

**INTEGRATION AGREEMENT**

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## INTEGRATION AGREEMENT

This Integration Agreement is entered into among the Regents of the University of California, a California constitutional corporation under Article IX, Section 9 of the California Constitution, on behalf of the University of California, San Francisco and the Medical Center at the University of California, San Francisco ("the Regents"), Mount Zion Health Systems, a California nonprofit public benefit corporation ("Health Systems"), and Mount Zion Hospital and Medical Center, a California nonprofit public benefit corporation ("Mount Zion").

### RECITALS

1. Common Objectives. Mount Zion owns and operates a general acute care hospital, known as Mount Zion Hospital and Medical Center, located in San Francisco, California ("Mount Zion Hospital"). Mount Zion and the Medical Center at the University of California, San Francisco ("UCSF") seek to form an integrated relationship, upon the terms set forth in this Agreement. By so doing, the parties intend to provide improved health care and community services and enhanced educational and research opportunities.

2. Goals of the Regents. By entering into this Agreement, the Regents seeks to obtain access to a hospital facility and clinical, teaching and research resources maintained at Mount Zion Hospital in order to provide UCSF medical students and residents interaction at a primary and secondary care community teaching hospital. Such facilities and resources would permit UCSF to (a) continue to recruit and retain highly qualified faculty physicians for teaching, research, and patient care, (b) offer patients advanced techniques for diagnosis and treatment, and (c) provide the clinical experience necessary to offer high quality training to medical students and residents. By this Agreement, the Regents also seeks to gain governance and programmatic control of additional beds and space for UCSF, which is faced with limited resources at its current facilities.

3. Goals of Mount Zion and Health Systems. By entering into this Agreement, Mount Zion and Health Systems seek to enhance Mount Zion Hospital's ability to meet its historical mission, by offering and expanding excellent health care services in an acute care setting which (a) stresses the dignity of the patient in a caring and personalized manner, (b) recognizes the importance of community service, and (c) has a strong teaching component.

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS AND AGREEMENTS HEREIN CONTAINED, THE PARTIES AGREE AS FOLLOWS:

ARTICLE I

EFFECTIVE DATE

1.1 Closing. Subject to the provisions of Section 1.2, the closing of the transactions contemplated by this Agreement shall occur on or about April 1, 1990, unless the parties agree to a later date for the closing of all or any part of such transactions. The date on which the closing takes place is hereafter referred to as the "Effective Date."

1.2 Conditions to Closing. The obligation of the parties to proceed with the closing on the Effective Date shall be conditioned upon:

1.2.1 The Regents and the Boards of Directors of Mount Zion and Health Systems having approved this Agreement and the transactions, agreements, and related documentation described herein, all in accordance with applicable law and their respective governing instruments; and

1.2.2 All conditions precedent to the closing, as set forth in Article XIII, having been satisfied.



## ARTICLE II

### DEFINITIONS

2.1 Acute Care Hospital. As used in this Agreement, the term "acute care hospital" shall mean a hospital which maintains a general acute care license issued by the California Department of Health Services, having a duly constituted governing body with overall administrative and professional responsibility and an organized medical staff, which provides a level of inpatient care in which the ratio of in-use and staffed beds at Mount Zion Hospital is no less than thirty-three percent (33%) of the number of in-use and staffed beds at UCSF. Such acute care hospital shall provide the kinds and range of primary and secondary care which healthcare facilities are providing in contemporary society during the term of this Agreement. At present, the range and scope of such services include twenty-four hour inpatient care, including the following basic services: medical, nursing, surgical, anesthesia, laboratory, diagnostic imaging, pharmacy, basic emergency, and dietary services.

2.2 Legal Requirements. As used in this Agreement, the term "legal requirements" shall mean all federal, state, county, municipal, and other governmental or administrative statutes, laws, rules, orders, permits, conditional use permits, licenses, regulations, ordinances, judgments, decrees, and

injunctions legally applicable to this Agreement, the parties hereto, or any of the transactions contemplated herein.

2.3 Interim Period. The "Interim Period" shall begin upon the Effective Date and end June 30, 1992, unless earlier terminated. The balance of the term of this Agreement shall commence upon the expiration of the Interim Period and end March 31, 2030, unless otherwise extended by the parties. The Regents may terminate the Interim Period, at any time for any reason, by service upon Health Systems of a sixty-five (65) day written notice (or a written notice providing for such shorter period as the parties may agree upon), such notice having the effect, upon the expiration of sixty-five (65) days (or such shorter period), of terminating the Interim Period, and commencing the permanent governance provisions set forth in Article VII et seq. As used in this Agreement, the terms "end of the Interim Period" or "expiration of the Interim Period" shall mean June 30, 1992 or upon the expiration of the requisite number of days provided for in the written notice from the Regents, as the case may be.

ARTICLE III

MUTUAL PRE-EFFECTIVE DATE OBLIGATIONS

3.1 Obligations. Prior to the Effective Date, UCSF and Mount Zion shall:

3.1.1 Continue to afford each other, and each other's respective counsel, accountants, and other authorized consultants and representatives, full access to properties, real and personal, and the opportunity to consult with all personnel employed by such party and to examine and copy all books, records, contracts, deeds, security interests, leases, loan agreements, instruments, tax returns, permits, licenses, accreditations, and audit reports, in order that each party shall have full opportunity to make such investigations as it shall desire to make of the other party and of that party's businesses. UCSF and Mount Zion shall cause their respective officers, administrators, insurers, accountants, attorneys and other representatives and service providers to furnish such additional financial, operational and other information as the other party shall, from time to time, reasonably request as part of its "due diligence" review in conjunction with the transactions contemplated by this Agreement.

3.1.2 Conduct its business and affairs only in the ordinary course or as otherwise may be expressly agreed in writing by each other party hereto and neither UCSF nor Mount Zion shall take any action or suffer any act or omission that would, or would be likely to, materially and adversely change the conduct and affairs of its business from the manner in which such business was conducted for the six-month period immediately preceding the execution of this Agreement.

3.1.3 Incur no new indebtedness or obligation or make any purchases or transfers of any of its assets (except in the ordinary course of business or pursuant to this Agreement or with the other party's consent) or take or omit to take any action, if such action or omission is likely to cause a materially adverse change in its financial condition. Furthermore, neither UCSF nor Mount Zion shall amend, modify, cancel or terminate any contract or agreement to which it is a party, or pursuant to which obligations may be owing to it, if doing so would be likely to cause a materially adverse change in its financial condition.

3.1.4 Comply in all material respects with all legal requirements applicable to its properties, business and affairs.

3.1.5 Use reasonable diligence to preserve its business intact and preserve the good will of all of its employees and persons and entities having business relations with it.

#### ARTICLE IV

#### OBLIGATIONS OF HEALTH SYSTEMS AND/OR MOUNT ZION

#### PRIOR TO EFFECTIVE DATE

4.1 Obligations of Mount Zion. In order that the transactions contemplated by this Agreement can be completed, Mount Zion shall take all steps necessary to do the following, which actions shall become effective only as of the Effective Date:

4.1.1 Transfer all right, title and interest in and to the Transferred Assets described on Exhibit A to the Regents, upon the terms and conditions specified in this Agreement.

4.1.2 Obtain all governmental approvals (federal, state, and local) and such other approvals or consents as are necessary in order to permit Mount Zion to carry out its obligations under this Agreement.

4.2 Obligations of Health Systems. In order that the transactions contemplated by this Agreement can be completed, Health Systems shall take all steps necessary to do the following, which actions shall become effective only as of the Effective Date:

4.2.1 Obtain all governmental approvals (federal, state, and local) and such other approvals or consents as are necessary in order to permit Health Systems to carry out its obligations under this Agreement.

## ARTICLE V

### OBLIGATIONS OF THE REGENTS

#### PRIOR TO THE EFFECTIVE DATE

5.1 Obligations. In order that the transactions contemplated by this Agreement can be completed, the Regents shall take all steps necessary to do the following, which actions shall become effective only as of the Effective Date:

5.1.1 Work diligently toward the approval of a final Environmental Impact Report pertaining to this integration, as required by the California Environmental Quality Act (Public Resources Code § 21000 et seq.) and related administrative guidelines, and periodically advise

Mount Zion and Health Systems regarding the progress thereof.

5.1.2 Obtain all governmental approvals (federal, state, and local) and such other approvals or consents as are necessary in order to permit the Regents to carry out its obligations under this Agreement.

## ARTICLE VI

### PROVISIONS APPLICABLE DURING INTERIM PERIOD

6.1 Duration. The Interim Period shall begin on the Effective Date and shall expire June 30, 1992, unless sooner terminated by written notice given by the Regents to Mount Zion. Upon termination of the Interim Period, whether by normal expiration on June 30, 1992 or by the election of the Regents to terminate such period earlier, the provisions of Articles VII, VIII and IX of this Agreement shall become effective.

6.2 Boards of Directors and Management. During the Interim Period, the Board of Directors and management of Mount Zion shall remain in place and shall, subject to the provisions of Section 6.3 below, continue to operate Mount Zion Hospital. Similarly, the Boards of Directors and management of Health Systems and its subsidiary corporations shall remain in place.

6.3 Planning Committee. The Board of Directors of Mount Zion shall designate a Planning Committee, consisting of four (4) Mount Zion representatives and three (3) UCSF representatives, which shall have delegated responsibility and authority during the Interim Period for Mount Zion Hospital program development, capital projects, and the budgets related thereto. UCSF designees to the Planning Committee shall have full authority and responsibility for program development, capital projects and budgets related thereto during the Interim Period. Such authority shall be recognized by UCSF designees having two (2) votes for every one (1) vote for Mount Zion designees on all capital projects and/or related budgets brought to the Planning Committee.

6.4 Interim Period Loss Sharing. Projected losses for activities at Mount Zion Hospital are \$2,769,000 in fiscal year 1990 (July to June), \$3,048,000 in fiscal year 1991, and \$5,524,000 in fiscal year 1992.

For fiscal year 1990, Mount Zion and the Regents shall share the projected loss equally, up to \$2,769,000. If losses are greater in fiscal year 1990, Mount Zion shall be responsible, on a two for one basis, (i.e. Mount Zion to bear \$2 of such excess loss for each \$1 borne by the Regents) up to a maximum additional liability for Mount Zion of \$250,000. Once Mount Zion has borne such additional liability of \$250,000, all losses in excess of the projected amount shall be borne by the Regents.



In fiscal years 1991 and 1992, the Regents shall be solely responsible for the projected losses, up to \$3,048,000 and \$5,524,000, respectively. Losses in excess of the projected amount in either year shall be borne by Mount Zion and the Regents, on the same two for one basis described above, up to a maximum additional liability for Mount Zion of \$500,000 in either year. Once Mount Zion has borne such additional liability of \$500,000 in either year, all losses in such year in excess of the projected amount shall be borne by the Regents.

The loss sharing provisions of this Section 6.4 shall apply only while the Interim Period is in effect.

6.5 Trust and Special Funds. Mount Zion has Trusts and Special Funds denominated Donor Restricted, Board Designated and Unrestricted. (For purposes of this Agreement, Board Designated and Unrestricted Funds are hereafter referred to as "Unrestricted Funds.") The amount of these funds is set forth in the Mount Zion Audited Combined Balance Sheet of June 30, 1989 ("Balance Sheet") and shall be committed to the purposes of this Agreement, as set forth in this Section 6.5 and Section 7.5. To the extent consistent with restrictions imposed by donors, Mount Zion shall commit a portion of the income (defined as dividends and interest, but excluding capital gains) from the Donor Restricted Funds listed on Exhibit B to Mount Zion operations as follows: Educational Funds, seventy-five percent (75%); Research

Funds, fifty percent (50%); Charitable Funds, fifty percent (50%).

The contractual obligation to use the income from these Donor Restricted Funds in this manner shall commence on the Effective Date and shall terminate April 1, 1995. The provisions of the immediately preceding sentence notwithstanding, the parties intend that income from such Donor Restricted Funds shall continue to be used to benefit Mount Zion Hospital after April 1, 1995.

\$1,250,000 of Unrestricted Funds shall be transferred to Health Systems on or about April 1, 1990, which, with interest and any capital gains thereon, shall be used by Health Systems to fund Mount Zion's share of losses incurred during the Interim Period, as provided in Section 6.4, and for the general purposes of Health Systems and/or its subsidiaries. The remaining Unrestricted Funds and all unrestricted cash, including pooled investments, shall be retained by Mount Zion. Title to such remaining Unrestricted Funds and cash, along with unrestricted donations received, shall be transferred to the Regents on June 30, 1992, or upon the earlier termination of the Interim Period.

6.6 Buildings, Land and Equipment. Subject to the exceptions set forth in Sections 6.6.1 and 6.6.2 and the provisions of Section 6.6.3 below, title to the Mount Zion

buildings, land and equipment described on Exhibit A (the "Transferred Assets"), shall be transferred to the Regents on the Effective Date. The terms of transfer of the Transferred Assets shall be as set forth in the Acquisition Agreement attached hereto as Exhibit C. The Regents shall lease the Transferred Assets back to Mount Zion during the Interim Period, in accordance with the terms and provisions of that certain Lease Agreement attached hereto as Exhibit D.

6.6.1 The following Mount Zion assets shall not be transferred to the Regents but shall remain in the possession and control of Mount Zion:

6.6.1.1 All cash, receivables, supplies and similar items of a "going concern" nature, existing on the Balance Sheet, excepting therefrom Board Designated pooled investments, which items shall be used for their ordinarily intended purposes during the Interim Period; all such "going concern" assets existing as of the end of the Interim Period shall be transferred to the Regents at such time;

6.6.1.2 Those certain leasehold interests and physician agreements listed on Exhibit E. At the end of the Interim Period, such leasehold interests and physician agreements shall be transferred to, and assumed by, the Regents, provided, however, that during

the Interim Period the Regents may determine, in its discretion, which of such leasehold interests and physician agreements will be maintained by the Regents and which will be terminated, in accordance with their terms. In no event, however, shall either Mount Zion or Health Systems have any continuing liability or responsibility with respect to any of such leasehold interests and physician agreements, after the expiration of the Interim Period.

6.6.2 The following Mount Zion assets, more particularly described on Exhibit F, shall be transferred by Mount Zion to Health Systems on the Effective Date or as soon as possible thereafter:

6.6.2.1 Interest in San Francisco Medical Office Building and the land thereunder;

6.6.2.2 Interest in parking garage and the land thereunder;

6.6.2.3 Promissory note of Martin H. Diamond

6.6.2.4 The "Scott Street lot";

6.6.2.5 The "Ronald McDonald House";

6.6.2.6 The "M" Building located at  
1606 Scott Street;

6.6.2.7 The Crisis Clinic Modular Building;

6.6.2.8 The "Doctors Parking Lot";

6.6.2.9 Interest in Hoslin; and

6.6.2.10 Interest in San Francisco Preferred  
Provider Organization.

6.6.3 Transfer of title to the Transferred Assets is expressly subject to a covenant, pursuant to which the Regents must operate Mount Zion Hospital as an acute care hospital, unless excused from such obligation by reason of the provisions of Article XVI of this Agreement. In the event that the Regents operates Mount Zion as an acute care hospital throughout the term of this Agreement, the covenant shall terminate upon the expiration of this Agreement and the restrictions requiring the Regents to operate Mount Zion Hospital as an acute care hospital, as herein defined, shall lapse. In the event the Regents is excused from its obligation to operate an acute care hospital in accordance with the provisions of Article XVI of this Agreement, the covenant shall terminate and Mount Zion, its successors and

assigns, shall execute and record a deed or deeds free and clear of the covenant set forth herein.

6.7 Indebtednesses. The Regents shall take title to the Transferred Assets subject to any indebtednesses thereon. From and after the date of transfer, the Regents shall be liable for repayment of all such indebtednesses. All other liabilities, including, without limitation, those relating to cash, receivables, supplies, and similar items of a "going concern" nature, existing as of the end of the Interim Period shall be assumed by the Regents at such time.

6.8 Employees and Labor Relations. During the Interim Period, all employees of Mount Zion shall remain employees of Mount Zion, under the exclusive direction and control of Mount Zion management, and the following provisions shall apply.

6.8.1 Mount Zion shall have sole responsibility for the conduct of labor management relations, including collective bargaining. Following execution of this Agreement, Mount Zion shall give written notice of this Agreement to all labor unions that are recognized as representatives of its employees, such notice to include the following:

6.8.1.1 That upon the expiration of the Interim Period, the Regents will assume operation, management, and control of Mount Zion;

6.8.1.2 That Mount Zion will cease to be the employer on the day the Regents assumes full operation, management, and control of Mount Zion, subject to Section 9.1 hereof; and

6.8.1.3 That Mount Zion is willing to meet, upon request, as necessary, to satisfy any collective bargaining duty it may have pursuant to law.

6.8.2 Not later than forty-five (45) days prior to the expiration of the Interim Period, Mount Zion will meet, upon request, as necessary, to satisfy any collective bargaining duty it may have pursuant to law. In such negotiations and in any other dealing with such labor unions, or with Mount Zion's employees directly, Mount Zion will make no commitments beyond the Interim Period concerning wages, hours, benefits or working conditions associated with employment by the Regents. Mount Zion will advise such labor unions that it has no authority to negotiate on behalf of, or to bind, the Regents.

6.8.3 Mount Zion will issue layoff notices sufficient to effect the layoff of all Mount Zion employees,

effective immediately preceding the expiration of the Interim Period. No less than sixty (60) days prior to the expiration of the Interim Period, the Regents will provide to Mount Zion a confirmation of all employees to be offered employment by the Regents. (Notwithstanding this Section 6.8.3, the Regents may offer employment to employees of Mount Zion to be effective prior to the expiration of the Interim Period.) The offer of employment may be made to one employee or to a unit of employees, as the Regents determines. All such offers shall be made in accordance with Section 9.1 of this Agreement. The provisions of this Section 6.8 and Section 9.1, however, shall have no application to Mount Zion employees who voluntarily leave employment with Mount Zion during the Interim Period and are subsequently employed by the Regents.

6.9 Environmental Monitoring Program - Mitigation.

Prior to execution of this Agreement, the Regents certified an Environmental Impact Report containing a mitigation monitoring program for Mount Zion Hospital. During the Interim Period, the Regents shall have the authority to take all steps necessary to implement the mitigation monitoring measures set forth in the Environmental Impact Report certified by the Regents. The authority to carry out the mitigation monitoring program shall include, but not be limited to, new construction projects, emergency plans and protocols, and activities regarding hazardous



materials and seismic safety, as well as other activities identified in the Environmental Impact Report.

6.10 Audits. Independent audits of Mount Zion shall be conducted at the close of each fiscal year during the Interim Period and at the end of the Interim Period. Each audit shall be a full scope audit conducted, in accordance with generally accepted accounting practices and principles, by certified public accountants acceptable to the Regents.

During the Interim Period, losses shall be computed at the end of each fiscal year and at the end of the Interim Period, in accordance with generally accepted accounting practices and principles. Losses shall include operating and non-operating revenue and expense, as well as non-restricted donations, transfers from restricted funds and prior year adjustments. In addition, losses shall include expenses related to integration activity, but shall exclude revenue and expense of the Institute on Aging, the Community Crisis Service of San Francisco, and Health Systems and its subsidiaries. The computation of losses shall also exclude consideration of any transfer of funds to or from the Regents resulting from the Perinatal Joint Venture.

6.11 Insurance. At its sole cost and expense, Mount Zion shall insure its activities in connection with this Agreement and obtain, keep in force, and maintain insurance during the Interim Period as follows:

6.11.1 Comprehensive or Commercial Form General Liability Insurance (contractual liability included) with limits as follows:

- |                                                                        |              |
|------------------------------------------------------------------------|--------------|
| (a) Each Occurrence                                                    | \$40,000,000 |
| (b) Products/Completed<br>Operations Aggregate                         | \$40,000,000 |
| (c) Personal and<br>Advertising Injury                                 | \$40,000,000 |
| (d) General Aggregate<br>(Not Applicable to<br>the Comprehensive Form) | \$40,000,000 |

If such insurance is written on a claims made form, following termination of this Agreement, coverage shall survive for a period of not less than three (3) years. Coverage shall provide for a retroactive date of placement preceding or coinciding with the Effective Date of this Agreement.

6.11.2 Business Automobile Liability Insurance for owned, scheduled, non-owned, or hired automobiles with a

combined single limit no less than \$5,000,000 per occurrence.

6.11.3 Workers' Compensation and Employers Liability Insurance in a form and amount covering Mount Zion's full liability under the Workers' Compensation Insurance and Safety Act of the State of California, as amended from time to time.

6.11.4 Professional Medical Liability Insurance for bodily injury, property damage, and personal injury in an amount no less than \$40,000,000 each occurrence with a general aggregate of \$40,000,000 applying. If such insurance is written on a commercial claims-made form, following termination of this Agreement, coverage shall survive for the maximum reporting period available from insurance sources at each anniversary date of such insurance. Coverage shall also provide for a retroactive date of placement preceding or coinciding with the Effective Date of this Agreement.

6.11.5 Such other insurance, in amounts which may be reasonably required, by the mutual consent of the Regents and Mount Zion, against other insurable risks relating to performance.

6.11.6 The coverages required under this Section 6.11 shall not, in any way, limit the liability of Mount Zion.

Mount Zion shall supply a certificate or certificates of insurance evidencing coverage in amounts and for the perils listed above. Such certificate or certificates shall also specify that the coverages indicated shall not be cancelled, reduced, or changed until after ninety (90) days advance written notice to the Regents. The coverages required shall be endorsed to the name of the Regents, its officers, employees, and agents as an additional insured, but such endorsement shall apply only in proportion to, and to the extent of, the negligent acts or omissions of Mount Zion, its officers, employees, and agents.

6.12 Indemnification. During the Interim Period, the Regents shall defend, indemnify, and hold Mount Zion and Health Systems harmless from and against any and all liability, loss, expense (including reasonable attorneys' fees) or claims for injury or damages arising out of the performance of this Agreement, but only in proportion and to the extent such liability, loss, expense, attorneys' fees, or claims for injury or damages are caused by, or result from, the negligent acts or omissions or wilful misconduct of the Regents, its officers, agents, or employees. During the Interim Period, Mount Zion and

Health Systems shall defend, indemnify, and hold the Regents harmless from and against any and all liability, loss, expense (including reasonable attorneys' fees) or claims for injury or damages arising out of the performance of this Agreement, but only in proportion and to the extent such liability, loss, expense, attorneys' fees, or claims for injury or damages are caused by, or result from, the negligent acts or omissions or wilful misconduct of Mount Zion or Health Systems, their officers, agents, or employees.

6.13 Bequests, etc. During the Interim Period, the Chancellor of UCSF and the Chairman of the Board of Directors of Mount Zion shall consider and agree upon mutually acceptable policies and procedures for appropriate handling of bequests, devises, and other testamentary gifts to Mount Zion contained in instruments executed prior to or after the Effective Date of this Agreement.

## ARTICLE VII

### PROVISIONS APPLICABLE DURING BALANCE OF AGREEMENT TERM

From and after the end of the Interim Period, unless otherwise expressly provided, the following terms shall apply:

7.1 Board of Directors of Health Systems. The number of directors on the Health Systems Board of Directors, to be determined by Health Systems, shall be between fifteen (15) and twenty-five (25). The Chancellor of UCSF shall be entitled to appoint three (3) members to Health Systems' Board of Directors. The Chancellor of UCSF shall consult with the Chairman of Health Systems, in advance of making such UCSF appointments. Directors appointed by the Chancellor of UCSF shall serve for the terms provided for in the Bylaws of Health Systems and shall otherwise be subject, in all respects, to the provisions relating to directors contained in such Bylaws.

All remaining members of the Board of Directors of Health Systems shall be nominated and appointed by Health Systems, in accordance with the provisions and procedures set forth in the Bylaws of Health Systems.

7.2 Dissolution of Mount Zion. As of the end of the Interim Period, the Regents shall become the sole statutory corporate member of Mount Zion, the California nonprofit public benefit corporation. Thereafter, at the option of the Regents, Mount Zion may be wound up and dissolved in accordance with the terms and provisions of its Articles of Incorporation, Bylaws, and applicable law.

7.3 The Mount Zion Hospital and Medical Center Trustees. The Regents, UCSF, and Health Systems shall create and

maintain an advisory body, to be known as the Mount Zion Hospital and Medical Center Trustees ("Mount Zion Trustees"), consisting of seventeen (17) voting members and two (2) ex-officio members, without vote. Ten (10) of the voting members shall be appointed by the Chancellor of UCSF. Six (6) of the voting members shall be appointed by Health Systems. The seventeenth voting member shall be the Chief Executive Officer of Mount Zion Hospital. The two (2) ex-officio members, without vote, shall be the Director of the Medical Center at UCSF and the Dean of the UCSF School of Medicine, or his designee. One (1) of the ten (10) voting members appointed by UCSF shall always be the Chancellor of UCSF.

7.4 Qualifications and Term of Members of the Mount Zion Trustees. UCSF appointees may be Regents, Regents employees, members of the UCSF Board of Overseers, former members of the Regents living in the San Francisco area, or other prominent or representative citizens living therein. The Chancellor of UCSF and the Chairman of Health Systems shall collaborate in advance on all appointments to the Mount Zion Trustees, in order to achieve a balance of skills, knowledge, community representation and adequate diversity. At least three (3) of the six (6) Health Systems appointees shall be members of the Board of Directors of Health Systems and one (1) of the six (6) shall be the incumbent Chief of Staff of the Mount Zion Hospital Medical Staff.

Terms of office of voting members of the Mount Zion Trustees shall be three (3) years, provided, however, that, with respect to the initial appointees, terms of office of voting members shall be staggered so that approximately one-third are appointed for a one (1) year term, one-third for a two (2) year term, and one-third for a three (3) year term. No more than two (2) Health Systems appointees shall initially be appointed to a one (1) year term.

No voting member (except the Chancellor of UCSF and the Chief Executive Officer of Mount Zion Hospital) of the Mount Zion Trustees may serve more than two (2) consecutive three (3) year terms. Ex-officio members, as well as the Chancellor of UCSF and the Chief Executive Officer of Mount Zion Hospital, shall serve during such period as they shall occupy their respective offices and shall not be subject to the consecutive term limitation set forth above. Any member who leaves the Mount Zion Trustees shall be eligible for reappointment after having been off the body for one (1) year. Any member of the Mount Zion Trustees may be removed, with or without cause, at any time, by the party who appointed him or her. In such event, the party removing such member shall promptly appoint a successor, in accordance with the terms and provisions of this Agreement.

7.5 Trust and Special Funds. Title to all Donor Restricted Mount Zion Trust and Special Funds, more particularly described on Exhibit B, may be retained by Mount Zion during the



Interim Period or may be transferred from Mount Zion to Health Systems during such period. From and after the expiration of the Interim Period, such Donor Restricted Funds shall be transferred to Health Systems and shall thereafter be administered and dealt with by Health Systems as follows:

7.5.1 Commencing with the date of transfer to Health Systems and ending April 1, 1995, Health Systems shall, to the extent consistent with donor intent, commit the income (dividends and interest, but excluding capital gains) from such Donor Restricted Funds to Mount Zion Hospital operations as follows: Educational Funds, seventy-five percent (75%); Research Funds, fifty percent (50%); Charitable Funds, fifty percent (50%). The provisions of the immediately preceding sentence notwithstanding, the parties intend that income from such Donor Restricted Funds shall continue to be used to benefit Mount Zion Hospital after April 1, 1995.

7.6 Corporate Memberships. Health Systems shall remain the sole corporate member of Mount Zion Ventures, Inc., the Institute on Aging, and the Community Crisis Service of San Francisco.

7.7 Operational Control. The Regents shall operate, control, and manage Mount Zion Hospital, in accordance with the terms and conditions set forth in this Agreement.

7.8 Financial Liability. The Regents shall be financially responsible for the operation of Mount Zion Hospital and shall be solely liable for repayment of all debts, liabilities, and obligations of Mount Zion Hospital existing as of, or arising or incurred subsequent to, the expiration of the Interim Period. The debts, liabilities and obligations of Mount Zion Hospital identified by the parties as existing as of the date of this Agreement are listed on Exhibit G.

7.9 Mount Zion Hospital Management. The Mount Zion Hospital Chief Executive Officer shall be an employee of the Regents and shall be appointed by the Regents, after consultation with the Mount Zion Trustees. Such Chief Executive Officer, in his capacity as an employee of the Regents, shall have the authority to recommend to the Chancellor of UCSF, or his designee, the appointment and discharge of senior administrative personnel at the Mount Zion Hospital site and shall keep the Mount Zion Trustees advised of such matters. The Chief Executive Officer shall report to UCSF through the Chancellor, or his designee, on operational, programmatic and financial matters pertaining to Mount Zion Hospital, and shall keep the Mount Zion Trustees advised of all such matters. The Mount Zion Chief Executive Officer and the Regents, through the Chancellor, or his designee, shall provide the Mount Zion Trustees information concerning these matters sufficiently in advance of proposed implementation so that the Mount Zion Trustees may duly consider proposals and provide meaningful advice and consultation.

7.10 Governance and Responsibilities of the Mount Zion Trustees. Mount Zion Hospital shall be governed by the Regents, as specified in the Bylaws and Standing Orders of the Regents, as the same may be amended from time to time. The Mount Zion Trustees shall provide advice and consultation to the Chancellor of UCSF, or his designee, with respect to (a) the Regents' operation of Mount Zion Hospital, through the receipt of periodic reports to assure compliance with the terms and conditions of this Agreement; (b) the appointment of the Mount Zion Hospital Chief Executive Officer and senior administrative personnel at the Mount Zion Hospital site; (c) capital projects and annual operating and capital budgets of Mount Zion Hospital; (d) policies and program for Mount Zion Hospital, consistent with the policies of UCSF. In addition, subject to the authority of the Regents and approval by the Chancellor of UCSF, the Mount Zion Trustees shall act upon all Medical Staff Bylaw amendments and revisions and all appointments and reappointments to the Mount Zion Hospital Medical Staff. The advice and consultation provided to the Chancellor of UCSF by the Mount Zion Trustees shall be rendered for the purpose of assisting the Chancellor in carrying out delegated governance responsibilities of the Regents, as those responsibilities are amended, from time to time, but such advice and consultation shall not be legally binding.

7.11 Board of Overseers. Health Systems shall be entitled to appoint one (1) representative to the UCSF Board of Overseers, throughout the term of this Agreement.

## ARTICLE VIII

### POST INTERIM PERIOD OBLIGATIONS OF HEALTH SYSTEMS

From and after the end of the Interim Period, Health Systems shall:

8.1 Trust and Special Funds. Use the Trust and Special Funds transferred to Health Systems by Mount Zion for the purposes and in the manner heretofore specified in Section 7.5 of this Agreement.

8.2 Corporate Membership. Serve, for so long as it shall deem it advisable, as the sole corporate member of Mount Zion Ventures, Inc., the Institute on Aging, and the Community Crisis Service of San Francisco.

8.3 Trustees. Periodically appoint trustees to serve on the Mount Zion Trustees, as specified in Section 7.3 of this Agreement.

8.4 Jewish Tradition. Maintain the Jewish tradition historically observed at Mount Zion Hospital which may include, among other things, using its funds to maintain a kosher kitchen for patients at Mount Zion Hospital and to arrange for the services of, and an office at Mount Zion Hospital for, a rabbi to counsel and provide comfort to hospital patients.

8.5 Insurance. At its sole cost and expense, insure its activities in connection with this Agreement and obtain, keep in force, and maintain insurance as follows:

8.5.1 Comprehensive or Commercial Form General Liability Insurance (contractual liability included) with limits as follows:

(a) Each Occurrence	\$5,000,000
(b) Products/Completed Operations Aggregate	\$5,000,000
(c) Personal and Advertising Injury	\$5,000,000
(d) General Aggregate (Not Applicable to the Comprehensive Form)	\$5,000,000

If such insurance is written on a claims made form, following termination of this Agreement, coverage shall survive for a period of not less than three (3) years. Coverage shall provide for a retroactive date of placement preceding or coinciding with the Effective Date of this Agreement.

8.5.2 Business Automobile Liability Insurance for owned, scheduled, non-owned, or hired automobiles with a combined single limit no less than \$5,000,000 per occurrence.

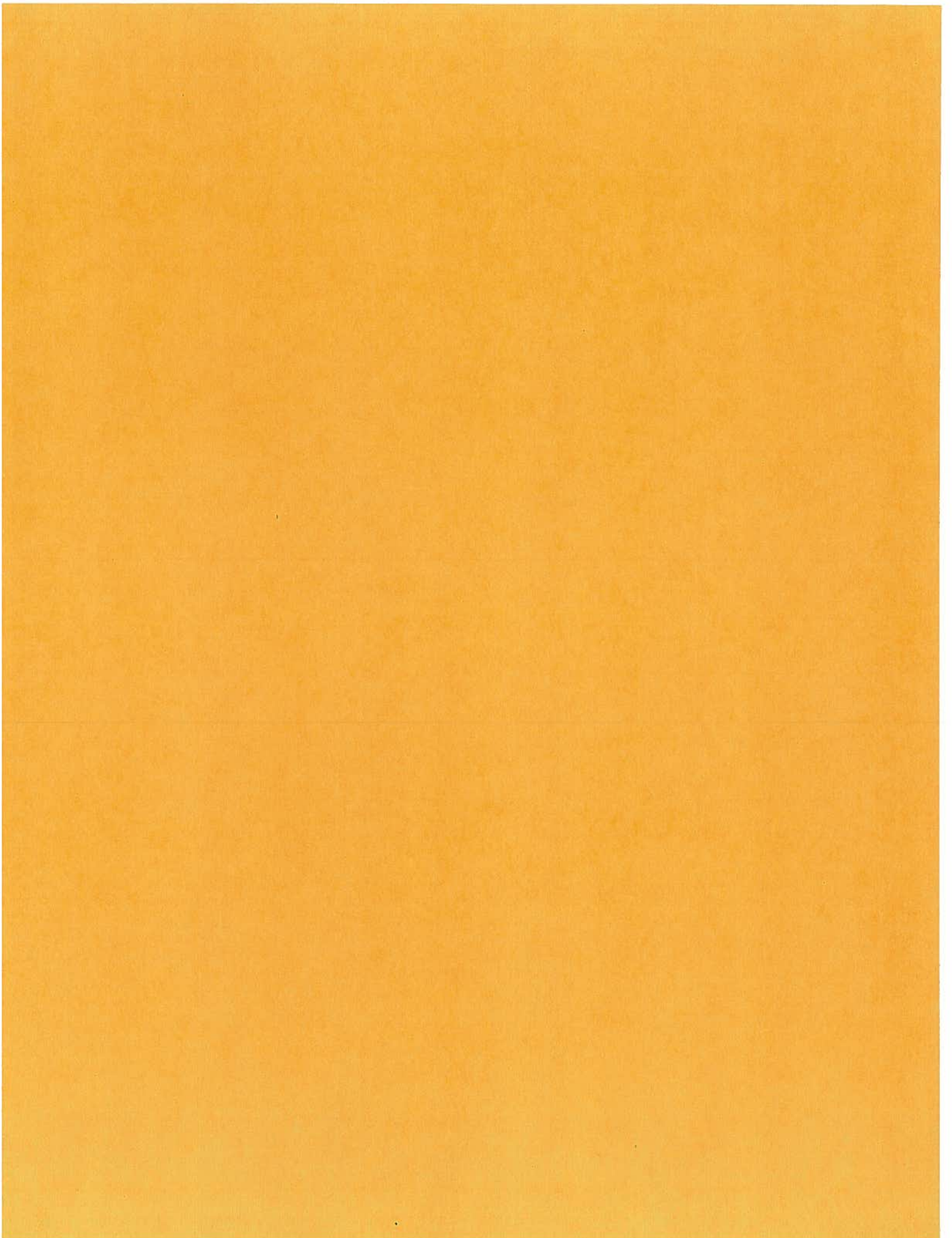
8.5.3 Workers' Compensation and Employers Liability Insurance in a form and amount covering Health Systems' full liability under the Workers' Compensation Insurance and Safety Act of the State of California, as amended from time to time.

8.5.4 Such other insurance, in amounts which may be reasonably required, by the mutual consent of the Regents and Health Systems, against other insurable risks relating to performance.

8.5.5 The coverages required under this Section 8.5 shall not, in any way, limit the liability of Health Systems.

Health Systems shall supply a certificate or certificates of insurance evidencing coverage in amounts and for the perils listed above. Such certificate or certificates shall also specify that the coverages indicated shall not be cancelled, reduced, or changed until after ninety (90) days advance written notice to the Regents. The coverages required shall be endorsed to the name of the Regents, its officers, employees, and agents as an additional insured, but such endorsement shall apply only in proportion to, and to the extent of, the negligent acts or omissions of Health Systems, its officers, employees, and agents.

8.6 Indemnification. Defend, indemnify and hold the Regents, its officers, employees, and agents harmless from and against any and all liability, loss, expense (including reasonable attorneys' fees) or claims for injury or damages arising out of the performance of this Agreement, but only in proportion and to the extent such liability, loss, expense, attorneys' fees, or claims for injury or damages are caused by, or result from, the negligent acts or omissions or wilful misconduct of Health Systems, its officers, agents, or employees.





ARTICLE IX

POST INTERIM PERIOD OBLIGATIONS

OF THE REGENTS

From and after the end of the Interim Period, the Regents shall:

9.1 Employee Provisions. No less than sixty (60) days before the end of the Interim Period, the Regents shall offer employment to all full or part time career/regular staff employees who may be lawfully employed by the Regents and who are working at Mount Zion Hospital in budgeted staff positions, except the Regents shall not offer employment to those persons who elect to retire or who already have a predetermined date of separation from Mount Zion employment. The offer of employment shall extend to those on leave from Mount Zion and shall be for employment beginning at the end of the stated leave or one (1) year, whichever is less. Ninety (90) days prior to June 30, 1992, or no less than sixty-one days prior to the end of the Interim Period, if the Regents serve the written notice provided for in Section 2.3 of this Agreement, Mount Zion shall give the Regents a list of all full or part time career/regular staff employees in budgeted staff positions at Mount Zion Hospital. Within one (1) day thereafter, the Regents shall advise Mount Zion in writing of the Mount Zion employees to whom an offer of employment has been made. The offer of employment to Mount Zion

personnel shall remain open until 11:59 p.m. on May 15, 1992, or forty-five (45) days before the Regents assumes operation and control, should the Regents serve the written notice provided for in Section 2.3.

The letter offering employment shall include (a) the Regents position and classification; (b) the initial salary or wage rate; (c) the Regents bargaining unit and bargaining representative, if any; (d) the starting date and probationary period, if any; and (e) a statement that the employee will be covered by all applicable Regents personnel policies and procedures and labor contracts effective on the date of Regents employment.

Mount Zion employees to whom the offer of employment is made shall be entitled to accept the offer by filling out, signing and filing with an authorized Regents representative, the Regents' employment application on or before 11:59 p.m. on May 15, 1992, or such earlier date as may be applicable in accordance with this Section 9.1. This shall be the exclusive method by which employment will be offered and accepted. For those who accept the offer, employment by the Regents shall commence on July 1, 1992, unless the Regents serves the written notice provided for in Section 2.3, in which case employment shall begin on the day designated by the Regents.

9.1.1 Initial employment by the Regents shall be in a position and classification selected by the Regents. Mount Zion employees who elect employment by the Regents, as herein provided, will receive at least their equivalent monthly base salary or hourly wage which was in effect at Mount Zion, prior to employment by the Regents. The monthly base salary or hourly wage shall not include overtime or wage differentials. As of and after the date of employment, applicable Regents policies, practices and labor agreements relating to employee compensation, classification, and terms and conditions of employment shall govern those employees who become Regents employees, except that those employees whose monthly base salary or hourly wage, as described above, exceeds that called for under Regents compensation policies, practices and labor agreements for the classification in which they are placed shall not have their monthly base salary or hourly wage reduced. Mount Zion shall not increase salary ranges or individual salaries for the purpose of raising any employee's entitlement as a Regents employee.

9.1.2 Subject to the limitations set forth in Section 9.1.1 above, the Regents shall audit and classify each position in accordance with its personnel system and pay each former Mount Zion employee consistent with the Regents applicable personnel policies, practices or labor contracts. The Regents shall solely determine how such

policies, practices, and labor contracts shall be applied to the specifics of the classification and pay of each employee electing employment by the Regents.

9.1.3 The disposition of all grievances and lawsuits arising out of employment, or termination of employment, by Mount Zion which are pending on the date of employment by the Regents shall be Mount Zion's responsibility, except as otherwise herein provided.

9.1.4 The provisions contained in this Agreement with respect to employment are for the purpose of setting forth the respective rights and obligations of Mount Zion and the Regents and are not intended to, and shall not, create any rights on the part of present Mount Zion employees, or those who may elect Regents employment, as third-party beneficiaries under this Agreement.

9.1.5 The following shall govern the rights, benefits and obligations of those transferring from Mount Zion employment to Regents employment under the provisions of this Agreement:

9.1.5.1 Mount Zion employees who have successfully completed a probationary period, where applicable, and who have regular status with Mount Zion shall be granted regular status with the Regents and

shall not be required to serve another probationary period. Mount Zion employees on probation as a result of recently being hired will be granted probationary status with the Regents and shall serve any remaining portion of their probationary period, as defined by the Regents' policy;

9.1.5.2 An employee's date of entry into Mount Zion employment shall be deemed to be the date of entry into the Regents service and the employee's seniority at Mount Zion, as determined under applicable Mount Zion policies and collective bargaining agreements, will be treated as Regents seniority for all purposes relevant under the Regents personnel policies and labor agreements, excepting only pension or health and welfare entitlements;

9.1.5.3 Mount Zion employees who become Regents employees under the terms of this Agreement shall be eligible for Regents benefits upon becoming Regents employees, so long as they meet eligibility and enrollment requirements in existence at such time, provided, however, that the following rights and limitations shall apply:

9.1.5.3.1 The University of California Retirement Plan ("UCRP") shall recognize Mount

Zion vesting service, but only for purpose of vesting of benefits in UCRP. Notwithstanding the foregoing, benefits payable from UCRP will be limited to the actual service credit earned at UCSF. Conversely, Mount Zion retirement plans shall recognize UCRP service credit for vesting of any nonvested benefit in a Mount Zion retirement plan. Mount Zion service credit shall not be recognized for the purpose of meeting the Regents requirements for annuitant medical and dental insurance eligibility;

9.1.5.3.2 All requirements for benefit eligibility, enrollment and coverage as of the date of Regents employment shall apply to Mount Zion employees, including exceptions to the effective date of coverage. Mount Zion employees enrolled in a Mount Zion health plan at the time they become Regents employees shall not be subject to a waiting period or the pre-existing condition limitation for the first twelve (12) months of coverage in the Regents' Prudential Health Plans, should they choose to enroll in one of the Regents' Prudential plans. However, Mount Zion employees who were not enrolled in a Mount Zion provided medical insurance program on their last day of employment with Mount Zion, and who become

eligible for and enroll in medical insurance programs on or after the date upon which they are employed by the Regents, will be subject to any applicable waiting period and to the pre-existing clause of the Prudential Health Plans, should they select one of the Prudential Plans; and

9.1.5.3.3 Because the Regents' long-term disability plan has a one (1) year restriction on coverage for pre-existing conditions, Mount Zion employees who enroll in such plans and become disabled during their first year of coverage due to pre-existing conditions will not receive long-term disability benefits under the Regents' plan;

9.1.5.3.4 Mount Zion employees who are on leave from Mount Zion employment at the end of the Interim Period and to whom the Regents must make an offer of employment, beginning at the end of the stated leave or one (1) year, whichever is less, shall not qualify for any employee benefits provided by the Regents until such time as such Mount Zion employees are employed by the Regents, and then in accordance with the Regents' eligibility and enrollment requirements.

9.1.5.4 Accrued and unused sick leave balances (including extended sick leave) and accrued, unused and unpaid holiday and vacation time (including paid time off) as of the date of Regents employment shall be honored by the Regents to the extent that sick leave balances in the aggregate and holiday and vacation time in the aggregate (including paid time off) are on the books of Mount Zion on the effective date of Regents employment.

9.1.5.5 All Mount Zion employees who become Regents employees pursuant to the terms of this Agreement shall remain eligible for membership in the Medi-Serv Credit Union and the Regents agrees to provide payroll deductions for payment to that credit union.

9.1.6 Between January 1, 1992 and May 1, 1992, or earlier, if the Regents gives the written notice provided for in Section 2.3, the Regents and Mount Zion shall complete a program of orientation of all Mount Zion employees to whom the Regents is required by this Agreement to offer employment, for the purpose of providing comparative information so that Mount Zion employees will be informed of Regents salaries, benefits, job specifications, and conditions of employment. Mount Zion shall provide meeting space, arrange for Mount Zion employees to attend



such meetings, and support efforts as may be required pursuant to this Section 9.1.6.

9.2 Operation of Mount Zion. Operate Mount Zion Hospital as an acute care hospital, as herein defined, maintaining a comprehensive range of clinical services emphasizing primary and secondary care. From and after the assumption of operation, control and management by the Regents and thereafter, throughout the term of this Agreement, the facility shall be known as Mount Zion Hospital and Medical Center of the University of California, San Francisco; provided, however, that should the Regents cease to operate the facility as an acute care hospital, Health Systems shall have the unrestricted right to direct the Regents to cease use of the Mount Zion Hospital and Medical Center name. The Regents agrees, in such event and following such direction from Health Systems, to cease using the Mount Zion Hospital and Medical Center name.

9.3 Clinical Programs. Enhance Mount Zion Hospital's programs in general medicine, general surgery, cardiology (including invasive cardiology) and oncology. Future clinical program decisions shall be made by the Regents on the basis of various factors, including need, academic goals, physician practice interests, and economic viability. In considering clinical program changes, the Regents shall attempt to avoid unnecessary program duplication, improve efficiency and

effectiveness, and contribute to the communities served by Mount Zion and UCSF, to the maximum extent possible.

If acute care programs become consolidated off the Mount Zion Hospital site, the Regents shall make every reasonable effort to maintain a comprehensive range of acute care services at Mount Zion Hospital by replacing lost services with new clinical programs consistent with community needs, in order to assure the preservation of acute care services at Mount Zion Hospital.

9.4 Surgical Residency Program. Use best efforts to develop and maintain an integrated surgical residency and teaching program at Mount Zion Hospital and assist in the selection of a Mount Zion Chief of Surgery, who shall be a member of the UCSF academic faculty.

9.5 Medicine Teaching Program. Use best efforts to continue and enhance the teaching program in medicine at Mount Zion Hospital.

9.6 Financial Responsibility. Be financially responsible for operation of Mount Zion Hospital and be solely liable for repayment of all debts, liabilities and obligations of Mount Zion existing as of, or incurred in the operation of Mount Zion Hospital subsequent to, the end of the Interim Period. In addition, during the first five (5) years of this Agreement, the

Regents intends to make capital expenditures at Mount Zion, totaling no less than \$36,000,000 in new capital assets, in substantial compliance with the projects described on Exhibit H; provided, however, the parties to this Agreement understand that this statement of intent is not enforceable in any manner, either in a court of law or equity.

9.7 Standards of Operation. Operate Mount Zion Hospital in compliance with all JCAHO standards, and all other legal requirements applicable thereto.

9.8 Insurance. Carry a policy or policies of insurance, or maintain an equivalent program of self-insurance, in amounts and protecting against such risks as are customarily insured against by other corporations in connection with the ownership and operation of hospitals of similar character and size in the State of California. In performing this obligation, the Regents shall carry and maintain at least the following policy or policies of insurance, or provide the same coverage through an equivalent self-insurance program:

9.8.1 Fire and Extended Coverage insurance or self-insurance in an amount equal to the full replacement value of the Transferred Assets, excluding the perils of flood and earthquake.

9.8.2 Boiler and Machinery Insurance written on a comprehensive form providing full coverage in or on the Transferred Assets.

9.8.3 Comprehensive or Commercial Form General Liability Insurance (contractual liability included) with limits as follows:

- |                                                                        |             |
|------------------------------------------------------------------------|-------------|
| (a) Each Occurrence                                                    | \$5,000,000 |
| (b) Products/Completed<br>Operations Aggregate                         | \$5,000,000 |
| (c) Personal and Advertising<br>Injury                                 | \$5,000,000 |
| (d) General Aggregate (Not<br>applicable to the<br>Comprehensive Form) | \$5,000,000 |

If such insurance or program of self insurance is written on a claims-made form, following termination of this Agreement, coverage shall survive for a period of not less than three (3) years. Coverage shall provide for a retroactive date of placement preceding or coinciding with the Effective Date of this Agreement.

9.8.4 Business Automobile Liability Insurance for owned, scheduled, non-owned, or hired automobiles with a combined single limit no less than \$5,000,000 per occurrence.

9.8.5 Professional Medical Liability Insurance, or an equivalent program of self insurance, for bodily injury, property damage and personal injury in an amount no less than \$10,000,000 each occurrence with a general aggregate of \$10,000,000 applying. If such insurance is written on a commercial claims-made form, following termination of this Agreement, coverage shall survive for the maximum reporting period available from insurance sources at each anniversary date of such insurance. Coverage shall also provide for a retroactive date of placement preceding or coinciding with the Effective Date of this Agreement.

9.8.6 Workers' Compensation and Employers Liability insurance, or an equivalent program of self insurance, in a form and amount covering the Regents' full liability under the Workers' Compensation Insurance and Safety Act of the State of California, as amended from time to time.

9.8.7 Such other insurance, in amounts which may be reasonably required, by the mutual consent of Health

Systems and the Regents, against other insurance risks relating to performance.

9.8.8 The coverages required under this Section 9.8 shall not, in any way, limit the liability of the Regents.

The Regents shall supply a certificate or certificates of insurance or self-insurance evidencing coverage in amounts and for the perils listed above. Such certificate or certificates shall also specify that the coverages indicated shall not be cancelled, reduced or changed until after ninety (90) days advance written notice to Health Systems. The coverages required shall be endorsed to the name of Health Systems, its officers, employees, and agents as an additional insured, but only in proportion to, and to the extent of, the negligent acts or omissions of the Regents, its officers, employees, and agents. All coverages provided for in this Section 9.8 shall be reviewed periodically (not less frequently than once in every thirty-six months) by an insurance consultant selected by the Regents and shall be increased if, in the opinion of such insurance consultant, an increase is necessary to provide full and adequate protection to Health Systems.

9.9 Support to Health Systems. Allocate suitable office space at the Mount Zion Hospital site to Health Systems (up to a maximum of two hundred square feet) and the Institute on

Aging (up to a maximum of two hundred square feet), together with meeting rooms for use at mutually convenient times, such office space and meeting rooms to be made available at no cost to Health Systems or the Institute on Aging.

9.10 Directors and Trustees. Periodically appoint directors to the Board of Directors of Health Systems and trustees to the Mount Zion Trustees, in accordance with the provisions of Sections 7.1 and 7.3 of this Agreement.

9.11 Indemnification. Defend, indemnify and hold Health Systems, its officers, employees and agents harmless from and against any and all liability, loss, expense (including reasonable attorneys' fees), or claims for injury or damages arising out of the performance of this Agreement, but only in proportion and to the extent such liability, loss, expense, attorneys' fees, or claims for injury or damages are caused by, or result from, the negligent acts or omissions or wilful misconduct of the Regents, their officers, agents, or employees.

9.12 Taxes. Pay all taxes, assessments, and other governmental charges of every kind and nature whatsoever, whether general or special, ordinary or extraordinary, including, but not limited to, assessments for public improvement or benefits, that are assessed, levied or imposed upon the Transferred Assets or which arise by reason of operation of Mount Zion Hospital.

9.13 Mechanics' Liens. Pay for all labor and services performed for, and all materials used by or furnished to, the Regents or any contractor employed by the Regents with respect to the Transferred Assets, or any part thereof, whether or not such labor, services, or materials were related to trade fixtures or other works of improvement. The Regents shall indemnify and hold Health Systems and the Transferred Assets free and harmless from any and all liabilities, claims, liens, encumbrances and judgments created or suffered in connection with such labor, services, or materials. Further, the Regents shall permit Health Systems to post and maintain notices of nonresponsibility on the Transferred Assets, in accordance with California Civil Code Section 3094, or any other similar statute hereafter enacted.

## ARTICLE X

### MOUNT ZION MEDICAL STAFF PROVISIONS

The following provisions relating to the Medical Staff of Mount Zion Hospital shall apply from and after the Effective Date.

10.1 Independent Medical Staff. Mount Zion Hospital shall continue to have an independent Medical Staff and Medical Board which shall fulfill medical staff requirements contained in the Mount Zion Hospital Medical Staff Bylaws, as amended, from



time to time, and in applicable legal requirements. The Mount Zion Hospital Medical Board shall continue to be responsible for review and assurance of the quality of patient care at Mount Zion Hospital. Medical Staff reappointments for individuals who are Mount Zion Hospital Medical Staff members as of the Effective Date shall be continued in accordance with existing Mount Zion Hospital Medical Staff Bylaws and procedures. UCSF shall afford all members of Mount Zion Hospital's Medical Staff who are qualified, as of the Effective Date, the opportunity to become members of the UCSF faculty.

10.2 Future Applicants. New applicants to the Mount Zion Hospital Medical Staff (i.e., those applying after the Effective Date) will be expected to be qualified to become UCSF faculty and be willing and able to participate in the educational activities at Mount Zion Hospital or at UCSF, when called upon to do so. The Mount Zion Hospital Department Chief shall recommend the level of Medical Staff appointment and the scope of clinical privileges. In concert with the UCSF Medical School Department Chairman, the Mount Zion Hospital Department Chief shall also propose a faculty rank. The recommendation of the Mount Zion Hospital Department Chief shall be processed in accordance with the Mount Zion Hospital Medical Staff Bylaws.

10.3 Department Chiefs. All Mount Zion Hospital Department Chiefs shall be jointly appointed, after recommendation from the Mount Zion Hospital Medical Board, by the

Mount Zion Trustees and the Dean of the UCSF School of Medicine. When a vacancy occurs, the appropriate UCSF Department Chairman and the Chief of the Mount Zion Hospital Medical Staff shall each appoint an equal number of members to a Search Committee. The Search Committee Chairman shall be selected by the UCSF Department Chairman in consultation with the Chief of the Mount Zion Hospital Medical Staff and the Dean of the UCSF School of Medicine, or his designee. Mount Zion Hospital's Chief Executive Officer, the Chief of Mount Zion Hospital's Medical Staff, and the Dean of the UCSF School of Medicine, or his designee, shall serve on the Search Committee in a consultative role. The Search Committee's recommendation shall be forwarded to the Mount Zion Trustees and to the UCSF School of Medicine, following endorsement by the Mount Zion Hospital Medical Board and the appropriate UCSF Department Chairman. To be recommended for appointment, a candidate must be acceptable to both the UCSF Department Chairman and the Mount Zion Hospital Medical Board.

Mount Zion Hospital Department Chiefs shall serve at the pleasure of the Mount Zion Trustees and the Dean of the UCSF School of Medicine, and may be removed at any time without cause. Appointments may be renewed annually, and each Department Chief shall be subject to peer review at suitable intervals during his or her appointment, but shall not serve longer than five (5) consecutive years without review. Results of the peer review shall be made known to the UCSF Department Chairman, the Chairman of the Mount Zion Trustees, the Mount Zion Hospital

Chief Executive Officer, the Chief of the Mount Zion Hospital Medical Staff, the Dean of the UCSF School of Medicine, and the Department Chief under review. Summary findings shall be presented to the Mount Zion Hospital Medical Board.

10.4 Impasse. In the event that, because of disagreement between the parties, the process outlined in Section 10.3 above does not result in agreement as to the appointment of a particular Mount Zion Hospital Department Chief, a new search will be conducted, in accordance with the procedures specified in Section 10.3 above.

10.5 Medical Education. UCSF shall be ultimately responsible, through jointly appointed Department Chiefs at Mount Zion Hospital, for the quality and quantity of undergraduate, graduate, and post-graduate education conducted at Mount Zion Hospital. Education of health professionals at Mount Zion Hospital shall be developed and enhanced, to the extent that Mount Zion Hospital has sufficient clinical and financial resources to support such activities. Appropriate representatives of the UCSF School of Medicine and the Mount Zion Hospital Chief Executive Officer, or designee, shall jointly determine total complements of house staff and other matters requiring educational dedication of Mount Zion Hospital resources.

10.6 Clinical Program Development and Space

Assignment. Mount Zion Hospital Department Chiefs shall be involved in the development of clinical programs and shall be consulted in the assignment of physical space supporting such programs. All programs must be considered by the Mount Zion Trustees, whose advice shall be sought in connection therewith, after recommendation by the Mount Zion Hospital management. Space allocated for research shall be assigned by the Dean of the UCSF School of Medicine or his designee.

ARTICLE XI

RESEARCH

On and after the Effective Date, the following provisions relating to research shall be applicable:

11.1 Research at Mount Zion Hospital. The Regents shall use its best efforts to enhance clinically related research activities at Mount Zion Hospital. In carrying out this research function, the following provisions shall apply.

11.1.1 Research funds generated by Health Systems or Mount Zion after the Effective Date shall be used exclusively at Mount Zion Hospital, unless the Regents and

Health Systems agree that such funds can be best applied to activities outside Mount Zion Hospital.

11.1.2 Intramural research funds will be used for research purposes which are consistent with the donor's intent and which are approved by a scientific group charged with that responsibility. The Dean of the UCSF School of Medicine shall select the scientific group which shall include a member of the Mount Zion Hospital Medical Staff and, if Health Systems so desires, two (2) members of the Health Systems Board of Directors, who need not be scientists.

11.1.3 The Mount Zion Chief Executive Officer, after consultation with the Mount Zion Trustees, shall ultimately determine the allocation of Mount Zion Hospital space to major functions. Once space is allocated for research, the Dean of the UCSF School of Medicine, or designee, shall allocate it by program. The Dean, or designee, shall consult with the faculty and the Department Chiefs in making such allocations.

11.1.4 All post Interim Period extramural faculty funding shall be handled in accordance with the Regents procedures.

ARTICLE XII

REPRESENTATIONS AND WARRANTIES

12.1 All Parties. Each party to this Agreement makes the following representations and warranties to each other party as an inducement to each other party to enter into this Agreement:

12.1.1 That it is duly organized and validly existing under the laws of the State of California and has full power and authority to own and lease its property and assets, to conduct its business as it is now being conducted, and to enter into each and every transaction contemplated by this Agreement.

12.1.2 That the execution, delivery and performance of this Agreement, and all transactions contemplated herein, have been duly authorized and approved by all necessary action in accordance with such party's governing instruments, and this Agreement has been duly executed and delivered by, and constitutes a valid, binding and enforceable obligation of, such party.

12.1.3 That neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will be in conflict with, constitute a

default under, require the consent of any other party to, or result in the creation or imposition of any security interest, lien or other encumbrance upon, any property or assets of the party making such representations or warranties under any agreement or commitment to which such party is itself a party or by which it or any of its properties is bound, or violate any statute or law or any judgment, decree, order, regulation or rule of any court or governmental authority.

12.1.4 That no representation or warranty made in, or in connection with, this Agreement contains any untrue statement of a material fact or omits to state any material fact required to make the statements made not misleading.

12.2 Specific Representation of Mount Zion and Health Systems. Mount Zion and Health Systems represent that, to the best of their knowledge, they have disclosed to the Regents all material financial and contractual obligations of Mount Zion and Health Systems, which disclosure has been made either directly or as part of the "due diligence" conducted in connection with this Agreement by the Regents, UCSF, and their authorized representatives. "To the best of their knowledge", as used in this Section 12.2, means the exercise of reasonable inquiry expected of members of boards of directors and corporate officers functioning in similar circumstances.

Neither Mount Zion nor Health Systems, or any officer or director of either of them, shall have any liability for breach of this representation, unless a reasonably detailed written claim for such breach has been made within four (4) years after the Effective Date of this Agreement. In no event shall any officer or director of Mount Zion or Health Systems have any individual liability for breach of this representation nor shall any recourse be had against any assets of Health Systems for breach of this representation. Recourse may be had against directors and officers insurance for any liability for breach of this representation. If, for any reason, such directors and officers insurance does not cover liability for breach of this representation or liability arising from an omission to Exhibit G, the \$11,000,000 payment, as adjusted, provided for in Article XVI, Section 16.4 of this Agreement, may be reduced to satisfy any liability arising under this Section 12.2.

### ARTICLE XIII

#### CONDITIONS PRECEDENT TO OBLIGATION

##### TO CLOSE ON EFFECTIVE DATE

13.1 Conditions Precedent to the Obligations of Health Systems and Mount Zion. Each and every obligation of Health Systems and/or Mount Zion to be performed under this Agreement is subject to the satisfaction, on or before the Effective Date, of



each of the following conditions, unless otherwise waived in writing by Health Systems and/or Mount Zion, as the case may be:

13.1.1 The representations and warranties of the Regents contained in this Agreement are, in all material respects, true and complete as of the date when made and as of the Effective Date, as though such representations and warranties were made at and as of such date, except for changes permitted or contemplated by the terms of this Agreement.

13.1.2 The Regents has performed and complied with all agreements, obligations and conditions required by this Agreement to be performed or complied with by the Regents, on or before the Effective Date.

13.1.3 The Regents has delivered to Mount Zion and Health Systems an opinion of their counsel, dated the Effective Date, in form and substance satisfactory to Mount Zion and Health Systems, and their counsel, to the effect that:

13.1.3.1 The Regents is a public entity, duly organized, validly existing and in good standing under the laws of the State of California.

13.1.3.2 This Agreement has been duly authorized by all necessary corporate action, has been validly executed and delivered by the Regents and constitutes a legal, valid, and binding obligation, enforceable against it in accordance with its terms.

13.1.4 No consent of any governmental body or of any other person is required for the execution and delivery of this Agreement by the Regents or for the consummation of the transactions contemplated hereby, except consents which have been duly and validly obtained.

13.1.5 There has been no material adverse change in UCSF's financial or other conditions, results, operations, assets, liabilities, reserves, business or prospects.

13.1.6 The Regents has furnished Mount Zion and Health Systems with such certificates to evidence compliance with the conditions set forth in this Section 13.1 as may be reasonably requested by Mount Zion and Health Systems.

13.1.7 Mount Zion, Health Systems, and their counsel have approved the form and substance of all documents executed pursuant to or in connection with this Agreement.

13.2 Conditions Precedent to the Obligations of the Regents. Each and every obligation of the Regents to be performed under this Agreement is subject to the satisfaction, on or before the Effective Date, of each of the following conditions, unless otherwise waived in writing by the Regents:

13.2.1 The representations and warranties of Health Systems and Mount Zion contained in this Agreement are, in all material respects, true and complete as of the date when made and as of the Effective Date, as though such representations and warranties were made at and as of such date, except for changes permitted or contemplated by the terms of this Agreement.

13.2.2 Health Systems and Mount Zion have performed and complied with all agreements, obligations and conditions required by this Agreement to be performed or complied with by Health Systems and Mount Zion, on or before the Effective Date.

13.2.3 Mount Zion and Health Systems have delivered to the Regents an opinion of their counsel, dated the Effective Date, in form and substance satisfactory to the Regents, and its counsel, to the effect that:

13.2.3.1 Health Systems and Mount Zion are nonprofit public benefit corporations, duly organized,

validly existing and in good standing under the laws of the State of California.

13.2.3.2 This Agreement has been duly authorized by all necessary corporate action, has been validly executed and delivered by Health Systems and Mount Zion and constitutes the legal, valid and binding obligations of either or both, as the case may be, enforceable against them in accordance with their respective terms.

13.2.4 No consent of any governmental body or of any other person is required for the execution and delivery of this Agreement by Health Systems and/or Mount Zion or for the consummation of the transactions contemplated hereby, except consents which have been duly and validly obtained.

13.2.5 There has been no material adverse change in Mount Zion's financial or other conditions, results, operations, assets, liabilities, reserves, business or prospects.

13.2.6 Mount Zion and Health Systems have furnished the Regents with such certificates to evidence compliance with the conditions set forth in this Section 13.2 as may be reasonably requested by the Regents.

13.2.7 The Regents and its counsel have approved the form and substance of all documents executed pursuant to or in connection with this Agreement.

13.2.8 A final Environmental Impact Report pertaining to this affiliation has been certified by the Regents, as required by the California Environmental Quality Act (Public Resources Code, § 21000 et seq.) and related administrative guidelines.

#### ARTICLE XIV

##### TERM

14.1 Duration of Agreement. This Agreement shall continue in effect for a period of forty (40) years from the Effective Date, unless otherwise extended by the parties or earlier terminated in accordance with the provisions of Article XV.

ARTICLE XV

BREACH

15.1 By Health Systems/Mount Zion. In the event of a material breach of this Agreement by Mount Zion or Health Systems, which material breach remains uncured after ninety (90) days written notice thereof from the Regents, the Regents may do any of the following:

15.1.1 Continue this Agreement in full force and effect and enforce all rights and remedies hereunder, including the right to recover any amount necessary to compensate the Regents for all direct damage and loss caused by the material breach.

15.1.2 Seek injunctive relief.

15.1.3 Terminate this Agreement, in which event the payment provisions set forth in Section 16.4 of this Agreement shall become applicable.

15.2 By the Regents. In the event of a material breach of this Agreement by the Regents, which material breach remains uncured for ninety (90) days after written notice thereof from Health Systems and/or Mount Zion, Health Systems and/or Mount Zion may do any of the following:

15.2.1 If the material breach is the failure of the Regents to operate Mount Zion as an acute care hospital, in accordance with the terms and provisions of this Agreement, during the period referred to in Section 16.1, seek specific performance. If the Regents has invested \$36,000,000 in new capital projects at Mount Zion Hospital, in substantial compliance with the projects described in Exhibit H, the Regents shall be relieved of its covenant to operate an acute care hospital, as herein defined, at which time the equitable remedy of specific performance and any legal remedy for enforcement thereof shall lapse.

15.2.2 Continue this Agreement in full force and effect and enforce all its rights and remedies hereunder, including the right to recover any amount necessary to compensate Health Systems for all direct damage and loss caused by the material breach by the Regents.

15.2.3 Subject to the limitations of Section 15.2.1, seek injunctive or other equitable relief.

15.2.4 Terminate this Agreement, in which event the payment provisions set forth in Section 16.4 of this Agreement shall become applicable.

## ARTICLE XVI

### COVENANT PROVISIONS

16.1 Pre-Investment Covenant. Until such time as the Regents has invested \$36,000,000 in new capital projects at Mount Zion Hospital, in substantial compliance with the projects described on Exhibit H, the Regents shall operate Mount Zion Hospital as an acute care hospital, as herein defined. It is expressly understood and agreed that Health Systems may specifically enforce this covenant to operate an acute care hospital, as herein defined, until such \$36,000,000 investment is made but it is also expressly understood and agreed that Health Systems waives any right to exercise a right of reversion as a remedy for breach of this covenant to operate an acute care hospital.

16.2 Post-Investment Covenant. From and after the investment by the Regents of \$36,000,000 in new capital projects at Mount Zion Hospital, the following provisions of this section, and Sections 16.3 and 16.4, shall apply. The Regents shall use its best efforts to operate Mount Zion Hospital as an acute care hospital, as herein defined, consistent with financial exigencies and community needs, during the balance of the term of this Agreement. It is expressly understood and agreed that this best efforts covenant is not specifically enforceable and that no



monetary liability shall attach to the Regents' best efforts to operate an acute care hospital as set forth herein.

16.3 Cessation Due to Financial Justification. If, after the period referred to in Section 16.1 above, financial justification should exist for cessation of operation of Mount Zion Hospital as an acute care hospital, as herein defined, the Regents, after consulting with and receiving advice from Health Systems, may issue a Declaration of Financial Justification and thereafter cease operation of Mount Zion Hospital as an acute care hospital. In such event, no compensation would be due Health Systems from the Regents. The term "financial justification," as herein used, means (a) actual or projected combined operating losses from hospital operations at UCSF and Mount Zion Hospital, and (b) a determination that the most appropriate method of dealing with the combined losses is cessation of operation of Mount Zion Hospital as an acute care hospital. If, pursuant to the provisions of this Section 16.3, the Regents is excused of its best efforts covenant to operate Mount Zion Hospital as a general acute care hospital, the Regents may use the Transferred Assets for any purpose within the discretion of the Regents, without financial obligation to Health Systems.

16.4 Cessation for Reasons Other Than Financial Justification. If, after the period set forth in Section 16.1 above, the Regents cease operation of Mount Zion Hospital as an

acute care hospital, as herein defined, for reasons other than financial justification, the Regents shall pay Health Systems \$11,000,000, as adjusted below, in compensation for the land transferred by Mount Zion to the Regents. Such \$11,000,000 figure shall be subject to a cost of living adjustment, to be made annually in accordance with the Consumer Price Index, All Urban Consumers, for the Oakland/San Francisco Bay Area, as published by the Bureau of Labor Statistics of the U.S. Department of Labor. The first cost of living adjustment shall be made one (1) year after the Effective Date. Each subsequent adjustment shall be made at the anniversary date of the Effective Date and shall be based upon the cumulative change in the Consumer Price Index, as last published prior to the Effective Date and as last published prior to the adjustment date. Such \$11,000,000 figure, as adjusted, shall be reduced annually, beginning with the Effective Date of this Agreement, at the rate of two and one-half percent (2.5%) per annum of the adjusted amount, thus producing a one hundred percent (100%) offset of such figure at the end of the forty (40) year term of this Agreement. A demonstrative example of the application of the terms of this Section 16.4 is attached hereto as Exhibit I.

ARTICLE XVII

COMMUNITY SERVICE

17.1 Community Service - Statement of Intent. In accordance with its traditional mission, Mount Zion Hospital has had a long history of providing health care services on a free or discounted basis to the Jewish community and other needy residents of the City and County of San Francisco, particularly those residing in the surrounding community. These services have been extensive, ranging from inpatient care to comprehensive outpatient clinics and programs. The parties to this Agreement agree that these community service programs distinguish Mount Zion Hospital from other San Francisco hospitals.

Continuing to provide community service is important to the parties as they enter into this Agreement. The parties recognize, however, that community service programs will change in the future as new needs arise and others diminish. Nevertheless, the parties intend that Mount Zion Hospital shall continue to provide a wide range of community services, to the fullest extent possible within available financial resources, as determined by the Regents after consultation with the Mount Zion Trustees, to Mount Zion Hospital's Jewish population and other persons in the community who are unable to pay in full for their care. The parties understand that the Regents, as a public institution, must remain neutral regarding religious issues.

Thus, to the extent that community service programs are conducted by Mount Zion Hospital for a specific religious segment of the San Francisco community, such community service programs shall be funded either by Health Systems or other appropriate sources.

## ARTICLE XVIII

### ARBITRATION

18.1 General. Any dispute concerning the interpretation or implementation of this Agreement shall initially be settled by submitting such dispute to the President of the University of California ("President") and to the Chairman of the Board of Directors of Health Systems ("Chairman") or their designees. In the event the President and Chairman do not agree on a resolution of the dispute, it shall be referred to the American Arbitration Association for resolution. Each party shall select an arbitrator and the two (2) arbitrators so selected shall select a third arbitrator.

18.2 American Arbitration Rules. In arbitrating the dispute, the arbitrators shall apply the Commercial Rules of the American Arbitration Association. The arbitrators shall decide the dispute in accordance with the applicable substantive law of the State of California. The decision shall include a determination of all issues submitted to the arbitrators. The

decision shall be in writing. The expenses and fees of the arbitrators shall be divided among the parties equally. The exclusive forum for the confirmation and enforcement, vacation or correction of an arbitration award shall be the Superior Court of the State of California. The substantive and procedural rules for such post-award proceedings shall be as set forth in the California Code of Civil Procedure, Section 1285 et seq.

## ARTICLE XIX

### GENERAL PROVISIONS

19.1 Headings. The subject headings of the paragraphs of this Agreement are included for convenience only, and shall not affect the construction or interpretation of any of its provisions.

↘ 19.2 Amendments, Waiver, Etc. No amendment, supplement, or modification to this Agreement shall be binding, unless executed in writing by all parties. No waiver of any of the provisions of this Agreement shall constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

19.3 Third Persons. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies upon any persons other than the parties to it and their respective successors and assigns, nor is anything in this Agreement intended to relieve or discharge any obligation or liability of any third persons to any party to this Agreement, nor shall any provision give any third parties any rights of subrogation or action against or with respect to any party to this Agreement.

19.4 Representations to Survive. All representations, warranties, covenants and agreements of the parties contained in this Agreement, or in any instrument, certificate, exhibit, schedule or other writing provided for in it, shall survive the Effective Date.

19.5 Notices. Any notices, requests, demands, schedules and other communications under this Agreement shall be in writing and shall be deemed to have been duly given on the date of service, if served personally on the party to whom notice is to be given, or on the third day after mailing if mailed to the party to whom notice is to be given, by first class mail, postage prepaid and properly addressed as follows:

To Mount Zion:  
President and Chief  
Executive Officer

To Regents:  
Secretary to the Board of  
Regents of the  
University of California

To Health Systems:  
President and Chief  
Executive Officer

To UCSF:  
The Chancellor of UCSF

With copies to:

John R. Sparks, Esq.  
Weissburg and Aronson, Inc.  
555 California Street  
Suite 2400  
San Francisco, CA 94104

With copies to:

John F. Lundberg, Esq.  
General Counsel's Office  
University of California  
590 University Hall  
Berkeley, CA 94720

Any party may change its address for purposes of this section by giving the other parties written notice of the new address in the manner set forth above.

19.6 Counterparts. This Agreement may be executed in one or more counterparts, and when so executed each counterpart shall be deemed to be an original; the counterparts together shall constitute one and the same instrument.

19.7 Good Faith. Each of the parties agrees that it shall act in good faith to cause all the conditions precedent to their respective obligations to be satisfied and to consummate the transactions contemplated by this Agreement.

19.8 Applicable Law. This Agreement shall be governed by the laws of the State of California.

19.9 Severability. Should any provision of this Agreement be determined to be invalid, it shall be severed from

this Agreement and the remaining provisions of this Agreement shall remain in full force and effect.

19.10 Assignment. This Agreement may not be assigned by any party hereto without the prior written consent of the other parties. Subject to the foregoing, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns.

19.11 Exhibits. All Exhibits to this Agreement are incorporated by this reference and constitute a part of this Agreement as though fully set forth herein.

19.12 Force Majeure. If Mount Zion, the Regents, or Health Systems shall be delayed or prevented from the performance of any act required by this Agreement, by acts of God, strikes, lockouts, acts of the Legislature, war, major social upheavals, the requirement to assume bargaining units or labor contracts, or other cause without the fault or beyond the reasonable control of the party obligated, financial ability excepted, performance of such act or acts will be excused for a period equivalent to the period of such delay or prevention.

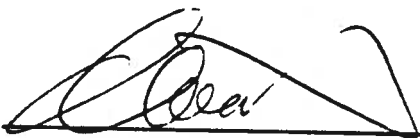
19.13 Attorneys Fees. In the event of any litigation, arbitration, or similar proceeding involving this Agreement, the prevailing party in such litigation, arbitration, or proceeding



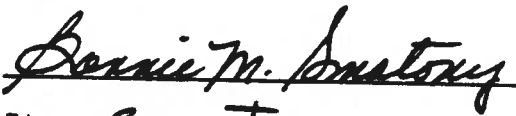
shall be entitled to recover its reasonable attorneys' fees and costs, in addition to any other relief to which such party may be entitled. The parties agree that, in awarding attorneys' fees and costs, and the amount thereof, the court may consider all relevant factors, not just hours expended.

19.14 Further Instruments. Each party to this Agreement agrees to execute any further instruments and documents and to perform any acts which are or may become necessary to effectuate this Agreement and the transactions contemplated hereby.


MOUNT ZION HEALTH SYSTEMS

By   
Its Chairman  
April 26, 1990

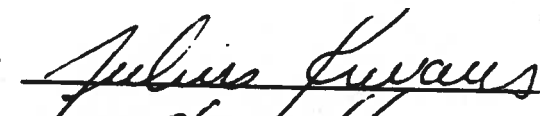
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

By   
Its Secretary  
April 26, 1990

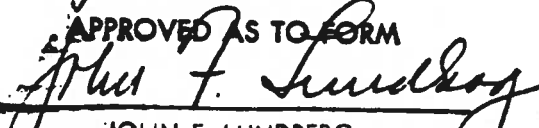
MOUNT ZION HOSPITAL AND MEDICAL CENTER

By   
Its Chairman  
April 26, 1990

UCSF

By   
Its Chancellor  
Apr. 26, 1990

58601-927

APPROVED AS TO FORM  
  
JOHN F. LUNDBERG  
UNIVERSITY COUNSEL OF THE REGENTS  
OF THE UNIVERSITY OF CALIFORNIA

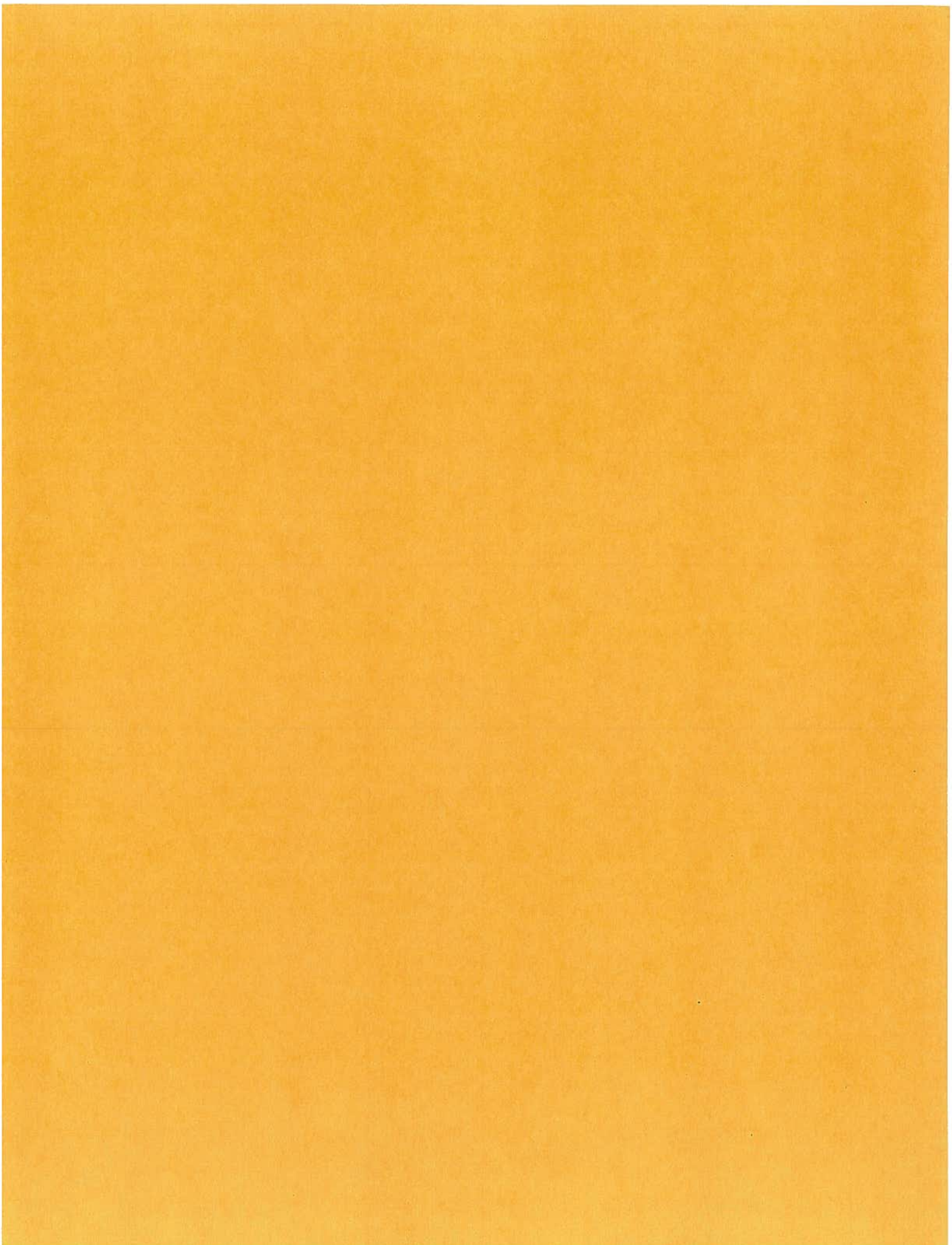


EXHIBIT C

ACQUISITION AGREEMENT

This Agreement is made by and among Mount Zion Hospital and Medical Center ("Mount Zion"), Mount Zion Health Systems ("Health Systems") and The Regents of the University of California, a California corporation ("Regents").

WHEREAS, Health Systems is the sole corporate member of Mount Zion; and

Whereas, Mount Zion, Health Systems and Regents have entered into an agreement (the "Integration Agreement") whereby Mount Zion shall become a part of the Medical Center at the University of California, San Francisco; and

Whereas, Mount Zion is the owner of certain improved real and personal property located in the County of San Francisco, State of California, more particularly described in Exhibit A attached to the Integration Agreement and by this reference made a part hereof; and

WHEREAS, Mount Zion agrees to convey such real and personal property to Regents for the consideration set forth in the Integration Agreement, to which this Agreement is attached as Exhibit C, and Regents agrees to accept such Property as herein-after defined in this Agreement, on the terms and conditions set forth herein;

IT IS THEREFORE mutually agreed as follows:

ARTICLE 1: BASIC AGREEMENT

1.1 Mount Zion hereby agrees to convey to Regents, and Regents hereby agrees to accept from Mount Zion, on the terms and conditions set forth herein, title to the property as defined in Article 2 of this Agreement (the "Property").

ARTICLE 2: THE PROPERTY

For purposes of this Agreement the elements which constitute the Property shall be defined as follows:

2.1 Land. The land described in Exhibit A attached to the Integration Agreement and incorporated herein in full by reference ("Land").

2.2 Appurtenances. All rights, privileges and easements appurtenant to the Land, including without limitation, all minerals, oil, gas and other hydrocarbon substances on and

under the Land as well as all development rights, air rights, water rights and water stock relating to the Land and any other easements, rights-of-way or appurtenances used in connection with the beneficial use and enjoyment of the Land (collectively "Appurtenances").

2.3 Improvements. All improvements and fixtures located on the Land, including, without limitation, all apparatus, equipment and appliances used in connection with the operation or occupancy thereof, such as heating and air-conditioning systems and facilities used to provide any utility services, parking services, refrigeration, ventilation, trash disposal or other services thereto (all of which are collectively referred to as the "Improvements").

2.4 Personal Property. All of the personal property owned by Mount Zion located on or in or used in connection with the Property (the "Personal Property"), described in Exhibit A to the Integration Agreement and by this reference made a part hereof.

2.5 Exceptions During Interim Period. The following property of Mount Zion shall not be transferred to Regents until the end of the Interim Period, but shall remain in the possession and control of Mount Zion:

2.5.1 All cash, receivables, supplies and similar items of a "going concern" nature identified in Section 6.6.1.1 of the Integration Agreement, and by this reference made a part hereof;

2.5.2 Those certain leasehold interests and physician agreements identified on Exhibit E to the Integration Agreement and by this reference made a part hereof, which shall be transferred to Regents or terminated in accordance with their terms as provided in Section 6.6.1.2 of the Integration Agreement.

2.6 Further Exceptions. The Following property of Mount Zion shall not be transferred to Regents at all, but shall be transferred to Health Systems on the Effective Date of the Integration Agreement or as soon thereafter as possible:

2.6.1 Those real and personal assets set forth in Section 6.6.2 of the Integration Agreement, as more particularly described on Exhibit F to the Integration Agreement and by this reference made a part hereof.

2.7 Intangible Property. All of the right, title and interest of Mount Zion in any intangible personal property now or through the Close of Escrow (described in Section 3.1), owned by Mount Zion and used in the operation of the Improvements including, without limitation, all warranties or guarantees received by Mount Zion from any contractors, subcontractors, suppliers or

materialmen in connection with any construction, repairs or alteration of the Improvements, licenses, franchises, permits, tenant lists, advertising materials and other similar rights relating to the use and operation of the Property including use of the Mount Zion name (all of which are collectively referred to as the "Intangible Property").

2.8 Leases. All leasehold interests of Mount Zion, whether as landlord or as lessee, under all leases of space in the Improvements or elsewhere, which, under the terms of Section 6.6 of the Integration Agreement, are to be transferred to Regents on the Effective Date of the Integration Agreement (the "Leases"), except as may be provided to the contrary pursuant to Section 2.5.2 of this Agreement.

2.9 "Property" and "Real Property" Defined. All of the items described in Sections 2.1., 2.2, 2.3, 2.4, 2.7, and 2.8 above are hereinafter collectively referred to as the Property. The items described in Sections 2.1, 2.2 and 2.3 are herein referred to collectively as the Real Property.

### ARTICLE 3: THE ESCROW

3.1 Close of Escrow. The Close of Escrow shall be prior to Five O'Clock (5:00) p.m. Pacific Standard Time on such date as the parties may provide by agreement in the Integration Agreement or otherwise. If escrow does not close as a result of the default of either party in failing to perform its obligations, the other party may elect, at its sole discretion, to extend escrow for up to thirty (30) days at no additional cost to such non defaulting party.

3.2 Retention of Title Company. Regents, Mount Zion and Health Systems shall jointly retain Land Title Company to perform escrow services in connection with this Agreement ("Title Company") within five (5) days of the Effective Date.

3.3 Escrow Instructions. Regents, Mount Zion and Health Systems shall each execute and deliver this Agreement to Title Company and this Agreement shall serve as the instructions to Title Company for consummation of the conveyance contemplated hereby. Each party hereto agrees to execute such additional and supplementary escrow instructions as may be appropriate to enable Title Company to comply with the terms of this Agreement; provided, however, that in the event of any conflict between the provisions of this Agreement and any supplemental escrow instructions, the terms of this Agreement shall control. Each party shall provide Title Company with such information, documents and instructions as shall be reasonably requested by Title Company to enable it to complete the closing.

3.3.1 As material consideration for this Agreement, Regents agrees to pay off at Close of Escrow the

outstanding principal loan balance, as of April 1, 1990, in the amount of \$13,597,448.85, plus pre-payment penalty of \$45,000.00, under that certain Building Loan Agreement dated November 30, 1979 between Mount Zion and Wells Fargo Bank, et al. Said amount represents the principal outstanding balance as of April 1, 1990, which is the date of the latest regular installment of principal and interest payable. Mount Zion agrees to pay into escrow all interest which is due and payable from April 1, 1990, through the date of execution of the Integration Agreement. Regents agrees to pay into escrow all interest which is due from and after the date of execution of the Integration Agreement.

#### ARTICLE 4: CONDITIONS AND COVENANTS CONCERNING CLOSING

4.1 Conditions Precedent to Closing for Benefit of Mount Zion and Health Systems. The obligations of Mount Zion and Health Systems under this Agreement and the closing shall be conditioned upon the satisfaction of each of the following conditions:

4.1.1 Payment by the Regents of all sums, costs and expenses to be paid under this Agreement, and particularly Section 8 hereof;

4.1.2 Performance by the Regents of all its covenants and obligations under this Agreement;

4.1.3 Execution by Health Systems, Mount Zion and Regents of the Integration Agreement;

4.1.4 Assumption by Regents of all debts and obligations of Mount Zion and/or Health Systems which by the terms of the Integration Agreement Regents is obligated to assume;

4.1.5 Approval of this Agreement, the Integration Agreement and all documents appurtenant thereto and undertakings contemplated therein by the Boards of Directors of Mount Zion and Health Systems.

4.2 Conditions Precedent to Closing for Benefit of Regents Which Are Also Covenants of Mount Zion. The following covenants are conditions precedent to Regents' obligation to perform under this Agreement, and Mount Zion and Health Systems covenant to perform them on or before the Close of Escrow:

4.2.1 Deposit of a duly executed and acknowledged General Assignment of Rights and Permits, Contracts and Warranties and Bill of Sale in substantially the forms attached as Exhibits 1 and 2, respectively, and made a part hereof, conveying to Regents all of Mount Zion's right, title and interest in and to all of the Personal Property and Intangible Property free and clear of all liens and encumbrances.

4.2.2 Deposit of a duly executed and acknowledged Grant Deed ("Deed") prepared by Title Company conveying the Real Property to Regents in form acceptable to Regents.

4.2.3 Performance by Mount Zion and Health Systems of all of their respective obligations, covenants and agreements on their part to be performed under this Agreement within the time provided by this Agreement for such performance.

4.2.4 The conveyance to Regents of the title of the quality required by Section 5.1 hereof and the policies of title insurance as provided in Section 5.2 hereof.

4.2.5 Deposit of a duly executed and acknowledged Certificate of Warranties in substantially the form attached hereto as Exhibit 3 and made a part hereof, as to representations and warranties made by Mount Zion.

4.2.6 Deposit of a set of those final working drawings and specifications in the possession of Mount Zion or Health Systems showing actual conditions as constructed and installed on the Property.

4.2.7 On or before the Close of Escrow, delivery to Regents of a certificate from the Secretary of State of California indicating that, as of a recent date there are no filings against Mount Zion or the Property in the Office of the Secretary of State of California which are a lien on the Property except as have been previously disclosed in writing to Regents.

4.2.8 A current schedule of service contracts together with originals of all service contracts and any warranties or guaranties received by Mount Zion from any contractors, subcontractors, suppliers or materialmen in connection with any construction, repair or alteration of the Property.

4.2.9 All additional documents and instruments as are reasonably required by Regents or its lender or Title Company to properly conclude this transaction.

4.2.10 Estoppel certificates in substantially the form attached hereto as Exhibit 4 and made a part hereof, from all the tenants referred to in Section 2.8 hereof.

4.3 Additional Conditions Precedent to Closing for Benefit of Regents. Regents' obligation to perform under this Agreement shall also be conditioned on the satisfaction of each of the following conditions:

4.3.1 Prior to closing, (i) Regents' review and approval of the structural, mechanical, electrical and other physical characteristics of the Property; (ii) Regents' receipt

and approval of evidence satisfactory to Regents that all water, sewer, gas, electric, telephone and drainage facilities and other utilities required by law or the normal operation of the Property are connected and operating pursuant to valid permits and are adequate to service the Property; and (iii) Regents' determination and approval that all Personal Property has been fully installed;

4.3.2 Regents' review and approval prior to the Close of Escrow of the plans and all governmental permits and approvals in the possession of Mount Zion and Health Systems relating to the construction, operation, use or occupancy of any part of the Property.

4.3.3 Determination by Regents that the acquisition of the Property will not have a significant environmental effect pursuant to amended University of California procedures for implementation of the California Environmental Quality Act of 1970. Such determination shall be made by and at the expense of Regents; and

4.3.4 Approval of the transaction by the Board of Regents.

4.4 Regents' Right of Inspection. At all times prior to the Close of Escrow Regents shall have the right, on providing reasonable prior notice, to enter the Property during reasonable business hours, for the purpose of inspecting, approving and determining compliance with the conditions set forth herein, provided that Regents shall not disturb the property or its occupants, and shall not disturb hospital patients, in connection with such inspections except as may be approved in advance by Mount Zion. Regents' inspections, approvals or determinations made in connection with this Agreement, however, shall not alter or diminish Mount Zion's representations or warranties under this Agreement, and Mount Zion acknowledges and agrees that Regents is relying on Mount Zion's representations and warranties made herein, subject to the limitations of Section 7.3 hereof.

#### ARTICLE 5: TITLE MATTERS

5.1 Title to Real Property. On the Close of Escrow Mount Zion shall convey to Regents fee simple title to the Real Property, by execution and delivery of the Deed. Mount Zion agrees to cooperate with Regents in order to cause Title Company to issue to Regents, and Regents shall receive at the Close of Escrow, an ALTA policy of title insurance (the "Policy"), with liability in an amount equal to the aggregate of all liens against the Real Property being paid off by Regents at Closing, insuring fee simple title to the Real Property in Regents, subject only to exceptions approved by Regents as provided in section 5.3 hereof, together with such endorsements as may be reasonably required by Regents. Indemnification of the Title



Company to induce it to insure any otherwise unpermitted exception to title shall not be allowed except with the prior written consent of Regents after full disclosure to Regents of the nature and substance of such exception and indemnity. The Policy shall provide full coverage against mechanics' and materialmen's liens arising out of the construction, repair or alteration of any of the Improvements or any tenant improvements. Title Company shall obtain, if requested by Regents, reinsurance agreements from such companies as Regents may request, which reinsurance agreements shall be in ALTA facultative reinsurance agreement form and shall include direct access agreements, in such amounts and in such form as shall otherwise be satisfactory to Regents.

5.2 Title to Personal Property. At Close of Escrow, Mount Zion shall transfer title to the Personal Property. All such title and rights are to be free of any liens, encumbrances or interests of third parties, except as have been disclosed in writing to Regents prior to the close of escrow.

5.3 Regents' Approval Conditions. Regents' obligations to purchase the Property under this Agreement is subject to the fulfillment prior to the Close of Escrow of each of the following conditions related to Title, each of which is for the benefit of Regents.

5.3.1 Approval of Title. Regents' receipt and approval of the following:

5.3.1.1 A current ALTA preliminary title report with respect to the Property, accompanied by legible copies of all documents referred to in the report;

5.3.1.2 A survey of the Property prepared by a licensed surveyor or civil engineer in sufficient detail to provide for the Policy, described in Section 5.1 above, certified to Regents and Title Company in a form satisfactory to Regents, without boundary encroachment or survey exceptions and which shall show the location of all easements and Improvements; and

5.3.1.3 A statement of (and, if available, copies of) any other matters of any nature of which Mount Zion has knowledge, and which affect title to any part of the Property, whether or not of record and whether or not visible or ascertainable by inspection of the Property; limited, however, by the provisions of Section 7.3 hereof and Section 12.2 of the Integration Agreement, which by this reference are made a part hereof.

5.3.2 The title to the real property conveyed to Regents shall be as disclosed on the title report or reports issued by Title Company with respect to each of the parcels of the Real Property described in Exhibit A to the Integration Agreement. Regents shall accept title as shown on such title

report or reports, subject to those certain exceptions listed on Exhibit 5 attached and made a part hereof. All other exceptions ("Prohibited Exceptions") shall be removed by Mount Zion prior to closing. Should Mount Zion be unable or unwilling to remove all Prohibited Exceptions on or before the Closing Date, Regents shall have the options of either (a) terminating this Agreement, without liability to any party hereto; or (b) closing escrow notwithstanding the Prohibited Exceptions.

**ARTICLE 6: REPRESENTATIONS AND WARRANTIES OF  
MOUNT ZION AND HEALTH SYSTEMS**

In addition to any express agreements of Mount Zion contained herein, Mount Zion and Health Systems hereby make the following representations and warranties to Regents, which representations and warranties are, to the best of Mount Zion's and Health Systems' knowledge, true, correct and complete as of the date hereof and shall be a condition precedent to Regents' performance hereunder; provided however, that all such representations and warranties shall be limited by the provisions of Section 7.3 hereof and Section 12.2 of the Integration Agreement, which by this reference are made a part hereof. All representations and warranties of Mount Zion and Health Systems hereunder shall survive the Close of Escrow.

**6.1 Representations and Warranties Regarding Mount Zion's and Health Systems' Authority.** Mount Zion and Health Systems are nonprofit public benefit corporations duly organized and validly existing and in good standing under the laws of the State of California and have the authority to own and convey the Property. This Agreement and all documents executed by Mount Zion and Health Systems which are to be delivered to Regents on the close of escrow shall be duly authorized, executed and delivered by Mount Zion and Health Systems.

**6.2 Representations and Warranties of Mount Zion Title.** Mount Zion is the sole owner of the Property, free and clear of any liens (including mechanics or materialmen) or encumbrances whatsoever, except as specifically identified and accepted by Regents pursuant to Section 5 hereof.

**6.3 Representations and Warranties Regarding Enforceability of Agreement.** Neither the execution and delivery of this Agreement, nor the incurrence of the obligations herein set forth, nor the consummation of the transactions herein contemplated, nor compliance with the terms of this Agreement will conflict with or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, any judicial order, bond, note or other evidence of indebtedness or any contract, indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which Mount Zion or Health Systems is a party or by which Mount Zion or Health Systems or the property may be bound. This Agreement and all

documents required hereby to be executed by Mount Zion and Health Systems shall be valid, legally binding obligations of and enforceable against Mount Zion and Health Systems in accordance with their terms.

6.4 Representations and Warranties Pertaining to Personal Property and Fixtures. At close of escrow, there will be no UCC filings, bulk sale creditors or other security interests, liens, claims, pledges, encumbrances, charges or restrictions which affect the Property except as have been previously disclosed to Regents in writing.

6.5 Representations and Warranties Pertaining to Real Estate and Legal Matters. Mount Zion and Health Systems represent and warrant:

6.5.1 As of the Effective Date of this Agreement, to the best of Mount Zion's and Health Systems' knowledge, there are no actions, suits, material claims, legal proceedings or any other proceedings affecting the Property or any portion thereof, at law or in equity, before any court or governmental agency, domestic or foreign, except as have been previously disclosed to Regents in writing. With respect to all such matters, Mount Zion expressly covenants and warrants that it will post a sufficient bond or bonds and take such other action as may be required to release, prior to foreclosure, any mechanics or similar liens which exist or may later be filed against the Property, and furthermore that, subject to Section 7.3 hereof, it will defend, indemnify and hold harmless Regents and the Property from all liability, damages, losses or expenses arising out of or in consequence of any matters referred to in this Section 6.5.1.

6.5.2 As of the date of this Agreement, to the best of Mount Zion's and Health Systems' knowledge, there are no special assessments respecting the property which will result from work activities or improvements done to the property by Mount Zion in the course of construction of improvements, and neither Mount Zion nor Health Systems has received notice of intended public improvements which will result in any charge being levied or assessed against, or in the creation of any lien upon, the Property, or any portion thereof.

6.5.3 As of the date of this Agreement, to the best of Mount Zion's and Health Systems' knowledge, neither Mount Zion nor Health Systems has received notice that Mount Zion is in violation of any law, ordinance, rule, code, requirement or regulation of any governmental agencies, bodies or subdivisions having jurisdiction over the operations of Mount Zion and neither Mount Zion nor Health Systems has received notice from any governmental authority of any fire, zoning, health and safety, building code or other federal, state or local violation of law with respect to the Property or any portion thereof, nor is Mount Zion or Health Systems aware of any threat of such notice.

6.5.4 To the best of Mount Zion's and Health Systems' knowledge, the Improvements, including all mechanical, HVAC plumbing, electrical systems and drainage systems are in good operating condition.

6.5.5 At the Close of Escrow, to the best of Mount Zion's and Health Systems' knowledge, the Property will not be in violation of any federal, state or local law, ordinance or regulation relating to industrial hygiene or to the environmental conditions on, under or about the Property, including, but not limited to, soil and groundwater conditions. To the best of Mount Zion's and Health Systems' knowledge, there is no proceeding or inquiry by any governmental authority (including, without limitation, the California State Department of Health Services) with respect to the presence of Hazardous Materials on the Property or the migration thereof from or to other property. For the purpose of this Agreement, Hazardous Materials shall include but not be limited to substances defined as "hazardous substances" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended; the Hazardous Materials Transportation Act; the Resource Conservation and Recovery Act and the California Health and Safety Code.

6.6 Representations and Warranties Regarding Operation of the Property Prior to Close of Escrow.

6.6.1 Mount Zion agrees that except in the ordinary course of business it will not enter into any leases or any other agreements affecting the Property without the prior written consent of Regents.

6.6.2 Mount Zion will not enter into, extend, renew or replace any existing contracts affecting title to the Property without the prior written consent of Regents.

6.6.3 Mount Zion will keep in full force and effect, and will renew, when necessary, all licenses.

6.6.4 Mount Zion will not make any material alterations to the Property prior to the closing.

6.6.5 Mount Zion will maintain the Property in good condition through closing, normal wear and tear excepted.

6.7 Representations and Warranties Regarding Other Physical Aspects of the Property. As of the Effective Date, Mount Zion and Health Systems represent and warrant to Regents that to the best of Mount Zion's and Health Systems' knowledge, Mount Zion has provided Regents with relevant information pertaining to material defects of which Mount Zion or Health Systems has actual notice or actual knowledge pertaining to:

6.7.1 The structural, mechanical and electrical systems;

- premises;
- 6.7.2 The permits used in occupancy of the
- 6.7.3 Soil condition;
- conditions;
- 6.7.4 Topographical, geological and flood
- 6.7.5 Utilities;
- 6.7.6 Improvements by Mount Zion; and
- 6.7.7 The existence of hazardous or toxic materials, contaminants or wastes on the Property.

6.8 Mount Zion's and Health Systems' General Representation and Warranty. Mount Zion and Health Systems represent and warrant that Mount Zion will notify Regents at the address stated in Section 19.5 of the Integration Agreement of any material adverse changes in the foregoing representations and warranties which become known to Mount Zion or Health Systems subsequent to the Effective Date and prior to the Close of Escrow.

**ARTICLE 7: INDEMNIFICATION BY MOUNT ZION AND HEALTH SYSTEMS CONCERNING REPRESENTATIONS AND WARRANTIES**

7.1 Indemnification by Mount Zion And Health Systems. Subject to and limited by the provisions of Section 7.3 below, Mount Zion and Health Systems hereby agree to indemnify Regents and hold Regents harmless from and against any and all claims, demands, liabilities, liens, costs, expenses, penalties, damages, losses, obligations and encumbrances, including, without limitation, reasonable attorney's fees and costs, which may be suffered by Regents as a direct or indirect result of the following matters and no others:

7.1.1 Any deliberate material misrepresentation or deliberate material breach of warranty or covenant made by Mount Zion or Health Systems in this Agreement or any document, certificate or exhibit given or delivered to Regents pursuant to or in connection with this Agreement.

7.1.2 The use, generation, storage, release or disposal by Mount Zion of any Hazardous Materials on the Property prior to the conveyance thereof to Regents. In such case, the indemnity granted hereby shall include the cost of any required or necessary repair, cleanup and detoxification, and the preparation of any closure or required plans therefor.

### 7.3 Indemnity Limitations.

7.3.1 Mount Zion and Health Systems represent that, to the best of their knowledge, they have disclosed to Regents all material financial and contractual obligations of Mount Zion and Health Systems, which disclosure has been made either directly or as part of the "due diligence" conducted in connection with the Integration Agreement by the Regents, UCSF, and their authorized representatives. "To the best of their knowledge," as used in this Section 7.3 and elsewhere throughout this Acquisition Agreement, means the exercise of reasonable enquiry expected of members of boards of directors and corporate officers functioning in similar circumstances.

7.3.2 Neither Mount Zion nor Health Systems, nor any officer or director of either of them, shall have any liability for breach of the above representations of this Section 7.3 nor any representation or warranty of Article 6 hereof, nor for any indemnity granted in this Article 7 hereof, unless a reasonably detailed written claim for such breach has been made within four (4) years after the Effective Date of the Integration Agreement. In no event shall any officer or director of Mount Zion or Health Systems have any individual liability under any Article or Section of this Acquisition Agreement, nor shall any recourse be had hereunder against any assets of Health Systems, including without limitation assets transferred by Mount Zion to Health Systems under the terms of the Integration Agreement. Recourse may be had against Directors and Officers insurance for any liability hereunder; provided, however, that if for any reason such insurance does not cover liability under the provisions of this Agreement, the \$11,000,000 payment, as adjusted, provided for in Article XVI, Section 16.4 of the Integration Agreement may be reduced to satisfy any liability arising under this Acquisition Agreement.

### ARTICLE 8: EXPENSES OF CLOSE OF ESCROW

8.1 Title Insurance and Related Costs. Regents shall pay the costs of the survey of the land, if necessary, and the full cost of securing the Policy and any related costs.

8.2 Deed Preparation. The cost of preparing, executing and acknowledging any deeds, assignments, certificates or other instruments required to convey title to Regents in the manner described herein shall be paid by Regents.

8.3 Deed of Recordation. The cost of recording the Deed and recording of any other documents shall be paid by Regents.

8.4 Transfer Taxes. Any tax imposed upon the conveyance of title to the Property to Regents including any

documentary or transfer tax or any tax on transfer of personal property or on the intangible property shall be paid by Regents.

8.5 Personal Property Taxes. Any sales, use or other tax imposed upon conveyance of title to Personal Property to Regents shall be paid by Regents.

8.6 Escrow Fees. Any escrow fees charged by the Title Company for escrow services, in excess of the cost of any policy of title insurance, shall be paid by Regents.

8.7 Legal and Related Fees. Regents shall pay the legal fees and other fees incurred by Regents and Mount Zion shall pay the legal fees and other fees incurred by Mount Zion and Health Systems.

#### ARTICLE 9: RISK OF LOSS

9.1 In the event of any damage to or destruction of the Property, or any portion thereof, prior to the Close of Escrow, Mount Zion shall notify Regents of such fact. If the cost of repair or replacement of such damage or destruction exceeds ten percent (10%) of the fair market value of the Property, either Regents or Mount Zion shall have the right to terminate this Agreement by written notice to the other party and to Title Company given within fifteen (15) days after the later of the occurrence of the event giving rise to such damage or destruction, or the receipt of written notice by Regents of the fact of such destruction. If this Agreement is so terminated, Title Company shall cancel the escrow, and Regents shall pay the cost of any cancellation fees or costs of Title Company. Upon payment of such cancellation fees, neither Regents nor Mount Zion shall have any further rights or obligations hereunder, each to the other. In the event that neither party terminates this Agreement as provided above, or if the cost of repair or replacement of such damage or destruction is less than Two Million Dollars (\$2,000,000), Regents will repair such damages at Regents' sole cost and expense within one hundred eighty (180) days after the date of occurrence of such damages, and in such event escrow shall not close until completion of repairs. However, Regents may, at Regents election, to be exercised prior to commencement of repairs, advise Mount Zion that Regents elects not to proceed with the repairs and not to terminate this Agreement, and then Regents and Mount Zion shall proceed to the Close of Escrow pursuant to the terms hereof, without modification of the terms of this Agreement. Regents shall be entitled to receive and keep all insurance proceeds with respect to such damage or destruction. Regents shall be entitled to promptly receive any and all information pertaining to sums payable to Mount Zion by Mount Zion's insurer for said damage.

ARTICLE 10: REMEDIES

10.1 Default by Regents. Mount Zion and/or Health Systems shall have such remedies as set forth herein and as set forth in Article 15 of the Integration Agreement.

10.2 Default by Mount Zion or Health Systems. Regents shall have such remedies as set forth in Article 15 of the Integration Agreement.

ARTICLE 11: SIGNATURES

11.1 The Effective Date of this Acquisition Agreement shall be the Effective Date of the Integration Agreement, as defined therein, and as Exhibit C to the Integration Agreement. The signatures executing the Integration Agreement shall have the effect of executing this Acquisition Agreement.

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EXHIBIT 1  
TO ACQUISITION AGREEMENT

GENERAL ASSIGNMENT OF  
RIGHTS AND PERMITS AND CONTRACTS AND WARRANTIES

In consideration of the obligations under that certain Acquisition Agreement to which this General Assignment is attached as Exhibit 1, executed by and between The Regents of the University of California, a California corporation ("Regents"), and Mount Zion Hospital and Medical Center and Mount Zion Health Systems, California nonprofit public benefit corporations (collectively "Assignors"), Assignors hereby undertake the following:

1. Assignors hereby assign all contracts and warranties, express or implied, together with any and all rights or remedies provided by law relating to the real property and improvements owned and operated by Mount Zion Hospital and Medical Center, to the extent the same are intended to be transferred to Regents under the terms of the Acquisition Agreement, subject to use by Mount Zion Hospital and Medical Center under lease from the Regents during the Interim Period ending not later than June 30, 1992.

2. Assignors hereby assign all licenses, permits, certificates of occupancy and other items which Assignors may hold, except Assignor's general acute care license, related to the real property and improvements owned and operated by Mount Zion Hospital and Medical Center, to the extent the same are intended to be transferred to Regents under the terms of the Acquisition Agreement, together with all rights and obligations accruing thereunder from and after the date hereof.

Dated: \_\_\_\_\_, 1990

Mount Zion Hospital  
and Medical Center

Mount Zion Health Systems

by: \_\_\_\_\_  
Its: \_\_\_\_\_

by: \_\_\_\_\_  
Its: \_\_\_\_\_

EXHIBIT 2  
TO ACQUISITION AGREEMENT

BILL OF SALE AND  
ASSUMPTION OF LIABILITIES

IN CONSIDERATION of the obligations under that certain Acquisition Agreement dated to which this Bill of Sale is attached as Exhibit 2, executed by and between The Regents of the University of California, a California corporation ("Regents"), Mount Zion Hospital and Medical Center, a California nonprofit public benefit corporation ("Mount Zion"), and Mount Zion Health Systems, a California nonprofit public benefit corporation ("Health Systems"), Mount Zion hereby sells and assigns to Regents, free and clear of all mortgages, liens and encumbrances other than those permitted under the terms of the Acquisition Agreement, all Mount Zion's personal property set forth on Exhibit A to the Integration Agreement, which by this reference is made a part hereof;

Mount Zion and Health Systems further covenant and agree that they shall, whenever reasonably requested by Regents, execute, acknowledge and deliver at the expense of Regents any and all other and further bills of sale or similar instruments as Regents may hereafter deem necessary or proper to transfer title to the assets of Mount Zion assigned and transferred hereunder.

Nothing in this instrument, express or implied, is intended or shall be construed to confer upon any person, firm or corporation, other than Regents, any remedy or claim under or by reason of this instrument, or any term, covenant or condition hereof, as third party beneficiary or otherwise. All of the terms and covenants hereof are undertaken for the sole and exclusive benefit of Regents and its properly designated successors and assigns.

IN WITNESS WHEREOF, the undersigned have caused this instrument to be executed in their respective names as of the date set forth below.

Dated: \_\_\_\_\_, 1990

Mount Zion Hospital  
and Medical Center

Mount Zion Health Systems

by: \_\_\_\_\_  
Its: \_\_\_\_\_

by: \_\_\_\_\_  
Its: \_\_\_\_\_

**EXHIBIT 3  
TO ACQUISITION AGREEMENT  
CERTIFICATE OF WARRANTIES**

Subject to the last paragraph of this Certificate, the undersigned Mount Zion Hospital and Medical Center, a California nonprofit public benefit corporation (Mount Zion) hereby certifies, represents and warrants to the Regents of the University of California, a California corporation, (Regents) that as of the date hereof each of the representations and warranties set forth in Article 6 of the attached Acquisition Agreement are true and correct, and acknowledges that the agreement by the Regents to accept conveyance of the real property described in the Acquisition Agreement is in material reliance on the accuracy of such representations and warranties.

The above certification, representations and warranties are limited by the provisions of Section 7.3 of the attached Acquisition Agreement and Section 12.2 of the Integration Agreement, each of which by this reference is made a part hereof.

Dated: \_\_\_\_\_, 1990

**MOUNT ZION HOSPITAL AND  
MEDICAL CENTER**

By \_\_\_\_\_

Its \_\_\_\_\_

EXHIBIT 4  
TO ACQUISITION AGREEMENT  
TENANT ESTOPPEL CERTIFICATE

TO:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attention: \_\_\_\_\_

Re: \_\_\_\_\_ ("Tenant")  
\_\_\_\_\_ (the "Premises")

Gentlemen:

The undersigned is the Tenant under that certain lease of the Premises (the "Lease") dated as of \_\_\_\_\_, 19\_\_\_\_, covering \_\_\_\_\_ square feet in the building located at \_\_\_\_\_, Suite \_\_\_\_\_, \_\_\_\_\_ (the "Premises"), made with \_\_\_\_\_ owner of the Premises. The undersigned hereby certifies, at the date hereof, as follows:

1. The Lease identified above is the true and correct Lease with Mount Zion Hospital and Medical Center, Landlord, and is the only such Lease between Tenant and Landlord for the Premises. There are no other agreements or understandings, oral or in writing, between Landlord and Tenant which relate to the Premises.

2. The Lease has been duly authorized, executed and delivered by Tenant and is binding on the undersigned.

3. The Lease sets forth the entire agreement between the undersigned Tenant and Landlord with respect to the leasing of the Premises, including but not limited to all understandings and agreements relating to the construction or installation of any leasehold improvements by the Landlord and to the conditions precedent to occupancy of the Premises by the undersigned.

4. Tenant entered into occupancy of the Premises described in the Lease on \_\_\_\_\_, 19\_\_\_\_, and is in possession of and occupies those Premises for purposes permitted under the Lease.

5. Tenant has no rights to renew or extend the Term of the Lease or any expansion rights under the Lease, except those (if any) set forth in the Lease.

6. Landlord has not, as an inducement, assumed any of Tenants Lease obligations and has made no agreements with Tenant covering free rent, partial rent, rebate of rental payments or any other type of rental concession, except (if none state none): \_\_\_\_\_

7. All monthly rent and other rent under the Lease including the payment of taxes, utilities, common area maintenance payments or other charges that are currently due have been paid, except (if none state none): \_\_\_\_\_

All rent is being paid on a current basis without any claims for offsets or deductions.

8. The Lease (including all exhibits) and all related agreements and documents listed above are duly authorized, executed and delivered by Tenant and are in full force and effect and have not been assigned, modified, supplemented or amended except as indicated in paragraph 1 above; nor have the undersigned Tenant's rights in or under such Lease been assigned.

9. No person or other firm other than the undersigned is in possession of the Premises.

10. The undersigned is not the subject of any pending bankruptcy, insolvency, debtor's relief, reorganization, receivership, or similar proceedings, nor the subject to a ruling with respect to any of the foregoing.

11. There are no existing defenses or offsets which the undersigned has against the enforcement of the Lease by Landlord.

12. All conditions of the Lease to be performed by Landlord and necessary to the enforceability of the Lease have, to the undersigned Tenant's knowledge, been satisfied.

13. The undersigned has not dumped, spilled or in any other manner deposited any hazardous waste substances on the Premises except (if none state none): \_\_\_\_\_

The undersigned has received no notice of and has no knowledge of any violation or claimed violation of any law, rule or regulation relating to hazardous waste substances. The undersigned has not used, and the undersigned has no knowledge of any use of, oils, other petroleum by-products or other hazardous materials on the Premises.

It is understood that you require this certification from the undersigned as a condition to the transfer of the leasehold from the Landlord, and that you are relying on this

certificate. After receipt of notice from Landlord that the transfer has been completed, the undersigned will honor the assignment of Landlord's interest in the Lease.

Dated \_\_\_\_\_ day of \_\_\_\_\_, 1990.

Tenant \_\_\_\_\_

\_\_\_\_\_

a \_\_\_\_\_

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

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

EXHIBIT 5  
TO ACQUISITION AGREEMENT

PERMITTED EXCEPTIONS TO TITLE REPORT(S)

Assessors Parcel Number: Lot 27, Block 1077 (1657 Scott Street, 1675 Scott Street, 2345 Sutter Street, 1600 Divisadero Street; 2200 Post Street). Exception No. 1: property taxes for fiscal year 1989-90. Exception No. 2: lien of supplemental taxes, if any, assessed pursuant to the provisions of chapter 3.5 (commencing with section 75) of the Revenue and Taxation Code of the State of California.

Assessors Parcel Number: Lot 20, Block 1078 (2255 Post Street). Exception No. 1: property taxes for fiscal year 1989-90. Exception No. 2: lien of supplemental taxes, if any, assessed pursuant to the provisions of chapter 3.5 (commencing with section 75) of the Revenue and Taxation Code of the State of California. Exception No. 3: Agreement by and between the Board of Supervisors of the City and County of San Francisco and Mount Zion Hospital, upon the terms and conditions therein contained, regarding a street encroachment agreement recorded May 10, 1974 in Book 886, Page 165, Official Records.

Assessors Parcel Number: Lot 14, Block 1079 (2375 Post Street). Exception No. 1: property taxes for fiscal year 1989-90. Exception No. 2: lien of supplemental taxes, if any, assessed pursuant to the provisions of chapter 3.5 (commencing with section 75) of the Revenue and Taxation Code of the State of California.

Assessors Parcel Number: Lot 13, Block 1051 (2356 Sutter Street). Exception No. 1: property taxes for fiscal year 1989-90. Exception No. 2: lien of supplemental taxes, if any, assessed pursuant to the provisions of chapter 3.5 (commencing with section 75) of the Revenue and Taxation Code of the State of California.

SB601-927

EXHIBIT D

LEASE AGREEMENT

This Lease Agreement among The Regents of the University of California ("Regents"), and Mount Zion Hospital and Medical Center ("Mount Zion") and Mount Zion Health Systems ("Health Systems"), is made on the following terms and conditions and consistent with the recitals below.

WITNESSETH

WHEREAS, Regents and Mount Zion have entered into an Integration Agreement, an Acquisition Agreement and various other documents whereby Regents will own, operate and manage the general acute care hospital known as Mount Zion Hospital and Medical Center; and

WHEREAS, Mount Zion has and will convey real property and improvements and personal property for purposes of an acute care hospital; and

WHEREAS, the parties have agreed that prior to Regents' operation and management of Mount Zion Hospital and Medical Center an Interim Period to permit transition of operation and management is appropriate; and

WHEREAS, said Interim Period shall end no later than June 30, 1992, although it is contemplated that it will end as soon as June 30, 1990.

It is understood and agreed by and between the parties hereto, to wit:

1. Definitions. The following words in this Lease Agreement have the significance attached to them in this clause and are consistent with the Integration Agreement and Acquisition Agreement:

A. "Lease" means this agreement.

B. "Premises" means the real property and personal property described in Exhibit A to the Integration Agreement to which this Agreement is attached as Exhibit D.

C. "Property of a Going Concern" shall for purposes of this Agreement have the same meaning as in the Integration Agreement to which this Agreement is attached as Exhibit D.

2. Term. Regents shall lease to Mount Zion the Premises for a period which shall begin upon the Effective Date of the Integration Agreement and which shall terminate no later than June 30, 1992, unless earlier terminated for any reason by



Regents upon written notice to Mount Zion, in accordance with Section 2.3 of the Integration Agreement.

3. Leased Premises. As a consideration for Mount Zion operating and managing Mount Zion Hospital and Medical Center as a licensed general acute care hospital for the Interim Period, Regents leases back the Premises at no cost to Mount Zion except for the costs of maintenance, utilities and operation as a general acute care hospital for the term hereof.

4. Use. Mount Zion shall use the Premises for a general acute care hospital as defined in Division 5, Chapter 1 of Title 22 of the California Administrative Code, sections 70001 through 70865. Mount Zion shall operate said hospital during the Lease term in accordance with standards set forth in the 1990 Manual for Accreditation of Health Care Organizations of the Joint Commission on Accreditation of Health Care Organizations (JCAHO). Should Mount Zion cease to operate the Premises as an acute care institution, or should JCAHO identify deficiencies in connection with Mount Zion's operations of the Premises, which deficiencies remain uncorrected so as to threaten Mount Zion's continued JCAHO accreditation, the Regents shall have grounds for termination of this Lease and assumption by Regents of operation and management at an earlier time than the end of the interim period irrespective of the terms and conditions of the Integration Agreement.

5. Permits and Licenses. Mount Zion shall procure and maintain, at its sole cost and expense, during the term hereof, all permits and licenses that are, or may in the future become, necessary or required for its operation of an acute care hospital on the premises. Mount Zion further agrees not to allow or permit any fee or charge for any such permit or license to become a lien on said Premises or any improvement thereof.

6. Occupancy. No persons, other than Mount Zion's officers, agents and employees, patients of Mount Zion and patients' visitors, shall occupy the Premises without first obtaining written consent of Regents.

7. Assignment, License or Sublease. Neither this Lease, nor any interest therein, shall be assigned or subleased by Mount Zion without the prior written approval of Regents.

9. Vacation of the Premises. Upon termination of this Lease for any reason whatsoever, Mount Zion shall peaceably vacate and deliver the Premises to Regents in the same condition as Mount Zion enjoyed upon its acceptance of the Premises hereunder, reasonable wear and tear excepted.

10. Integration Agreement Provisions. During the term of this Lease, Article VI - Provisions Applicable During the Interim Period and Article XIX - General Provisions of the Integration Agreement, shall be applicable to the parties hereto.

11. This Lease Agreement shall be effective on the Effective Date of the Integration Agreement, and as an exhibit to the Integration Agreement, the signatures executing the Integration Agreement shall have the effect of executing this Lease Agreement.

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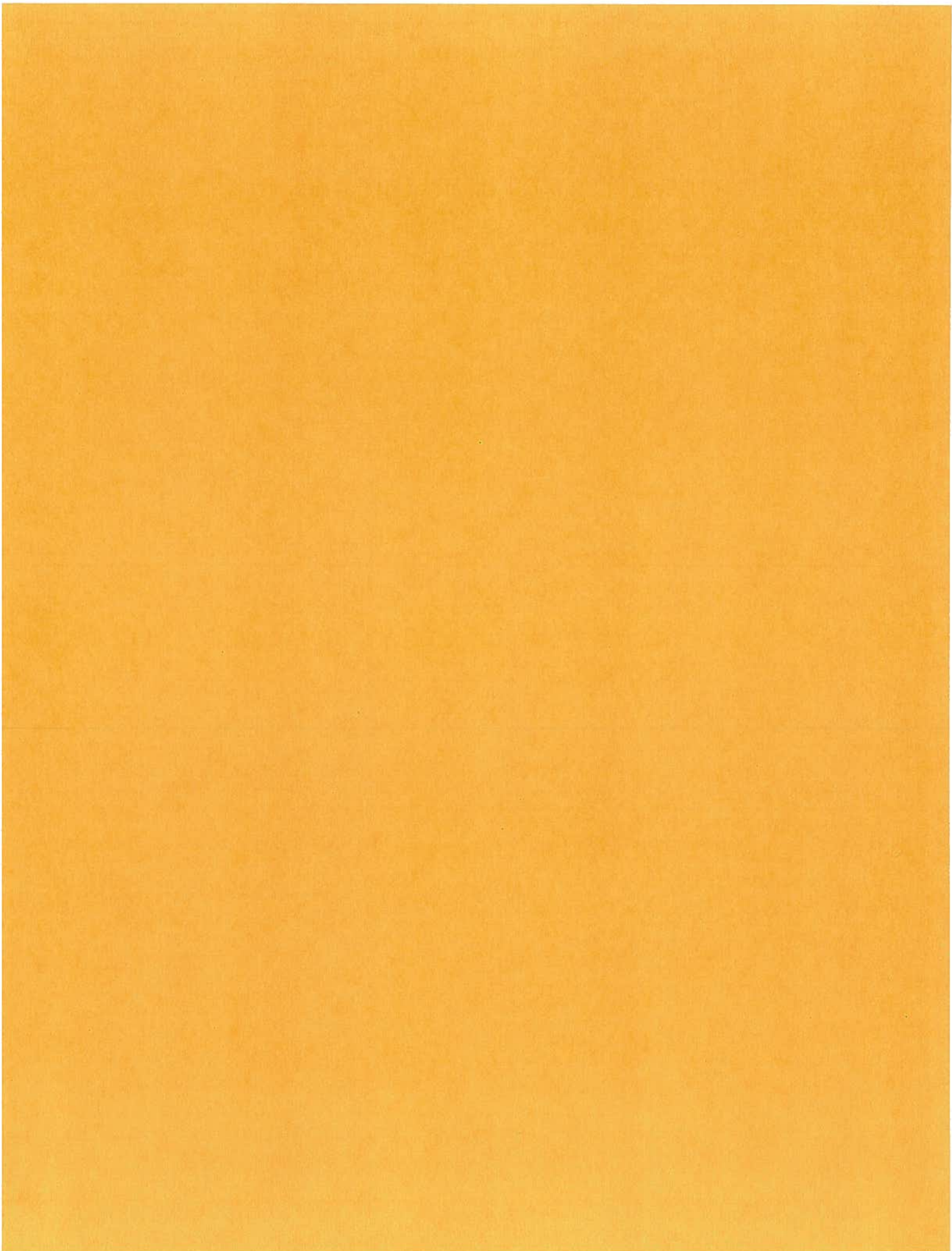


EXHIBIT E

PART I

PHYSICIANS AGREEMENTS

<u>NAME</u>	<u>PRIMARY DUTIES</u>
<u>PSYCHIATRY</u>	
<u>SALARIED</u>	
Ballis, Edward	Provides medical supervision of inpatient psychiatric program
Wald, Grover	Supervises operation of Psychiatric Outpatient Clinic plus general department administration
<u>STIPENDED</u>	
Bazell, Haskell	Supervises Med/Psych Clinic
Schupack, Melvin	Responsible for UCSF psychiatry medical student teaching program
<u>MEDICINE</u>	
<u>STIPENDED</u>	
Brownstein, Harold	Overall medical direction in Outpatient Department, supervision of Medicine Clinic and Utilization Review medical advisor
Feigenbaum, Lawrence	0.3 Director of Medical Education and 0.7 Medical Director of IOA
Goldfine, Ira	Director of Cell Biology Research.
Luxenberg, Jay	Responsible for teaching of Geriatric Fellows/paid by IOA.
Saitowitz, Kevin	Coordinates faculty attending program for clinic and E.R. patients. Supervises residents in Medicine Clinic
Woeber, Kenneth	Chief of Medicine and Chief of Staff Elect. Directs Medicine Residency Program

Mintz, Lawrence

Serves as hospital epidemiologist approximately 0.2; 0.8 as an infectious disease consultant and teacher. Provides supervision of infectious disease fellows.

STIPENDED

Addison, Thomas

Medical Director of Respiratory Therapy

Coleman, Alan

Medical Director of Dialysis Unit

Glassberg, Alan

Medical direction of the oncology service

Margolin, Rob

Provides resident supervision and education for medical residency

Rushakoff, Robert

Provides medical direction and teaching sessions for Diabetic Education Program

PEDIATRICS

SALARIED

Loeser, Helen

Supervises and teaches residents and medical students in clinic and on ward and takes back-up night call. On sabbatical now but position transferred to UCSF comp plan

Anderson, Jane

Transferred to UCSF comp plan on 9/1/89

Overby, Kim

Transferred to UCSF comp plan on 9/1/89

DeGoff, William

Transferred to UCSF comp plan on 9/1/89

Piecuch, Robert

Supervises ICN Follow-Up Clinic. Has been offered a comp plan position

PATHOLOGY

SALARIED

Klein, Harvey

Chief of Anatomic Pathology. Interprets tissue samples and

Goldman, Ronald

performs autopsies.

Interprets tissue samples and performs autopsies

Sung, Mary

Same as above

LABORATORY MEDICINE

SALARIED

Drew, Lawrence

Spends approximately 0.3 as head of Microbiology Section of Lab, 0.3 as Infectious Disease physician seeing clinic patients, providing consultations and attending, and 0.4 in the Research Lab.

STIPENDED

Dolginow, Douglas

Serves as Medical Director of Laboratory.

NUCLEAR MEDICINE

SALARIED

Morita, Eugene

Provides medical direction for Nuclear Medicine Department and interprets all scans.

SURGERY

STIPENDED

Pearl, Jeffrey

Serves as interim Chief of Surgery performing administrative and teaching functions

Ashley, Edward

Provides in-house coverage of surgical subspecialties

OBSTETRICS AND GYNECOLOGY

STIPENDED

Read, Robert

Provides resident supervision and education for inpatient and outpatient Gyn service

Milkman, Marilyn	Provides resident supervision and education for inpatient Gyn services and outpatient Ob Clinic
Partida, Kathleen (BaySpring)	Same as above
Mason, Elizabeth (BaySpring)	Same as above
Domush, Robert	Same as above, plus administrative duties associated with Chief of the Service

**ADMINISTRATIVE**

**SALARIED**

Botkin, Jerome	Serves as elected Chief of Staff.
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**REHABILITATION**

**STIPENDED**

Fechtner, Kenneth	Medical direction of Rehab Service plus PT, OT and Speech
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**WOMEN'S HEALTH**

**STIPENDED**

Dawson, Laurel (BaySpring)	Provides consultation and lectures to HealthWorks for Women Program through 12/90
Johnson, Karen (BaySpring)	Same as above
Rosen, Susan (BaySpring)	Same as above

**MISCELLANEOUS**

1. EKG reading agreements with Drs. Blumlein, Levy, Noble, Goodman, Katz, Elson, Rabin, Reider, Rogers, Rosenman, Rosenblum, Uhley, Warner, and Kasavin.
2. Agreements for benefits or other payments to Drs. Ballard, Cohen, Paley, Lief, Mailhot, Leed, Denmead, Helbock, Simmons, Tobas, Sniderman, McCormick, Bradshaw, Jennings,

and Body.

3. Such other physicians as are listed on Page 10 of Exhibit XIII-A of the Financial Due Diligence Report dated February, 1989.



**EXHIBIT E**

**PART II**

**LEASEHOLD INTERESTS**

1. Building T - Medical Office Building  
1545 Divisadero Street  
San Francisco, CA

A. That certain Lease Agreement pertaining to medical office space located at 1545 Divisadero Street, San Francisco, California between Mount Zion Hospital and Medical Center, as Lessor and Bayspring Medical Corporation, as Lessee.

B. That certain Lease Agreement pertaining to medical office space located at 1545 Divisadero Street, San Francisco, California between Mount Zion Hospital and Medical Center, as Lessor, and San Francisco Medical Group, as Lessee.

C. That certain Lease Agreement pertaining to the medical building at 1545 Divisadero between 1545 Divisadero Associates, as Lessor, and Mount Zion Hospital and Medical Center, as Lessee, dated November 15, 1985.

2. Building Y - 1710 Scott Street Building  
1710 Scott Street  
San Francisco, CA

This building is located on the block northeast of the main hospital block. It is a three-story structure containing approximately 7,715 sq. ft. of leased office space. Mount Zion leases the space from Sutter Street Investors, for a three-year term ending in 1991.

3. Building Z - Lab/Ophthalmology  
2245 Post Street  
San Francisco, CA

A. That certain Lease Agreement pertaining to medical laboratory space located at 2245 Post Street, San Francisco, California between Mount Zion Hospital and Medical Center, as Lessor, and Damon Clinical Laboratories, as Lessee.

B. That certain Lease Agreement pertaining to medical office space located at 2245 Post Street, San Francisco, California between Mount Zion Hospital and Medical Center, as Lessor, and James Knapp, M.D. and Lee K. Schwartz, M.D., as Lessees.

4. That certain Lease Agreement pertaining to medical office space located at 1635 Divisadero, San Francisco, California, between Mount Zion Hospital and Medical Center, as sub-lessor, and Robert Domush, M.D. et al, as sub-lessees.

5. That certain Lease Agreement pertaining to medical office space located at 1635 Divisadero, San Francisco, California, between Mount Zion Hospital and Medical Center as sub-lessor, and Marcus Conant, M.D., as sub-lessee.

6. That certain Lease Agreement dated January, 1988 pertaining to an outpatient senior health care center located at 2501 Ocean Avenue, San Francisco, California, between Wells Fargo Bank, N.A., as Lessor and Mount Zion Hospital and Medical Center, as Lessee.

7. That certain Sublease by and between WDG-III Post Medical Center, a California limited partnership, and Mount Zion Hospital and Medical Center.

58601-927

EXHIBIT F

SCHEDULE OF ASSETS TO BE TRANSFERRED

TO MOUNT ZION HEALTH SYSTEMS, INC.

Letters identifying specific buildings or lots are keyed to the Environmental Impact Report, certified by the Regents on March 15, 1990, where further information about these properties will be found.

PART I - FEE INTERESTS

1. Building K - Ronald McDonald House  
1640 - 1646 Scott Street  
San Francisco, California

Consists of land and a building on Assessor's Block No. 681, Lot 43.

2. Building M - Management Information Systems  
1606 Scott Street  
San Francisco, California

Consists of land and a one-story structure on Assessor's Block No. 681, Lot 19.

3. Area W - Doctor's Parking Lot

Consists of a 61-space surface parking lot for Mount Zion physicians, with access via Scott Street, on Assessor's Block No. 681, Lots 29-A, 29-B, 38, 15, and 40.

4. Building V - San Francisco Medical Center  
1635 Divisadero Street  
San Francisco, California

Consists of the land on Assessor's Block No. 1076, consisting of a portion of Lot 34. Fee title in the land is subject to a Ground Lease between Mount Zion Hospital and Medical Center and WDG-III Post Medical Center, a California Limited Partnership. [See number 7 below.]

5. Building U - Parking Structure

Consists of the land under a five-story, 560-space parking garage on the south side of Sutter Street between Divisadero and Broderick Streets, on Assessor's Block No. 1076, consisting of a portion of Lot 34. Fee title in the parking garage is subject to a Ground Lease to WDG-III Post Medical Center, a California Limited Partnership. [See number 8 below.]

**PART II - LEASEHOLD INTERESTS**

6. Building S - Crisis Clinic  
2330 Post Street  
San Francisco, California

A. Consists of a Ground Lease from Daniel A. Collins, Trustee, DeReath J. Collins, Trustee, Edward J. Collins and Charles M. Collins, as Lessors, to Mount Zion Hospital and Medical Center, as Lessee.

B. Consists of a Sublease from Mount Zion Hospital and Medical Center to WDG-III Post Medical Center, a California Limited Partnership.

7. Building V - San Francisco Medical Center  
1635 Divisadero Street  
San Francisco, California

Consists of a Ground Lease by Mount Zion Hospital and Medical Center to WDG-III Post Medical Center, a California Limited Partnership.

8. Building U - Parking Structure

Consists of a Ground Lease by Mount Zion Hospital and Medical Center to WDG-III Post Medical Center, a California Limited Partnership.

**PART III - PERSONAL PROPERTY**

9. Promissory Note by Martin H. Diamond to Mount Zion Hospital and Medical Center.

10. A membership interest in Northern California Shared Services, Inc., a California non-profit public benefit corporation, referred to as Hoslin Linens.

11. Interest in San Francisco Preferred Provider Organization.

12. All other property, real, personal, or intangible, not transferred to the Regents of the University of California pursuant to the Integration Agreement (Exhibit A), or retained by Mount Zion Hospital and Medical Center, pursuant to Section 6.6.1 of such Integration Agreement.

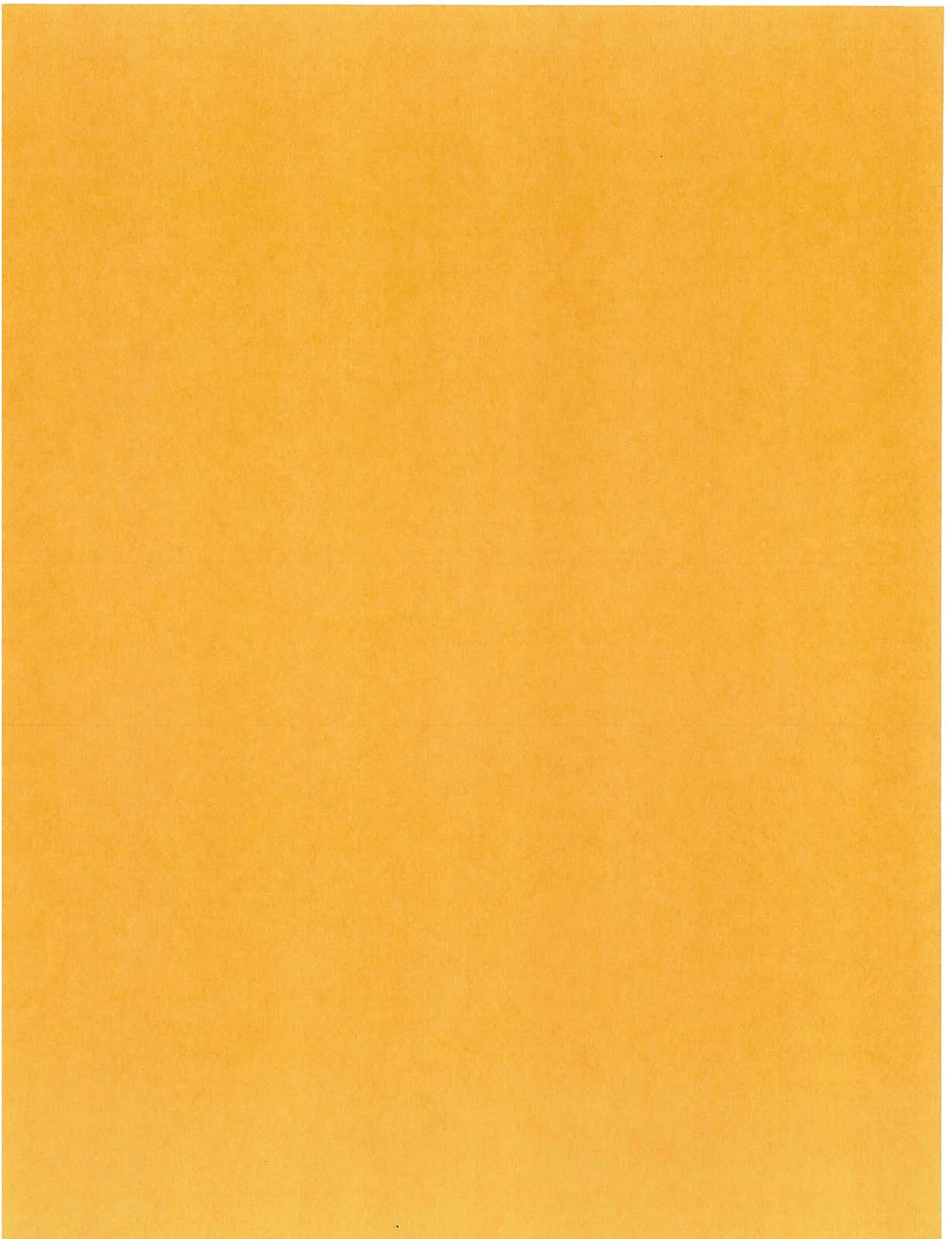


EXHIBIT A

SCHEDULE OF TRANSFERRED ASSETS

PART I - REAL PROPERTY

The following parcels of real property are to be transferred under the terms of the Integration Agreement. Letters A through R identifying specific buildings are keyed to the Environmental Impact Report certified by the Regents on March 15, 1990, where further information about these properties will be found.

1. Building A - Main Hospital  
1600 Divisadero Street  
San Francisco, CA

Building A contains the east and west wings of the main hospital. It is a seven story structure of approximately 118,750 sq. ft. Building A was constructed as a five story structure in 1948, with 6th and 7th floors added in 1958 and 1981, respectively. Building A houses, among other units, adult medical/surgical nursing, intensive care, pediatric, radiology, ambulatory surgery, cardiac catheterization laboratory, morgue, pharmacy and cafeteria. It is located on a portion of Western Addition Block No. 457, Assessor's Panel No. Lot 27, Block 1077.

2. Building B - Main Hospital  
1600 Divisadero Street  
San Francisco, CA

Building B contains the north wing of the main hospital. It is a seven story structure of approximately 106,360 sq. ft. It was built in 1948 as a four story structure, and floors 5 through 7 were added in 1965. Units in Building B include, adult medical/surgical nursing, operating rooms and post anesthesia recovery, rehabilitation service, emergency department, clinical laboratories, and a lecture hall. It is located on a portion of Western Addition Block No. 457, Assessor's Panel No. Lot 27, Block 1077.

3. Building C - The Hellman Building  
2200 Post Street  
San Francisco, CA

Building C is a five story structure of approximately 65,900 sq. ft. It was constructed in 1912 and functioned as the main hospital (and was known as the Post-Scott Building) until

Buildings A and B were opened. Units in Building C include a diabetes education program, a work related injury treatment center, pulmonary laboratory services, nuclear medicine, and offices for medical staff administration, research administration, environmental services, social services, home care and patient billing. Building C also contains a mail room, biomedical equipment repair shop and storage areas. It is located on a portion of Western Addition Block No. 457, Assessor's Panel No. Lot 27, Block 1077.

4. Building D - Supply, Processing & Distribution

San Francisco, CA

Building D is the supply, processing and distribution area, consisting of approximately 9,500 sq. ft. located beneath an internal court yard of the main hospital block, with entrances from Sutter and Scott Streets. The courtyard contains 10 surface parking spaces for service and emergency physicians. One level below grade is occupied by supply and distribution, including receiving and central processing. It is located on a portion of Western Addition Block No. 457, Assessor's Panel No. Lot 27, Block 1077.

5. Building E - Harold Brunn Institute  
1600 Divisadero Street  
San Francisco, CA

Building E is "L" shaped at the northeast corner of the main hospital block. It consists of two structures, Buildings E1 and E2, connected at the ground floor. Building E1 fronts Scott Street and contains approximately 11,070 sq. ft. on two levels. Building E2 fronts Sutter Street and contains approximately 2,330 sq. ft. on one level. Buildings E1 and E2 were constructed between 1930 and 1932. These buildings provide space for research laboratories and animal care facilities. It is located on a portion of Western Addition Block No. 457, Assessor's Panel No. Lot 27, Block 1077.

6. Building F - Sutter Building  
2345 Sutter Street  
San Francisco, CA

Building F is located on the north central portion of the main hospital block. It is a seven story structure of approximately 48,300 sq. ft. and is connected to Building B by a ground floor corridor. Building F was constructed in 1923 as the school of nursing, and now houses administration, support, house staff quarters, security and an auditorium. It is located on a portion of Western Addition Block No. 457, Assessor's Panel No. Lot 27, Block 1077.

7. Building G - Geriatric Day Care Facility  
1675 Scott Street  
San Francisco, CA

Building G is located at the northeast corner of the main hospital block. It is a one story structure with mezzanine containing approximately 5,200 sq. ft. It was constructed as a warehouse in 1963 and converted to a senior center in 1979. It currently offers geriatric day care services. It is located on a portion of Western Addition Block No. 457, Assessor's Panel No. Lot 27, Block 1077.

8. Building H - Outpatient Services  
1600 Divisadero Street  
San Francisco, CA

Building H is adjacent to the main hospital entrance (Building R) and the north wing of the main hospital (Building B). It is a two story structure constructed in 1964, containing approximately 38,340 sq. ft. It presently houses outpatient clinics, chronic hemodialysis and radiation therapy. It is located on a portion of Western Addition Block No. 457, Assessor's Panel No. Lot 27, Block 1077.

9. Building J - Pavilion and Tower  
2356 Sutter Street  
San Francisco, CA

Building J is located on the block immediately north of the main hospital block. Building J1, the one story entrance, fronts on Sutter Street and contains 2,460 sq. ft. It is connected at mid-block to Building J2, an eight story tower containing approximately 51,040 sq. ft. Building J was originally constructed as a nursing home in 1948, and was acquired by Mount Zion and remodeled in 1978. Uses of Building J include The Institute on Aging, which occupies Building J1 and a portion of Building J2, as well as obstetrical services, an intensive care nursery and inpatient psychiatry unit in Building J2. An eight space surface parking lot with access from Bush Street is located on the north side of Building J. Building J is located on a portion of Western Addition Block No. 458, Assessor's Parcel No. Lot 13, Block 1051.

10. Building N - Computer and Accounting  
2255 Post Street  
San Francisco, CA

Building N is located on the block immediately south of the main hospital block adjacent to Building Z. Building N is a two story structure constructed around 1946, with approximately 7,800 sq. ft. It contains hospital computer and accounting offices. Building N is located on a portion of Western Addition Block No. 456, Assessor's Parcel No. Lot 20, Block 1078.



11. Building P - Warehouse  
2375 Post Street  
San Francisco, CA

Building P is located on the block to the southwest of the main hospital block. Building P is a two story structure constructed about 1931 with approximately 20,750 sq. ft. It serves as a warehouse and includes storage for medical records. Building P is located on a portion of Western Addition Block No. 505, Assessor's Parcel No. Lot 14, Block 1079.

12. Building R - Admitting and Administration  
1600 Divisadero Street  
San Francisco, CA

Building R is the third of Mount Zion's main hospital buildings. It is a two story structure constructed in 1976, containing approximately 16,500 sq. ft. fronting on Divisadero Street on the main hospital block. It functions as the main entrance to the main hospital and is connected to Buildings A and B by corridors on each floor. Building R contains the main hospital lobby, admitting office and hospital administration and provides kitchen and dining facilities on the lower level. It is located on a portion of Western Addition Block No. 457, Assessor's Panel No. Lot 27, Block 1077.

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EXHIBIT A

SCHEDULE OF TRANSFERRED ASSETS

PART II - PERSONAL PROPERTY

The following Schedule is a summary of the Capital Asset Ledger for Mount Zion Hospital and Medical Center FY 1989-1990, after audit. The Schedule summarizes the personal property assets of Mount Zion Hospital and Medical Center being conveyed to the Regents. Reference to specific assets is contained in the Capital Asset Ledger, which fully describes property being conveyed and which is incorporated by reference herein.

ASSET NAME

PAVILION BLDG-ORIGINAL PURCH	67 Assets
BLDG A MAIN EAST-WEST BL107	114 Assets
BLDG B MAIN NORTH-SOUTH BL1	68 Assets
BLDG C OLD MAIN BL1077	32 Assets
BLDG D MAIN BASEMENT BL1077	10 Assets
BLDG E RESEARCH BL1077	1 Asset
BLDG F SUTTER BLDG BL1077	7 Assets
BLDG G SR DAY HLTH CTR BL1077	4 Assets
BLDG H OUT-PATIENT BL1077	38 Assets
BLDG J PAVILION 2356 SUTTER ST	22 Assets
BLDG K ADMIN 1640 SCOTT	2 Assets
BLDG N COMP/ACCTG 2255 POST ST	22 Assets
BLDG P WAREHOUSE 2375 POST ST	6 Assets
BLDG R DIVISADERO COURT YARD	23 Assets
BLDG S CRISIS CLIN 2415 SUTTER	7 Assets
BLDG X PARKING & VACANT LOTS	8 Assets
BLDG Y LEASED PROPERTIES	7 Assets
BLDG Z MULTI-BLDG SERVICES	48 Assets
PAVILION EQUIPT-ORIGINAL PURCH	68 Assets
MISC MOVEABLE EQUIPMENT	1 Asset
NURS CRIT CARE CRC	198 Assets
NURS CARD MONITOR 4 EAST	267 Assets
NURS ORTHOP 7 WEST	114 Assets
NURS MED/SURG 5NA, 5NB	213 Assets
NURS PR MED/SURG	2 Assets
NURS INT CARE NURSERY ICN	290 Assets
NURS SURG UNIT	201 Assets
NURS SURG UNIT	7 Assets
NURS ORTHO UNIT	151 Assets
NURS MED/SURG UNIT	118 Assets
NURS REHAB	125 Assets
NURS PEDI - 6 EAST	155 Assets
NURS PSYCH IN-PATIENT	115 Assets
NURS PSYCH IN-PATIENT	10 Assets
NURS POST PARTUM (FCMC)	128 Assets
NURSING-ALTERNATIVE BIRTH CTR	22 Assets

ASSET NAME

SKILLED NURS FACIL SNF	2 Assets
NURS LABOR AND DELIV L/D	244 Assets
O/B NURSERY	19 Assets
SURGERY	1016 Assets
RECOVERY	34 Assets
AMBULATORY SURGICAL CENTER	48 Assets
ANESTHESIOLOGY	119 Assets
HOME CARE	1 Asset
LABOR AND DELIVERY	7 Assets
CENTRAL SERVICE	204 Assets
CLINICAL LAB-GENERAL	21 Assets
PATHOLOGY	93 Assets
PULMONARY LAB	86 Assets
BLOOD BANK	4 Assets
EKG/EEG/EMG	103 Assets
DIAGNOSTIC X-RAY	389 Assets
CT SCAN	1 Asset
RADIATION ONCOLOGY	271 Assets
NUCLEAR MEDICINE	79 Assets
PHARMACY	89 Assets
RESPIRATORY CARE	192 Assets
DIALYSIS	137 Assets
PHYSICAL THERAPY	104 Assets
REHABILITATION SERVICES	6 Assets
OCCUPATIONAL SERVICES	15 Assets
COMMUNICATIONS DISORDERS	12 Assets
EMERGENCY ROOM	121 Assets
PSYCHIATRY EMERGENCY ROOM	30 Assets
OUT PATIENT DEPARTMENT	309 Assets
DENTAL CLINIC	187 Assets
PSYCHIATRY OUTPATIENT DEPT	51 Assets
LAKESIDE TOWER	1 Asset
HOME CARE	30 Assets
HOME CARE	1 Asset
PSYCHIATRY ADULT-DAY TREATMENT	2 Assets
MEDICAL ONCOLOGY	9 Assets
CARDIOLOGY	118 Assets
GERIATRIC DAY CARE	27 Assets
RESEARCH ADMINISTRATION	8 Assets
WOMEN'S HEALTH RESOURCE CENTER	4 Assets
MEDICAL STAFF & EDUCATION	74 Assets
DEPARTMENT OF MEDICINE	6 Assets
PERINATAL ADMINISTRATION	118 Assets
PSYCHIATRY ADMINISTRATION	6 Assets
MEDIA/MEDICAL EDUCATION	82 Assets
HOUSESTAFF	61 Assets
MAILROOM	51 Assets
PRINT SHOP	15 Assets
KITCHEN	117 Assets
CATERING SERVICES	2 Assets
CAFETERIA	63 Assets
DIETARY	138 Assets

ASSET NAME

LINEN ROOM	123 Assets
SOCIAL SERVICES	50 Assets
GERIATRIC HEALTH SCREEN	5 Assets
GERIATRIC INFORMATION CENTER	8 Assets
MATERIALS MANAGEMENT	2 Assets
PURCHASING	32 Assets
RECEIVING	33 Assets
SERVICE AND SECURITY	33 Assets
TRANSPORTATION	12 Assets
ENVIRONMENT SERVICES	230 Assets
ENGINEERING	154 Assets
MAINTENANCE	83 Assets
MEDICAL INSTRUMENTATION	15 Assets
GENERAL ACCOUNTING	150 Assets
REIMBURSEMENT & FINANCIAL PLAN	3 Assets
BUDGET	4 Assets
P B X	72 Assets
PATIENT ACCOUNTING	20 Assets
E D P	75 Assets
CREDIT AND COLLECTION	27 Assets
ADMITTING	71 Assets
HOSPITAL ADMINISTRATION	351 Assets
MARKETING	3 Assets
GERIATRIC ADMINISTRATIVE SERV	11 Assets
INSTITUTE ON AGING	4 Assets
COMMUNITY RELATIONS	15 Assets
DEVELOPMENT	11 Assets
MANAGEMENT INFORMATION SERVICE	13 Assets
PERSONNEL	22 Assets
PERSONNEL HEALTH	9 Assets
VOLUNTEERS	23 Assets
MEDICAL LIBRARY	43 Assets
MEDICAL RECORDS	26 Assets
CONCURRENT REVIEW COMPLEX	12 Assets
NURSING OFFICE	188 Assets
OTHER ADMINISTRATIVE ACCOUNTS	18 Assets
TRAINING	17 Assets
SAFETY	2 Assets
TUMOR REGISTRY	6 Assets
C V RESEARCH	3 Assets
PSYCHIATRIC RESEARCH	6 Assets
CELL BIOL RESEARCH	1 Asset
GERIATRICS (MSSP)	6 Assets
RESEARCH	516 Assets
PSYCHIATRY RESEARCH	77 Assets
MISC RESEARCH	108 Assets
PEDIATRIC RESEARCH	64 Assets
PEDIATRIC RESEARCH	153 Assets
MISCELLANEOUS RESEARCH	63 Assets
MISCELLANEOUS RESEARCH	96 Assets
RESEARCH	1 Asset
RESEARCH	67 Assets

**ASSET NAME**

MISCELLANEOUS RESEARCH	186 Assets
DOCTORS' DINING ROOM	64 Assets
GIFT SHOP	23 Assets
MZH PHYSICIAN ASSOCIATION	27 Assets
SAN FRANCISCO MEDICAL GROUP	1 Asset
AUXILIARY	1 Asset
NO NAME	3 Assets
NO NAME	1 Asset

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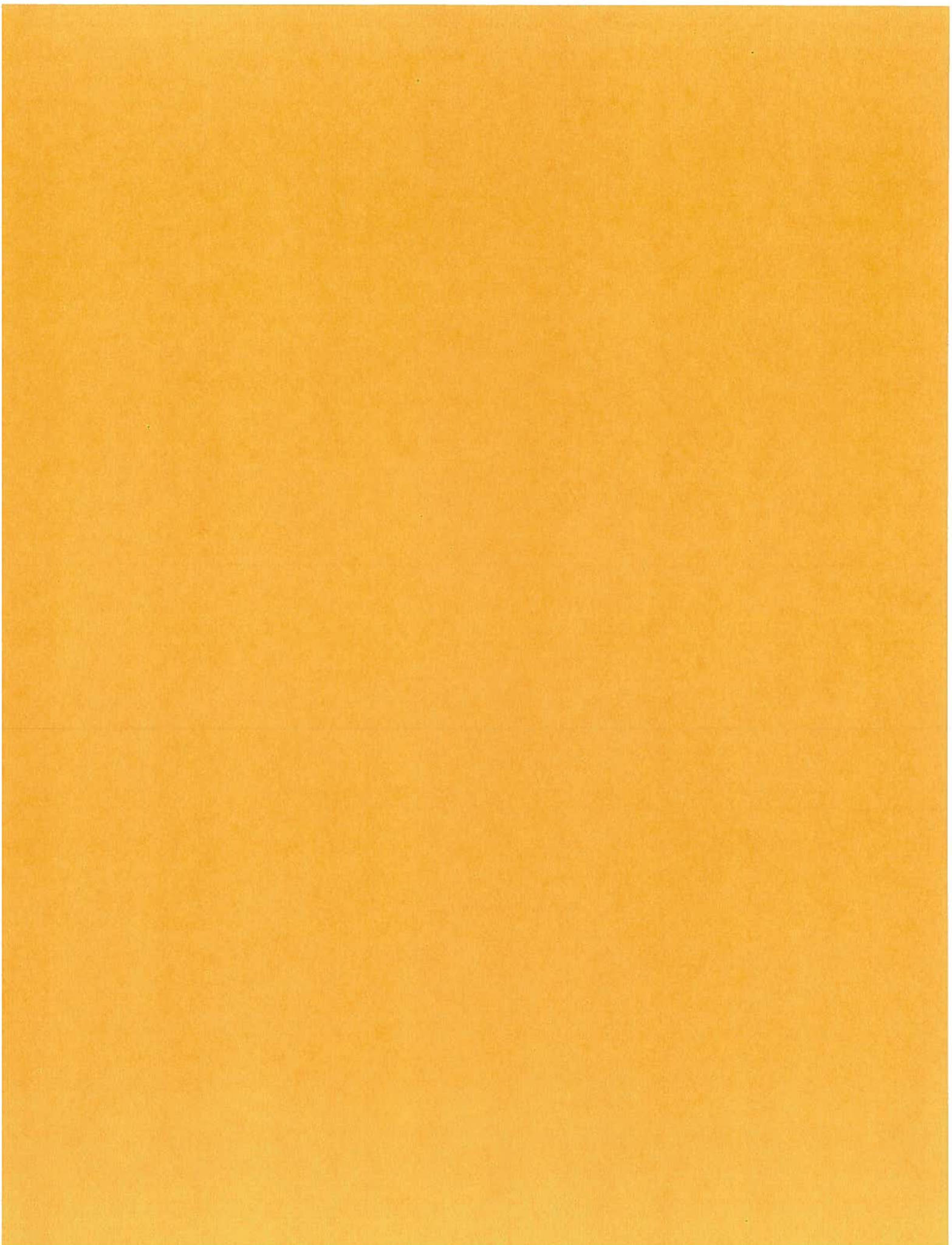


EXHIBIT I

Example

$$\begin{aligned} i &= 4\% & n &= 25 \\ FV &= 11.0 \text{ M } (1.04)^{25} = \$29.32 \text{ M} \\ \text{offset} &= 2.5\% (25) = 62.50\% \\ \text{payment} &= \$29.32 \text{ M } (100.00\% - 62.50\%) = 10.89 \text{ M} \end{aligned}$$

Example Table (4% Inflation)

Year	Base as Escalated (Million)	% Value Remaining	Offset %	Payment (Million)
0	\$ 11.0	100.0%	0%	11.0
5	13.4	87.5	12.5	11.7
10	16.3	75.0	25.0	12.2
15	19.8	62.5	37.5	12.3
20	24.1	50.0	50.0	12.0
25	29.3	37.5	62.5	11.0
30	35.7	25.0	75.0	8.9
35	43.4	12.5	87.5	5.4
40	52.8	0	100.0	0

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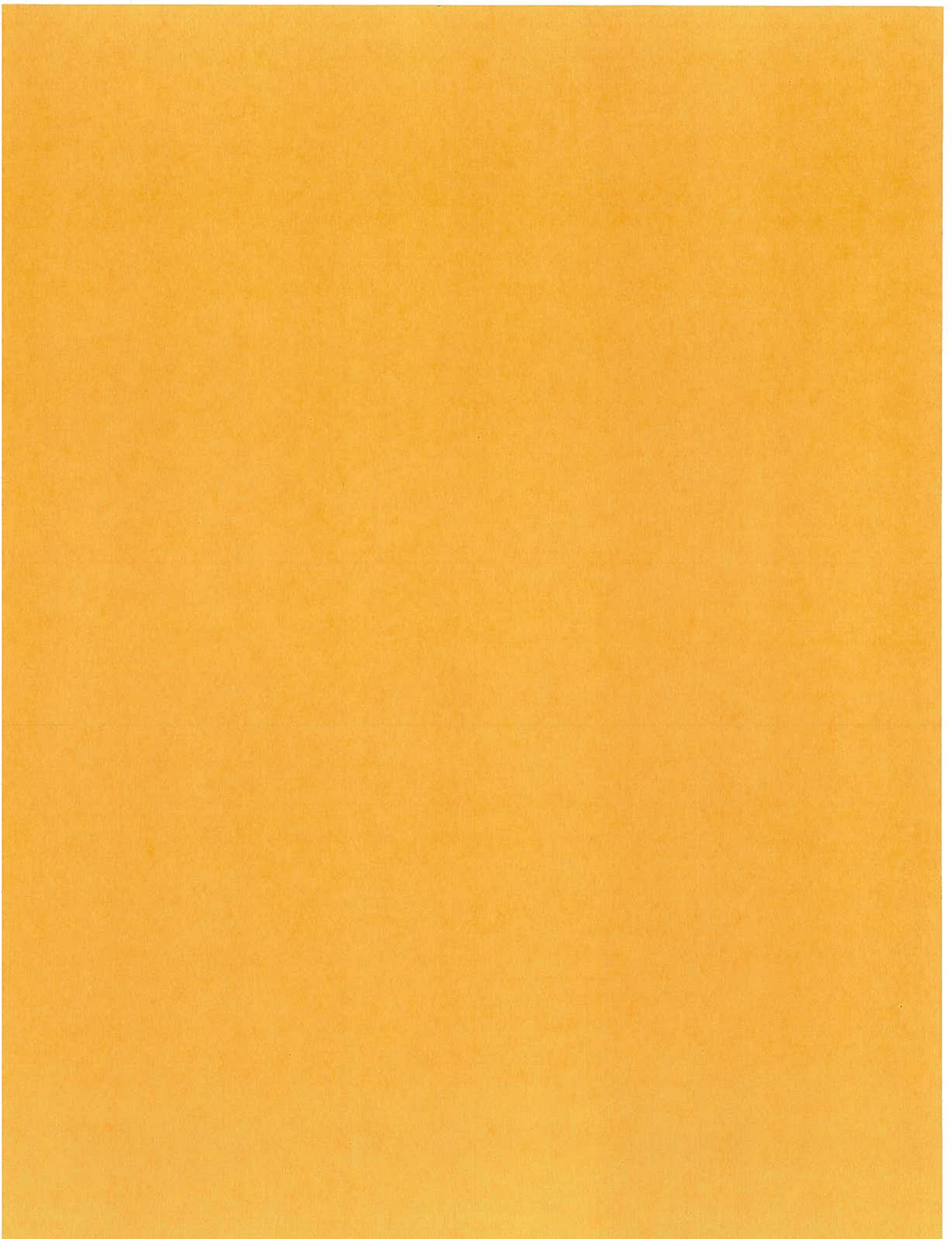




EXHIBIT B

MOUNT ZION HOSPITAL AND MEDICAL CENTER  
DONOR RESTRICTED TRUST AND SPECIAL FUNDS

<u>Designation</u> <u>No.</u>	<u>Category and Fund</u>
	<b>CANCER RESEARCH</b>
300	CANCER RESEARCH FUNDS
314	MAE SWIG MEMORIAL FUND
319	MURRAY A. KATZ FUND
323	DR. E. H. ROSENBAUM CANCER FUND
332	PEARL B. JACOBS TRUST FUND
344	JUDITH SWIG PARKER MEMORIAL FUND
347	JOHN MORGAN CAIN MULTIPLE MYELOMA FUND
355	ROBERT H.F. & BARBARA H. SMITH CANCER RESEARCH
356	DR. SHELDON M. LEVIN SURGICAL RESEARCH FUND
359	DR. ALAN B. GLASSBERG CANCER FUND
362	DR. JAY GERSHOW CANCER RESEARCH FUND
365	MARY L. GOLDMAN FUND
	<b>HEART RESEARCH</b>
301	HEART RESEARCH FUNDS
318	BEN SHANE HEART FUND
325	P. SCHWARTZ & DR. WM. S. BREALL HEART FUND
341	ISADORE HIRSCHBERG MEMORIAL HEART FUND
351	GILDA H. & IRVING L. MAYER HEART FUND
	<b>GENERAL RESEARCH</b>
303	GENERAL RESEARCH FUNDS
304	LORAIN M. NEWMAN RESEARCH FUND
	<b>CARDIOVASCULAR RESEARCH (HAROLD BRUNN INSTITUTE)</b>
315	HAROLD BRUNN INSTITUTE ENDOWMENT FUND
	<b>OTHER RESEARCH FUNDS</b>
302	LUCIE STERN TRUST FUND
310	JULIAN J. MEYER C.V. RESEARCH FUND
316	LADIES AUXILIARY TO THE V.F.W. FUND
317	FREDERICK J. HELLMAN ENDOWMENT FUND
320	DR. SANFORD E. LEEDS RESEARCH FUND
326	DR. BERTRAM FEINSTEIN EPILEPSY & NEUROPHYSIOLOGY
327	DR. BERTRAM M. FELTON FUND
330	DR. GERSON R. SISKIND MEMORIAL FUND
337	JOSEPH & RALPH SCHEAR NEUROLOGY FUND
339	FLORINE & EDWARD BRANSTEN MEMORIAL FUND

MOUNT ZION HOSPITAL AND MEDICAL CENTER  
DONOR RESTRICTED TRUST AND SPECIAL FUNDS  
(Continued)

340 RESEARCH GRANT FUNDS  
342 HARRIET M. ORNSTEIN MEMORIAL FUND  
343 SPECIAL PAIN CENTER FUND  
345 DOROTHY & EDWYN GARFIELD FUND  
348 MILTON WEINGARTEN COMPANY FUND  
349 HERBERT L. COOK MEMORIAL FUND  
352 DR RICHARD J. COHEN CANCER RESEARCH FUND  
353 AMBROSE J. & ELIZA S. FIELDS RESEARCH FUND  
354 ELISE S. HAAS RESEARCH FUND (FUND CLOSED 8/89)  
357 GLADYS BASS FUND FOR BIOMEDICAL RESEARCH  
358 HEALTH SERVICES RESEARCH & DEVELOPMENT FUND  
360 DR. HERMAN H. UHLEY RESEARCH FUND  
361 DR. S. R. SISKIND PATHOLOGY RESEARCH LAB FUND  
364 DR. MELVIN D. BERT EYE RESEARCH FUND  
904 IRENE B. DERKHAM FUND  
936A DIABETES CENTER RESEARCH FUND  
966 HEART DIAGNOSTIC FUND  
988 DR. RUBIN L. GOLD MEMORIAL FUND

TUMOR INSTITUTE FUNDS  
927 DR. LAWRENCE MARGOLIS RADIATION ONCOLOGY FUND  
963 EDGAR M. KAHN MEMORIAL FUND

IMPROVEMENT FUNDS  
505 UNALLOCATED GIFTS & BEQUESTS

CLINIC FUNDS  
400 CLINIC FUNDS  
405 SAN BRUNO COMMUNITY HOUSE FUND  
407 HARRY LEWIS SIMON MEMORIAL FUND  
432 COMMUNITY SERVICE FUND  
442 ALLINE A. GOLDSMITH MEMORIAL FUND  
443 PAULINE S. GOLDSMITH FUND

TEACHING-SCHOLARSHIP & FELLOWSHIP FUNDS  
346 DEPARTMENT OF MEDICINE DEVELOPMENT FUND  
404 MILTON MEYER TEACHING FUND  
422 DR. H. WEINSTEIN MED. ED. & LONG TERM CARE FUND  
600 ALICE H. & SAMUEL LILIENTHAL MEMORIAL FUND  
601 DR. JULIUS ROSENSTIRN SCHOLARSHIP FUND  
605 RALPH YOUNG FUND  
607 DR. JOHN J. SAMPSON C.V. FELLOWSHIP FUND  
609 GERTRUDE E. MARX C.V. FELLOWSHIP FUND  
611 LOUIS & AMELIA BLOCH MEMORIAL FUND FOR EDUCATION  
614 ALICE & SIDNEY L. SCHWARTZ ED. & TRAVEL FUND

**MOUNT ZION HOSPITAL AND MEDICAL CENTER  
DONOR RESTRICTED TRUST AND SPECIAL FUNDS  
(Continued)**

615	NURSES EDUCATION FUND
617	DRS. BLASSBERG & ROSENBAUM TEACHING FUND
618	DEPARTMENT OF SURGERY TEACHING FUND
619	SAMUEL & JESSIE FEIGENBAUM MEMORIAL FUND
620	DIALYSIS NURSES EDUCATION FUND
621	PROFESSIONAL SERVICES DEVELOPMENT FUND
622	DR. ALLAN TERAMIGHI FELLOWSHIP FUND
623	DR. NORMAN REIDER FUND
624	M.Z.H. - STANFORD ISRAELI FELLOWSHIP FUND
625	WILLETTE RAPHAEL FUND FOR CANCER EDUCATION
626	MOUNT ZION AUXILIARY MED. ED. HOUSE STAFF FUND
936B	DIABETES CENTER PATIENT EDUCATION FUND
953	C.Z. BARONI MEMORIAL TUMOR INSTITUTE FUND
976	RESIDENT TEACHING FUND
986	DR. JOHN A. KERNER FOUNDATION OB/GYN FUND
995	MARK BERK MEMORIAL FUND
LOAN FUNDS	
701	MABEL E. BRUSH ENDOWMENT FUND
MEDICAL LIBRARY FUND	
800	DR. RENE BINE MEDICAL LIBRARY FUND
801	DR. A. L. BROWN MEMORIAL LIBRARY FUND
802	LOUIS E. & CAROLYN GOODMAN ENDOWMENT FUND
EQUIP/CHARITY/PATIENT CARE	
363	RUTH & BEN COLLOFF TUMOR RESEARCH FUND
410	MAURICE BRODY DENTAL FUND
412	JULIAN J. & ADELE H. MEYER FUND
415	DR. JACOB O. SMITH MEMORIAL FUND
435	MISCELLANEOUS CLINIC FUND
437	THE AUXILIARY OF MOUNT ZION HOSPITAL
438	SIEGFRIED & FLORENCE STRAUSS FUND
441	LEONARD & HERTHA MAGNUS FUND
442	ALLINE A. GOLDSMITH MEMORIAL FUND
499	LIONEL D. PRINCE ORTHOPAEDIC FUND
510	MELVIN SCHWARZBAUM FUND
516	BUILDING IMPROVEMENT FUND
704	LULU J. & RICHARD M. BLUMBERG LOAN FUND
705	EMPLOYEES EMERGENCY LOAN FUND (PHILIP S. EHRLICH)
805	SINAI MEMORIAL CHAPEL LIBRARY FUND
806	MEDICAL STAFF LIBRARY FUND
902	CAPITAL FUNDS CAMPAIGN
903	ANNUAL CAMPAIGN FUND
906	MAIMONIDES/JCF GERIATRIC FUND - JEWISH PATIENTS

MOUNT ZION HOSPITAL AND MEDICAL CENTER  
DONOR RESTRICTED TRUST AND SPECIAL FUNDS  
(Continued)

907 CORNING FUND  
911 DR. JACOB ABQUAV CARDIAC SURGICAL FUND  
913 ZENA GROSS GREENSTRAND MEMORIAL FUND  
914 COHEN-GOLDSTEIN NURSES EDUCATION FUND  
916 DR. HARVEY SALANG PATIENT CARE FUND  
917 CANCER CARE FUND (ATAC)  
919 RUSSIAN EMIGRE DENTAL PROGRAM FUND  
920 PARKING FACILITY FUNDS  
923 GERIATRIC CENTER DEVELOPMENT FUND  
924 CHILDRENS CARING FUND  
933 DR. MORTON A. ROSENBLUM FUND  
934 MILTON PEARL FUND  
935 TEMPLE EMANU-EL/AIDS SOCIAL SERVICE FUND  
959 MRS. HERBERT L. COOK EYE FUND  
964 PAUL & BEGG LEVINSON FUND  
968 PATRICIA BROWN MEMORIAL FUND  
970 HARRY & VALERIA CORVIN FUND  
971 G.H.W.&D. FUND  
972 KIDNEY DIALYSIS FUND  
975 PSYCHIATRIC CLINIC FUND  
977 SYLVIA STONE REHABILITATION FUND  
987 M.Z.H. KANGAROO FUND  
989 WALTER ROSENBERG FAMILY MEMORIAL FUND  
990 M.Z.H. SEALS FUND  
991 BOARD OF DIRECTORS FUND  
994 ADMINISTRATIVE FUND  
996 GERIATRIC SERVICES FUND

MISCELLANEOUS FUNDS

512 BLANCHE B. GOLDMAN CARE OF NEWBORN INFANTS FUND  
909 MUNSELLA & GOODY GENSLEER MEMORIAL FUND  
910 DR. HARRIS M. FISHBON FUND  
912 IRMA H. REYMAN MEMORIAL FUND  
915 RHODA & RICHARD GOLDMAN FUND  
922 THE ELISE SALZ MEMORIAL FUND  
926 HAROLD KOGAN MEMORIAL FUND  
928 LOUIS NEUSTEIN MEMORIAL FUND  
929 WILLIAM HAAS BRANSTEN MEMORIAL FUND  
930 GOLDMAN ANNIVERSARY FUND FOR PERINATAL SERVICES  
950 BERTHOLD & BELLE N. GUGGENHIME FUND  
958 DR. ALAN J. ROSENBERG FUND  
965 JANET S. LANDFEAR MEMORIAL FUND  
983 JEFFREY JOHNSON MEMORIAL FUND  
992 HARRY & BETTY CURZON ENDOWMENT FUND

58601-927

THE HISTORY OF THE  
CITY OF BOSTON  
FROM 1630 TO 1800

The city of Boston, founded in 1630, has a rich and varied history. It was the first permanent English settlement in North America. The city grew rapidly, becoming a major center of trade and commerce. It was the site of the Boston Tea Party in 1773, a key event in the American Revolution. The city was also the site of the Boston Massacre in 1770, another key event in the Revolution. The city's history is a testament to the resilience and spirit of its people.

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14. Agreements with Ziegler Leasing Corporation:  
Dated September 1987, UCC filing #87245466 dated October 8, 1987;  
Dated May 1988, UCC filing #88128014 dated May 27, 1988;  
Dated September 1989, UCC filing #89288501 dated November 6, 1989;  
Dated September 1989, UCC filing #89288502 dated November 6, 1989;  
Dated August 1987, UCC filing #87231599 dated September 22, 1987.
15. Agreement with Lifecare Written Controller dated July 1987.
16. Agreement with Canon Copiers dated June 1987.
17. Agreement for copiers, monitors and beds with various debts and minimum obligations of \$47,957 in fiscal year 1990; \$27,000 in fiscal year 1991; \$27,000 in fiscal year 1992; and \$27,000 in fiscal year 1993.
18. Lease dated December 1, 1989 between Mount Zion Hospital and Medical Center and American Health Service Corporation for space for magnetic resonance center.
19. Remaining Hill-Burton obligation of Mount Zion Hospital.
20. Lease agreement with Rolf Scherman dated October 1989.
21. Agreement with Telealltograph dated February 1989.
22. Agreement with Heals dated November 20, 1986.
23. Agreement with Maxicare dated January 1, 1984.
24. Agreement with Ross-Loos/CIGNA dated October 23, 1986.
25. Agreement with Takecare Corporation dated August 12, 1982.
26. Agreement with Health Net dated October 1, 1987.
27. Agreement with Kaiser dated February 16, 1989.
28. Agreement with American Insurance Consultants, Inc./NN Investors Life Insurance Company dated December 30, 1985.
29. Agreement with Benefit Panel Services, Inc.
30. Agreement with Blue Cross California Care - Direct Service Plans dated March 1, 1987.
31. Agreement with Carter-Hawley Hale Stores, Inc. dated February 1, 1987.

32. Agreement with San Francisco Preferred Provider Organization, Inc.; Coordinated Health Systems, dated October 17, 1985.
33. Agreement with Health Care Foundation of San Francisco, Inc., dated July 1, 1986 and renewed by mutual consent.
34. Agreement with City and County of San Francisco dated April 1, 1987.
35. Agreement with Operating Engineers Health and Welfare Trust Fund dated February 1, 1988.
36. Agreement with Bay Area Delivery Drivers Security Fund dated May 1, 1986.
37. Agreement with Cement Masons Health and Welfare Trust Fund for Northern California dated October 1, 1986.
38. Agreement with San Francisco Printing Industry Welfare Fund dated August 1, 1987.
39. Agreement with Northern California Food Employers & Retail Clerks Union Benefit Fund dated August 1, 1987.
40. Agreement with Northern California Area Retail Clerks Union Employers Welfare Fund dated August 1, 1987.
41. Agreement with Laborers Health and Welfare Trust Fund of Northern California dated October 1, 1986.
42. Agreement with ADMAR Corporation dated January 1, 1988.
43. Agreement with Blue Shield of California dated September 1, 1985.
44. Agreement with MMS Medical Group dated April 1, 1988.
45. Agreement with Pacific Mutual Life Insurance Company dated May 1, 1986.
46. Agreement with Prime Health Plan, Inc. dated June 15, 1987.
47. Agreement with Inforex dated December 1983; UCC filing #83273619 dated December 19, 1983.
48. Agreement with First Nationwide Bank dated November 21, 1988; UCC filing #88320047 dated December 22, 1988.
49. Agreement with RAI Funding Corporation dated December 1984; UCC filing #85016805 dated January 22, 1985.
50. Agreement with Citicorp Leasing, Inc. dated March 1985; UCC filing #85070319 dated March 22, 1985.

51. Agreement with Pacific Corp. Credit, Inc. dated June 1987; UCC filing #8714430 dated June 16, 1987.
52. Agreement with Meaghan Jared Partners, Inc., execution pending, for accounts receivable consulting services.
53. Agreement with RAI Funding Corporation dated December 1984; UCC filing #85016805 dated January 22, 1985.
54. Agreement with Citicorp Leasing, Inc. dated March 1985; UCC filing #85070319 dated March 22, 1985.
55. Agreement with Pacific Corp. Credit, Inc. dated June 1987; UCC filing #8714430 dated June 16, 1987.
56. Agreement with IBM for hardware maintenance dated January 1, 1990.
57. Agreement with Baxter (now Spectrum) for software maintenance dated January 1, 1990.
58. Agreement with American Health Network dated January 25, 1989.
59. Agreement with Northern California Motor Care Dealers Association Insurance Trust dated April 1, 1986.
60. Agreement with Office Employees Insurance Trust Fund of California dated October 1, 1988.
61. Agreement with Pacific Coast Shipyards Metal Trades Trust Fund dated October 1, 1988.
62. Agreement with San Francisco Printing Industry Welfare Fund "Welfare Trust" dated August 1, 1987.
63. Agreement with Bay Pacific Health Plan dated December 21, 1986.
64. Agreement with Bay Pacific Senior Care for 1988, unsigned.
65. Agreement with Blue Cross Standard Plan dated July 1, 1986.
66. Agreement with Prudent Buyer Plan (Blue Cross of America) dated March 1, 1986.
67. Agreement with Blue Shield Preferred Plan dated January 1, 1990.
68. Agreement with Blue Shield Preferred Senior Care (Medicare Supplement Plan) dated October 1, 1987.
69. Agreement with Chevron Corporation (PPO) dated April 1, 1988.



70. Agreement with Chinese Health Plan (Chinese Community Hospital) dated July 9, 1987.
71. Agreement with CIGNA Private Practice Plan dated October 23, 1986.
72. Agreement with Clini-Guard dated October 23, 1986.
73. Agreement with Diamond Care PPO (Diamond Benefits Group) dated March 18, 1986.
74. Agreement with Foundation Health Plan dated September 1, 1989.
75. Agreement with Golden Bay Health Plan, Inc. dated June 15, 1987.
76. Agreement with Hansen's Disease Clinic dated November 4, 1987.
77. Agreement with Health Plan of American dated March 1, 1983.
78. Agreement with Health Plan of San Mateo (San Mateo Health Commission) dated January 4, 1987.
79. Agreement with Holman Professional Counseling dated March 1, 1987.
80. Agreement with Industrial Indemnity PPO dated August 1, 1987.
81. Agreement with Institute for Preventive Medicine dated December 1, 1983.
82. Agreement with Interplan PPO dated January 1, 1986.
83. Agreement with John Muir Hospital dated January 1, 1987.
84. Agreement with Kaiser Permanente dated March 1, 1989.
85. Agreement with Marine Medical Services dated April 1, 1988.
86. Agreement with California Medical Assistance Commission (State of California) dated November 5, 1984 as amended.
87. Agreement with Occupational-Urgent Care Health Systems, Inc. dated January 1, 1987.
88. Agreement with Preferred Providers of America Inc. (CHS/Equicor) dated January 18, 1985.
89. Agreement with Private Healthcare Systems, Ltd., dated July 1, 1986.
90. Agreement with Prudential-Prunet dated January 1, 1989.

91. Agreement with Prudential-Pruplus dated September 1, 1989.
92. Agreement with U.S. Behavior Health dated May 15, 1989.
93. Agreement with Transcriptions, Ltd., initial date February 1, 1986, amended September 7, 1988 retroactive to July 1, 1988.
94. Agreement with Supertypes dated January 25, 1989.
95. Agreement with American Environmental Management Corporation dated August 1, 1989.
96. Agreement with Osteoporosis Diagnostic Service signed in November 1986 but not dated.
97. Agreement with Medical Personnel Specialties, Inc. and Cardiopulmonary Registry Inc. dated March 19, 1990.
98. Agreements with Herrero Brothers: SPECT dated February 28, 1990; Emergency Room Refurbishing dated February 28, 1990; Medical Library Refurbishing dated February 28, 1990; Arnaud Lab dated December 11, 1989.
99. Agreement with Kaplan, McLaughlin Diaz dated March 20, 1990.
100. Agreement with Guttman and MacRitchie dated April 20, 1990.
101. Agreement with Iconco dated April 20, 1990.
102. Agreements with Barsotti's Inc.: Building F Tunnel Asbestos Abatement, Building F Asbestos Removal, Building F Incinerator Abatement and Stack Removal, all dated February 2, 1990.
103. Agreement with James Davis, Architect dated November 3, 1989.
104. Agreement with Pacific Auxiliary Fire Alarm dated September 6, 1989.
105. Agreement with Delucchi Sheet Metal Works dated April 2, 1990.
106. Agreements with Wayne Ruga, Architect: SPECT Design; E.R. Refurbishing Design; Pediatric Rehabilitation Design; 6 West Oncology Design; OPD Modular Building Design; Replacement of Earthquake Damage Door Frames and Expansion Joints.
107. Agreement with Golden Gate Perfusion Associates dated March 2, 1989.
108. Agreement with Guardian Fire Protection Services dated June 8, 1988.

109. Agreement with Favorite Nurses dated November 24, 1989.
110. Agreement with Assignment America dated February 22, 1990.
111. Agreement with Specialty Care Nursing Service Agency and Travel Corps dated April 16, 1990.
112. Agreement with Star Med Staffing dated May 23, 1989.
113. Agreement with Resource Nursing Service dated March 30, 1990.
114. Agreement with Kimberly Services, Inc.: Kimberly Nurse Travelers dated March 6, 1989.
115. Service Agreements and Maintenance Contracts as listed below:

<u>Vendor</u>	<u>Dates of Agreement</u>		<u>Annualized Amount</u>
	<u>From</u>	<u>To</u>	
Air Cleaning Systems	09/18/89	09/18/90	\$ 467.00
Alhambra Water	11/08/80	11/08/90	1,887.00
Allied Heating	05/02/89	05/02/90	1,200.00
American Sterilizer	03/02/90	02/28/90	13,902.00
Anacomp	11/01/89	10/01/92	3,000.00
Allied Pest Management	05/11/89	06/30/90	9,460.00
Associated Service	07/01/89	06/30/90	644.00
Baxter Hospital Corp.	03/01/90	06/30/91	6,006.00
Beckman Inst. Inc.	10/10/89	10/09/90	1,233.00
Beckman Inst. Inc.	10/01/89	10/03/90	1,734.00
Beckman Inst. Inc.	08/16/89	08/15/90	2,104.00
Bear Medical Systems	12/23/88	12/22/89	380.00
Burroughs Corp.	09/01/85	09/01/86	924.30
Celluland	10/27/88	10/27/91	1,204.56
Cellular One	12/15/89	06/30/90	300.00
Creative Insurance			
Concepts	02/02/90	02/01/90	43,750.00
Communications Research	04/01/90	03/31/91	2,208.00
Datascope Corp.	12/20/89	12/19/90	4,069.00
Dennis X-Ray Co.	07/10/89	06/30/90	11,880.00
Dialog Info. Services	07/24/89	07/23/90	35.00
Diasonics, Inc.	04/05/90	04/04/91	4,500.00
Dictaphone Corp.	12/21/89	12/20/91	252.80
Dictaphone Corp.	11/01/89	10/31/90	298.00
Datacard Corp.	11/01/89	10/31/90	791.20
Eastman Kodak	06/01/89	06/01/93	17,400.00
Fresenius USA	10/25/89	08/08/90	1,500.00
Fresenius USA	10/25/90	08/08/91	870.00

Fresenius USA	11/02/89	11/01/90	4,000.00
Fresenius USA	08/09/89	08/08/90	1,100.00
Friden Alcatel	09/01/89	08/30/90	2,200.00
Gardner's Guild, Inc.	08/01/89	07/31/90	19,572.00
GCS Service, Inc.	04/01/89	06/30/90	1,560.00
General Electric Medical Systems	07/01/89	06/30/90	57,130.32
Group I Software	09/01/89	08/31/90	95.00
Guardian Fire Protection	11/01/89	10/31/90	2,083.00
Harris Lanier Business Products	07/01/89	06/30/90	65.00
Hewlett-Packard	06/01/89	05/31/90	3,630.00
Hitachi Fax	11/01/89	10/31/90	275.00
Howe Richardson Corp. (Scale Calibration)	02/27/90	03/01/90	140.00
Infomed	07/01/89	06/01/90	454.55
International Autopen	11/12/89	11/11/90	475.00
MD Buyline	07/01/89	06/30/90	13,000.00
Medrad	04/14/90	04/13/90	1,295.00
Memorex (Laser Printing/Acctg)	04/18/90	04/17/91	1,063.00
Mobile Radio Engineers	02/28/90	03/01/91	8,244.00
Mobi Drape	06/06/89	06/07/90	6,000.00
Montgomery Elevator	01/01/90	06/30/90	3,135.00
Ohmeda	10/01/89	09/30/90	5,682.00
OMI of California	11/15/89	11/14/90	257.00
Otis Elevator Co.	10/01/89	09/30/90	99,628.68
Pacific Auxiliary Fire Alarm	01/01/90	12/31/90	3,600.00
Pacific Bell	07/01/89	06/30/90	8,400.00
Pacific Elevator & Equip	07/01/89	06/30/90	1,657.00
Pacific Elevator & Equip	07/01/89	06/30/90	436.00
Pac Tel Paging	07/01/89	06/30/90	1,365.00
Pac Tel Paging	04/01/89	03/30/90	1,944.00
Perkin-Elmer Corp.	10/30/89	10/29/90	803.52
Philips Medical Systems	10/01/89	09/30/90	128,800.00
Polymetrics, Inc.	07/01/89	06/30/90	129.00
Premisys	04/01/89	03/31/90	1,944.00
Puritan Bennett	01/05/90	01/04/91	4,610.00
Virtinia Ramos Co.	06/01/89	06/30/90	5,400.00
Rolm, Inc.	07/01/85	06/30/90	84,540.48
Standard Register	06/01/89	05/31/90	1,163.00
Sunset Linen Service	07/01/89	06/30/90	10,800.00
C.A. Sabah & Co.	06/90	06/91	1,191.00
Sunset Scavenger	07/01/89	06/30/90	110,289.92

Taylor Made	07/01/89	06/31/90	130,836.00
U.C.S.F. Dept. of Pediatrics	09/01/89	06/30/90	1,500.00
U.S. Audio	08/06/89	08/15/90	332.00
U.S. Audio	09/01/89	08/31/90	867.00
West Bay Bldg. Maint.	07/01/89	06/31/90	64,128.00

116. Purchase Order to Sopha Systems for computer tomograph (SPECT) system dated September 28, 1989.
117. Purchase Order to Hunter Medical for medication carts dated February 13, 1990.
118. Miscellaneous accounts payable to various vendors, legal advisors, consultants, etc.

58601-927

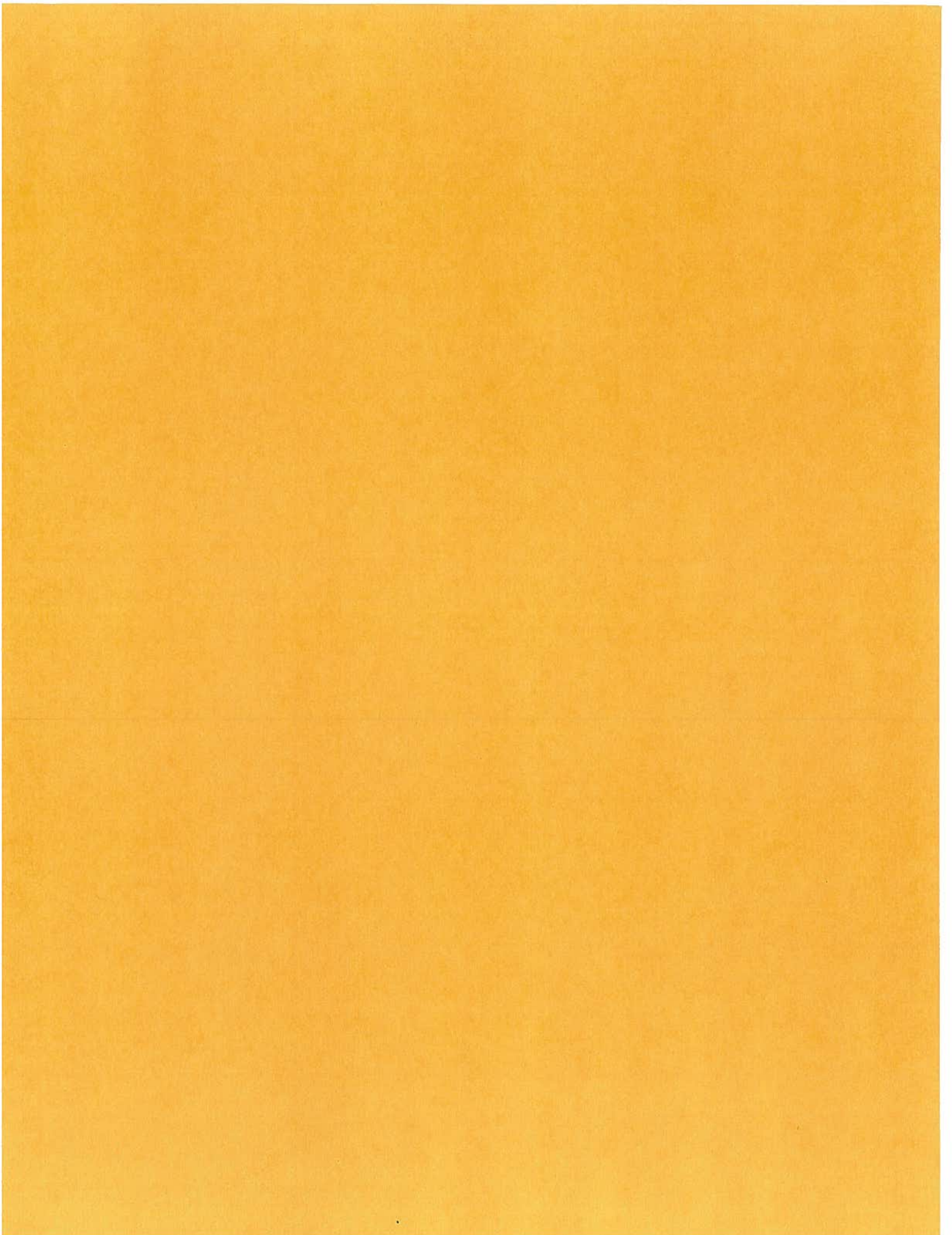


EXHIBIT H  
CAPITAL IMPROVEMENT PROJECTS

Campus and Project Title (Total Cost)	<u>Prefunded</u>	<u>Proposed 1989-90</u>	<u>Projected after 1989-90</u>
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UCSF

Capital Improvements at Mount Zion Hospital and Medical Center, Phase 1	--	P 1,280,000LB W 2,560,000LB C 38,845,000LB	
(\$42,685,000)			

Description

The Phase 1 improvements include six project components which in total would:

- renovate a total of 50,321 assignable square feet;
- construct a total of 15,583 new asf;
- provide 10,000 gross square feet of shell space for future expansion;
- demolish a building of 48,000 gsf; and upgrade building systems in three buildings.

The six project components are described below.

1. Cancer Center/Surgery Expansion

This project component would complete the following: remodel Building H, the current outpatient services building, to develop an outpatient cancer facility; add two floors to Building H for expansion of the surgery program; and relocate two current occupants of Building H displaced by development of the Cancer Center. This project would renovate a total of 28,125 asf, construct 15,583 new asf, and provide 10,000 gsf of new shell space for future expansion.

The Cancer Center would be developed on three floors of Building H (basement and floors 1 and 2) to provide an outpatient facility of 24,890 asf for the comprehensive diagnosis and treatment of cancer.

Expansion of the surgery program would be achieved by adding two floors (approximately 18,000 gsf) to Building H at the third and fourth levels. Approximately 7,160 asf of the new third floor would be built out to provide four new operating rooms, surgery and anesthesia support space, and offices; the balance of the new third and fourth floors would remain as shell space for future development.

Building H is a free-standing two-story plus basement structure in the northwest corner of the Mount Zion property, facing Divisadero and Sutter Streets. The exterior treatment would include development of a new canopied entrance facing Divisadero Street. The building would be seismically strengthened to accommodate the two floor addition.

The project also includes moving the hemodialysis unit and outpatient clinics to other locations at Mount Zion. The hemodialysis unit would move to 3,235 asf of renovated space on the first floor of Building A, one of the two main hospital buildings. A modular medical office building of 8,423 asf to house the outpatient clinics would be built on the site of the Sutter Building (Building F), planned for demolition later in 1990.

This project component is budgeted at \$22,564,000 (excluding capitalized interest) and is scheduled for completion in August 1993.

## 2. Surgery Alterations

This project component would remodel 5,315 asf within Mount Zion's surgical suite on the third floor of Building B to develop an additional operating room and an expanded and modernized post-anesthesia recovery facility. An operating room, an X-ray dark room, and support space would be constructed in 1,410 asf of existing shell space. Approximately 3,905 asf of the existing post-anesthesia recovery facility would be remodeled to include a new 13-bed post-anesthesia facility, with a 3-bed pre-operative holding area, two enlarged cystoscopy procedure rooms, three offices, and support space.

The budget for the surgery alterations component is \$2,438,000 (excluding capitalized interest) and the alterations are scheduled for completion in August 1991.

## 3. Pediatric Rehabilitation and Transitional Care

This project component would remodel a total of 4,646 asf. Part of the project would develop an existing 19-bed pediatrics unit in Building A, sixth floor, east wing, into a 15-bed unit of 3,998 asf providing multilevel care. The unit would consist of nine pediatric rehabilitation beds,



two transitional care beds, and four acute care beds. The unit would include code-mandated activity areas (classroom, playroom, and multipurpose day/dining room), nurses' station, staff offices, conference room, and utility and support space. On the fifth floor of contiguous Building C, 648 asf would be remodeled into pediatric staff offices.

This project component is estimated to cost \$420,000 (excluding capitalized-interest) and is scheduled for completion in December 1990.

4. Psychiatric Unit Relocation and Expansion

This component of the project would remodel approximately 10,365 asf in Building B, north wing, sixth floor to relocate and expand the psychiatric unit from Building J. The new location is currently a vacated nursing unit. The new psychiatric unit would include two single rooms, eleven 2-bed rooms, and three 3-bed rooms all with in-room toilets. Also included would be two TV rooms, two day rooms, a multipurpose dining area, dedicated occupational therapy area, day care/group area, quiet/seclusion room, outdoor patio areas, nursing area, charting area, utility and support areas, examination and interview rooms, staff offices, and a conference room for teaching.

The cost of this project component is estimated to be \$3,889,000 (excluding capitalized interest) and is scheduled for completion in February 1992.

5. Nuclear Medicine Relocation

Another project would remodel 1,870 asf on the second floor of Building R, contiguous to the main hospital buildings, to relocate the Nuclear Medicine Program from the second floor of Building C. The new unit would include three diagnostic procedure rooms (whole body imaging, bone scan, and thyroid), laboratory injection preparation area, film processing and darkroom, two offices, and a patient dressing room and toilet. The project also would provide a reception and waiting area, viewing room, and file storage that would be shared with the Radiology Department. The Nuclear Medicine Department is directed by a physician and has six FTE staff.

This project component is estimated to cost \$665,000 (excluding capitalized interest) and is scheduled for completion in August 1991.

6. Building System Improvements

This component involves four subcomponents (1) demolition of the Sutter Building (Building F), (2) installation of an ethylene oxide scrubber, (3) structural strengthening of

Building D, and (4) upgrading of air and hydronic systems in the main hospital Buildings A and B. These improvements would resolve existing seismic and building system deficiencies, extend the useful life of the hospital, and provide suitable infrastructure to support clinical activity at Mount Zion.

This project would demolish the Sutter Building and provide a site for the modular building which would house the outpatient clinics relocation from Building H (to be completed as part of the Cancer Center/Surgery Expansion project component). This sub-component is scheduled for completion in June 1990.

Another project sub-component would install emission control (scrubber) equipment to reduce the ethylene oxide air emissions from the hospital sterilizer. This subcomponent is scheduled for completion in November 1990.

The one-story Building D, built in 1948, is 9,500 gsf in size and houses central supply processing and receiving; generally it is in good condition. Building D is contiguous to Building C on the east, but structural engineering studies show that Building D cannot maintain its lateral load capacity without the support provided by Building C. This project sub-component would install new shearwalls and would seismically anchor the major mechanical equipment serving Building D. This sub-component is scheduled for completion in November 1991.

The air hydronics systems in Buildings A and B would be replaced and upgraded to meet current State codes by replacing or upgrading the existing air handling equipment as well as by expanding the capability of the system for future use. Buildings A and B are Mount Zion's primary inpatient and ancillary services facilities and were constructed in 1948. A facilities evaluation prepared in 1988 identified a number of deficiencies in the air and mechanical systems that provide domestic hot water, chilled water, steam, vacuum, medical gases, and air. The existing HVAC system is operating at full capacity and would not meet new program requirements. The air filtration system does not meet code requirements. The air chilling system load exceeds system capacity by 32%, causing excessively high room temperatures. The plant boiler and the chiller equipment are located in the same area and must be separated to conform to code. Asbestos insulation on some equipment must be removed. All these deficiencies would be resolved by this project sub-component which is scheduled for completion in December 1992.

The total project cost for Building System Improvements is \$6,232,000 (excluding capitalized interest).

The total budget for all components of the Phase 1 project is \$42,685,000, including capitalized interest during construction and bond issuance costs.

\* \* \*

KEY

Capital Improvement Program Abbreviations

- P... Preliminary Planning
- W... Working Drawings
- C... Construction

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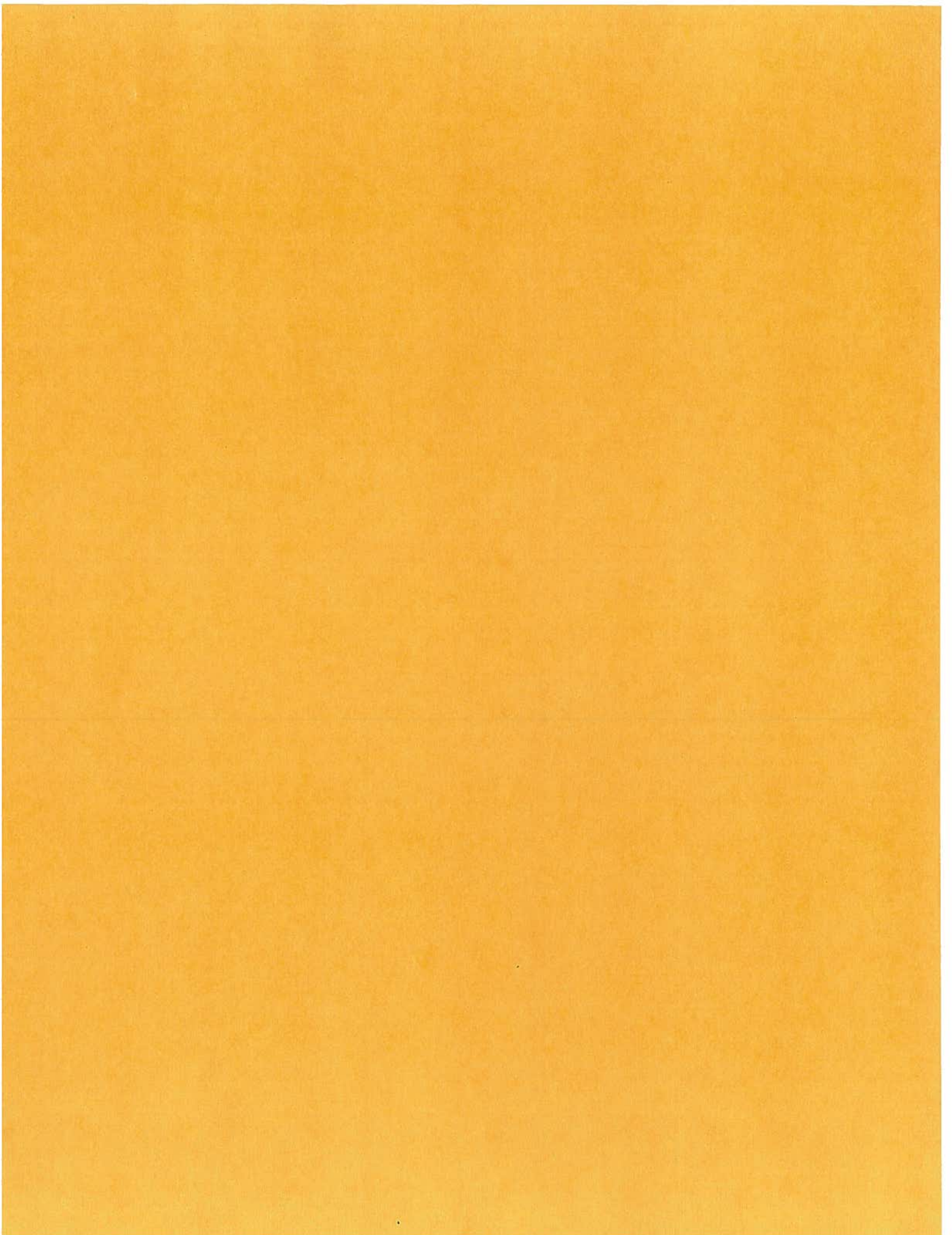


EXHIBIT I

Example

$$\begin{aligned} i &= 4\% & n &= 25 \\ FV &= 11.0 \text{ M } (1.04)^{25} = \$29.32 \text{ M} \\ \text{offset} &= 2.5\% (25) = 62.50\% \\ \text{payment} &= \$29.32 \text{ M } (100.00\% - 62.50\%) = 10.89 \text{ M} \end{aligned}$$

Example Table (4% Inflation)

Year	Base as Escalated (Million)	% Value Remaining	Offset %	Payment (Million)
0	\$ 11.0	100.0%	0%	11.0
5	13.4	87.5	12.5	11.7
10	16.3	75.0	25.0	12.2
15	19.8	62.5	37.5	12.3
20	24.1	50.0	50.0	12.0
25	29.3	37.5	62.5	11.0
30	35.7	25.0	75.0	8.9
35	43.4	12.5	87.5	5.4
40	52.8	0	100.0	0

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