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State of California
DEPARTMENT OF JUSTICE



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September 23, 2016

Sent by Internet and U.S. Mail

Kimberlee Rotchy, Asst. General Counsel
Sutter Health
2000 Powell Street, Suite 1200
Emeryville, CA 94608

RE: Proposed Change In Control And Governance Of Adolescent Treatment Centers, Inc.
d/b/a Thunder Road and Donation Of Real Property

Dear Ms. Rotchy:

Pursuant to Corporations Code section 5920 *et seq.*, the Attorney General hereby conditionally consents to the proposed change in control and governance of Adolescent Treatment Centers, Inc. doing business as Thunder Road, a California nonprofit public benefit corporation, to Bay Area Community Services, Inc., a California nonprofit public benefit corporation, and to the donation of Thunder Road's real property from Sutter East Bay Hospitals doing business as Alta Bates Summit Medical Center, a California nonprofit public benefit corporation, to Bay Area Community Services, a California nonprofit public benefit corporation, as set forth in the written notice filed on July 11, 2016.

Corporations Code section 5923 and California Code of Regulations, title 11, section 999.5, subdivision (f) set forth factors that the Attorney General shall consider in determining whether to consent to a proposed transaction between a nonprofit corporation and another nonprofit corporation. The Attorney General has considered such factors and consents to the proposed transaction subject to the attached conditions that are incorporated by reference herein.

Sincerely,

[Original Signed]

WENDI A. HORWITZ
Deputy Attorney General

For KAMALA D. HARRIS
Attorney General

Attachment
LA2016502270/62070798.doc

Conditions to Change in Control and Governance of Adolescent Treatment Centers, Inc. and Transfer of Real Property and Approval of the Member Substitution and Donation Agreement by and among Adolescent Treatment Centers, Inc., Sutter East Bay Hospitals, Bay Area Community Services and Bay Area Community Services Housing Corporation

I.

These Conditions shall be legally binding on Adolescent Treatment Centers, Inc. d/b/a Thunder Road, a California nonprofit public benefit corporation, Sutter East Bay Hospitals d/b/a Alta Bates Summit Medical Center, a California nonprofit public benefit corporation, Bay Area Community Services, Inc., a California nonprofit public benefit corporation, and Bay Area Community Services Housing Corporation, a California nonprofit public benefit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Adolescent Treatment Centers Inc. or the real property on which Thunder Road Chemical Dependency Recovery Hospital and Group Home¹ is located, any and all current and future owners, lessees, licensees, or operators of Thunder Road Chemical Dependency Recovery Hospital and Group Home, and any and all current and future lessees and owners of the real property on which Thunder Road Chemical Dependency Recovery Hospital and Group Home is located.

II.

The transaction approved by the Attorney General consists of the Membership Substitution and Donation Agreement dated April 1, 2016, any agreements or documents referenced in or attached as an exhibit to the Membership Substitution and Donation Agreement. Adolescent Treatment Centers, Inc., Sutter East Bay Hospitals, Bay Area Community Services, Inc., and Bay Area Community Services Housing Corporation shall fulfill the terms of the Member Substitution and Donation Agreement and any other documents referenced therein and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of these agreements. Such notifications shall be provided at least thirty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923.

¹ Throughout this document, the term "Thunder Road Chemical Dependency Recovery Hospital and Group Home" shall mean the 50-bed chemical dependency recovery hospital and group home located at 390 – 40th Street, Oakland, CA 94609, included on the two licenses issued to Adolescent Treatment Centers, Inc. (one by the California Department of Public Health to operate a chemical dependency recovery hospital effective January 5, 2016, and one by the California Department of Social Services' Community Care Licensing Division to operate a group home effective December 29, 1993).

III.

For five years from the closing date of the Membership Substitution and Donation Agreement, Adolescent Treatment Centers, Inc., Sutter East Bay Hospitals, Bay Area Community Services, Inc., Bay Area Community Services Housing Corporation, and all future owners, managers, lessees, or operators of Thunder Road Chemical Dependency Recovery Hospital and Group Home shall be required to provide written notice to the Attorney General and obtain the Attorney General's consent at least ninety days prior to entering into any agreement or transaction to do any of the following:

(a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Thunder Road Chemical Dependency Recovery Hospital and Group Home;

(b) Transfer control, responsibility, management, or governance of Adolescent Treatment Centers, Inc. The substitution or addition of a new corporate member or members of Bay Area Community Services, Inc., Bay Area Community Services Housing Corporation, or Adolescent Treatment Centers, Inc. that transfers the control of, responsibility for or governance of Adolescent Treatment Centers, Inc. shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of Bay Area Community Services, Inc., Bay Area Community Services Housing Corporation, or Adolescent Treatment Centers, Inc. or any arrangement, written or oral, that would transfer voting control of the members of the governing body of Bay Area Community Services, Inc., Bay Area Community Services Housing Corporation, or Adolescent Treatment Centers, Inc. shall also be deemed a transfer for purposes of this Condition.

IV.

For five years from the closing date of the Membership Substitution and Donation Agreement unless otherwise stated, Thunder Road Chemical Dependency Recovery Hospital and Group Home shall be operated and maintained as a 50-bed licensed chemical dependency recovery hospital (as defined in California Health and Safety Code, sections 1250 and 1250.3) and as a group home (as defined in California Health and Safety Code, sections 1500 and 1502.3). Bay Area Community Services, Inc., Bay Area Community Services Housing Corporation, or Adolescent Treatment Centers, Inc. shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its licenses for any of these beds or services.

V.

For five years from the closing date of the Membership Substitution and Donation Agreement, Adolescent Treatment Centers Inc. shall be certified to participate in the Medi-Cal program at Thunder Road Chemical Dependency Recovery Hospital and Group Home.

VI.

Adolescent Treatment Centers, Inc. shall maintain the following contracts, including any superseding, successor, or replacement contracts, and any amendments and exhibits thereto with Contra Costa County, County of Alameda, City and County of San Francisco, and County of Santa Cruz and/or its subdivisions, departments, or agencies for services at Thunder Road Chemical Dependency Recovery Hospital and Group Home until they expire unless the contract is terminated for cause:

- (a) Contra Costa County Contract No. 74-106-18 for Mental Health Services for Seriously Emotionally Disturbed Dually-Diagnosed Adolescents;
- (b) Contra Costa County Contract No. 24-443-34 for Adolescent Residential Chemical Dependency – AOD;
- (c) Alameda County Probation Department Master Contract No. 900034, Procurement Contract No. 12007 for Drug Education and Treatment Services for youth residing at Camp Wilmont Sweeney.
- (d) Alameda County Health Care Services Agency-Department of Behavioral Health Master Contract No. 900034, Procurement Contract No. 13425 for Mental Health and Tobacco;
- (e) Alameda County Health Care Services Agency-Department of Behavioral Health Master Contract No. 900034, Procurement Contract No. 13376 for Alcohol and Drug Treatment;
- (f) Alameda County Public Health Department Master Contract No. 900034, Procurement Contract No. 12320 for Tobacco Cessation Training;
- (g) City and County of San Francisco Department of Public Health, Community Behavior Health Services Contract No. BPHM12000012 for Day Treatment and Outpatient Services; and
- (h) County of Santa Cruz Health Services Agency – Mental Health & Substance Abuse Services Contract No. 4003 for Mental Health Services for Children and Adolescents who are County Medi-Cal beneficiaries.

VII.

There shall be no discrimination against any lesbian, gay, bisexual, or transgender individuals at Thunder Road Chemical Dependency Recovery Hospital and Group Home. This prohibition must be explicitly set forth in Thunder Road Chemical Dependency Recovery Hospital and Group Home's written policies, adhered to, and strictly enforced.

VIII.

For six fiscal years from the closing date of the Membership Substitution and Donation Agreement, Adolescent Treatment Centers, Inc. shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Directors and the Chief Executive Officer of Adolescent Treatment Centers, Inc., Bay Area Community Services, and Bay Area Community Services Housing Corporation shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by their Boards of Directors.

IX.

At the request of the Attorney General, Adolescent Treatment Centers, Inc., Bay Area Community Services, and Bay Area Community Services Housing Corporation shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

X.

Once the Membership Substitution and Donation Agreement is closed, Adolescent Treatment Centers, Inc., Bay Area Community Services, and Bay Area Community Services Housing Corporation are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.