MARIN GENERAL HOSPITAL/MARIN HEALTHCARE DISTRICT

TERM SHEET FOR NEW HOSPITAL LEASE

The following terms comprise the general terms and conditions for a new lease ("New Lease") for the Marin General Hospital (the "Hospital") by and between the Marin Healthcare District (the "District"), as Lessor, and Marin General Hospital corporation ("MGHC"), as Lessee. This term sheet does not contain all of the terms and conditions of the New Lease and does not bind the parties, but describes the major provisions that the parties will address and incorporate into a formal, binding agreement.

1. **Lease Premises.** All of the Hospital and surrounding real property and improvements, subject to Marin County’s co-ownership rights regarding the Mental Health Building parcel.

2. **Term.** Thirty (30) years. Commencement date shall be 12/2/2015 (upon expiration of the term of the existing Lease, which expires on 12/1/2015).

3. **Rent.** Base Rent is $500,000 per year, plus an annual CPI increase, with the first CPI adjustment as of January 1, 2017. MGHC will pay Additional Rent when it achieves both of the following: (a) 150 days of cash on hand, and (b) earnings before interest, depreciation and amortizations ("EBIDA") that is in excess of the higher of (i) 10% of MGHC’s Net Revenue (as determined under GAAP), or (ii) the then-current level of EBIDA as a percentage of Net Revenue required for MGHC to achieve an “A” category credit rating (the “Additional Rent Triggers”). When MGHC achieves both of the Additional Rent Triggers, it shall pay Additional Rent in the amount of 2% of any amount of MGHC’s EBIDA that is in excess of the second Additional Rent Trigger set forth above. Base Rent is payable in advance monthly. Additional Rent, if any, is payable within ninety (90) days after the end of each calendar year. No Additional Rent shall be payable to the extent it would cause MGHC to violate any covenants or requirements of any loan or bond issuance by MGHC that has been approved by the District.

MGHC also shall provide the District for the duration of the Lease (i) such administrative and secretarial support services as the District may require to conduct its affairs, including without limitation bookkeeping, accounting, human resources, record keeping, and information technology support/services, and (ii) such office space, furniture, computer hardware and software, and equipment the District reasonably requires to house its staff and conduct its affairs, whether located on the leased premises or elsewhere. Upon any District request for any such services or support, MGHC shall, as reasonably directed by the District, (1)
designate and/or make available to the District those MGHC employees and personnel and services as reasonably necessary to provide the District with the requested services on a timely basis and in a good, workmanlike and professional manner, or (2) reimburse the District’s direct expenditures for such administrative support. The District’s Board, or one or more District management or staff member(s) designated by District’s Board, shall have authority to determine on the District’s behalf whether MGHC has provided the full scope and quality of the secretarial and administrative services and office space, furniture, computer hardware and software and support, and equipment that MGHC is required to provide to District under this paragraph. The District’s reasonable administrative and support needs under this paragraph, and the reasonableness of any District requests for any additional support/administrative needs, shall be determined based upon the District’s operations and administrative/support needs as of the execution of the New Lease, as contemplated under the New Lease and MGH’s Bylaws and related agreements, which shall include, at the option of the District, the reasonable expense of an executive officer (as may be determined by an independent recruitment firm) as defined in MGHC’s bylaws. If MGHC should need to relocate the District office, it shall do so to space comparable to the space occupied by the District at the beginning of the New Lease and reasonably close to the Hospital, and shall provide the District sixty (60) days advance notice of its intention to do so, advise the District as to its new location, and arrange and pay for the District’s cost of relocation. If the District is dissatisfied with the services of any MGH personnel, the District shall consult in good faith with MGH to determine whether the performance of that employee can be brought to acceptable levels through counsel and assistance, or whether MGH should assign a new replacement staff person. MGHC shall have final decision-making authority on staffing issues, and shall be responsible for employee reviews, evaluation and discipline and all decisions regarding termination of employment. In no event shall MGHC be required to provide in any year during the Lease Term, administrative support, space and supplies in excess of $509,000, plus an annual CPI increase commencing January 1, 2013.

The District has formed, pursuant to California Health & Safety Code Section 1206(b), a health care clinic, which contracts with physicians to provide needed health care services, and owns and operates other business and facilities related to the performance of health care services (collectively, the “District Facilities”). MGHC agrees that, during the Term of the New Lease, MGHC shall fund all District deficits incurred in the operation of the District Facilities in accordance with the procedures set forth in Section 3.4 of the New Lease.

4. **Triple Net Lease.** MGHC, as Lessee pays all taxes, insurance, maintenance and utilities.
5. **Permitted Use.** As a non-profit, general acute care hospital and related ancillary uses.

6. **New Improvements.** As is required to meet the requirements of any financing for the New Improvements obtained by either the District or MGHC, ownership of the New Improvements during the Term of the New Lease may vest in either the District or MGHC, or in a combination of the District or MGHC, or be transferred from MGHC to the District, either for, or without, payment of consideration. Notwithstanding any provision of the Prior Lease to the contrary, title to all of the New Improvements constructed and funded by MGHC prior to the Lease Commencement Date of the New Lease shall remain with MGHC and shall not vest in the District as of the expiration or termination of the Prior Lease. During the Term of the New Lease, the parties shall cooperate in good faith to structure and/or transfer the ownership of any of the New Improvements in order to meet the requirements of any financing for the New Improvements. Notwithstanding the forgoing, any portion of the New Improvements, the ownership of which vests in the District during the Term of the New Lease, shall immediately upon such vesting become part of the Premises leased to MGHC, and any portion of the New Improvements, the ownership of which is vested in MGHC as of the date of termination or expiration of the New Lease, shall become the property of the District as of such date, without any obligation on the part of the District to reimburse or compensate MGHC for such New Improvements or the costs thereof. The District agrees that if MGHC constructs the new parking structure on the Premises that is part of the New Improvements and MGHC finances such construction and development with MGHC’s own funds or funds borrowed by MGHC, then the District, upon MGHC’s written request therefor, which MGHC may give to the District at any time after completion of the parking structure, shall acquire title to the new parking structure from MGHC by paying MGHC from the District’s GO Bond proceeds the full construction/development costs therefor, and the parties shall cooperate in good faith to accomplish same in accordance with the legal requirements regarding the use and application of the District’s GO Bond funds. MGHC understands and acknowledges that (a) the District, as the owner of the Property, is obligated to comply with all seismic retrofit/replacement requirements with respect to the Hospital and the Lease Premises under California State law and that the New Improvements are intended to satisfy the District’s obligations with respect to such requirements, and (b) the deadline for the District’s compliance therewith falls within the New Lease Term.

MGHC acknowledges and agrees that the District has requested and MGHC has agreed that MGHC will perform, at its own cost and expense (other than any General Obligation Bond funding provided by the District), all tasks/work required for the New Improvements, including without limitation, designing the New Improvements, planning, applying for, processing and obtaining all necessary and appropriate approvals, entitlements and permits for
the New Improvements, seeking and obtaining financing/funding for the New Improvements (except that the District will seek to issue General Obligation Bonds to help finance the New Improvements), and implementing, and constructing the New Improvements. MGHC and the District agree that they shall tailor MGHC’s obligations and the scope of MGHC’s tasks/work hereunder to meet the requirements of any financing obtained by either party for the New Improvements. The District, throughout the term of the New Lease, shall take all reasonably necessary and appropriate action to cooperate with and assist MGHC to plan, apply for, process and obtain all necessary and appropriate approvals, entitlements and permits for, seek and obtain financing/funding for, implement, and construct, the New Improvements. The District’s duties hereunder shall include, to the extent necessary and appropriate, the execution and delivery of all applications, plans, drawings, submittals, financial statements and information, and other documents or information, and the District’s reasonable consent to the granting or establishment of any temporary or permanent easements, licenses or other rights over the Hospital property, all as is necessary to further and/or support the installation of the New Improvements.

MGHC shall reimburse the District, as Additional Rent due under the New Lease, upon the District’s invoicing of same to MGHC, all costs, expenses, fees, and charges the District incurs with respect to the New Improvements, and with respect to the District’s efforts to seek and obtain financing/funding therefor, including the funding of efforts to educate the public about, and pay the election costs of, any ballot measures related to public funding of such project, the extension or renewal of the Lease, or similar matters.

7. **Default/Remedies.** Standard commercial lease default provisions, including cross-default provisions relating to bonds and loans requiring District approval (and a requirement to notify the District if there is a default), modified as follows to provide protections likely to be required by lenders/bond market. The District’s right to terminate the Lease for MGHC’s default shall be subject to the following conditions: (a) such termination shall be effective no sooner than six (6) months after the District’s written notice of termination (to allow for transition of hospital assets/operations to the District or its designee in accordance with paragraph 8 below); and (b) District’s satisfaction of all District approved lender/bond holder requirements with respect to security for outstanding loans/bonds (including pledging hospital revenues to the repayment of such debt) and the District accepting/assuming all of MGHC’s obligations under such approved loans/bonds. The District shall have the right to approve any capital expenditures for any improvement, restoration, addition, replacement, or any other enhancement to the Premises, any improvements thereon, or for any Hospital assets that (A) will have a useful life (as determined in accordance with GAAP) that extends beyond the expiration of the Lease, or (B) the financing and/or payments for which, in whatever form, extend beyond the expiration of the Lease in an amount that equals or exceeds twenty percent (20%) of the total
acquisition, leasing, licensing, and/or service agreement costs for such improvement, restoration, addition, replacement, enhancement to the Premises, any improvements thereon, or for any Hospital assets. The District will also have the right to approve any “indenture” borrowing, which is a borrowing for which the security is either the Hospital’s revenues, accounts receivable, a general pledge of the Hospital’s assets, or MGHC’s leasehold interest. At any time prior to the date that is five (5) years before the expiration or termination of the Lease, the District cannot unreasonably withhold, condition or delay, such approval. After that date, the District can withhold, condition or delay such approval in its sole discretion.

8. **Surrender of Hospital/Assets at Lease Expiration.** Upon expiration or early termination of the Lease, subject to the conditions set forth below, MGHC surrenders, assigns, and transfers to the District the Hospital, all Hospital assets, and all affiliated business operations, and everything necessary and appropriate for the uninterrupted operation thereof. The District accepts and assumes all assets, debts (except those that the District properly disapproved under Paragraph 7 above), and obligations of MGHC with respect to the Hospital, all Hospital assets, and all affiliated business operations, including all security interests and liens on the Hospital assets, except for any debts or obligations, or security/liens on any Hospital assets that the District properly disapproved under Paragraph 7 above, or that would cause the District to violate any law, regulation, etc., applicable to the District. In the latter case, MGHC and the District will cooperate to re-structure the obligation or security so that the District can assume same. If that effort fails, and for all properly disapproved debts, obligations and security/liens, MGHC will retain the debt or obligation and the asset(s) subject to such debt/obligation/security, but all other Hospital assets and obligations will be transferred to the District. At expiration or early termination of the Lease, the District shall be entitled to remove and appoint members of the MGHC Board of Directors.

Five (5) years prior to the expiration of the Lease, representatives of the District and MGHC shall form a committee consisting of four members (or such other number as the District and MGHC shall agree) consisting of two members designated by the District and two members designated by MGHC, for the purpose of meeting regularly to discuss entering into a new Lease or planning for the transition of Hospital Assets and operations to the District or its designee, as the parties shall agree, or if they do not agree, as the District shall determine. The parties shall cooperate with and provide each other with all reasonable requested information and resources in connection with such activities.

9. **Limited Amendment Rights.** The Lease will include a provision allowing the parties to amend the Lease as required to meet the requirements of
any lender or bond issuer of either party, provided that the loan or bond issuance has been approved by both parties.

10. **Indemnification.** MGHC to fully indemnify the District for all matters arising from or related to MGHC’s use and occupancy of the Premises and all Hospital operations.

11. **Dispute/Resolution.** The mechanism(s) for resolving disputes arising out of the New Lease will be mediation and arbitration.