MANAGEMENT AND OPERATING AGREEMENT

THIS MANAGEMENT AND OPERATING AGREEMENT ("Agreement") is made and entered into by and between THE CITY OF VALDEZ, a municipal corporation (the "City") and PROVIDENCE HEALTH & SERVICES - WASHINGTON dba PROVIDENCE HEALTH & SERVICES ALASKA, a Washington non-profit corporation authorized to do business in Alaska ("Providence"). The City and Providence may be referred to below collectively as "Parties" and individually as "Party".

RECITALS

Whereas, the City owns and operates the Valdez acute-care hospital (the "Hospital"), the Valdez Extended Care Center, and the Valdez Counseling Center (collectively, the "Health Care Facilities"); and

Whereas, the City, in the interest of sound fiscal management and to ensure the continued operation of the Health Care Facilities in a professional and efficient manner, has requested that Providence enter into this Agreement to manage and operate the Health Care Facilities; and

Whereas, the City desires to continue to provide quality and affordable health care to the residents of Valdez; and

Whereas, the City desires that the Hospital be operated as a stand-alone facility; and

Whereas, Providence owns and operates a number of health care facilities and nursing homes that are operated in keeping with its philosophy, mission and values; and

Whereas, Providence desires to manage and operate the Health Care Facilities subject to the terms and conditions contained herein.

Now, therefore, in consideration of the mutual covenants contained herein, and each of the Parties intending to be legally bound hereby, it is mutually agreed as follows:

1. Appointment; Control; Operations; Limitations.

   (a) Appointment; Agreement to Operate/Manage. The City hereby contracts with and appoints Providence to be the sole and exclusive operator and manager of the Health Care Facilities for the term of this Agreement. Providence hereby accepts such appointment and agrees to operate and manage the Health Care Facilities on behalf of the City consistent with the terms of this Agreement and all applicable laws, regulations and ordinances. Subject to the terms herein, including but not limited to Section 13, Providence assumes all the rights, duties, liabilities and obligations, which shall arise out of Providence's operation of the Health Care Facilities. Notwithstanding anything to the contrary, both Parties understand and agree that any and all services provided by Providence during the term of this Agreement shall be provided solely for the benefit of the City. During the term of this

Agreement and subject to the other provisions of this Agreement, Providence, shall operate the Health Care Facilities, including without limitation, performing or arranging for the provision of the following:

1) Ensure timely deposits into the Accounts (as defined in Section 5) of all receipts and moneys arising from the operation of the Health Care Facilities, and shall make disbursements from such accounts in such amounts and at such times as the same are required;
2) Establish all prices, price schedules, rates and rate schedules for the Health Care Facilities;
3) Negotiate, prepare and execute any such other contracts reasonably necessary or desirable in connection with the operation of the Health Care Facilities in the usual course of business; provided however the auditing firm to be retained by Providence in connection with preparation of the annual audited financial statements for the Health Care Facilities requires City approval;
4) Hire or retain any consultants, accountants, attorneys, or other professional personnel necessary and appropriate to assist Providence in carrying out its duties and responsibilities in accordance with this Agreement;
5) Operate the Health Care Facilities in a manner that is consistent with applicable federal, state and local anti-discrimination laws, including the provision of services to persons at the Health Care Facilities without regard to financial circumstances, or race, creed, color, national origin, religion, sex, disability, or any other protected class.
6) Operate the Health Care Facilities in a manner consistent with their Medical Staff Bylaws and Rules and Regulations, as applicable. The Parties hereby specifically agree to allow Providence, while acting on behalf of the Health Care Facilities, to enter into certain exclusive contracts for the practice of primary care physicians, anesthesiologists, radiologists, pathologists, or other providers for the benefit of the Health Care Facilities;
7) Provide provider credentialing services and any and all other services as reasonably required to facilitate and perform credentialing functions (as applicable) at the Health Care Facilities;
8) Employ or otherwise retain and shall be responsible for selecting, hiring, training, supervising, and firing all management, professional, administrative, clerical, secretarial, bookkeeping, accounting, payroll, billing and collection, clinical staff and other personnel that are reasonably necessary and appropriate for the operation of the Health Care Facilities. Health Care Facilities will maintain parity with geographically competitive market wages, using City of Valdez and related salary scale data to establish salaries for employed personnel.
9) Take all such actions reasonably necessary to cause the Health Care Facilities to continue as participating providers under the Medicare and Medicaid programs;

10) Prepare, execute and file any required documents with governmental or accrediting agencies, including without limitation any Medicare cost reports, provider agreements, and licensing documents; provided, however, that the Medicare cost report consulting firm to be retained by Providence in connection with preparation of the any cost reports for the Health Care Facilities requires City approval;

11) Provide or arrange for the provision of all marketing and public relations services that are reasonably necessary and appropriate for the operation of the Health Care Facilities, as determined by Providence after taking into account the Health Advisory Council's recommendations, if any, related to promoting healthcare and creating awareness of the provision of services and programs by the Health Care Facilities to meet the needs of the local community. The Parties hereby agree that Providence may, during the term of this Agreement, identify the Health Care Facilities as entities under the operational management of Providence;

12) Provide oversight as necessary to assure that building and grounds staff maintain the Health Care Facilities in conformance with applicable fire and life safety codes necessary to maintain each Health Care Facility's respective licensure and accreditation, including but not limited to such standards imposed by the Centers for Medicare & Medicaid Services ("CMS") as a condition of participation in Medicare and/or Medicaid;

13) Collaborate with City supervisors of the Health Care Facilities building and grounds staff, including, upon request of the City, by providing input to the City regarding its hiring decisions or providing documentation requested by the City related to the performance of Health Care Facilities building and grounds staff; provided that, in no event, shall Providence be responsible for any hiring, firing, performance evaluation, discipline or other employment decisions made by the City with respect to City employees;

14) Subject to the last paragraph of this Section 1 hereof, with written notice to the City, Providence may, in its sole discretion defend, assert, settle, or otherwise dispose of any claims, litigation, judgments, or liabilities in connection with the Health Care Facilities, and will notify the City of same;

15) Provide to the City Manager an annual budget for each of the Health Care Facilities;

16) Negotiate, contract for and generally supervise the disposal of all medical waste and/or garbage refuse;

17) Conduct medical educational training programs at the Health Care Facilities, including training of students and residents and other medical/technical personnel, in a manner consistent with applicable governmental regulations and Providence's policies; and

18) Unless otherwise specifically provided in this Agreement, Providence shall be responsible for the

performance of all other acts reasonably necessary in connection with the operation of the Health Care Facilities in accordance with their approved annual budgets and the terms and conditions of this Agreement.

Notwithstanding anything to the contrary in this Agreement, Providence shall not have authority to bind the City or the Health Care Facilities as to the following matters or to perform any of the following on behalf of the City or the Health Care Facilities without first obtaining approval from the City Manager pursuant to Valdez City Code: (i) any sale, lease, exchange, mortgage, pledge, or other transfer or disposition of any of the assets of any of the Health Care Facilities other than in the ordinary course of business; (ii) any fundamental change in the nature of the Health Care Facilities' businesses; (iii) any merger, consolidation or affiliation of any of the Health Care Facilities with another entity; (iv) any material change with respect to the insurance coverage obtained or provided through Providence, unless such change is beyond Providence's reasonable control; and (v) settle or otherwise dispose of any claims, litigation, judgments or liabilities in connection with the Health Care Facilities in excess of $40,000.

(b) Licenses. The City represents that, as of the Effective Date, it has any and all necessary licenses as owner of the Health Care Facilities, and has listed Providence on such licenses as the manager to operate the Health Care Facilities. Providence agrees that it will take all steps necessary to maintain and continue the Health Care Facilities' licenses, permits and certifications for the term of this Agreement. Providence shall provide the City with copies of such licenses, permits and certifications.

(c) General Control of the Health Care Facilities and Responsibilities Retained by the City. Although the City has contracted day-to-day operations and management of the Health Care Facilities to Providence during the term of this Agreement, the City shall continue to own and have financial responsibility for the real property and premises that house the Health Care Facilities, as well as the surrounding grounds, ingress/egress, parking, sidewalks, passageways, and all other common areas adjacent to the Health Care Facilities that are City-owned (the "Health Campus"). The City may allow other tenants to use the Health Campus during the Term of this Agreement, so long as such uses do not interfere with the ongoing provision of health care services on the Health Campus by Providence pursuant to the term of this Agreement. The City's retained responsibilities associated with the Health Campus shall include the following:

1) Costs associated with ownership of the real property on which the Health Care Facilities, and their surrounds are located, as well as the completion of any capital or facility improvements

related thereto, except for such alterations undertaken by Providence as specifically authorized by the City pursuant to Section 4(d) and which are payable pursuant to the terms of this Agreement;

2) Costs associated with the maintenance, alteration, or improvements to the buildings and grounds surrounding the Health Care Facilities, including but not limited to labor-related, equipment, and other costs associated with: grounds maintenance and landscaping for the Health Campus; parking lot maintenance; maintaining traffic flow and signage/indicators for parking and pedestrian areas (e.g., directional striping); snow removal; maintaining safe sidewalks and curbs; and other general maintenance of the grounds, with the exception of front entrance areas maintained by Providence;
3) Costs associated with ambulance and delivery vehicles used by the Health Care Facilities;
4) Costs associated with equipment used to maintain the exterior grounds associated with the Health Campus;
5) Costs associated with maintaining the functional and safe operating conditions, consistent with applicable federal or state statutes, rules, and requirements, of the City-owned real property and capital assets located on the Health Campus, including but not limited to building painting, roofing, siding, plumbing, heating, fire safety, lighting/electrical, and ventilation systems, or other maintenance or repairs, and all costs associated with the Maintenance Building and Hospital Maintenance Staff (as described in Section 8) that support the Health Campus; and
6) Costs associated with utilities serving the Health Campus (e.g., electrical, water, and heating) that are invoiced to the City by Providence for all tenants/users, and which shall be allocated among tenants/users based upon metered electrical use, square footage allocation, or such other mutually agreed upon methodology.

(d) Notifications:

1) Official notifications, reports and communications related to this Agreement shall be made to the City via the City Manager.

(e) Required Notifications: Providence shall notify the City in writing within twenty-four (24) hours of the occurrence of any one or more of the following events:

1) Any loss of licensure by the Health Care Facilities;
2) At such time as Providence becomes aware of any material governmental investigation or disciplinary proceeding relating to the Health Care Facilities;
3) Any of the Health Care Facilities becomes debarred, suspended or otherwise ineligible to participate in any federal or state health care program, including the Medicare and Medicaid programs;
4) At such time as Providence becomes aware of any act of nature or any other event which has a material adverse effect on Providence's ability to operate any of the Health Care Facilities.

(f) Name of Facilities: The Parties hereby agree that during the term of this Agreement the Hospital and the Valdez Counseling Center shall be identified and signed as the "Providence Valdez Medical Center," and the "Providence Valdez Counseling Center," respectively. Upon any termination or expiration of this Agreement, Valdez shall immediately remove any reference to Providence from any ongoing signage, letterhead, and other publications or documents relating to the Hospital, the Valdez Counseling Center, and any of the other Health Care Facilities. Nothing in this Agreement shall be construed as providing Valdez with any rights whatsoever to use the name Providence after any termination or expiration of this Agreement.

(g) Requirements for Providence and City Emergency Medical Services (EMS) Personnel. The Parties hereby agree that during the term of this Agreement they will follow the following requirements with respect to all EMS personnel rendering services on the Health Campus:

1) EMS personnel may enter the Health Care Facilities and Health Campus while on duty, to perform their job functions in transporting, escorting, assisting and when called upon to respond to emergencies at the Health Care Facilities.
2) Beyond the regular practice of their responsibilities to transport and hand-off patients to the Hospital staff, specified EMS personnel, with their supervisor/trainer may be located at the Health Care Facilities to take advantage of education or training opportunities, as long as medical and staff routines can be carried out without disruption.
3) In order for EMS personnel to be present on the Health Campus beyond their usual routine of transporting and escorting patients, the Privacy Officer will ensure that each individual has signed a Confidentiality and Privacy Agreement.
4) All EMS personnel will comply with all applicable policies and procedures that govern their practices except if there is conflict between agency and/or Providence policies, at which time, reconciliation will be made among the Heads of the departments and to the Valdez Fire

Department to ensure standardization of practice and safety of patients/personnel are prioritized at all times.

5) EMS personnel will respect and follow the chain of command for decision-making as it relates to their own supervision and in working with Health Care Facility personnel.
6) Hospital staff will perform all required duties as outlined in their job description and will not delegate any such duties to non- Hospital staff.
7) EMS personnel may only perform functions on Hospital's patients when there are physician orders written specifically for their patients that authorize EMS personnel to perform these clinical tasks (e.g., draw blood work; intubate; start IV's) on them.
8) All patients who are subjects of, or included in, EMS personnel training will be consulted for their consent to allow for such training to occur with the patient's involvement.
9) EMS Instructors are welcomed to train Health Care Facility staff and physicians to their modalities, equipment and methodologies in early response scenarios, and are welcomed to join in certification offerings such as BLS, ACLS, PALs and NRP at the Hospital. Together with Hospital staff, EMS personnel are permitted to access educational resources and pertinent offerings at Hospital.
10) Due to the irregularity of EMS activation and type, any Hospital staff seeking to have more exposure to EMS protocols in early response, or to ride with them during their responses, will have to arrange it on their own time.
11) Prior to escorting a patient in an ambulance during a medical evacuation, Hospital staff will be provided with an orientation of the rig and protocols necessary to provide safe care for the patient during the transport.

2. Effective Date and Term. This **Agreement shall become effective on January 1, 2015** (the "Effective Date"). The term of this Agreement shall be five (5) years from the Effective Date unless sooner terminated as provided herein ("Term"). The Parties may extend the Term for an additional five (5) years based upon mutual written agreement. Such renewal (if applicable) shall be on the same terms and conditions of this Agreement.

3. Admission and Treatment Policy. Providence agrees to treat any and all patients presenting for emergency care to the Hospital in accordance with the Emergency Medical Treatment and Labor Act, 42 USC § 1395dd (EMTALA), and to provide or arrange for services to such patients in accordance with the Hospital's available space, qualified personnel, capabilities, and applicable policies and protocols. Providence agrees it shall not discriminate in the admission of patients or delivery of outpatient services on the basis of financial circumstances, race, creed, color, national origin, religion, sex, disability, or any other protected class. Providence

agrees that any patient seeking treatment at any of the Health Care Facilities has the right to choose the health provider(s) and hospital(s) of the patient's preference. Where transfer to another provider is necessary for any reason, Providence agrees to honor such determinations by patients to the extent possible, and will communicate such directives to attending physician(s) and emergency transportation services.

Providence acknowledges the importance to the people of Valdez of being able to receive care and treatment in a local hospital rather than to be transported out of town and agrees that, except to the extent necessary to meet patient choice or the particular health or safety needs of a patient, Providence will not move or cause patients to move to other facilities arbitrarily. The City has the right to request a retrospective review for any disputed transfer, so long as such review is in compliance with applicable laws and rules governing the security and the confidentiality of individually identifiable patient healthcare information.

4. Reimbursable Expenses. Indirect costs associated with administrative and support services provided to the Health Care Facilities by the Providence Alaska Regional Office and Providence System Office ("System Allocations") are deemed to be recovered in the form of the Annual Fixed Fee as described in Section 7, and will not be billed to the City in addition to the Annual Fixed Fee. Other than for System Allocations, any and all direct and indirect costs, including without limitation those expenses described below, and budgeted and unbudgeted operating or capital costs actually incurred by Providence in connection with its operation of the Health Care Facilities pursuant to this Agreement, shall be deemed "Reimbursable Expenses" subject to the reimbursement provisions of this Agreement:

(a) Operating Expenses. In accordance with the operating and capital budgets adopted annually, or as otherwise expressly approved by the City, Providence will incur costs generally associated with the operation of Health Care Facilities ("Operating Expenses"). In the event the City and Providence discontinue their contractual relationship, the costs incurred by the Health Care Facilities in winding down and closing out its relationship with the City shall be deemed Operating Expenses which are recoverable as Reimbursable Expenses under this Agreement.

(b) Supplies. Providence shall be entitled to use, as a part of the operations of the Health Care Facilities, the supplies maintained at the Health Care Facilities on the Effective Date. Providence shall, as part of its Operating Expenses, supply and maintain all expendable hospital/medical supplies as may be required in Providence's discretion for the proper operation of the Health Care Facilities. Upon termination of this Agreement, Providence will leave behind all of the supplies in inventory as well as floor stock items maintained at the Health Care Facilities.

(c) Equipment Expenses. In accordance with the annual operating and capital budgets, or as otherwise expressly approved by the City, Providence will incur costs to maintain equipment (regardless of ownership), or to purchase replacement or additional equipment, used by Providence in the provision of healthcare services within the Healthcare Facilities ("Equipment Expenses"), which shall be Reimbursable Expenses under this Agreement. The City will retain title to all Health Care Facilities' equipment owned by the City, and any replacement or additional equipment purchased by Providence under this Section shall be the City's property and shall be identified as such.

(d) Alterations. Providence shall have the right to make alterations, additions, improvements and renovations to the Health Care Facilities, the costs of which shall be recoverable as Reimbursable Expenses, provided: 1) Providence shall notify the City with respect to any such work requiring any substantial expenditure; 2) Such work shall not adversely affect the structural integrity of the Health Care Facilities or diminish the value thereof; 3) Any such work shall be performed in a good and workmanlike manner and in conformance with all applicable building, fire and health regulations; and 4) The City shall have approved in writing such work in advance, such approval to not be unreasonably withheld.

5. Disposition of Funds, Reporting and Administration.

(a) Funds originating from the operation of the Health Care Facilities and collected by Providence pursuant to this Agreement shall be received, handled, managed and disposed of as follows:

1) Providence shall deposit all funds received by it from the operation of the Health Care Facilities and all amounts advanced by the City in a jointly held bank account or accounts bearing the name of one or more of the Health Care Facilities (hereinafter the "Accounts") in a bank or trust company approved by the City and Providence. Such funds shall in no event be commingled with other City or Providence funds. Providence shall have no liability or responsibility for any loss resulting from the insolvency, malfeasance or nonfeasance of the bank or banks in which such funds are deposited.

2) Providence has the right to make withdrawals from and use the Accounts for the purposes of operating the Health Care Facilities and performing their obligations hereunder, paying Providence's compensation hereunder, and paying the Reimbursable Expenses described in Section 4, until the expiration or termination of this Agreement, at which time Providence shall resign as co-signatory for the Accounts.

3) Signatories and approvals as to the amounts on all checks drawn from the Accounts shall be in accordance with the policies and procedures mutually agreed to by Providence and the City.

(b) Providence will perform all billing and collection activities for the Health Care Facilities' accounts receivables, will process accounts payable, and will provide such other administrative, accounting and clerical services as are necessary. All revenues and cash collections including those from patients, third-party payors and other sources billed and collected by Providence, and arising out of or related to services rendered during the term of this Agreement, or any predecessor agreement(s) between the parties related to the subject matter hereof, and all grants or portions thereof attributed to the Health Care Facilities arising out of or related to the Health Care Facilities during the term of this Agreement, shall be used first to offset Reimbursable Expenses of the Health Care Facilities incurred on or after the Effective Date. Providence shall appropriately collect all amounts billed for services provided at the Health Care Facilities. The excess, if any, of such revenues over such expenses shall accrue to the Accounts, and be applied in the City's sole discretion, to pay debt service on the City's existing revenue bonds related to the Health Care Facilities, the costs of repairs, renewals, improvements or additions to the Health Care Facilities, or to cover past, present or future losses. Providence and the City agree that, in the absence of exigent circumstances, the Accounts will maintain a balance equal to ninety (90) days of operating expenses.

(c) Providence shall provide the City with audited year-end financial statements for the Health Care Facilities within 120 days after the end of each year. Within ninety (90) days after the end of the fiscal year, Providence shall prepare and deliver to the City an operational report that shall provide information on services provided, new programs and services that have been initiated, programs and services that have been terminated or relocated to other facilities, statistics on patients treated, and other information of interest to the City and the community. Providence shall provide the City with an electronic copy of the report for distribution among the City officials and members of the community. Upon request by the City, Providence will make a representative available to make presentations to the Valdez City Council and community groups concerning the annual report. The information to be shared under this paragraph shall not include protected health information covered by applicable federal or state laws and rules governing the security and the confidentiality of individually identifiable patient healthcare information, including but not limited to the Health Insurance Portability and Accountability Act of 1996 and regulations adopted there under ("HIPAA").

(d) Providence shall maintain all financial, medical and hospital records, including admitting registers , schedules of room rentals, patients' insurance records, pertinent hospital personnel records and such other information and records as are necessary to the continued operation of the Health Care Facilities. Original copies of medical and hospital records shall be maintained and stored at one or

more of the Health Care Facilities or at another facility acceptable to Providence. Record retention and destruction will occur in accordance with the Providence Health & Services Retention Guidelines, which are based on state and federal law.

(e) By no later than September 15th of each Operating Year during the term of this Agreement, Providence shall submit and recommend to the City an operating and capital budget for the Health Care Facilities. Providence will use reasonable efforts to operate the Health Care Facilities consistent with their respective budgets. Under the terms of this Agreement, the City shall have the right to review and approve Providence's proposed annual operating and capital budgets, and the City and the Administrator will meet annually or as requested by the City Manager, to discuss which known or projected expenditures for the Health Campus should be approved. Providence shall provide the City with monthly updates comparing each Health Care Facility's actual financial performance to the approved budget during the course of each year to ensure that the City is fully aware of the financial performance of the Health Care Facilities on a monthly basis.

Providence will provide the City with monthly financial reports, including current revenues, expenses and cash flow projections, prepared in accordance with generally accepted accounting principles. The monthly reports shall include comparisons to budgeted amounts and prior year historical analysis comparisons. Providence will provide the City with detailed trial balances of each general ledger account with prior year historical comparisons, upon request. The City shall have access to all financial information related to the Health Care Facilities.

(f) The City agrees to defend, indemnify and hold Providence harmless against all claims, liability and expense resulting from acts or omissions of any of the Health Care Facilities in connection with any agreements assigned to Providence and relating to the period prior to Providence's management and operation of the Health Care Facilities.

6. Working Capital and Cash Flow.

(a) Providence will pay Reimbursable Expenses as they become due, using funds from the Accounts. Providence will assure that all Reimbursable Expenses will be paid consistent with the various terms and conditions of vendors, as well as the annually approved operating and capital budgets or other express City approvals, and applicable regulations.

(b) Throughout the Term of this Agreement, the City shall ensure that sufficient funds are available in the Accounts to pay Reimbursable Expenses, which for purposes of this Section shall mean funds sufficient to cover ninety (90) days of Daily Operating Expenses for the Health Care Facilities, as determined in Exhibit A. Reimbursable Expenses include payment of any and all expenses, debts, obligations, and liabilities incurred by Providence relating to the operation of the Health Care Facilities, other than as expressly excluded under Section 4. In the event Providence provides written notice to the City of an actual or likely shortfall or deficit of such funds outside the annual budgeting process, the City agrees to deposit that amount into the Accounts within thirty (30) days to offset such shortfall or deficit.

(c) The Parties agree that the City may need to advance an annual supplement to the Health Care Facilities during the term of this Agreement, to offset expected operating shortfalls and/or provide a desired reserve capacity. Prior to each fiscal year, Providence shall forecast its annual Operating Expenses/Revenues and calculate the City's operating supplement pursuant to Exhibit A herein. Supplement requests shall be forwarded to the City in accordance with the City's annual budget schedule. Following adoption of the City budget by the City Council, the City shall pay the entire supplement amount to Providence within the first forty-five (45) days of the City's fiscal year or as otherwise agreed upon by both Parties. In the event (i) the City fails to deposit any required amount under this Section, (ii) the City fails to approve the estimated annual shortfall amount for any Operating Year during the term of this Agreement, or (iii) the Parties are unable to reach mutual agreement in a timely manner (as reasonably determined by Providence) with respect to any Operating Year's estimated annual shortfall amount, Providence may terminate this Agreement by providing the City with thirty (30) days advance written notice of such termination. It is the express intent that sufficient working capital will be present to preclude the need for Providence to advance or fund working capital.

(d) The Parties agree that it is desirable to allow for the growth of reserve capacity in the Accounts beyond the minimum set forth herein. Therefore Providence shall be permitted to use surplus operating revenues to increase the total balance in the Accounts to cover up to one hundred and twenty (120) days of Daily Operating Expenses.

(e) Surplus operating revenues resulting in Accounts balance in excess of one hundred and twenty (120) days of Daily Operating Expenses shall be applied as follows, (i) to the City's next installment of the Annual Fixed Fee and/or subsequent operating supplement, (ii) to any costs associated with the City's

retained responsibilities in Section 1(c) of this Agreement, or (iiii) to accumulate in the Accounts for future community health care investments, as determined solely by the City.

7. Annual Fixed Fee. For each twelve (12) month period beginning as of the Effective Date and continuing throughout the Term of this Agreement thereafter (each such twelve (12) month period, an "Operating Year"), the City shall pay Providence a periodic fixed fee ("Annual Fixed Fee") as compensation to Providence for its management and administrative services under this Agreement, including all System Allocations, but exclusive of any Reimbursable Expenses directly incurred by Providence under Section 4. The Annual Fixed Fee will be payable by the City in equal monthly installments, in arrears, and will be prorated in any partial Operating Year(s). The Annual Fixed Fee for the initial Operating Year, beginning on the Effective Date, will be a total of Six Hundred Thousand Dollars ($600,000). For each subsequent Operating Year beginning on or after January 1, 2016, the Annual Fixed Fee will be adjusted annually based on the Consumer Price Index for each twelve-month period (Anchorage, Alaska, All Urban Consumers – Not Seasonally Adjusted, Base:1982-1984. Both Parties understand and agree that the City has other financial obligations to Providence pursuant to the terms of this Agreement.

8. Employment. All personnel of the Health Care Facilities during the term of this Agreement shall be employees of Providence, with the exception of certain temporary labor required from time to time to sustain operations, EMS personnel employed by the City or other third parties, and those City employees involved in maintenance activities described below. Providence shall adopt its own employment policies and procedures. Providence agrees to select and hire an individual to serve as the Administrator of the Health Care Facilities (the "Administrator"). The City shall have the right to participate in, and ask for a review process regarding, the selection of an Administrator. The Administrator shall be Providence's primary representative with respect to communications to the City. All of Providence's employee costs related to the provision of services under this Agreement are deemed to be Reimbursable Expenses, except as otherwise noted in Section 4.

Notwithstanding any provision to the contrary in this Section 8, the Parties hereby agree that the City shall continue to employ its maintenance worker staff, including specifically the buildings, grounds, and maintenance workers primarily responsible for maintenance, repair and upkeep of the Health Care Facilities, who carry out the City's retained responsibilities described in Section 1(c) above (the "Hospital Maintenance Staff"). The City shall ensure that the Hospital Maintenance Staff provide such services consistent with the terms of this Agreement throughout its Term and, in the event that any of the Hospital Maintenance Staff are unavailable for any reason including vacation or sick leave, provide suitable replacement staff for such services during such periods. All reasonable and ordinary non-salary costs associated with the Hospital Maintenance Staff, including specific

hospital-related training and uniform stipends, shall be paid for by the Hospital and constitutes a Reimbursable Expense.

9. Medicare and Medicaid Reimbursement. From and after the Effective Date, Providence shall maintain Medicare and Medicaid certification and shall prepare all Medicare/Medicaid cost reports relating to the Health Care Facilities in a timely manner. Providence will meet CMS deadlines and will make cost reports available to the City when complete. All expenses incurred within this Section 9 are considered Reimbursable Expenses and shall be paid as such. The City may elect, as an added Reimbursable Expense, to have the cost reports analyzed by a financial consultant.

10. Site Conditions and Environmental Matters.

(a) The City will provide to Providence any and all requested documentation regarding the construction or expansion of the Hospital as laid out in the Master Facility Plan (MFP), as suggested by the Mayor's Task Force, and/or as may be approved by the Valdez City Council including but not limited to, plans, drawings, technical specs, and "punch lists" prior to completion. Providence assumes no liability with respect to construction or expansion of the Health Care Facilities, or the condition of the soil or subsoil, or any other conditions of the real property on which the Health Care Facilities are located.

(b) Providence will not cause or permit the Health Care Facilities to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce, or process any hazardous substances except in compliance with all applicable environmental laws, nor shall Providence cause or permit as a result of any intentional or unintentional act or omission on the part of Providence the release of any hazardous substances on the Property.

(c) In undertaking their respective obligations under this Agreement, the Parties will at all times and in all respects comply with all applicable environmental laws.

(d) Providence agrees to immediately notify the City if Providence becomes aware of (i) any hazardous substance or other environmental problem or liability with respect to the Health Care Facilities, or (ii) any lien, action or notice resulting from violation of any of the laws, regulations, ordinances, or orders defined as environmental laws. Providence shall take all actions that are necessary or desirable to clean up any and all hazardous substances released in, on, or under the Health Care Facilities after the Effective Date and, except as provided in Section 10(e) below, any costs associated thereto shall be a Reimbursable Expense.

(e) Providence shall indemnify, defend, and hold the City harmless from and against any and all claims, demands, damages, losses, liens, costs, and expenses (including attorneys' fees and disbursements) which accrue to or are incurred by the City arising directly from (i) any activities within the Health Care Facilities during the term of this Agreement caused by Providence's negligence which directly resulted in the Health Care Facilities being contaminated with hazardous substance; (ii) the discovery of hazardous substances at the Health Care Facilities whose presence was caused during the term of this Agreement by Providence's negligence; and (iii) the clean-up of hazardous substances at the Health Care Facilities whose presence was caused during the term of this Agreement by Providence's negligence. Providence's negligence as used in this Section 10(e) includes actions by any officer, agents, contractor or employee of Providence.

(f) The City shall indemnify, defend, and hold Providence harmless from and against any and all claims, demands, damages, losses, liens, costs, and expenses (including attorneys' fees and disbursements) which accrue to or are incurred by Providence arising directly or indirectly from or out of or in any way connected with (i) any activities within the Health Care Facilities prior to the Effective Date which directly or indirectly resulted in the Health Care Facilities being contaminated with hazardous substances; (ii) the discovery of hazardous substances at the Health Care Facilities whose presence was caused prior to the Effective Date; (iii) the clean-up of hazardous substances on at the Health Care Facilities whose presence was caused prior to the Effective Date; and (iv) the clean-up of hazardous substances at the Health Care Facilities whose presence was caused during the term of this Agreement by the City's negligence. The City's negligence as used in this subsection 10(f) includes actions by any officer, agents, contractor or employee of the City.

11. Condition on Surrender. Upon termination or expiration of this Agreement, Providence shall surrender the Health Care Facilities to the City in substantially the same condition as exists on the Effective Date, except for reasonable wear and tear, depreciation, construction and demolition required or permitted under the terms of this Agreement or previous agreements between the Parties, and damage by fire and other risks covered by the insurance described in Section 12.

12. Insurance.

(a) Providence shall either obtain or continue occurrence-based, general liability insurance relating to the Health Care Facilities as Providence, in its sole opinion, deems necessary and sufficient, and maintain such liability insurance coverage for the Health Care Facilities during the term of this Agreement. Such

insurance shall provide coverage for personal injuries, death, or property damage to the Health Care Facilities in an amount of at least five million dollars ($5 million) per occurrence and ten million dollars ($10 million) annual aggregate; provided, however that Providence's reasonable allocated cost for providing or continuing such insurance on the City's behalf shall be deemed a Reimbursable Expense. In addition, Providence shall maintain insurance, in reasonable amounts, subject to reasonable terms, provisions and customary exclusions, for professional liability and workers' compensation for all Providence employees who provide services at the Health Care Facilities pursuant to this Agreement, as described more fully in Exhibit B. Providence shall also maintain automobile, crime, directors and officers, property earthquake and fiduciary insurance coverage (as requested by the City) relating to the Health Care Facilities, and maintain such insurance coverage for the Health Care Facilities during the term of this Agreement. Any insurance obtained or provided by Providence under this Section may be provided by insurance or alternative risk programs which may include self-insurance programs, provided such alternative risk or self-insurance programs are fully funded (as described in Exhibit B) for any reasonably projected liabilities, and contain customary and reasonable deductible and coinsurance amounts. The City hereby acknowledges that Providence has informed it of Providence's insurance's deductible/co-insurance amounts, as required under Exhibit B. The Reimbursable Expenses will include the payment of such deductible/coinsurance amounts. All costs incurred by Providence under the terms of this Section 12(a) shall be deemed Reimbursable Expenses payable by the City pursuant to the terms of this Agreement. The Reimbursable Expenses shall include the payment of such deductibles/co-insurance in the event of any loss or casualty covered under the insurance provided by Providence hereunder.

(b) The City hereby acknowledges and agrees that upon the earlier of the termination or expiration of this Agreement, Providence shall no longer provide nor arrange for the provision of any insurance of any kind whatsoever to the Health Care Facilities.

(c) The minimum amounts and types of insurance required under this section shall be subject to revision in accordance with standard insurance practices, in order to provide continuously throughout the Term of this Agreement, a level of protection consonant with good business practice and accepted standards in the industry. Such factors as increases in the cost of living shall be utilized in assessing whether the minimum insurance requirements should be increased.

All insurance policies shall include a waiver of subrogation and shall provide for thirty (30) days notice to the City of cancellation and/or material change in policy terms. All such policies shall be written either by insurance companies legally authorized to do business in the State of Alaska and acceptable to the

City, or by self-insurance under the same terms as the policies for healthcare centers or clinics owned or operated by Providence, and acceptable to the City. The City shall be named as an additional insured party on each such policy of insurance, and certificates thereof shall be furnished to the City. Nothing herein shall be construed as a representation by the City as to the sufficiency of any insurance coverage for any purpose.

13. No Assumption of Liability; Indemnification.

(a) During the term of this Agreement, Providence shall not assume or be liable for any claim, liability, or obligation of the Health Care Facilities, whether known or unknown, fixed or contingent, accrued or unaccrued, arising from Providence's operation of the Health Care Facilities pursuant to this Agreement, except where such claim, liability or obligation arises from Providence's negligence or material breach of this Agreement.

(b) During the term of this Agreement, the City shall not assume or be liable for any claim, liability or obligation arising from the Health Care Facilities, except where (i) otherwise provided or contemplated during this Agreement, or (ii) such claim, liability or obligation arises from the City's negligence or material breach of this Agreement.

(c) The Parties will defend, indemnify and hold each other harmless from any loss, claim or damage arising from the negligent acts and omissions of their respective employees, officers and agents, including negligence connected with performing their obligations under this Agreement. In the event that loss or damage results from the conduct of more than one Party, each Party agrees to be responsible for its own proportionate share of the claimant's total damages under the laws of the State of Alaska.

(d) Providence shall have no obligation for, and the City shall indemnify and hold Providence harmless from and against, any and all liability with respect to any claims resulting from the negligence of the City or its agents or employees, or any claims arising out of acts or omissions which occurred prior to the Effective Date.

14. Assignment. This Agreement may not be assigned by Providence except in whole to an affiliate of Providence, as "affiliate" is defined in AS 10.06.990(2). Each and every provision of this Agreement shall inure to the benefit of and shall be binding upon the successors in interest of Providence and the City.

15. Termination. This Agreement may be terminated as follows:

(a) Without Cause. Either Party shall have the option, in its sole discretion, to terminate this Agreement by giving the other Party at least twelve (12) months prior written notice of termination.

(b) Termination by Providence Based on Religious and Ethical Directives. Providence shall not be obligated to provide any services at the Health Care Facilities that are in conflict with the Providence Health & Services Mission and Core Values and the Roman Catholic moral tradition as articulated in such documents as *"The Ethical and Religious Directives for Catholic Health Care Services,"* as amended from time to time. Providence shall at all times have the right, power and duty to operate the Health Care Facilities in accordance with, and to make decisions that in Providence's reasonable discretion are necessary or desirable to comply with such Mission and Core Values. If at any time during the Term, as a result of changes to federal or Alaska law or regulations, Providence shall be required to operate the Health Care Facilities in a manner that is not consistent with such Mission and Core Values, then at its option, Providence may terminate this Agreement upon sixty (60) days advance written notice.

(c) Termination for Cause.

1) In the event of a material breach of this Agreement by either Party, other than as described in Section 15(c)(2)-15(c)(5) below, this Agreement may be terminated for cause by providing written notice to the breaching Party, describing the breach that has occurred. The breaching Party shall have thirty (30) days from receipt of such notice to cure the breach and provide evidence of the cure to the other Party. This cure period may be extended by mutual written agreement. If the breach is not cured during such cure period to the reasonable satisfaction of the non-breaching Party, the Agreement will terminate thirty (30) days following the end of the cure period.

2) This Agreement shall automatically terminate, unless otherwise agreed to by both Parties, in the event either Party files a petition in voluntary bankruptcy, makes an assignment for the benefit of creditors, or takes any other action voluntarily or involuntarily under any state or federal statute for the protection of its debtors.

3) This Agreement may be terminated immediately if: (i) either Party attempts to limit or otherwise avoid its obligations set forth in Section 13 of this Agreement; (ii) either Party becomes debarred, suspended or otherwise ineligible to participate in any federal or state health care program, including the Medicare and Medicaid programs; or (iii) the City may immediately terminate this Agreement if it is determined that Providence is in breach of Section 22.

4) The dissolution or liquidation of Providence, other than as the result of merger, affiliation, or consolidation under conditions permitting continued full compliance with the terms of this Agreement, shall be cause for termination by the City.

5) The cessation by Providence of use of the Health Care Facilities for the purposes contemplated hereunder for a period of thirty (30) consecutive days, except for periods when the same may be untenantable or where Providence is prevented from carrying out such operations due to circumstances beyond its reasonable control (e.g., war, government enactment, public disaster), shall be cause for termination by the City, and no pro-rated portion of the Annual Fixed Fee shall be owed following such cessation of use.

16. Winding Up. Upon the termination or expiration of this Agreement, the following procedure shall be followed after the effective date of expiration or termination ("Termination Date"):

(a) Providence shall work cooperatively with the City to facilitate a smooth transition of the operation/management of the Health Care Facilities.

(b) The City shall retain as its property any equipment at the Health Care Facilities as of the Termination Date to the extent that such equipment was acquired with the City's funds. The City may purchase, free and clear of any encumbrances, any equipment owned by Providence and used and located primarily at the Health Care Facilities at its then net book value. Notice of the City's exercise of this option shall be effected by notice given at any time before the Termination Date. Providence shall have the right to remove from the Health Care Facilities, at its expense, any or all equipment owned by Providence that the City has not elected to retain under this paragraph.

(c) Consistent with the terms of Section 22, Providence shall give the City, or such other person identified by the City, all records required for continued operations of the Health Care Facilities, provided that the City shall ensure that the recipient of any such records complies with, and takes such steps as may be necessary to permit the transfer of such records under, applicable federal or state laws and rules governing the security and the confidentiality of individually identifiable patient healthcare information.

(d) The Parties shall cooperate so that all licenses and permits incident to operation of the Health Care Facilities can be transferred or changed to an operator identified by the City, including, but not limited to

transfer of ,or change in information on, permits for and inventories of alcohol, narcotics and dangerous drugs. Providence will file a final cost report within forty-five (45) days after termination.

(e) All accrued revenues and expenses related to the ordinary course of business of the Health Care Facilities shall be the City's. Such expenses shall include any fees owed to Providence under this Agreement and an amount equal to the final biweekly payroll costs. Subject to Section 8 of this Agreement, the City shall not be responsible for (i) accrued but unused leave related to Providence employees rendering services to the Health Care Facilities, except to the extent that such leave was earned during the term of this Agreement; and (ii) sick leave earned prior to the Term of this Agreement. Subject to Section 8 of this Agreement, the City shall be responsible only to pay the regular pension, insurance, and retirement contributions related to Providence employees rendering services to the Health Care Facilities during the Term of this Agreement, but not to pay additional pension benefits, retirement benefits, or any other claims, obligations or liabilities with respect to Providence's employees.

17. Notices. Any notice permitted or required hereunder shall be in writing and shall be deemed given on the date delivered in person, sent by electronic mail or fax, or deposited in the United States certified or registered mail, postage prepaid, and addressed as follows:

To the City:
City of Valdez
P.O. Box 307
Valdez, Alaska 99686
ATTN: City Manager
Fax: 907.835.4313

To Providence:
Providence Health & Services - Washington
dba Providence Health & Services Alaska
3200 Providence Drive
P.O. Box 196604
Anchorage, Alaska 99519-6604
ATTN: Chief Executive, Alaska Region
Fax: 907-212-2884

Such addresses may be changed by either Party by ten (10) days prior written notice to the other Party.

18. Authority. Each individual executing this Agreement on behalf of Providence or the City represents and warrants that he or she is duly authorized to execute and deliver this Agreement on behalf of such Party, that all actions by such organization have been taken to authorize execution, delivery and performance of this Agreement, and that this Agreement is binding upon such Party. The individuals signing on behalf of Providence further

warrant and represent that they are authorized to act on behalf of Providence in all matters relating to this Agreement.

19. Representations and Warranties of Providence. As of the Effective Date, Providence hereby represents and warrants to its knowledge as follows:

(a) Providence is a Washington non-profit corporation in good standing under the laws of the State of Washington and authorized to do business in Alaska.

(b) Providence has full corporate power and authority to carry on its business as now conducted and to enter into this Agreement. The execution and delivery of this Agreement has been authorized by proper corporate action, and this Agreement constitutes a valid and legally binding obligation of Providence.

(c) Except as may have already been obtained, no consent or approval of any trustee or holder of any indebtedness or obligation of Providence, and no consent, approval, permission, authorization, order, or license of any governmental authority, is required to be obtained by Providence for the execution and delivery of this Agreement or any other instrument or agreement required of Providence under this Agreement.

(d) Providence is not subject to any charter, bylaw, or contractual limitation or provision of any nature whatsoever which in any way limits, restricts, or prevents Providence from entering into this Agreement or from performing any of its obligations hereunder.

(e) Neither the execution and delivery of this Agreement, and the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the provisions hereto, materially conflicts with, violates, or breaches any charter, bylaw, or stock provision of Providence, any of the material terms, conditions, or provisions of any indenture, instrument, or agreement to which Providence is a party or by which Providence is bound, any statute, rule or regulation, or any judgment, decree, or order of any court or agency binding on Providence, or constitutes a default under any of the foregoing which has not been waived or consented to in writing by the appropriate party or parties, or results in the creation or imposition of any lien, charge, security interest, or encumbrance of any nature whatsoever upon any of the property or assets of Providence not permitted under the terms of any restriction, agreement, instrument, statute, governmental rule or regulation, court order, judgment, or decree.

(f) To the knowledge of Providence, there is no action, suit, proceeding, inquiry, or investigation by or before any court, governmental agency, or public board or body pending or threatened against Providence which (i) affects or seeks to prohibit, restrain, or enjoin the execution and delivery of this Agreement, (ii) affects or questions the validity or enforceability of this Agreement, or (iii) questions the power or authority of Providence to carry out the transactions contemplated by, or to perform its obligations under, this Agreement.

(g) When duly executed, this Agreement will be enforceable against Providence according to its terms, except as may be limited by bankruptcy, insolvency, reorganization, or other laws affecting creditors' rights generally as amended from time to time.

(h) Any certificate signed by an officer of Providence duly authorized to execute such certificate and delivered pursuant to this Agreement shall be deemed to be a representation and warranty by Providence as to the statements made therein.

(i) The execution, delivery, or performance of this Agreement or consummation of the transactions contemplated by this Agreement or compliance by Providence with any of the provisions of this Agreement will not violate any statute (including Alaska's Certificate of Need laws), rule, regulation, ordinance, code, order, judgment, ruling, writ, injunction, decree, or award.

20. Representations and Warranties of the City. The City hereby represents and warrants that neither the execution, delivery nor performance of this Agreement nor the consummation of the transactions contemplated by this Agreement, nor compliance by the City with any of the provisions of this Agreement, will:

(a) Violate or conflict with any provision of Valdez's City Charter or any Valdez City Council resolution;

(b) Violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice and/or lapse of time, would constitute a default) under, terminate, accelerate the performance required by, or result in a right of termination or acceleration under any of the terms, conditions or provisions of any material contract, plan, indebtedness, note, bond, indenture, security or pledge agreement, commitment, license, lease, franchise, permit, agreement, or other instrument or obligation (i) to which the City is a party or (ii) by which the assets relating to the Health Care Facilities are bound; or

(c) Violate any statute (including Alaska's Certificate of Need laws), rule, regulation, ordinance, code, order, judgment, ruling, writ, injunction, decree or award.

21. Parties in Interest. Nothing in this Agreement expressed or implied is intended or shall be construed to confer upon any person, other than the Parties hereto, any right, remedy or claim, legal or equitable, under or by reason of this Agreement, this Agreement being intended to be and being for the sole and exclusive benefit of the Parties hereto.

22. Confidential Information. Providence shall comply with all laws, regulations, directives or requirements in any form related to operating and managing hospitals and health care facilities, including, but not limited to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the Health Information Technology for Economic and Clinical Health Act ("HITECH"), or the American Recovery and Reinvestment Act of 2009 ("ARRA"), and regulations adopted thereunder. The City shall not have access to Protected Health Information as defined by HIPAA, other than as provided for in Section 16. The City has read 45 C.F.R. 164.504(e), understands Providence's position is that 45 C.F.R. 164.504(e) applies to this Agreement, and that Providence therefore has the following obligations:

Providence agrees to hold all Protected Health Information that may be shared, transferred, transmitted, or otherwise obtained pursuant to this Agreement strictly confidential, and provide all reasonable protections to prevent the unauthorized use or disclosure of such information, including, but not limited to the protection afforded by applicable federal, state and local laws and/or regulations regarding the security and the confidentiality of patient health care information. Providence further agrees to make every reasonable effort to comply with any regulations, standards, or rules promulgated pursuant to the authority of the HIPAA, including those provisions listed below. Providence may use and disclose Protected Health Information when necessary for Providence's proper management and administration (if such use or disclosure is the minimum necessary), to carry out Providence's specific legal responsibilities pursuant to this Agreement, or as required by law. Specifically, Providence agrees as follows to:

(a) Maintain administrative, physical, and technical safeguards as necessary to ensure that the Protected Health Information is not used or disclosed except as provided herein and to protect the confidentiality, integrity, and availability of Protected Health Information including implementing required and procedures with respect to Protected Health Information and the privacy and security rules implementing HIPAA, HITECH, or the ARRA;

(b) Mitigate, if possible, any harmful effect known to Providence of a use or disclosure of Protected Health Information by Providence or any subcontractor of Providence;

(c) Ensure that any subcontractors or agents to whom it provides Protected Health Information will agree in writing to substantially similar restrictions and conditions that apply with respect to such information;

(d) Make available respective internal practices, books and records relating to the use and disclosure of Protected Health Information obtained pursuant to this Agreement to the Department of Health and Human Services or its agents;

(e) Incorporate any amendments or corrections to Protected Health Information when notified that the information is inaccurate or incomplete;

(f) Return or destroy all Protected Health Information obtained pursuant to this Agreement that Providence still maintains in any form and not to retain any such Protected Health Information in any form upon termination or expiration of this Agreement, if feasible or, if not feasible, Providence agrees to limit any uses of Protected Health Information after this Agreement's termination or expiration to those specific uses or disclosures that make it necessary for Providence to retain the information;

(g) Ensure applicable policies are in place for providing access to Protected Health Information to the subject of that information;

(h) To report to the City, by no later than thirty (30) days, any acquisition, access, use or disclosure of Protected Health Information, including successful breaches of unsecured Protected Health Information, which is not provided for in the Agreement, and if requested by the City, to report unsuccessful security incidents; and

(i) Make Protected Health Information and an accounting of disclosures available to the individual who is the subject of the information, to the extent required by HIPAA/HITECH or the ARRA.

Breach of this section shall be considered material.

23. Access to Books and Records. Pursuant to 42 U.S.C. § 13995x(v)(1), until the expiration of four (4) years after the furnishing of services under this Agreement, Providence shall make available, upon written request

by the City, the Comptroller of the United States Department of Health and Human Services, or upon request by the Comptroller General of the United States General Accounting Office, or any of their duly authorized representatives, a copy of this Agreement and such books, documents and records as are necessary to certify the nature and extent of the services furnished by Providence under this Agreement. If Providence carries out any of its duties under this Agreement through a subcontract, with a value or cost of ten thousand dollars ($10,000) or more over a twelve (12) month period, with a related organization of Providence, such subcontract shall contain a clause to the effect that until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract, the related organization shall make available, upon written request by the Secretary of the United States Department of Health and Human Services or upon request by the City, the Comptroller General of the United States General Accounting Office, or any of their duly authorized representatives, a copy of such subcontract and such books, documents and records as are necessary to verify the nature and extent of such costs.

24. Miscellaneous.

(a) This Agreement constitutes the entire agreement between the Parties with respect to the operation of the Health Care Facilities. Any prior representations and agreements are of no effect. No subsequent alteration, amendment, change or addition to this Agreement shall be binding upon the City or Providence unless reduced to writing and executed by the Parties.

(b) This Agreement shall be governed by and construed in accordance with the laws of the State of Alaska, and venue for all disputes shall be in Anchorage, Alaska.

(c) If any term, covenant or condition of this Agreement, or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term, covenant or condition to other persons and circumstances shall be valid and enforceable to the fullest extent permitted by law.

(d) The terms, covenants and conditions hereof shall be binding upon and shall inure to the benefit of the Parties hereto and their respective legal representatives, successors and assigns.

(e) The Parties have agreed to form a Health Advisory Council ("HAC"), which shall be comprised of those members as specified in the Health Advisory Council's Bylaws, as currently in effect or hereinafter amended. During the Term of this Agreement, one HAC member will be eligible to participate as a voting member on the Providence Alaska Region Community Ministry Board, which will vote on the operations of the Health Care Facilities. Such person is designated by the Chairperson of the HAC and its

members, but must be approved by Providence. The Parties hereby acknowledge and agree that Providence may require the City to replace its appointee to the Providence Alaska Region Community Ministry Board at any time during the Term of the Agreement. In such event, any such replacement shall be designated by the City, on the recommendation of the HAC Chairperson, and subject to approval by Providence. The City may replace its appointees to the HAC at any time during the Term of the Agreement, provided it provides Providence with at least thirty (30) days advance written notice of such action, and identifies in such notice the replacement person or persons. During the Term of this Agreement, the HAC will provide feedback and guidance to Providence regarding the operation of the Health Care Facilities, provided, however, that all such guidance received shall be non-binding and advisory in nature only.

(f) Nothing in this Agreement expressed or implied is intended or shall be construed to confer upon any person, firm, or corporation, other than the Parties hereto, any right, remedy or claim, legal or equitable, under or by reason of this Agreement, this Agreement being intended to be and being for the sole and exclusive benefit of the Parties hereto.

(g) Nothing in this Agreement, and no performance of either Party hereunder shall cause the relationship of the Parties to be that of principal and agent, partners, or joint ventures, or cause the Parties to be associated in any manner other than as independent contractors. Each Party shall be solely responsible for the workers' compensation, retirement, insurance or other benefits, if any, afforded to their respective employees.

(h) The Parties to this Agreement will perform their obligations hereunder consistent with applicable federal, state and local laws.

(i) The representations, warranties, and covenants of each Party set forth in this Agreement, including, without limitation, the indemnities and obligations provided for in Sections 5(f), 10(e)- (f), 13, 16, 19, and 20 are separate and distinct obligations of the respective Party, independent of that Party's obligations otherwise provided herein, and shall continue in effect after any termination or expiration of this Agreement, until the completion of those obligations or the expiration of the applicable statute of limitations (with extensions) relating to the causes of action at issue, as applicable.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives as of the dates set forth below.

SIGNATURES:

PROVIDENCE HEALTH & SERVICES - WASHINGTON
dba Providence Health & Services Alaska

By: _____
Bruce Lamoureux

Its: Vice President/Chief Executive Officer,
Providence Alaska Region

Date: 1-14-2015

CITY OF VALDEZ

By: _____
John Hozey

Its: City Manager

Date: 12/18/14

By: _____
Larry Weaver

Its: Mayor

Date: 12/30/14

ATTEST:

_____
Sheri L. Pierce, CMC/AAC, City Clerk

SEAL OF THE CITY OF VALDEZ, ALASKA INC. 1901

APPROVED AS TO FORM:

_____
Attorney for the City of Valdez

EXHIBIT A

Working Capital and Supplement Calculation Methodology

Daily Operating Expense Calculation:

Providence will calculate the total value of one (1) day's operating expenses as follows and report this to the City with each annual budget request:

Actual audited operating expenses for the Health Care Facilities for the two (2) immediate preceding years will be averaged together and then divided by three hundred sixty-five (365) days to obtain a base daily number. This base number will then be adjusted for inflation by six percent (6%). This inflation adjusted daily value will be used to determine the adequacy of cash balances for compliance with Section 6 of this Agreement.

Annual City Supplement Calculation:

Providence will calculate the annual City supplement for the Health Care Facilities using the following methodology:

1. Providence prepares a detailed annual operating budget approximately four (4) months before the beginning of the new fiscal year.

2. Assumptions and forecasts are made about the Health Care Facilities' operations (number of patient visits, reimbursement rates, operating expenses, price increases, etc.) for the coming year, as well as gross revenue, contractual deductions and expenses. Rationale supporting these assumptions and forecasts (i.e. historical trends, etc.) will be reported to the City each year.

3. A resultant net profit or net loss is projected for the upcoming fiscal year.

4. If a net profit is projected the City will not supplement the Health Care Facilities, and excess profits will be used in conformance with Section 6 of this agreement.

5. If a net loss is projected the City will supplement as follows:

Gross Revenue	$X
Less: Contractuals	$Y
Less: Expenses (excluding Depreciation)	$Z
City Supplement Amount (X – Y – Z)	Total

Note: The Annual Fixed Fee is separate from the City supplement calculation and will be paid each year except as provided in Section 6(e).

EXHIBIT B

Insurance Deductible & Co-Insurance Amounts

Pursuant to the Agreement, Providence has agreed to procure or provide certain insurance coverage in connection with its operation of the above facilities on behalf of the City (described herein and in Section 12), which are Reimbursable Expenses under the Agreement.

The facilities are:

- **Providence Valdez Medical Center**
  A Critical Access Hospital and nursing home.

- **Providence Valdez Counseling Center**
  A community mental health and substance abuse treatment and prevention agency.

The insurance coverage detailed below as in effect on the Effective Date will need to be acknowledged in writing by the following City officials, and information on annual increases in deductibles or premiums payable for such coverage, if any, shall be made available to the City upon request:

1. City Manager
2. Mayor
3. City Attorney

A. General and Professional Liability

Providence has a program of self-insurance that is fully funded to a 75% confidence level, confirmed by an actuarial consulting firm which specializes in self-insurance programs for healthcare entities. This program will cover up to $10 million per claim with a $55 million annual aggregate for all negligent acts of Providence employees within the course and scope of their employment at the above facilities throughout the Term of this Agreement. No tail coverage will be required since this program will remain in full force and effect. There is also an additional $100 million in reinsurance coverage for General and Professional Liability with "A-" or better Best Rated reinsurers. Providence will keep this or similar coverage in full force and effect.

Insurance-related Reimbursable Expenses will be calculated based upon a System-wide premium allocation formula, which factors in loss payments and open reserves. Insurance has been purchased for the purpose of lowering the amount considered in the premium allocation formula. The premium allocation formula will be presented and explained by Providence Health & Services Alaska's Chief Financial Officer.

The deductible amount is **$-0-**.

B. Automobile Coverage

Providence maintains self-insurance coverage for any Providence-owned automobiles. The System-wide premium is calculated per year, per vehicle, including excess insurance. Premiums will vary each year and **renewals occur on June 1 of each year.** Additional premium will be required if there are more or new vehicles subject to coverage. Providence Commercial Reinsurance Coverage sits on top of the self-insurance automobile policy as set for the above.

The deductible amount for this coverage as of the Effective Date is **$2000** per event, but will increase to $5000 per occurrence on June 1, 2015.

C. Property / Earthquake Insurance

Providence has replacement value property / earthquake coverage (contents and business interruption) with an "A-" rated carrier. The City will cover and separately insure the structures and buildings.

For most losses, the deductible amount for this coverage as of the Effective Date is **$500,000**, with a formula-driven (5% of the total values at risk, subject to a minimum of $500,000) earthquake deductible for any Alaska location.

D. Helipad Coverage

This Providence coverage of up to $20,000,000 is placed with a commercial insurer, and is based on the number of anticipated helipad landings.

Premium cost is allocated to the facility based on the number of landings. The deductible amount for this coverage is **$-0-**.

E. Directors and Officers

Providence has commercial coverage through an "A" rated carrier. This policy covers all Providence Director and Officer malfeasance or non-feasance (except illegal or intentional wrong), with a deductible of $500,000 per claim, as of the Effective Date. The policy also covers employment practices above $750,000 per claim (including defense costs); amounts above $250,000 per claim (including defense costs), up to $750,000 per claim (including defense costs) are covered by the Providence Self-Insured Trust. There are separate deductibles and limits for class actions and antitrust.

The applicable deductible amounts for this coverage as of the Effective Date are:

D&O	**$500,000** for the facility (however this depends on the allegation; in some instances, such as an antitrust allegation there is also a co-insurance amount that is the responsibility of the facility.)
EPL	**$500,000** ($1,000,000 for physician claims)
Antitrust	**$1,000,000**
Class Actions	**$1,500,000**

F. Crime (Employee Theft)

Commercial crime coverage is provided through a commercial insurer. The deductible amount for this coverage as of the Effective Date is **$500,000**.

G. Fiduciary (Employee Benefits.)

Commercial coverage is provided through a commercial insurer. The deductible amount for this coverage as of the Effective Date is **$100,000**.

H. Workers' Compensation

Providence has a fully funded self-insured trust for its workers' compensation liabilities. There is excess coverage above $1 million per claim.

Premium allocation will be adjusted by Providence during the year according to loss payments and open claim reserves. Additional information can be obtained from System Risk.

The deductible amount for this coverage is **$-0-**.

059.30
950.2.7

THIS AMENDMENT NO. 1 TO
MANAGEMENT AND OPERATING AGREEMENT
BETWEEN THE CITY OF VALDEZ
AND
PROVIDENCE HEALTH & SERVICES – WASHINGTON
DBA PROVIDENCE HEALTH & SERVICES ALASKA

This Amendment No. 1 ("Amendment No. 1") to the Management and Operating Agreement ("Agreement") between the City of Valdez ("City") and Providence Health & Services-Washington dba Providence Health & Services Alaska ("Providence") is made this 1st day of January, 2016. Providence and the City may be referred to in this Amendment as a "Party" or, collectively, as the "Parties."

RECITALS

WHEREAS, the City and Providence are Parties to a Management and Operating Agreement ("Agreement") which became effective January 1, 2015 and which expires December 31, 2019; and

WHEREAS, said Agreement provides for Providence's management of Providence Valdez Medical Center, the Valdez Extended Care Center, and the Valdez Counseling Center (collectively, the "Health Care Facilities"); and

WHEREAS, said Agreement authorizes Providence to employ or otherwise retain and maintain responsibility over all personnel that are reasonably necessary and appropriate for the operation of the Health Care Facilities, except for building, grounds, and maintenance staff; and

WHEREAS, the City has retained authority under the Agreement for employment and oversight of personnel responsible for buildings, grounds, and maintenance at the Health Care Facilities, but has found it increasingly resource-intensive to maintain operational aims and meet regulatory standards as the Health Care Facilities buildings and grounds have aged; and

WHEREAS, Providence has expertise and economies of scale to capably address the needs of the aging buildings and grounds, and the Parties share an ongoing commitment to cooperate in the sharing of resources to further the ends of improving healthcare in the community and to seek cost efficiencies that will assist in preserving and maintaining the Health Care Facilities' buildings and grounds; and

WHEREAS, as a result of the above, the Parties desire to amend the Agreement to allow Providence rather than the City to hire, train, supervise, fire, and maintain oversight over those personnel responsible for buildings, grounds and maintenance at the Health Care Facilities.

AMENDMENT

NOW THEREFORE, the parties hereby agree as follows:

1. **Revised Section 1(a) (8):** Section 1(a)(8) to the Agreement is hereby amended and replaced in its entirety as follows:

> 8) Employ or otherwise retain and shall be responsible for selecting, hiring, training, supervising, and firing all management, professional, administrative, clerical, secretarial,

bookkeeping, accounting, payroll, billing and collections, clinical staff, buildings, grounds and maintenance staff, and other personnel that are reasonably necessary and appropriate for the operation of the Health Care Facilities. Health Care Facilities will maintain parity with geographically competitive market wages, using City of Valdez and related salary scale data to establish salaries for employed personnel.

2. **Revised Section 1(a) (13):** Section 1(a)(13) to the Agreement is hereby deleted in its entirety.

3. **Renumber Sections 1(a)(14)-1(a)(18):** Sections 1(a)(14)-1(a)(18) shall be renumbered as Sections 1(a)(13)-1(a)(17).

4. **Revised Section 1(c) (5):** Section 1(c)(5) to the Agreement is hereby amended and replaced in its entirety with the following:

> 5) Costs associated with maintaining the functional and safe operating conditions, consistent with applicable federal or state statues, rules, and requirements, of the City-owned real property and capital assets located on the Health Campus, including but not limited to building painting, roofing, siding, plumbing, heating, fire safety, lighting/electrical, and ventilation systems, or other maintenance or repairs.

5. **Revised Section 8:** Section 8 to the Agreement is hereby amended and replaced in its entirety with the following:

> 8. Employment. All personnel of the Health Care Facilities during the term of this Agreement shall be employees of Providence, with the exception of certain temporary labor required from time to time to sustain operations, and EMS personnel employed by the City or other third parties. Providence shall adopt its own employment policies and procedures. Providence agrees to select and hire and individual to serve as the Administrator of the Health care Facilities (the "Administrator). The City shall have the right to participate in, and ask for a review process regarding, the selection of an Administrator. The Administrator shall be Providence's primary representative with respect to Communications to the City. All of Providence's employee costs related to the provision of services under this Agreement are deemed to be Reimbursable Expenses, except as otherwise noted in Section 4.

6. **Capitalized Terms**. All capitalized terms in this Amendment shall have the same meaning given to such terms in the Arrangement unless otherwise specified in this Amendment.

7. **Continuation of Arrangement**. Except as specifically amended pursuant to the foregoing, the Arrangement shall continue in full force and effect in accordance with the terms in existence as of the date of this Amendment. After the date of this Amendment, any reference to the Arrangement shall mean the Arrangement as amended by this Amendment.

The Parties have executed this Amendment on the date first above written.

CITY OF VALDEZ:

RECOMMENDED:

By: Dennis Ragsdale
Dennis Ragsdale
City Manager

Date: 2-11-16

APPROVED:

By: Larry Weaver
Larry Weaver
Mayor

Date: 02/25/2016

ATTEST:

By: Sheri L. Pierce, MMC
Sheri L. Pierce, MMC
City Clerk

SEAL OF THE CITY OF VALDEZ, ALASKA INC. 1901

APPROVED AS TO FORM:

Brena, Bell, & Clarkson, P.C.
Attorney for the City of Valdez

By: _____
Anthony Guerriero

PROVIDENCE HEALTH & SERVICES - WASHINGTON dba Providence Health & Services Alaska

By: Bruce Lamoureux
Bruce Lamoureux
Vice President/Chief Executive

Date: 2-10-16

950.2.7

ADDENDUM NO. 2 TO
MANAGEMENT AND OPERATING AGREEMENT

This Addendum relates to the Management and Operating Agreement with effective date January 1, 2010, executed by the undersigned parties (the "Agreement").

The parties hereby agree as follows:

There shall be a new Exhibit D, as attached, added to the Agreement.

This Addendum shall be effective as of September 1, 2013. Except as otherwise specifically provided herein, the terms of the Agreement shall remain in full force and effect. This Addendum shall be attached to and incorporated into the Agreement.

Providence Health & Services Washington d/b/a
Providence Health & Services Alaska

By Bruce Famouseuk

Its SVP/CEO

Date 11-22-2013

The City of Valdez

By

Its CITY MANAGER

Date 12/2/13

EXHIBIT D

Necessary Training for Providence and City Personnel

1. As with current Operating Practices, EMS crew on duty, may enter hospital premises to perform their job functions in transporting, escorting, assisting and when called upon to respond to emergencies at the Medical Center.

2. Beyond the regular practice of their responsibilities to transport and hand-off patients to the Medical Center staff, specified EMS staff , with their supervisor/trainer may be located at the Medical Center to take advantage of education or training opportunities, as long as medical and staff routines can be carried out without disruption.

3. In order for EMS crew to be present on hospital premises beyond their usual routine of transporting and escorting patients, the Privacy Officer will ensure that each individual has signed a Confidentiality and Privacy agreement.

4. All EMS personnel will comply with the policies and procedures that dictate their practices except if there is conflict between agency policies at which time, reconciliation will be made among the Heads of the departments to ensure standardization of practice and safety of patients/personnel are prioritized at all times.

5. EMS crew will respect and follow the Chain of Command for decision making as it relates to their own supervision and in working with Medical Center personnel.

6. Hospital staff will perform all required duties as outlined in their job description and will not delegate any such duties to non-employed staff.

7. EMS staff may only perform functions on Medical Center's patients when there are physician orders written specifically for their patients to allow for EMS personnel to perform these clinical tasks (eg. Draw blood work; intubate; start IV's, etc) on them.

8. All patients who are subjects of their training will be consulted for their consent to allow for training to occur with them.

9. EMS Instructors are welcomed to train Medical Center staff and physicians to their modalities, equipment and methodologies in early response scenarios. They are welcomed to join into certification offerings such as BLS, ACLS, PALs and NRP at the Medical Center. Together with Medical Center staff, they are able to access educational resources and pertinent offerings.

10. Due to the irregularity of EMS activation and type, any hospital staff seeking to have more exposure to EMS protocols in early response, or to ride with them during their responses will have to arrange it on their own time.

11. Prior to escorting a patient in an Ambulance during a Medivac, Medical Center staff will be provided with an orientation of the rig and protocols necessary to provide safe care for the patient during the transport.