

## SUMMARY OF LEASE PROVISIONS

### Purpose

The purpose of the Lease by and between LHA and the City of Lakewood is to continue the services and traditions of the Hospital for generations to come. The Lease relieves the City of Lakewood of any obligations or necessity of providing tax monies to subsidize the operation of the Hospital. LHA is free to compete on a fair and equal basis with other hospitals. Because of the Lease, LHA has been able to enter business relations necessary to insure its financial well-being, continue existing services and develop new programs. The parties signed the Amended & Restated Lease on December 23, 1996, enabling LHA to execute the Definitive Agreement with The Cleveland Clinic Foundation ("CCF"). (See "Summary of Definitive Agreement Provisions" also under this tab.)

### Parties to Agreement

The Lessor is the City of Lakewood. The Lessee is LHA, a non-profit corporation organized for the charitable purpose of operating the Hospital and its related health care facilities and services. The Member of LHA is CCF.

### Governing Body

Under this Lease, the Hospital is governed by the LHA Board of Trustees ("Governing Board"). The Governing Board will provide management of the Hospital. As the Member, CCF reserves certain corporate powers, which require Member's approval prior to the Board's action. (See Article II of the Code of Regulations.)

The Governing Board has twenty-three trustees, consisting of four ex-officio members (the immediate past President of the Medical Staff; Mayor of the City of Lakewood; and two members of the Council of the City of Lakewood [representing the political parties with the largest and second largest number of representatives in Council] selected by Council); three representatives of community organizations of the City nominated by the Council of the City; four members, two of whom are nominated by the Mayor and two by the Council; three members nominated by CCF; and nine general members selected by the Hospital. All trustees, except the ex-officio and CCF trustees, are ratified by CCF prior to appointment.

The Governing Board will elect its own Chairperson and Vice Chairperson.

Meetings of the Governing Board shall be open to the public to assure a full disclosure of the operations of the Hospital unless the Governing Board determines that public discussion or action by the Governing Board would be detrimental to the interests of the patients of the Hospital or the welfare of the residents of the City or the Hospital.

## **SUMMARY OF DEFINITIVE AGREEMENT PROVISIONS**

### ***Purpose***

LHA and CCF entered into the Definitive Agreement on December 19, 1996. The purpose of this Agreement is to enable the integration of LHA & CCHS. Through this integration, the parties will work to have LHA become an active participant in CCF integrated delivery system, participate in CCF's managed care strategy and to expand quality care and access to care in LHA's Service Area through its development of family health centers.

### ***Member***

Upon the filing of the Amended Articles of Incorporation on March 11, 1997, CCF became the Sole member of LHA.

### ***Corporate Governance***

Certain significant actions of the Board of Trustees require approval of the Member, but may not be exercised independently by CCF, such as a change to LHA's Articles of Incorporation and Code of Regulations; and merger or consolidation of LHA with another entity.

As Member, CCF will appoint the Chief Executive Officer, who must be approved by the Board of Trustees.

The affiliation provides:

- LHA will become a participant in CCF's integrated delivery system while LHA will maintain its separate corporate identity.
- LHA will participate in CCF's managed care strategy and become a member of Cleveland Health Network.
- LHA will maintain a cash to debt ratio of 1:1.
- LHA will maintain average annual capital expenditure of \$5,000,000 per year over a rolling ten-year period.
- CCF will provide \$10,000,000 over the first five (5) years of the Affiliation to enhance LHA's competitive position.
- Opportunity for CCF and LHA jointly to develop and/or operate individual services or programs.
- Opportunity to establish medical education programs with LHA as a residency rotation site.

**Lakewood Hospital Association  
Trustee Orientation**

**Governing Documents**

Lakewood Hospital Code of Regulations

Lease between the City of Lakewood and Lakewood Hospital

Definitive Agreement between the Cleveland Clinic Foundation and Lakewood Hospital

CCHS Western Region Code of Regulations

**Powers of the Cleveland Clinic Foundation**

- Amendment to Articles of Incorporation and Code of Regulations
- Merger/dissolution
- Management contract, lease with third party involving significant portion of assets
- Appointment of auditors
- Unbudgeted capital expenditures in excess of \$500,000
- Incurrence of guarantee of indebtedness in excess of \$500,000
- Annual operating and capital budgets
- Strategic plans
- Implementation of new or elimination of services
- Appointment of CEO
- Unilateral right to terminate CEO
- Managed care strategy
- Appointment of 3 trustees and ratification of 16 trustees
- If Lakewood fails to meet cash generation, CCF shall provide daily management, subject to Board, and appoint new CEO (without Board approval) for 3 years from end of Deficiency Period

**Obligations of The Cleveland Clinic Foundation**

- Guarantee of cash-to-debt ratio of 1:1
- Guarantee capital expenditures of Lakewood average of \$5 million per year over rolling 10-year period, \$3 million over rolling 3-year period (75% in City of Lakewood)
- \$10 million over 5 years to Lakewood for development/improvement of programs (75% in City of Lakewood)
- CCF affiliated and employed physicians within Service Area, including Westlake satellite, maintain privileges at Lakewood Hospital
- Upon Lakewood's request:
  - joint operation of specialty services at Lakewood
  - establishment and operation of medical education programs with Lakewood as residency rotation site
  - establishment of programs to improve administrative efficiency and cost reductions and other clinical/administrative services

**Powers of the City of Lakewood**

- Required services
- Appointment of 3 trustees
- Nomination of 7 trustees

**Responsibilities of an Individual Trustee****Duty of Loyalty**

- Conflict of Interest (Physician)
  - Disclosure
  - Act in good faith
- Confidentiality of actions

**Duty of Care**

- Informed decision-making
- Good faith actions
- Reasonable inquiry

**Participate in Corporate Compliance**

- Inquire
- Semi-annual reporting

**Oversee Medical Staff**

- Credential medical staff
- Evaluation of patient care in accordance with community standards
- Fair hearing
- Approval of Medical Staff Bylaws

**Insurance**

- Ohio non-profit indemnification
- Directors & Officers
  - Negligent credentialing
  - Employment
  - Direction of business affairs
  - Breach of contract
- General and Professional Liability
- Immunity for physician disciplinary actions

*MWa:Orientation Summary 10/6/00*

# LAKWOOD City/Hospital Partnership

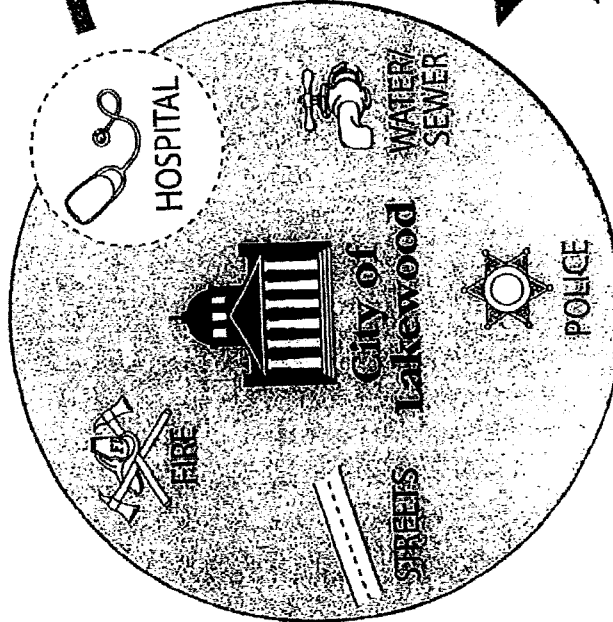
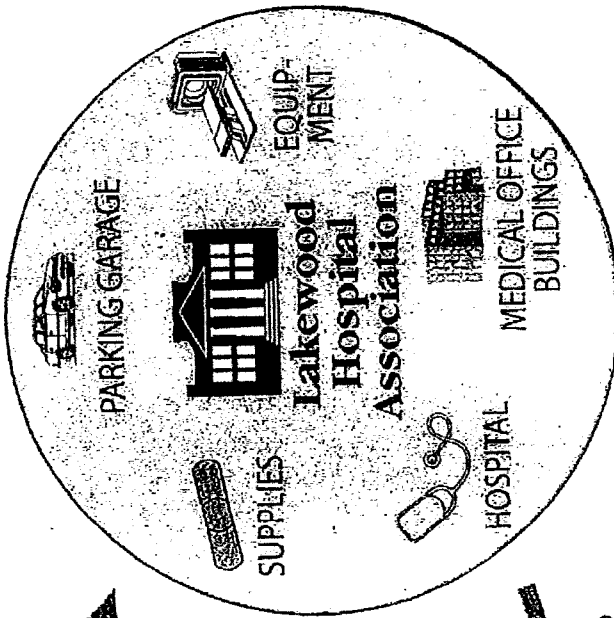
**THEN**  
1906-1986

All assets leased by  
Lakewood Hospital  
Association

\$1 million annual  
rent paid to City

All assets returned to  
City of Lakewood  
at end of lease

**NOW**  
1986-present



*Current - some portion of now part of City*

*Assets returned most of which by lease -*

*Medical equipment -*