicable Law) from the date that such loan was made until the date that such loan, together with all interest accrued thereon, is repaid; and (iii) all distributions from the Company that would otherwise be made to the Non-Funding Member shall be paid by the Company to the Funding Member providing the loan (whether before or after dissolution of the Company) until such loan and all interest accrued thereon shall have been repaid in full to the Funding Member (with all such payments (x) deemed to have been distributed to the Non-Funding Member and (y) applied first to interest accrued and unpaid and then to principal).

(d) If the Funding Member advances a portion or all of the shortfall to the Company in the form of a loan to the Non-Funding Member, and if such Non-Funding Member has not repaid the loan (including accrued interest at the Default Interest Rate) on or before the Due Date, the Company shall treat the balance due to the Funding Member as a Capital Contribution by the Funding Member to the Company. The Company shall issue Units to the Funding Member such that the relative Units held by the Members reflects the relative capital account of each Member. The Company shall make appropriate adjustments to the Capital Accounts of the Members and the Units held by the Members in the books and records of the Company and on **Exhibit A** hereto.

(e) A Member shall no longer be a Non-Funding Member upon (i) payment of by the Funding Member of the loan (including accrued interest at the Default Interest Rate) to the Funding Member prior to the issuance of Units under Section 4.03(d), or (ii) the issuance of Units under Section 4.03(d).

(f) Notwithstanding any provision in the foregoing to the contrary, if a Member fails to timely make Mandatory Capital Contribution(s) three (3) times during the term of this Agreement, the Funding Member shall have the right to buy the interest of the Non-Funding Member in accordance with the terms of Section 7.01(a)(ii).

Section 4.04 Debt Financing. Upon approval of the Members, (a) the Company may obtain secured or unsecured debt financing for operations, capital expenditures or any other approved purpose, and (b) the Company may obtain debt financing from one or more Members of the Company or any Affiliate of a Member, provided that such debt financing must be on terms that are at least as favorable to the Company as would be available to the Company in an arm's-length transaction with an Independent Third Person providing debt financing. The Members acknowledge and agree that no Member shall be required to provide debt financing, loans or guarantees for loans to the Company except to the extent such Member consents.

Section 4.05 Capital Accounts. The Company shall establish and maintain a capital account for each Member in accordance with IRC Regulations Section 1.704-1(b)(2)(iv) (each, a "**Capital Account**"). Accordingly, a Member's Capital Account shall be increased by (a) the amount of money the Member contributes to the Company, (b) the Fair Market Value of property the Member contributes to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take subject to under IRC Section 752) and (c) allocations to the Member of Net Income (or items thereof), including income and gain exempt from tax and gain as computed for book purposes in accordance with IRC Regulations Section 1.704-1(b)(2)(iv)(g) but excluding any gain separately computed for tax purposes as described in IRC Regulations Section 1.704-1(b)(4)(i). A Member's Capital Account shall be decreased by (i) the amount of money the Company distributes to the Member, (ii) the Fair Market Value of property the Company distributes to the Member (net of any liabilities secured by such distributed property that the Member is considered to take subject to under IRC Section 752), (iii) allocations to the Member of the Company's nondeductible, noncapital expenditures and (iv) allocations to the Member of Net Losses (or items thereof), including loss and deduction as computed for book purposes in accordance with IRC Regulations Section 1.704-1(b)(2)(iv)(g) but excluding nondeductible, noncapital expenditures and loss and deduction separately computed for tax purposes as described in IRC Regulations Section 1.704-1(b)(4)(i). A Member's Capital Account in all events shall be adjusted in accordance with the additional rules set forth in IRC Regulations Section 1.704-1(b)(2)(iv).

Section 4.06 Effect of Transfer of Units. Upon the Transfer by any Member of any or all of its Units that receives approval of the other Member pursuant to Section 6.01(a) and is otherwise effected in accordance with the provisions of this Agreement, the proportionate amount of such Member's Capital Account balance shall be transferred to the Transferee of such Units.

**ARTICLE V**  
**DISTRIBUTIONS AND ALLOCATIONS**

Section 5.01      Ownership of Company. All economic, voting and other interests in the Company shall be in accordance with the Members' Percentage Interest set forth on **Exhibit A**, as it may be amended from time to time in accordance with this Agreement.

Section 5.02      Allocation of Net Profits and Net Losses.

(a)      General Allocations.

(i)      All Net Income and Net Losses of the Company shall be allocated to the Members in accordance with the Members' respective Percentage Interests.

(ii)      Notwithstanding anything in this Agreement to the contrary, prior to any distribution to the Members following dissolution of the Company, each Member's Capital Account will be allocated an amount of the realized gain or loss on the liquidation of the Company's assets in a manner such that the ratio of the Capital Account of each Member to the total of all Member's Capital Accounts is the same as, or as close as possible to, each Member's Percentage Interest. The intent of this provision is to ensure that each Member's Capital Account, to the extent possible, is reduced to zero by the distributions following dissolution of the Company made in proportion to each Member's Percentage Interest.

(b)      Special Allocations.

(i)      Minimum Gain Chargeback. Notwithstanding any provision hereof to the contrary, any item of Company income or gain for any Fiscal Year (or any portion of any such item) that is required to be allocated to the Members under IRC Regulations Sections 1.704-2(f) or 1.704-2(i)(4) shall be allocated to the Members for such fiscal year in the manner so required by such Treasury Regulations, including IRC Regulations Section 1.704-2(j)(2).

(ii)      Qualified Income Offset. Notwithstanding any provision hereof to the contrary, if a Member unexpectedly receives in any Fiscal Year any adjustment, allocation or distribution described in IRC Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5), or (6), items of Company income and gain for such Fiscal Year (and, if necessary, for subsequent Fiscal Years) shall be allocated to such Member in an amount and manner necessary to eliminate any Adjusted Capital Account Deficit of such Member as quickly as possible; provided, however, that an allocation pursuant to this Section 5.02(b)(ii) shall be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Agreement have been tentatively made as if this Section 5.02(b)(ii) were not contained herein.

(iii)      Gross Income Allocation. Notwithstanding any provision hereof to the contrary, if a Member has an Adjusted Capital Account Deficit as of the last day of any Fiscal Year, then all items of income and gain of the Company (consisting of a pro rata portion of each

item of Company income and gain, including gross income) for such Fiscal Year shall be allocated to such Member in the amount and in the manner necessary to eliminate such Adjusted Capital Account Deficit as quickly as possible; provided, however, that an allocation pursuant to this Section 5.02(b)(iii) shall be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Agreement have been tentatively made as if this Section 5.02(b)(iii) were not contained herein.

(iv) Member Nonrecourse Deductions. Notwithstanding any provision hereof to the contrary, any item of Company loss, deduction or expenditure described in Section 705(a)(2)(B) of the IRC for any Fiscal Year (or any portion of any such item) that is required to be allocated to the Members under Treasury Regulations Section 1.704-2(i)(1) shall be allocated to the Members for such Fiscal Year in the manner so required by such Regulation.

(v) Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Company property pursuant to Sections 1.704-1(b)(2)(iv)(m)(2) or 1.704-1(b)(2)(iv)(m)(4) of the IRC Regulations is to be taken into account in determining Capital Accounts as the result of a distribution to a Member in complete liquidation of its membership interest, the amount of such adjustment to Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Members in accordance with their respective Percentage Interests in the event that Section 1.704-1(b)(2)(iv)(m)(2) of the IRC Regulations applies, or to the Members to whom such distribution was made in the event that Section 1.704-1(b)(2)(iv)(m)(4) of the IRC Regulations applies.

(vi) Allocations Relating to Taxable Issuance of Membership Interests. Any income, gain, loss, or deduction realized as a direct or indirect result of the issuance of membership interests shall be allocated among the Members so that, to the extent possible, the net amount of such items, together with all other allocations under this Agreement to each Member, shall be equal to the net amount that would have been allocated to each such Member if the items had not been realized.

(c) Curative Allocations. The allocations set forth in Section 5.02(b), (d) and (e) (the “**Regulatory Allocations**”) are intended to comply with certain requirements of the IRC Regulations. It is the intent of the Members that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss or deduction pursuant to this Section 5.02(c). Therefore, notwithstanding any other provision of this Article V (other than the Regulatory Allocations), the Company shall make such offsetting special allocations of Company income, gain, loss or deduction in whatever manner it determines appropriate so that, after such offsetting allocations are made, each Member’s Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of the Agreement and all Company items were allocated pursuant to Section 5.02(a)(i).

(d) Limitation on Loss Allocation. Notwithstanding the provisions of Section 5.02 hereof, if the amount of loss that would otherwise be allocated to a Member in any Fiscal

Year under Section 5.02 hereof would cause or increase a Member's Adjusted Capital Account Deficit as of the last day of such fiscal year, then a proportionate part of such Loss equal to such excess shall be allocated to the other Members to the extent such allocation can be made without violating the provisions of this Section 5.02 with respect to such other Members. Notwithstanding anything to the contrary in Section 5.02, any profit for any subsequent Fiscal Year that would have been allocated to a Member to which Loss would have been allocated but for the effect of the first sentence of this Section 5.02(d) shall be allocated to the other Members to the extent of the aggregate amount of loss allocated to such other Members pursuant to the first sentence of this Section 5.02(d).

(e) Section 704(c) Allocation. In accordance with IRC Section 704(c) and the IRC Regulations thereunder and with Section 1.704-1(b)(2)(iv)(f)(4) and 1.704-1(b)(4)(i) of the IRC Regulations, income, gain, loss and deduction with respect to any property contributed to the capital of the Company or property revalued on the Company's books and in the Capital Accounts shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial Gross Asset Value under any method selected by the Members.

(f) Other Allocation Rules.

(i) For purposes of determining the profits, losses, or any other items allocable to any period, profits, losses, and any such other items shall be determined on a daily, monthly, or other basis, as determined by the Members using any permissible method under section 706 of the IRC and the IRC Regulations thereunder.

(ii) The Members are aware of the income tax consequences of the allocations made by this Article V and hereby agree to be bound by the provisions of this Article V in reporting their shares of Company income and loss for income tax purposes

(iii) Solely for purposes of determining a Member's proportionate share of the "excess nonrecourse liabilities" of the Company within the meaning of Section 1.752-3(a)(3) of the IRC Regulations, the Members' interests in Company profits are in proportion to their respective Percentage Interests.

Section 5.03 Distributions to Members. No later than forty-five (45) days after the end of each Fiscal Quarter of the Company, (i) the Company shall prepare in accordance with GAAP a statement of cash flows for the immediately preceding Fiscal Quarter; and (ii) subject to applicable law, the Company shall make a cash distribution in the aggregate amount of its Cash Available for Distribution to the Members in accordance with their respective Percentage Interests.

Section 5.04 Required Withholding. The Company is authorized to withhold from distributions to a Member and to pay over to a federal, state, local or foreign government any amounts required to be withheld pursuant to the IRC or any provision of any other federal, state, local or foreign Law. All amounts withheld pursuant to this Section 5.04 shall be treated as amounts distributed to such Member for all purposes of this Agreement.

## ARTICLE VI TRANSFERS

### Section 6.01 Restrictions on Transfer.

(a) No Transfer of Units by a Member may be effected without the prior written approval of the other Member except for (i) a Permitted Transfer (which Permitted Transfer shall not be effective unless and until the Transferee of Units executes and delivers to the Company a joinder to this Agreement, if such Transferee is not already a Member) or (ii) a Transfer pursuant to the exercise of a Member's rights or performance of a Member's obligations under Article VII. The Members agree that no Permitted Transfer shall be made for the purpose of circumventing the general prohibition on Transfers to Third-Party Purchasers in this Article VI.

(b) Any attempt in contravention of this Agreement to make any Transfer with respect to Units shall be null and void and of no force and effect, the Transferee in such purported Transfer shall have no rights or privileges in or with respect to the Company and the Company shall not give effect in the Company's records to any such purported Transfer. The Member engaging or attempting to engage in such purported Transfer shall indemnify and hold harmless the Company and each of the other Members from all claims, suits, judgments, losses, damages, fines and costs (including reasonable legal fees and expenses) that the Company and such other Members may incur (including, without limitation, incremental Tax liability) in enforcing this Section 6.01.

Section 6.02 Securities Law Transfer Restrictions. Each Member acknowledges that the Units have not been registered under the Securities Act or applicable state securities Laws in reliance on applicable exemptions. Prior to any Transfer subsequent to the Effective Date of any Units in the Company not registered under an effective registration statement under the Securities Act and applicable state securities Laws, a transferring Member will give written notice to the Company of such Member's intention to effect such Transfer and to comply in all other respects with this Article VI. As an additional condition to such Transfer, the Company may require an opinion of such transferring Member's counsel satisfactory to the Company that such Transfer will be made in compliance with the Securities Act and applicable state securities Laws. Upon acceptance by the Company of such notice and opinion and such other documents as may be reasonably requested by the Company, such Member shall thereupon be entitled to make or solicit the Transfer of such Units in accordance with the terms of such notice delivered to the Company and otherwise in accordance with, and subject to the conditions contained in, this Agreement.

Section 6.03 Joinder Agreement; Transfer Instrument. No Person shall become a Member or owner of any Units through a Transfer from another Member until the Company shall have received a joinder to this Agreement signed by such Person (unless the Transferee is already a Member), and no Transfer of Units subsequent to the Effective Date shall be effective for any purpose unless and until a transfer instrument in form reasonably satisfactory to the non-Transferring Member and executed by such Transferring Member (the "***Transfer Instrument***") is delivered evidencing the Transfer of such Units. From and after such receipt of a

joinder from such Person and the delivery of the Transfer Instrument evidencing the Transfer of such Units, and subject to compliance with all other provisions of this Agreement, such Person shall be entitled to the rights and privileges of a Member set forth in this Agreement and shall be bound and obligated by the provisions of this Agreement, effective as of the first day of the month following the Transfer unless agreed otherwise by the Company.

Section 6.04 Effect of Transfer. A Person shall cease to be a Member, and shall not be entitled to exercise any rights or powers of a Member, upon a Transfer of all of such Person's Units. The Company shall amend Exhibit A, attached hereto to reflect the ownership of Units among Members immediately after any such Transfer.

## ARTICLE VII MEMBER PURCHASE AND SALE RIGHTS

Section 7.01 Purchase Option. Upon the occurrence of any one or more of the events (each, a "**Purchase Event**") set forth in Section 7.01(a) below with respect to a Member (such Member, the "**Selling Member**"), the other Member (the "**Buying Member**") shall have the right, but not the obligation, to purchase all (but not less than all) of the Units then owned by the Selling Member upon the terms and subject to the conditions set forth in this Section 7.01 and otherwise in accordance with this Article VII (the "**Purchase Option**").

(a) Purchase Events. The following shall constitute Purchase Events for purposes of this Agreement:

- (i) any Disqualifying Event with respect to the Selling Member;
- (ii) upon the failure of the Selling Member to timely make Mandatory Capital Contributions three (3) times during the term of this Agreement; and
- (iii) any material breach by the Selling Member of its obligations under this Agreement, which material breach is not cured within any applicable notice and cured period. In the event of such a material breach, the Buying Member shall deliver to the Selling Member a notice stating the specific nature of the material breach and, at the Buying Member's option, stating what the Buying Member proposes to be an effective cure or cures in connection therewith (which proposed cure or cures would not be binding upon the Selling Member) (the "**Breach Notice**"). For purposes of a breach under this Agreement, this Section 7.01(a)(iii) shall be triggered if the Selling Member fails to cure the breach within thirty (30) days after receipt of the Breach Notice. Notwithstanding any provision in this Section 7.01(a)(iii) to the contrary, a Member's failure to timely make a Mandatory Contribution shall not be deemed to be a material breach of this Agreement for purposes of this Section 7.01(a)(iii).

(b) Notice of Purchase Event. Upon the occurrence of any Purchase Event, the Buying Member shall give written notice of the Purchase Event (the "**Purchase Event Notice**") to the Selling Member within ten (10) days after (i) the Buying Member has knowledge of the



occurrence of an event described in Section 7.01(a)(i) with respect to the Selling Member, or (ii) the occurrence of a Purchase Event described in Section 7.01(a)(ii) or (iii).

(c) Exercise of Purchase Option. Following the occurrence of a Purchase Event, the Buying Member shall have ninety (90) days after the date of the Selling Member's receipt of the Purchase Event Notice in which to give notice to the Selling Member of its election to exercise the Purchase Option (the "**Purchase Option Election Notice**").

(d) Closing; Purchase Price. If the Buying Member exercises the Purchase Option, Washington and UCSF shall take all actions reasonably necessary to cause the consummation of the purchase and sale of the Selling Member's Units to occur within ninety (90) days following receipt by the Selling Member of the Purchase Option Election Notice. At the Closing, the Buying Member shall pay to the Selling Member an amount equal to the Fair Market Value of the Selling Member's Units as determined by an Independent Appraiser as mutually agreed by UCSF and Washington. If UCSF and Washington do not agree on an Independent Appraiser within thirty (30) days after receipt by the Selling Member of the Purchase Option Election Notice, then the Fair Market Value of the Selling Member's Units shall be determined in accordance with Section 7.05 below.

(e) Rights Non-Exclusive. The rights of a Buying Member under this Section 7.01 shall not be the exclusive remedy of the Buying Member, but shall be in addition to all other rights and remedies available to the Buying Member at Law or in equity resulting from any breach of this Agreement by the Selling Member, including, without limitation, the right of the Buying Member or the Company to institute suit to collect any amounts owed to the Buying Member or the Company by the Selling Member or to be compensated for any damages resulting from any breach of this Agreement by the Selling Member.

Section 7.02 Reserved.

Section 7.03 Tax Impediment Purchase and Sale Rights.

(a) Tax Impediment Rights. As referenced in Section 2.08, if the Members are unable to resolve a Tax Impediment in a manner that satisfies clauses (a), (b) and (c) of Section 2.08 during the Tax Impediment Negotiation Period, then if the Tax Impediment was caused by the act or omission of a Member (for purposes of this Section 7.03 only, the "**Tax Impediment Member**"), then the other Member (for purposes of this Section 7.03 only, the "**Other Member**") shall have the right, but not the obligation, in its sole and absolute discretion, to (i) sell to Tax Impediment Member, and Tax Impediment Member shall be obligated to buy from the Other Member, all (but not less than all) of the Units then owned by the Other Member (the "**Tax Impediment Put Right**"), or (ii) buy from the Tax Impediment Member, and the Tax Impediment Member shall be obligated to sell to the Other Member, all (but not less than all) of the Units then owned by the Tax Impediment Member (the "**Tax Impediment Call Right**"). Such right may be exercised by the Other Member by providing notice thereof to the Tax Impediment Member within thirty (30) days after the Tax Impediment Negotiation Period.

(b) Closing; Purchase Price. The purchase price for the Units (the ("**Tax Impediment Sale Units**") to be sold pursuant to Section 7.03(a) or (b) shall be equal to the Fair Market Value of such Units as determined by an Independent Appraiser as mutually agreed by UCSF and Washington. If UCSF and Washington do not agree on such Independent Appraiser within thirty (30) days from the date of delivery of the exercise notice described in Section 7.03(a), then the Fair Market Value of the Tax Impediment Sale Units shall be determined in accordance with Section 7.06(a) below. Washington and UCSF shall take all actions reasonably necessary to cause the consummation of the purchase and sale of the Tax Impediment Sale Units to occur within ninety (90) days from the date of delivery of the exercise notice described in Section 7.03(a).

Section 7.04 Fifteenth Anniversary Purchase and Sale Rights. Upon the fifteenth (15th) anniversary of the Effective Date and every fifth (5th) anniversary thereafter, UCSF shall have the right, but not the obligation, in its sole and absolute discretion, to exercise its right to request Washington to purchase all (but not less than all) of UCSF's Units. In order to exercise this right, UCSF must give written notice to Washington no earlier than twenty-four (24) months and no later than twelve (12) months before the fifteenth (15th) anniversary of the Effective Date or fifth (5th) anniversary thereafter, as applicable.

Section 7.05 Right of First Refusal.

(a) If a Member wishes to Transfer Units to any third party, the Member shall first give one hundred eighty (180) days' notice (the "**Offering Notice**") to the other Member (the "**Offeree**") so that it may have the first right to purchase all, but not less than all, of the Member's Units. The Offering Notice shall identify the proposed purchaser and shall contain the price and a complete description of the terms on which the Member proposes to Transfer the Units. Within thirty (30) days following the giving of the Offering Notice, the Offeree shall either accept or reject, in writing, the offer to purchase the Units of the Member on the terms specified in the Offering Notice. Failure by the Offeree to accept in writing within such period shall be deemed a rejection of the offer by Offeree. If the Offeree accepts, the Offeree shall purchase the Units in accordance with the terms set forth in the Offering Notice. If the Offeree does not accept the offer, and if the Offeree consents to the Transfer pursuant to Section 3.01, the Member may Transfer the Units within ninety (90) days after the termination of the one hundred eighty (180) day offer period, provided such Transfer is consummated on the terms described in the Offering Notice, and the Units, as transferred, shall remain subject to this Article VII. If any material terms of the proposed Transfer changes, or if the Member wishes to Transfer the Units after expiration of the ninety (90) day period, the Transfer shall again be subject to the provision of this Section.

(b) Notwithstanding the provisions of Section 7.05(a) above, the transferring Member shall not be entitled to Transfer any of the Member's Units to a third party without the express, written approve of the non-transferring Member, which the non-transferring Member shall be entitled to reasonably withhold. For purposes of this paragraph, the parties agree that it shall be reasonable for the non-transferring Member to disapprove of any Transfer to a proposed transferee that is, in the reasonable opinion of the non-transferring Member, a direct or indirect competitor of the non-transferring Member.

Section 7.06 Determination of Fair Market Value. In the event the buyer and the seller are unable to agree upon an Independent Appraiser, Fair Market Value of the Company, securities, property or other assets, or Units, as the case may be, shall be determined according to the following process:

(a) Each party shall select one Independent Appraiser to determine the Fair Market Value and shall send written notice of the identity of its selected Independent Appraiser to the other party and to the Company within five (5) days of receipt of the application of the provisions of this Section 7.06. For example, in the case of a purchase and sale under Section 7.01, the five (5) day period referenced in the preceding sentence shall begin upon the expiration of the thirty (30) days after receipt by the Selling Member of the Purchase Option Election Notice. Each Independent Appraiser shall prepare a written appraisal (each, an “*Initial Appraisal*”) of the Fair Market Value within thirty (30) days after its selection.

(b) If the Fair Market Value set forth in each of the Initial Appraisals are within ten percent (10%) of one another (as measured against the higher of the two numbers), then the Fair Market Value shall equal the average of the values set forth in the Initial Appraisals. If the Fair Market Value set forth in the Initial Appraisals are not within ten percent (10%) of one another, then the Independent Appraisers shall appoint a third Independent Appraiser. The third Independent Appraiser shall prepare a written appraisal (the “*Third Appraisal*”) to determine the Fair Market Value within twenty (20) days after its appointment. The final Fair Market Value shall equal the average of the Fair Market Values set forth in the two appraisals that are nearest in amount; provided, however, that if the Fair Market Value in the Third Appraisal is within five percent (5%) of the average of the Initial Appraisals, the Third Appraisal shall be the Fair Market Value. The final Fair Market Value determined pursuant to the foregoing shall be final and binding on the parties.

(c) Each party shall pay the fees of its own Independent Appraiser. The fees of any third Independent Appraiser or any mutually agreed single Independent Appraiser shall be shared equally between the parties. The Company shall provide each Independent Appraiser with reasonable access during normal business hours to such Persons, books and records and other information of the Company as the Independent Appraisers may reasonably request.

Section 7.07 Closing. The closing (“*Closing*”) of the purchase and sale of any Units pursuant to this Article VII shall be consummated within the time-periods specified in this Article VII unless, in each case, such purchase or sale is delayed in order to obtain necessary governmental approvals, in which case such time period shall be automatically extended by ninety (90) days; provided, however, that, in the event the Closing has not occurred upon the expiration of such 90-day extension period, the party electing such purchase or sale shall thereafter be entitled to reimbursement for any Adverse Consequences incurred by such electing party in connection with such delay to the extent caused by the other Member so long as such electing party has not contributed to such delay in Closing. The purchase price for a Member’s Units will be payable by the purchasing Member at the Closing in cash or immediately available funds. At any Closing under this Article VII, the selling Member shall execute and deliver such written documents and transfer instruments as the purchasing Member may reasonably request.

Section 7.08 Cooperation in Seeking Governmental and Third-Party Consents and Approvals. Each Member shall use its reasonable efforts to obtain all governmental and third-party consents necessary for the consummation of any of the transactions contemplated by this Article VII.

## ARTICLE VIII DISSOLUTION AND LIQUIDATION

Section 8.01 Dissolution. The Company shall be dissolved solely upon the occurrence of any one of the following events (each a “*Dissolution Event*”):

- (a) the approval of the Members to dissolve pursuant to Section 3.01;
- (b) if it is determined pursuant to a permanent, non-appealable Court Order that the Company is excluded from participation in any Government Health Care Program;
- (c) the entry of a decree of judicial dissolution pursuant to the Act; or
- (d) the inability of the Members to agree on any matter listed in Sections 3.01(d) or (e), and the vote of the Members for any such matter (as required under Section 3.01(f)) is deadlocked after a period of sixty (60) days in which each Member followed the procedures described in Section 3.05;

provided, however, that no dissolution of the Company shall affect the right of any Member to recover damages or collect indemnification for any breach of the covenants herein that occurred prior to such dissolution.

Section 8.02 Dissolution Procedure.

(a) Winding Up, Liquidation and Distribution of Assets. Upon dissolution of the Company, a representative designated by the Members (the “*Liquidator*”) shall immediately proceed to wind up the affairs of the Company. The Liquidator shall have full power and authority to sell, assign and encumber any or all of the Company’s assets and to wind up and liquidate the affairs of the Company in an orderly and businesslike manner in accordance with this Agreement, and on such other terms and conditions as it deems necessary or advisable, without the consent of the Members.

(b) Upon liquidation of the Company, the assets of the Company shall be applied in the following manner and order of priority:

(i) First, to the payment and discharge of all debts and liabilities of the Company to creditors (including debts and liabilities of the Company to Members) in the order of priority as provided by Law and of the costs and expenses of liquidation;

(ii) Second, to the extent of remaining assets, to establish such reserves as the Liquidator deems reasonably necessary or advisable, or as required by the Act, to provide for the contingent liabilities of the Company in connection with the liquidation of the Company; and

(iii) Third, to the Members in proportion to their respective Percentage Interests.

(c) Complete Distribution. The distribution of cash or assets to a Member in accordance with the provisions of this Section 8.02 shall constitute a complete return to the Member of its Capital Contributions and a complete distribution to the Member of its interest in the Company and the Company's assets.

(d) Deficit Balance in Capital Account. No Member shall have any obligation to make any Capital Contribution for the purposes of eliminating or diminishing any negative Capital Account balance and such negative Capital Account balance shall not be considered a debt owed by such Member to the Company or to any other Person for any purpose whatsoever.

(e) Dissolution Documents. Upon completion of the winding up, liquidation and distribution of the assets as described in Section 8.02(c), the Company shall be deemed terminated. The Liquidator shall execute and file, in a timely manner, any documents in the State of California and any other jurisdictions which may be required in connection with the dissolution of the Company.

**Section 8.03** Return of Contribution. Except as provided by the Act or other Law or as specifically set forth in this Agreement, upon dissolution each Member shall look solely to the assets of the Company for the return of its Capital Contribution. If the Company's assets remaining after the payment or discharge of the debts and liabilities of the Company are insufficient to return the Capital Contributions of one or more Members, such Member or Members shall have no recourse against any other Member or the members of the Member Representatives.

## **ARTICLE IX COVENANTS OF THE MEMBERS AND CONFIDENTIALITY**

### **Section 9.01** Related Party Transactions.

(a) The Company shall adopt and operate pursuant to a conflict of interest policy that shall incorporate the provisions of the Internal Revenue Service's "sample" conflict of interest policy for health care organizations which is attached as Appendix A to IRS Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.

(b) Any lease, contract or agreement or any other transaction or arrangement involving payments or remuneration between the Company and any Member or an Affiliate of a

Member (each, a “**Related Party Transaction**”) must receive approval of the Members pursuant to Section 3.01.

Section 9.02      Enforcement of Related Party Transactions.

(a) If a Member or its Affiliate (the “**Conflicted Member**”) has breached the applicable agreement in a Related Party Transaction, and if the non-Conflicted other Member (the “**Disinterested Member**”) determines in good faith that the Conflicted Member has not cured the breach in accordance with the express terms of the Related Party Transaction, then the Disinterested Member is hereby granted the right to act on behalf of the Company in these limited instances by exercising the Company’s rights, including, without limitation, the right to terminate the Related Party Transaction in accordance with the terms of the agreement therefor.

(b) Without limiting the generality of the foregoing, in the event of any actual or potential dispute between the Conflicted Member and the Company relating to any Related Party Transaction, the Conflicted Member and the Member Representatives appointed by such Conflicted Member shall not participate in any vote, approval or decision with respect to such dispute, and the Disinterested Member and the Member Representatives designated by such Disinterested Member shall have, notwithstanding Section 3.01, the sole and exclusive right, power and authority to initiate, prosecute and defend, in the name and on behalf of the Company, any claim, suit, proceeding or other legal action that the Company has or may have against such Conflicted Member (such claim, suit, proceeding or other legal action, a “**Related Party Conflict**”). For the purposes of any actions or decisions requiring the approval, vote or consent with respect to any such dispute or Related Party Conflict, the affirmative approval, vote or consent of the Member Representatives appointed by the Disinterested Member or the Disinterested Member, as applicable, shall be sufficient to approve any such action or decision. Notwithstanding any provision in the foregoing to the contrary, the approval, vote, consent, action or decision of the Member Representatives appointed by the Disinterested Member, or the Disinterested Member, with respect to a Related Party Conflict, including the decision to initiate, prosecute or defend a Related Party Conflict, shall in all instances be made in good faith, and for the benefit of the Company, and not the benefit of such Disinterested Member.

Section 9.03      Non-Solicitation. Each Member hereby agrees, on behalf of itself and its Affiliates, that so long as it is a Member of the Company and for a period of eighteen (18) months following the termination of such Member’s membership in the Company, such Member will not, and such Member shall cause its Affiliates not to, directly or indirectly (i) recruit, solicit or otherwise seek to induce any Person who is an employee of the Company to terminate his or her employment with the Company or (ii) solicit or otherwise seek to induce any Person who is an employee of the Company to violate any agreement with the Company. Notwithstanding the foregoing, a Member shall not be liable to the other Member or the Company under this Section if employment results from such individual's response to a general solicitation not directed at such individual, or if employment results because such individual approached the Member.

Section 9.04      Confidentiality. The Members acknowledge that each Member has received and will receive Confidential Information of the Company and/or with

respect to the other Member in connection with this Agreement and related documents. Each Member shall protect the Confidential Information to the same extent it protects its own confidential and proprietary information; provided, however, that such protection shall meet or exceed industry standards. A Member shall not disclose Confidential Information to any third party, provided, however, that a Member may disclose Confidential Information to its employees, directors, members, investors, Affiliates and legal counsel, accountants and other advisors to the extent it reasonably deems necessary to perform its obligations under this Agreement, for the purposes of overseeing the Member's interest in the Company, or for internal purposes, and such Member receives an agreement from such party to be bound by this provision or such party is otherwise bound by a confidentiality obligation to such Member. Notwithstanding the foregoing, no Member shall be deemed to have breached this Section 9.04 if it is required to disclose any Confidential Information by Law or judicial order; provided that in any such event, the disclosing Member shall (i) to the extent allowed by law, first notify the other Member and Company of such proposed disclosure, (ii) provide such other Member (at the other Member's expense) or the Company (at the Company's expense) a reasonable opportunity to secure a judicial order limiting or negating the required disclosure, and (iii) thereafter use commercially reasonable efforts to limit disclosure and obtain confidential treatment or a protective order, as applicable.

Section 9.05 Intellectual Property. Neither the Company nor any Member shall use the name, logo, trademark, trade name or other intellectual property of the other party hereto or the Company without the prior written consent of such other party hereto or the Company, as applicable.

Section 9.06 Compliance with Laws. If either UCSF or Washington determines, in good faith after consulting and confirming with its nationally recognized healthcare counsel, that this Agreement or any material provision of this Agreement may violate applicable Law due to changes in applicable Law after the Effective Date, regulation, judicial decision or interpretation poses a substantial or material risk to any of the Members of noncompliance with applicable Law (but, in each case, excluding Laws related to tax-exemption addressed in Section 2.08), it shall provide written notice thereof to the other Member. The Members agree to negotiate in good faith to amend this Agreement, and/or to reform and restructure the Company's business, as applicable, to satisfy such Law, regulation, judicial decision or interpretation.

Section 9.07 Other Remedies. Nothing herein shall limit the availability of injunctive relief to prevent or enjoin any breach of this Article IX or any Member's liability for monetary damages resulting from any breach by such Member or its Affiliates of its obligations under this Article IX.

Section 9.08 Enforceability of Covenants. If any provision of this Article IX is declared unenforceable in any judicial proceeding due to an unreasonable duration or covering too large a geographic area, then such provision shall still be enforceable for such maximum period of time and within such geographic area as will make such provision enforceable.

**ARTICLE X**  
**BOOKS, RECORDS, ACCOUNTING AND TAX AUDITS**

Section 10.01      Books and Records

(a) The Company shall keep or cause to be kept complete and accurate books and records as required under the Act as well as supporting documentation of transactions, with respect to the conduct of the Company's business. The books of account of the Company shall be kept and maintained at all times at the principal office of the Company and/or at such other location as mutually agreed upon by the Members. Such books of account shall be maintained on an accrual basis in accordance with GAAP, consistently applied, and shall show all items of income and expense.

(b) The Company will afford to authorized representatives and agents of the Members reasonable access to and the right reasonably to inspect the Company's premises, facilities and books and records, including its financial and operating information. The foregoing will not be deemed or construed in any way to limit or restrict any rights or entitlements which the Members may have under applicable law to inspect, review and/or have access to the premises, facilities, books, records and employees of the Company.

Section 10.02      Financial Information. The Company shall prepare and furnish to each Member (i) within forty-five (45) days after the close of each of the first three (3) Fiscal Quarters of each Fiscal Year, (A) an unaudited income statement reflecting the operations of the Company for such Fiscal Quarter and (B) an unaudited balance sheet of the Company as of the end of such Fiscal Quarter, (ii) within one hundred twenty (120) days after the close of each Fiscal Year, annual audited consolidated financial statements of the Company audited by certified public accountants, and (iii) all other information reasonably requested by a Member. The Members shall mutually agree on the Company's accounting and auditing firms.

Section 10.03      Tax Information. The Company shall prepare and timely file all tax returns and statements, if any, which must be filed on behalf of the Company and to, within one hundred twenty (120) days after the close of each Fiscal Year, supply to each Person who was a Member at any time during such Fiscal Year, all information reasonably necessary for the preparation of the Members' respective federal income tax returns.

Section 10.04.      Bank Accounts. Funds of the Company shall be deposited in an account or accounts established by the Company with banking institutions designated by the Members.

Section 10.05      Tax Matters. The Partnership Representative, for purposes of IRC Section 6223 shall be Washington, provided, however, that if Washington no longer qualifies or resigns as a Partnership Representative, then the Members, upon unanimous consent, shall make an alternative designation of a Partnership Representative.

(a) The Partnership Representative may not (i) enter into any agreement with the Internal Revenue Service ("**IRS**") extending the statute of limitations for making an assessment of federal income taxes or the time periods relating to submitting administrative



adjustment requests for the Company, (ii) commence a judicial action or appeal an adverse determination of a judicial tribunal with respect to a federal income tax matter, or (iii) enter into any settlement agreement which affects the amount, deductibility or credit of any Company item, in each case without the prior unanimous consent of the Members. In the event of any pending tax action, investigation, claim or controversy involving the Company which proposes an adjustment with respect to any item reported on a federal income tax return of a Member, the Partnership Representative shall provide the Members all notices and other written communications received by the Partnership Representative from the IRS or sent by the Partnership Representative to the IRS, relating to the Company. Furthermore, the Partnership Representative shall provide the Members with reasonable opportunity to review and comment on any written communications to the IRS. The Partnership Representative shall provide Members with prompt written notice of all meetings or conferences with the IRS and, to the extent permitted by applicable law, the Members shall have the right to attend all such meetings and conferences at their expense, provided that if required by applicable Law to allow a Member to attend and jointly participate in any meeting or conference, such participation shall be facilitated through causing the Company to grant a representative of a Member a power of attorney. The Partnership Representative is entitled to reimbursement by the Company for all expenses reasonably incurred by it in representing the Company in any administrative or judicial proceeding relating to the tax treatment of Company items.

(b) The Company shall make Small Partnership Elections (to the extent permitted to be made under applicable Law) for each taxable year. By execution of this Agreement, the Members hereby consent to Small Partnership Elections (to the extent permitted to be made under applicable Law).

(c) If a Small Partnership Election cannot be made under applicable Law, the Members agree that, if the Company receives a notice of final partnership administrative adjustment that would, with the passing of time, result in an “imputed underpayment” imposed on the Company as that term is defined in Section 6225 of the IRC, then, (i) the Partnership Representative shall request any applicable modifications to such imputed underpayment pursuant to Section 6225(c) of the IRC, (ii) each Member shall take all actions requested by the Partnership Representative to facilitate any applicable modification to such imputed underpayment pursuant to Section 6225(c) of the IRC (including the filing of amended returns or complying with the alternative procedure pursuant to Section 6225(c)(2) of the IRC) and (iii) the Company shall make an Adjusted K-1 Election and comply with all of the requirements and procedures required in connection with such election to make inapplicable to the Company the requirement in Section 6225 of the Code that the Company pay such “imputed underpayment” as that term is used in that section; provided, however, that the Members may determine by unanimous consent not to make such Adjusted K-1 Election.

(d) In all situations, without regard to the specific elections made, each Member agrees to reasonably cooperate with the Partnership Representative, the Company, and other Members by providing such information and taking such actions as may be reasonably necessary to mitigate, to the fullest extent possible, the potential tax exposure of the Company as

*Washington Draft 04/23/2021*

*For Approval by:*

*Washington Township Board of Directors*

*The Regents of the University of California*

well as the potential tax exposure of the other Member or Members relating to the Company. This Section 10.06 shall survive the dissolution of the Company, the withdrawal of any Member from the Company and the Transfer of any Member's interest in the Company.

Any taxes, penalties, and interest payable by the Company or any entity disregarded for United States income tax purposes in which the Company owns an interest under Subchapter C of Chapter 63 of Subtitle F of the IRC and the IRC Regulations pursuant thereto ("**Partnership Audit Procedures**") shall be treated as specifically attributable to the Members, and the Partnership Representative and the Company shall allocate the burden of (or any diminution in distributable proceeds resulting from) any such taxes, penalties or interest to those Members to whom such amounts are specifically attributable (whether as a result of their status, actions, inactions or otherwise), as determined by the Partnership Representative. Notwithstanding the foregoing, such apportionment of liability shall also take into account the extent to which the Company's imputed underpayment was modified by adjustments under IRC Section 6225(c) (to the extent approved by the IRS) and attributable to (x) a particular Member's tax classification, tax rates, tax attributes, the character of tax items to which the adjustment relates, and similar factors, or (y) the Member's filing of an amended return for the Member's taxable year that includes the end of the Company's reviewed year and payment of required tax liability in a manner that complies with IRC Section 6225(c)(2). In connection with the foregoing, to the extent that the Company is assessed amounts under the Partnership Audit Procedures, each current or former Member to which the assessment relates shall remit to the Company, within 30 days' written notice by the Partnership Representative, an amount equal to such Member's allocable share of the assessment, including such Member's allocable share of any interest imposed on the Company. The foregoing sentence shall survive the dissolution of the Company, the withdrawal of any Member from the Company and the Transfer of any Member's membership interests.

## **ARTICLE XI GENERAL**

Section 11.01 Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, when delivered by fax or other electronic means or by a nationally recognized overnight courier, or if mailed, five (5) days after being deposited in the United States mail, certified or registered mail, first-class postage prepaid, return receipt requested, to the Members at the following addresses or facsimile numbers:

If to Washington: Washington Township Health Care  
District  
2000 Mowry Avenue  
Fremont, CA 94538  
Attention: Chief Executive Officer

*Washington Draft 04/23/2021*  
*For Approval by:*  
*Washington Township Board of Directors*  
*The Regents of the University of California*

with a copy to: Paul Kozachenko, Esq.  
Gonsalves & Kozachenko  
2201 Walnut Avenue, Suite 220  
Fremont, CA 94538

If to UCSF: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

with a copy to: UCSF Office of Legal Affairs  
745 Parnassus Avenue  
San Francisco, CA 94143  
Attn: Chief Campus Counsel

or if to other Members, to the respective addresses on file with the Company.

Any Member from time to time may change its address for the purpose of receipt of notices to such Member by giving a similar notice specifying a new address to the other Members listed above in accordance with the provisions of this Section 11.01.

Section 11.02 Remedies. The Members agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any Member or the Company may in its sole discretion, apply to any court of Law or equity of competent jurisdiction for specific performance and injunctive relief in order to enforce or prevent any violation of the provisions of this Agreement.

Section 11.03 Public Statements. The timing and content of any announcements, press releases or public statements concerning this Agreement or the terms hereof shall be determined by mutual agreement of Washington and UCSF.

Section 11.04 Expenses. Except as otherwise provided in this Agreement, each Member will pay its own costs and expenses incurred in connection with the negotiation, execution and performance of this Agreement and the transactions contemplated hereby.

Section 11.05 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the respective successors and permitted assigns of the Members.

Section 11.06 No Waiver. The failure of any Member to enforce any of the provisions of this Agreement will in no way be construed as a waiver of such provisions and will not affect the right of such Member thereafter to enforce each and every provision of this Agreement in accordance with its terms.

Section 11.07 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same instrument. Executed counterparts of this Agreement exchanged by facsimile or electronic transmission shall be fully enforceable. Transmission by fax or by electronic mail of an executed version of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart. Electronic signature of this Agreement constitutes legal and binding signature. This Agreement, and any amendment or modification thereto, may not be denied legal effect or enforceability solely because it is in electronic form, or because an electronic signature or electronic record was used in its formation.

Section 11.08 Headings. The headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

Section 11.09 Severability. If any provision of this Agreement shall be determined to be illegal or unenforceable, the remaining provisions of this Agreement shall remain in full force and effect and this Agreement shall be construed as if the illegal or unenforceable provision were not a part hereof so long as the remaining provisions of this Agreement shall be sufficient to carry out the overall intent of the Members as expressed herein.

Section 11.10 Third-Party Beneficiary. Nothing set forth in this Agreement shall be construed to confer any benefit to any Person that is not a Member.

Section 11.11 Governing Law. This Agreement shall be governed by, and construed in accordance with, the Laws of the State of California. No action, claim, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby shall be initiated or maintained by any party other than in the state or federal courts sitting in Sacramento, California, and each party hereto hereby irrevocably submits to the exclusive jurisdiction of such courts for such purpose.

Section 11.12 Electronic Transmission. Subject to applicable Law and any guidelines and procedures that the Company may adopt from time to time, the terms "written" and "in writing" as used in this Agreement include any form of recorded message in the English language capable of comprehension by ordinary visual means and may include electronic transmissions. "**Electronic transmission**" by the Company means a communication delivered by (a) facsimile telecommunication or electronic mail when directed to the facsimile number or electronic mail address, respectively, for that recipient on record with the Company, (b) posting on an electronic message board or network that the Company has designated for those communications, together with a separate notice to the recipient of the posting, which transmission shall be validly delivered upon the later of the posting or delivery of the separate notice thereof, or (c) Other Electronic Communication (as defined below). "**Electronic transmission**" to the Company means a communication delivered by (1) facsimile telecommunication or electronic mail when directed to the facsimile number or electronic mail address, respectively, that the Company has provided from time to time to the Member for sending communications to the Company, (2) posting on an electronic message board or network that the Company has designated for those

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communications, which transmission shall be validly delivered upon posting, or (3) Other Electronic Communication. “**Other Electronic Communication**” means (i) for transmissions *from* the Company, the Company has obtained an unrevoked written consent from the recipient to the use of such means of electronic communication; (ii) for electronic transmissions *to* the Company, the Company has in effect reasonable measures to verify that the sender is the individual purporting to have sent such transmission; and (iii) the transmission creates a record that can be retained, retrieved, reviewed, and rendered into clearly legible tangible form.

Section 11.13 Amendments. Except as otherwise specifically provided for herein, including, without limitation, amendments to **Exhibit A** for Capital Contributions and distributions in accordance with Article IV, and the admission of Permitted Transferees and other Transferees in accordance with Article VI, and any amendment of this Agreement or the Articles of Organization of the Company must be in writing and approved by both Washington and UCSF. All amendments to this Agreement will be sent to each Member promptly after the effectiveness thereof.

Section 11.14 No Referrals or Related Services. The parties hereto acknowledge and agree that no Member is obligated to refer any patient to the Company for healthcare or other services nor is the Company obligated to refer any patient to any Member for healthcare or related service and neither the Company nor any Member (or their respective Affiliates) will receive any payment or other compensation of any kind.

\* \* \* \* \*

*[Signature page follows.]*

*Washington Draft 04/23/2021*  
*For Approval by:*  
*Washington Township Board of Directors*  
*The Regents of the University of California*

**IN WITNESS WHEREOF**, the undersigned Members have executed this Limited Liability Company Agreement as of the Effective Date.

**MEMBERS:**

**WASHINGTON TOWNSHIP HEALTH CARE DISTRICT**

By: \_\_\_\_\_  
Name: Kimberly Hartz  
Title: Chief Executive Officer

**THE REGENTS OF THE UNIVERSITY OF CALIFORNIA,  
on behalf of UCSF Health**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name: Carrie Byington, M.D.  
Title: Executive Vice President, UC Health

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 For Approval by:  
 Washington Township Board of Directors  
 The Regents of the University of California

**EXHIBIT A**  
**MEMBERS AND UNITS**  
 (as of the Effective Date)

<b><u>Member Name</u></b>	<b><u>Initial Capital Contribution</u></b>	<b><u>Units</u></b>	<b><u>Percentage Interest</u></b>
Washington	\$ ____	51	51%
UCSF	\$ ____	49	49%
<b><u>Total</u></b>	<b><u>\$ ____</u></b>	<b><u>100</u></b>	<b><u>100%</u></b>

**EXHIBIT B**

**INITIAL MEMBER REPRESENTATIVES**

**UCSF DESIGNATED REPRESENTATIVES:**

**WASHINGTON DESIGNATED REPRESENTATIVES:**

Edward Fayen

Chris Henry

Robert Alfieri



**RESOLUTION NO. 1226**

**RESOLUTION OF THE BOARD OF DIRECTORS OF WASHINGTON  
TOWNSHIP HEALTH CARE DISTRICT TO APPROVE THE DISTRICT'S  
PORTION OF THE ESTIMATED PHASE 1 CONSTRUCTION COSTS FOR  
WARM SPRINGS HEALTH CENTER PARTNERSHIP, LLC AND  
AUTHORIZE THE DISBURSEMENT OF FUNDS**

WHEREAS, Washington Township Health Care District is a local health care district ("District") which owns and operates a general acute care hospital and provides essential healthcare services to the population residing within the District's political boundaries, including the cities of Fremont, Newark, Union City, parts of South Hayward and Sunol;

WHEREAS, the Board of Directors has approved the District's entering into a joint venture with the University of California, San Francisco ("UCSF") whereby a limited liability company named the Warm Springs Health Center Partnership, LLC ("JV LLC") owned 51% by the District and 49% by UCSF would own the real property located at 45388 Warm Springs Boulevard in Fremont, California and construct an outpatient care center ("Outpatient Center") on the property to expand the services offered by both the District and UCSF;

WHEREAS, the District staff have estimated that the construction for Phase 1 of the Outpatient Center will be \$34,656,460 ("Phase 1 Construction Estimate");

WHEREAS, the District's pro rata portion of this cost will be \$17,674,794;

WHEREAS, the District will be required to make payments to the JV LLC in the form of additional capital contributions as the JV LLC moves through Phase 1 of the construction of the Outpatient Center; and

WHEREAS, the Board of Directors has determined that it is in the best interest of the District to approve the estimated budget and approve future disbursements to the JV LLC not to exceed the total amount of \$17,674,794.

NOW, THEREFORE, be it resolved that:

1. The Board of Directors approves the Phase 1 Construction Estimate.
2. The Board of Directors authorizes the Chief Executive Officer to make further disbursements of District funds to the JV LLC in the form of capital calls to fund the District's pro rata portion of the Phase 1 construction costs, not to exceed \$17,674,794.
3. The Chief Executive Officer is hereby authorized to enter into any agreement or contract document necessary to carry out the intent of this Resolution, and to take any and all

further actions, which in the determination of the Chief Executive Officer, are necessary and proper to effectuate the intent of this Resolution.

Passed and adopted by the Board of Directors of the Washington Township Health Care District this 12th day of May, 2021 by the following vote:

AYES:

NOES:

ABSENT:

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William F. Nicholson, MD  
President, Board of Directors  
Washington Township Health Care District

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Michael J. Wallace  
Secretary, Board of Directors  
Washington Township Health Care District