

STANDARD AGREEMENT

STD 213 (Rev. 03/2019)

AGREEMENT NUMBER

MT4500.10254/CDPH19-11031

PURCHASING AUTHORITY NUMBER (If Applicable)

1. This Agreement is entered into between the Contracting Agency and the Contractor named below:

CONTRACTING AGENCY NAME

California Department of Public Health

CONTRACTOR NAME

Verity Health System of California, Inc. dba Seton Medical Center

2. The term of this Agreement is:

START DATE

March 20, 2020

THROUGH END DATE

June 30, 2020

3. The maximum amount of this Agreement is:

\$17,500,00.00

Seventeen Million, Five Hundred Thousand Dollars, and Zero Cents

4. The parties agree to comply with the terms and conditions of the following exhibits, which are by this reference made a part of the Agreement.

Exhibits	Title	Pages
Exhibit A	Scope of Work	10
Exhibit B	Budget Detail and Payment Provisions	5
Exhibit C *	General Terms and Conditions	GTC 04/2017
+ - Exhibit D	Additional Provisions	3

Items shown with an asterisk (*), are hereby incorporated by reference and made part of this agreement as if attached hereto.

These documents can be viewed at <https://www.dgs.ca.gov/OLS/Resources>

IN WITNESS WHEREOF, THIS AGREEMENT HAS BEEN EXECUTED BY THE PARTIES HERETO.

CONTRACTOR

CONTRACTOR NAME (if other than an individual, state whether a corporation, partnership, etc.)

Verity Health System of California, Inc. dba Seton Medical Center

CONTRACTOR BUSINESS ADDRESS

601 S. Figueroa Street

CITY

Los Angeles

STATE

CA

ZIP

90017

PRINTED NAME OF PERSON SIGNING

Richard Adcock

TITLE

CEO

CONTRACTOR AUTHORIZED SIGNATURE

DATE SIGNED

MAR 20 2020

STATE OF CALIFORNIA

CONTRACTING AGENCY NAME

California Department of Public Health

CONTRACTING AGENCY ADDRESS

1616 Capitol Avenue, Suite 74.262, MS 1802

CITY

Sacramento

STATE

CA

ZIP

95814

PRINTED NAME OF PERSON SIGNING

Angela Salas

TITLE

Chief, Contracts Management Services Section

CONTRACTING AGENCY AUTHORIZED SIGNATURE

DATE SIGNED

3/20/2020

CALIFORNIA DEPARTMENT OF GENERAL SERVICES APPROVAL

EXEMPTION (If Applicable)

ER N-25-20 COVID-19/Proclamation of A State of
Emergency/PCC1102

Exhibit A
Scope of Work

This SERVICES AGREEMENT (the "Agreement") is to provide for the delivery of health care services, including, but not limited to, Medical, Nursing, Dietary, Pharmacy, Radiology, Surgical, Anesthesia, and Clinical Laboratory Services, unless otherwise waived by the licensing authority. This Agreement is entered into, subject to approval by the Bankruptcy Court, by and between the California Department of Public Health (the "State"), on the one hand, and on the other hand, Verity Healthcare System of California, Inc., a California nonprofit public benefit corporation ("Verity") and Seton Medical Center, a California nonprofit public benefit corporation ("Seton" and together with Verity, collectively, the "Operators" or "Debtors" or "contractor").

RECITALS

- A. WHEREAS, the State determined that grounds exist to contract with an operator to preserve and increase critical medical services, pursuant to the Governor's Emergency Declaration, Executive Order (EO) N-25-20 dated March 12, 2020 (the "Executive Order").
- B. WHEREAS, all agencies of the state government shall perform any and all activities consistent with the direction of the State, pursuant to paragraph 1 of the Executive Order.
- C. WHEREAS, Seton engages in the business of the operation of a general acute care hospital, with the hospital campus known as Seton Medical Center, located at 1900 Sullivan Avenue, Daly City, CA 94015 (the "Hospital"), including, but not limited to, the hospital pharmacy, laboratory, and emergency department.
- D. WHEREAS, the State selected Seton Medical Center as a location for enhanced availability of hospital beds and space (sometime hereinafter referred to as the "Designated Space," and as described in paragraph 2.2 of this Agreement), to be used by the State or its designated agencies for inpatient medical services associated with the COVID-19 pandemic. The State selected Operators to operate and maintain the Designated Space to provide health care services (further described below) for patients admitted to the Designated Space, as well as to provide health care services to other COVID-19 patients admitted to the Hospital if the Designated Space reaches capacity and the Operators elect to house and care for those COVID-19 patients outside of the Designated Space (collectively, the "Emergency Facility Services," as described in paragraphs 4.1-4.3 of this Agreement) within Seton Medical Center. (For purposes of this Agreement, the "Project" shall mean the provision of Emergency Facility Services at the Designated Space upon the terms and subject to the conditions in this Agreement.)
- E. WHEREAS, the Operators are operating their businesses as debtors in possession, pursuant to §§ 1107 and 1108 of title 11 of the United States Code (the "Bankruptcy Code"), under Lead Case No. 2:18-bk-20151-ER (the "Bankruptcy Cases"); pending in the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court").
- F. WHEREAS, as of March 25, 2020, the Operators will operate the Hospital, including the Designated Space, pursuant to the terms of this Agreement and applicable State and Federal law, on behalf of the State.
- G. WHEREAS, the State requires that there will be no disruption of medical services at the Designated Space, and
- H. WHEREAS, Verity is likely to file a motion to obtain authority to sell Seton Medical Center, to a qualified hospital operator, pursuant to § 363 of the Bankruptcy Code, and such sale will likely

be subject to review (the "Review") by the California Attorney General, pursuant to California Corporations Code § 5914, which may take from 90 days to 135 days (the "Review Period"); and, if the Review is not conducted on an expedited basis, Seton Medical Center will face significant liquidity constraints.

- I. WHEREAS, the parties wish to document their Agreement with respect to the provision of such services between the Operators and the State.

NOW, THEREFORE, in consideration of the facts referenced above and the covenants contained herein, it is hereby agreed as follows:

1. Term.

1.1 This Agreement shall be effective, and the term of the Agreement shall begin, upon entry of an order of the Bankruptcy Court (the "Agreement Date") and continue throughout the term set forth in Exhibit B, Section 4.2.

2. Service Location and Description of the Designated Space.

2.1 The services shall be performed at the location listed below, within the Designated Space, at:

Seton Medical Center's hospital campus located at, 1900 Sullivan Avenue, Daly City, California 94015.

2.2 The Designated Space shall consist of the following areas of the Hospital:

On or around March 25, 2020, the Hospital's ground-floor ICU (14 beds), the Hospital's first-floor Transitional Care Unit (14 beds), the Hospital's fifth-floor Telemetry Med/Surg area (46 beds), and the Hospital's seventh-floor Acute Med/Surg area (46 beds).

In addition, on or around April 1, 2020, the Designated Space shall be expanded to also include the Hospital's tenth-floor Acute Med/Surg area (33 beds).

In addition, on or around April 22, 2020, the Designated Space shall be expanded to also include the Hospital's eighth-floor area (formerly Gero Psych) (to be repurposed as 24 Acute Med/Surg beds; upon execution of this Agreement, the California Department of Public Health approves of repurposing of these beds to Acute Med/Surg for the duration of the time this Agreement is in effect, or the duration of the time the Governor's Emergency Declaration (described in the Executive Order) remains in effect, whichever is longer).

3. Project Representatives.

3.1 The project representatives during the term of this agreement will be:

The State	Contractor
Attention: Cassie Dunham California Dept. of Public Health Licensing and Certification Program P.O. 997377, MS 3001 Sacramento, CA 95899-7377 Telephone: (916) 324-1261 Email: cassie.dunham@cdph.ca.gov	Attention: Richard Adcock Verity Health System of California, Inc. 601 S. Figueroa St. Suite 4050 Los Angeles, CA 90017 Telephone: (605) 940-6685 Email: richadcock@verity.org

3.2 Direct all inquiries to and notices to:

The State	Contractor
Attention: Jen Hill California Dept. of Public Health Licensing and Certification Program 1616 Capitol Avenue, MS 3202 Sacramento, CA 95814 Telephone: (916) 552-8722 Email: Jennifer.Hill3@cdph.ca.gov	Attention: Tania Moyron Dentons US LLP 601 S. Figueroa St. Ste. 2500 Los Angeles, CA 90017-5704 Telephone: (213) 243-6101 Fax: (213) 623-9924 Email: tania.moyron@dentons.com

3.3 Either party may make changes to the contact information in Sections 3.1 or 3.2 above by giving written notice to the other party. Said changes shall not require an amendment to this Agreement.

4. Emergency Facility Services - Service Overview.

4.1 The Designated Space shall be used by Operators to provide health care services, including inpatient medical services, to patients diagnosed with COVID-19, patients suspected of having COVID-19, or patients being tested or monitored for COVID-19. Operators agree to make available in the Designated Space the following minimum number of inpatient beds ("Minimum Beds"):

4.1.1 On or around March 25, 2020, 120 total inpatient beds (which shall consist of 14 ground-floor ICU beds, 14 first-floor Transitional Care Unit beds, 46 fifth-floor Telemetry Med/Surg beds, and 46 seventh-floor Acute Med/Surg beds) (collectively, the "Initial Phase Beds"). The Operators shall make at least 40 of these beds, consisting of 14 ICU beds and 26 Acute Med/Surg beds, available by March 25, 2020, with the rest becoming available within one (1) week of that date.

4.1.2 On or around April 1, 2020, 153 total inpatient beds (consisting of the Initial Phase Beds, plus 33 tenth-floor Acute Med/Surg Beds) (collectively, the "Second Phase Beds").

4.1.3 On or around April 22, 2020, 177 total inpatient beds (consisting of the Second Phase Beds and 24 eighth-floor Med/Surg beds) (collectively, the "Third Phase Beds").

4.2 Operators agree to provide its patients in the Designated Space with health care services including but not limited to Medical, Nursing, Dietary, Pharmacy, Radiology, Surgical, Anesthesia, and Clinical Laboratory Services, consistent with the scope of services it currently

provides, and the licenses it currently holds, unless otherwise waived by the licensing authority. If Operators elect to admit and provide health care services to other COVID-19 patients outside of the Designated Space (for example, because the Designated Space has reached capacity), Operators agree to provide those additional COVID-19 patients with health care services including, but not limited to Medical, Nursing, Dietary, Pharmacy, Radiology, Surgical, Anesthesia, and Clinical Laboratory Services, consistent with the scope of services it currently provides, and the licenses it currently holds.

4.3 The Operators shall take all necessary action to maintain operations of the Designated Space. The Operators shall oversee all activities necessary to maintain operations, programs, and activities that are necessary for participation in the Medicare and Medi-Cal programs, and Operators shall provide safe and adequate care for patients in the Designated Space, in accordance with Health and Safety Code, Chapter 2 and 2.4, and Title 22 California Code of Regulations, Chapters 1 and 3 of Division 5. If the Operators elect to admit and provide health care services to other COVID-19 patients outside of the Designated Space (for example, because the Designated Space has reached capacity), the Operators shall provide safe and adequate care for those additional COVID-19 patients, in accordance with Health and Safety Code, Chapter 2 and 2.4, and Title 22 California Code of Regulations, Chapters 1 and 3 of Division 5.

5. Services to be Performed by Operators.

Initial Assessment.

5.1 Upon execution of the Agreement, the Operators shall complete a thorough operational outline of the Operators' capacity at the Designated Space to operate and provide Emergency Facility Services in compliance with State and Federal law, including an analysis of the Designated Space's organizational, staffing and supply chain needs for the Project. The Operators shall report those findings to the State project representative within (3) three business days of the Agreement Date.

5.2 Within seven (7) calendar days of the Agreement Date, the Operators shall memorialize the report in writing to the State project representative on the Hospital's ability to maximize operations at the Designated Space.

5.3 Within thirty (30) calendar days of the Agreement Date, the Operators shall provide a written report to the State project representative describing the operational status and capacity of the Designated Space. The report shall be updated and submitted to the State project representative on a monthly basis for the duration of the Agreement.

5.4 The operational outline provided to the State project representative shall include:

5.4.1 A list of tasks needed to operationalize or maximize operations at the Designated Space, including any additional staffing challenges and needs;

5.4.2 Estimated completion dates for each task listed;

5.4.3 The person(s) responsible for each task; and

5.4.4 A column to insert the date each task was actually completed.

5.5 The State project representative shall review and approve or revise the operational outline within three (3) calendar days of the date the operational outline is submitted.

Operators' Responsibilities:

The Operators shall have the following duties and responsibilities with respect to the Project:

5.6 The Operators shall operate the Designated Space in accordance with the exempt organization requirements and applicable State and Federal law in a manner consistent with current operations after scaling up Operators' staffing and resource levels, as reasonably available, to provide Emergency Facility Services for the Minimum Beds in the Designated Space. Unless otherwise waived by applicable authority, operating the Designated Space includes:

5.6.1 Arranging for and providing sufficient physician medical staff (such as hospitalists, intensivists, anesthesiologists, radiologists, and surgeons), non-physician clinical staff (such as advanced practice nurses, registered nurses, licensed vocational nurses, technicians, and nursing assistants), and non-clinical staff necessary to provide safe and effective health care services to the patients in the Designated Space, including as needed to render the requisite level of care of the designated unit or floor (i.e., ICU, Transitional Care Unit, Telemetry Med/Surg, or Acute Med/Surg) for the Minimum Beds.

5.6.1.1 If the Operators elect to admit and provide health care services to other COVID-19 patients outside of the Designated Space (for example, because the Designated Space has reached capacity), the Operators shall arrange for and provide sufficient physician medical staff (such as hospitalists, intensivists, anesthesiologists, radiologists, and surgeons), non-physician clinical staff (such as advanced practice nurses, registered nurses, licensed vocational nurses, technicians, and nursing assistants), and non-clinical staff necessary to provide safe and effective health care services to those additional COVID-19 patients, including as needed to render the requisite level of care of the designated unit or floor (i.e., ICU, Transitional Care Unit, Telemetry Med/Surg, or Acute Med/Surg).

5.6.2 Obliging that Project funds all usual and customary operating expenses of the Designated Space, including accounts payable, employee payroll, taxes, insurance premiums, and all other administrative expense payments due from the Designated Space.

5.6.3 Ensuring the Designated Space and all fixtures, furnishings, equipment and other property located therein is maintained in good repair, consistent with past practice.

5.6.4 Maintaining all licenses, certifications, permits, consents, and approvals required for the operation of the Designated Space.

5.6.5 Hiring, terminating, or reassigning staff as necessary and managing employee grievances and employment issues.

5.6.6 Arranging for the issuance of staff paychecks and withholding from such paychecks the appropriate amounts for income tax, social security, and unemployment insurance.

5.6.7 Providing staff benefits, including holidays, sick leave, and other benefits in accordance with the Labor Code, the Bankruptcy Code and any collective bargaining agreements and maintaining worker's compensation insurance, as required by law.

5.6.8 Providing for the bookkeeping, accounting, and administrative functions reasonably necessary for the efficient and proper support of operation of the Designated Space, including but not limited to:

5.6.8.1 Preparing and maintaining business records, financial reports, and other reports.

5.6.8.2 Establishing and administering accounting procedures and controls.

5.6.8.3 Processing and payment of accounts payable.

5.6.8.4 Billing, processing, and collection of accounts receivable, including the billing and completion of any reports and forms that may be required by insurance companies, governmental agencies, or other third-party payors.

5.6.8.5 Providing and processing of all staff recordkeeping, payroll accounting, and administrative expense benefits for all staff working at the Designated Space.

5.6.9 Arranging for the maintenance, repair, trash removal, and janitorial services which may be necessary to maintain the Designated Space and equipment in a clean and safe condition, in compliance with applicable law.

5.6.10 Arranging for continued payment of the utilities reasonably required for operation of the Designated Space, including telephone, electricity, gas, water, and refuse disposal.

5.6.11 Arranging for the provision and replenishment of all supplies and inventory used in the Designated Space as necessary.

5.6.12 Altering Designated Space's procedures, if necessary.

5.6.13 Preparing and filing with the appropriate Medicare and Medi-Cal agencies any partial, interim, or final cost reports with respect to the operation of the Designated Space which are required to be file by law.

5.6.14 Any other actions necessary to correct deficiencies identified in the Designated Space's operation.

5.6.15 The Hospital or Designated Space shall only close during the term of this Agreement if agreed to in writing by the State. If the Hospital should unexpectedly close, the Operator will oversee the transfer of patients, if applicable, upon the expiration or earlier termination of this Agreement.

5.7 The Operators shall ensure the health and safety of the Designated Facility's patients. If the Operators elect to admit and provide health care services to other COVID-19 patients outside of the Designated Space (for example, because the Designated Space has reached capacity), the Operators shall ensure the health and safety of those additional COVID-19 patients.

5.8 The Operators shall use all funds received from the State pursuant to this Agreement, and all buildings, fixtures, and furnishings constituting the Seton Medical Center, and any consumable goods for the provision of care and services for patients receiving services in the Designated Space; subject to the foregoing restriction, the requirements of any orders of the Bankruptcy Court relating to the use of the cash collateral and cash management shall remain in place.

5.9 The Operators shall maintain Medicare and Medi-Cal provider numbers, submitter ID, National Provider Number, and any other identifying numbers which the Operators may use to bill for services provided to patients at the Hospital.

5.10 The Operators shall not, during the period of this Agreement, without prior written approval from the State, dispose of any assets on or in the Designated Space, except for ordinary course consumables such as spoiled, used, or contaminated supplies; provided, however, that this provision is (i) not intended to hinder or delay the Operators' ongoing efforts to sell Seton Medical Center and its assets in a manner that preserves all of the State's rights hereunder, and (ii) that the State shall reasonably cooperate with Operators with respect to an assignment or separate agreement with a third-party purchaser, as set forth in Exhibit B, section 1.1. Further, the State will support the Operators' request that the California Attorney General complete the Review Period in an expedited manner.

5.11 The Operators must produce documentation that all staff required by law or by the needs of the Designated Space are in place as reasonably available in the market.

5.12 The Operators must produce proof of: (i) all insurance necessary and appropriate for the operation and maintenance of the Designated Space; (ii) appropriate bonding; and (iii) a business line of credit.

5.13 The Operators shall adopt and implement COVID-19 protocols for the Hospital consistent with those recommended by the Federal Centers for Disease Control, the Joint Commission, and the State's respective health agencies. This shall include COVID-19 training, as well as procedures for infection control, protection of staff, and proper intake of suspected COVID-19 patients.

5.14 The Operators may contract for services, equipment, and supplies as necessary for the operation of the Designated Space.

5.14.1 The Operators shall maintain a copy of each contract entered into in support of this Agreement and shall, upon request by any state or federal agency, make copies available for approval, inspection, or audit. The Operators shall retain all records for at least three (3) years and make all records available for audit and inspection by state or federal agencies. In the event that the Operators are authorized to exercise rights under § 351 of the Bankruptcy Code, the State may arrange for the preservation of records at its expense.

5.14.2 The Operators accept sole responsibility for the payment of contractors used during the Agreement period and are responsible for all performance requirements of the contractor. Subject to the requirements of the Bankruptcy Code and any Bankruptcy Court orders affecting the receipt or use of assets subject to liens of pre-petition creditors of the Operator, including orders permitting the use of cash collateral, the Operators shall honor all leases, mortgages, and secured transactions involving the building in which the Designated Space is located and all goods and fixtures in the building of which the Operators have taken possession.

Segregation of Funds.

5.15 The Operators shall deposit all compensation received from the State pursuant to this Agreement into a newly-created segregated account that, during the term of this Agreement, and until all obligations of the Operators thereunder are satisfied, shall be free from all liens, claims, interests and third-party encumbrances, to be used solely for Seton and the services under this Agreement; provided that pending establishment of such new segregated account, the Operators may use an existing segregated account that contains no other proceeds and, notwithstanding any prior orders of

the Bankruptcy Court, no replacement or other liens relating to collateral of any pre- or post-petition lender or other person shall attach to the segregated account or any deposits therein and any existing liens, claims, interests and third-party encumbrances associated with such existing segregated account shall be deemed terminated and of no force of effect. Notwithstanding any prior order of the Bankruptcy Court relating to the operator's cash management system and use of cash collateral, during the term of this Agreement, the Operators shall not:

5.15.1 Co-mingle the funds received as compensation under this Agreement with any other funds of the Operators or any affiliates of the operators.

5.15.2 Loan or advance any funds received as Compensation under this Agreement to any affiliate.

5.15.3 Utilize funds received as Compensation under this Agreement to contract with any entity in which the Operator has an ownership interest, in which the Operators serve as an officer or director, or in which an immediate family member has an ownership interest or serves as an officer or director.

5.15.4 Utilize funds received as Compensation under this Agreement to make any capital investments in the facility without the prior written approval of the CDPH project representative.

5.15.5 Upon expiration of this Agreement, and the satisfaction of Operators' obligations under section 5.6 arising in connection with the Agreement, including payment of all costs and obligations incurred in providing the services contemplated by this Agreement, the constraints under this section, 5.15, on Operator's use of funds received as Compensation, shall immediately terminate and be of no further force and effect.

Reporting on Facility Status.

5.16 If the State determines that it is necessary, for public health purposes, to receive daily census reports from the Operators, then the Operators shall provide to the State a daily census of all patients in the Designated Space, as well as all other COVID-19 patients housed outside of the Designated Space. Such census shall include the location and level of care of each patient in the Hospital, along with indication as to whether the patient has been officially diagnosed as being infected with COVID-19, or whether the patient is suspected of being infected with COVID-19.

5.17 The Operators shall, within 30 calendar days of the signing of this Agreement and then every subsequent month by the 25th of the month, report to the State in writing the following:

5.17.1 Patient census at the Designated Space during the previous month;

5.17.2 Patient census for COVID-19 patients housed outside the Designated Space;

5.17.3 Staffing levels at the Designated Space during the previous month;

5.17.4 A statement of income and expenses as reflected in the Monthly Operating Report filed in the Bankruptcy Court (the "MOR");

5.17.5 Any changes to the original recommendation regarding the operations of the Designated Space; and

5.18 The Operators shall consult weekly with the State project representative.

5.19 As requested by the State, the Operators shall also provide projections of changes in utilization and expected discharges from the Designated Space.

Confidentiality and Records.

5.20 The Operators shall maintain the confidentiality of all patient information received in accordance with applicable State and Federal law, including the Health Insurance Portability and Accountability Act (HIPAA) and the Health Information Technology for Economic and Clinical Health Act (HITECH), and, except as permitted by such laws, the Operators shall not discuss, transmit, or narrate in any manner any patient information of a personal, medical, or other nature except as a necessary part of providing services to the patient or otherwise fulfilling its obligations under this Agreement or under law.

5.21 At all times during the term of this Agreement, and in accordance with all applicable State and Federal Law, the Operators shall allow the State and its representatives to inspect (upon reasonable prior notice and during normal business hours) and to make copies of, all books and records and supporting material relating to the operation of the Designated Space. These records include, but are not limited to, records relating to all bank deposits and disbursements and cash receipts.

5.22 The Operators agree to retain such books, records, and other materials comprising records of the Designated Space's operations, including, but not limited to, patient records, to the extent required by law or in accordance with any applicable Bankruptcy Court order. If the Operators wish to dispose of or destroy such books and records prior to any legally mandated retention period, the Operators must first notify the State project representative and provide the State an opportunity to make alternative arrangements to maintain or preserve the records.

Hospital or Designated Space Closure.

5.23 The Hospital or Designated Space shall only close during the term of this Agreement if agreed to in writing by the State. In the unexpected event of a Designated Space or Hospital closure, and subject to Bankruptcy law, the Operators shall:

5.23.1 Ensure compliance with applicable requirements of the California Health and Safety Code, unless otherwise waived or in accordance with any applicable Bankruptcy Court order.

5.23.2 Ensure that all prescription medications are returned to the pharmacy and that all medical devices and supplies are returned to any lessor.

5.23.3 Obtain written approval from the CDPH project representative prior to removing any material property from the Hospital.

6. Fiscal Requirements and Accounting.

6.1 Throughout the entire period of this Agreement, the Operators shall submit to the State project representative MORs. Operators agree to also provide financial and operational information reasonably requested by the State.

6.2 Without limiting Operators' rights under Bankruptcy law, including § 351 of the Bankruptcy Code, the Operators agree to maintain for three (3) years after termination of this Agreement, all books, records, documents, and other evidence, including those related to accounting procedures and practices, sufficient to properly reflect all direct and indirect costs of the Project,

claimed pursuant to this Agreement. These records are to be maintained for review and audit purposes. In the event that the Operators are authorized to exercise rights under § 351, the State may arrange for the preservation or records at its expense.

7. Access to the Designated Space and State's Option to Control Admissions into the Designated Space.

7.1 The Operators shall allow the State and its representatives to enter the Designated Space, or any other location in the Hospital where COVID-19 patients are housed or being treated, at any time for the purpose of monitoring patient safety, subject to reasonable restrictions for overriding health and safety of the patients and applicable laws.

8. The State's Responsibilities.

8.1 The State agrees to provide the following services:

8.1.1 Review and provide feedback on all reports within ten (10) business days of receipt unless indicated otherwise.

8.1.2 Promptly review and respond to any requests by Operators for program flexibility or waivers.

8.1.3 Support Operators in discussions with the Office of Statewide Health Planning and Development ("OSHPD") to permit the continued use of the Hospital as an acute care hospital site, without initiation or further seismic upgrades or corresponding penalties, on an emergency basis, during the term of this Agreement, and continuing for six months after this Agreement expires or is earlier terminated. This section shall apply to Operators or any successor Operators of the Hospital. Operators shall immediately submit a request under California Health and Safety Code § 130062(d) and (f) to the Office of Statewide Health Planning and Development ("OSHPD"). OSHPD shall promptly process such request.

8.1.4 Support Operators' request that the California Attorney General complete the Review Period in an expedited manner.

Exhibit B
Budget Detail and Payment Provisions

1. Operators' Right to Separately Seek Reimbursement From Health Insurance or Health Plan Payors.

1.1 Except for the Compensation set forth in Paragraph 2.1 of this Exhibit A to the Agreement, the State will not reimburse the Operators any costs incurred in providing services under this Agreement. The Operators shall instead submit bills to and collect from the applicable health insurance or health plan payor (such as Medicare, Medi-Cal, private health insurance companies, or employer-sponsored health plans) reimbursement for items and services provided by Operators to patients, including those patients receiving Emergency Facility Services under this Agreement. Any revenue received by Seton Medical Center as a result of these efforts shall be the sole property of the Operators.

1.2 The State shall not be responsible for the cost or reimbursement of any items and services provided by Operators to uninsured patients. Nor shall the State be responsible for the costs or reimbursement of any patient care that is otherwise not covered by a health insurance or health plan payor.

1.3 Payment will be made in accordance with, and within the time specified in, Government Code Chapter 4.5, commencing with section 927 (the "California Prompt Payment Law"), except as otherwise set forth in this Agreement.

2. Compensation & Invoicing.

2.1 Compensation for Operators' services under this Agreement shall be:

2.1.1 Five Million dollars (\$5,000,000.00) for the first month of this agreement. The State shall pay this amount within three business days of entry of an order by the Bankruptcy Court approving this Agreement.

2.1.2 For the second month, and all subsequent one-month periods under this Agreement, compensation shall be \$2,700,000 (the "Base Payment"), plus $(\$38,333.33 \times \text{the average patient bed census for COVID-19 patients for the month that exceeds 177 beds})$ (the "Census Payment"), up to a maximum monthly amount of Five Million dollars (\$5,000,000.00) per month. The Census Payment shall be made five (5) days after delivery of the monthly report referred to in 2.1.4.

2.1.2.1 For example, if the average daily patient bed census for COVID-19 patients for the third month of the Agreement was 177 occupied beds, the Compensation for that month would be \$2,700,000.

2.1.2.2 As another example, if the average daily patient bed census for COVID-19 patients for the third month of the Agreement was 200 occupied beds, the Base Payment plus Census Payment for that month would be $\$2,700,000 + (\$38,333.33 \times 23 \text{ beds})$, which equals \$3,581,666.67 total Compensation for the third month.

2.1.2.3 If the average daily patient bed census for COVID-19 patients is at or exceeds 237 occupied beds in a given month during the pendency of this Agreement, the Base Payment plus Census Payment shall not exceed the total maximum monthly Compensation of \$5,000,000.

2.1.3.4 The State shall advance the second month's Base Payment amount of \$2,700,000 to the Operators within six business days of entry of an order by the Bankruptcy Court approving this Agreement.

2.1.4 This is the only compensation owed to Operators by the State under this Agreement. The State is not responsible for any other costs or expenses incurred by Operators in operating the Hospital or the Designated Space.

2.1.5 On or before the 65th day after execution of this Agreement, or as soon thereafter as practicable, Operator shall provide a Census Payment reconciliation report to CDPH reconciling the Census Payment for the second month. Thereafter, Operator shall provide a Census Payment reconciliation report to CDPH five (5) business days after the end of the month.

2.2 Operators shall invoice the State not fewer than five business days in advance of payment due.

2.3 Each invoice shall contain the following:

Agreement # 19-11031

Attention: Jen Hill

California Department of Public Health

Center for Health Care Quality, Licensing and Certification Program

MS 3202

1616 Capitol Avenue

Sacramento, CA 95814

2.4 Nothing in this Agreement shall preclude or interfere with Operators' invoicing or collecting from Medicare, MediCal, or other government and private third party payors for patient services in the ordinary course of the operation of the Seton Medical Center.

3. State Budget Contingency Clause.

3.1 It is mutually agreed that if the Budget Act of 2019-2020, and/or the Budget Act of 2020-2021, does not appropriate sufficient funds for the programs related to this agreement, and the Governor expressly determines in writing not to exercise his discretion to reallocate funds otherwise appropriated to other programs, then, upon such determination, this Agreement shall be of no further force, as of the next occurring December 31st (the "Budgetary Expiration Date"). From and after the Budgetary Expiration Date, the State shall have no liability to pay any Compensation, under this Agreement, to Operators, or to furnish any other monetary considerations under this Agreement, and Operators shall not be obligated to perform any provisions of this Agreement, except for payments for periods occurring prior to the Budgetary Expiration Date.

4. Federal Emergency Management Agency ("FEMA") Requirements.

Operators are referred to as "contractor" in this section

4.1 This Agreement is subject to the requirements set forth in 2 C.F.R. § 200.326 and 2 C.F.R. Part 200, Appendix II and are hereby incorporated by reference.

4.2 The State reserves the right to terminate this agreement upon 30 days written notice.

4.3 Clean Air Act

4.3.1 The contractor agrees to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act, as amended, 42 U.S.C. § 7401 et seq.

4.3.2 The contractor agrees to report each violation to the (name of applicant entering into the contract) and understands and agrees that the (name of the applicant entering into the contract) will, in turn, report each violation as required to assure notification to the Federal Emergency Management Agency, and the appropriate Environmental Protection Agency Regional Office.

4.3.3 The contractor agrees to include these requirements in each subcontract exceeding \$150,000 financed in whole or in part with Federal assistance provided by FEMA.

4.4 Federal Water Pollution Control Act

4.4.1 The contractor agrees to comply with all applicable standards, orders, or regulations issued pursuant to the Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251 et seq.

4.4.2 The contractor agrees to report each violation to the (name of the applicant entering into the contract) and understands and agrees that the (name of the applicant entering into the contract) will, in turn, report each violation as required to assure notification to the Federal Emergency Management Agency, and the appropriate Environmental Protection Agency Regional Office.

4.4.3 The contractor agrees to include these requirements in each subcontract exceeding \$150,000 financed in whole or in part with Federal assistance provided by FEMA.

4.5 Debarment and Suspension

4.5.1 This contract is a covered transaction for purposes of 2 C.F.R. pt. 180 and 2 C.F.R. pt. 3000. As such, the contractor is required to verify that none of the contractor's principals (defined at 2 C.F.R. § 180.995) or its affiliates (defined at 2 C.F.R. § 180.905) are excluded (defined at 2 C.F.R. § 180.940) or disqualified (defined at 2 C.F.R. § 180.935).

4.5.2 The contractor must comply with 2 C.F.R. pt. 180, subpart C and 2 C.F.R. pt. 3000, subpart C, and must include a requirement to comply with these regulations in any lower tier covered transaction it enters into.

4.5.3 This certification is a material representation of fact relied upon by (insert name of recipient/subrecipient/applicant). If it is later determined that the contractor did not comply with 2 C.F.R. pt. 180, subpart C and 2 C.F.R. pt. 3000, subpart C, in addition to remedies available to (insert name of recipient/subrecipient/applicant), the Federal Government may pursue available remedies, including but not limited to suspension and/or debarment.

4.5.4 The bidder or proposer agrees to comply with the requirements of 2 C.F.R. pt. 180, subpart C and 2 C.F.R. pt. 3000, subpart C while this offer is valid and throughout the period of any contract that may arise from this offer. The bidder or proposer further agrees to include a provision requiring such compliance in its lower tier covered transactions.

4.6 Byrd Anti-Lobbying Amendment, 31 U.S.C. § 1352 (as amended); Contractors who apply or bid for an award of \$100,000 or more shall file the required certification. Each tier certifies to the tier above that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, officer or employee of Congress, or an employee of a Member of Congress in connection with obtaining any Federal contract, grant, or any other award covered by 31 U.S.C. § 1352. Each tier shall also disclose any lobbying with non-Federal funds that takes place in connection with obtaining any Federal award. Such disclosures are forwarded from tier to tier up to the recipient who in turn will forward the certification(s) to the awarding agency.

4.6.1 APPENDIX A, 44 C.F.R. PART 18 – CERTIFICATION REGARDING LOBBYING

Certification for Contracts, Grants, Loans, and Cooperative Agreements

The undersigned certifies, to the best of his or her knowledge and belief, that:

1. No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.
2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
3. The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

The Contractor certifies or affirms the truthfulness and accuracy of each statement of its certification and disclosure, if any. In addition, the Contractor understands and agrees that the provisions of 31 U.S.C. Chap. 38, Administrative Remedies for False Claims and Statements, apply to this certification and disclosure, if any.

Signature of Contractor's Authorized Official

Name and Title of Contractor's Authorized Official

Date

Exhibit D
Additional Provisions

1. Assignment.

1.1 This Agreement may not be assigned, absent the State's written consent via an amendment to this Agreement, which shall not be unreasonably withheld. In evaluating whether assignment is reasonable, the proposed assignee shall be required to provide adequate assurance to the State of its ability to perform all of Operator's remaining obligations under this Agreement (a "Qualified Buyer"). In the event the Seton Medical Center is sold during the term of this Agreement and pursuant to a sale authorized by the Bankruptcy Court, the Qualified Buyer shall be obligated to perform all obligations under this Agreement without interruption of patient care. In the event of a sale of the Hospital described in this Paragraph, the State may condition its consent upon an agreed change in Compensation under the Agreement upon the effective date of buyer's operations under new licenses.

1.2 Unless subcontracts were used in the operation of the Facility prior to the date of the Agreement, no subcontracts may be used in performance of the Operator's duties without prior written approval from the State project representative unless otherwise provided for in Section 5.13. The Operators shall disclose the existence of any subcontracts currently in effect prior to seeking Bankruptcy Court approval for this Agreement. Except as provided above, Operators must request approval for a subcontract of this Agreement at least five (5) days before the effective date of the subcontract.

2. Dispute Resolution Process.

2.1 Any dispute concerning a question of fact arising under the terms of this contract that is not disposed of within ten (10) calendar days by the Operators and the State employees normally responsible for the administration of this contract shall be brought to the attention of the designated representative for the Operators and the Secretary of State (or designated representative) for joint resolution, and, if no joint resolution is reached, such dispute shall be resolved exclusively before the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court"). If the Bankruptcy Court does not have jurisdiction, or elects not to exercise jurisdiction, such dispute shall be resolved by another court in the State of California. The Parties hereby expressly waive any rights to a jury trial.

2.2 The State hereby waives sovereign immunity with respect to any dispute relating to this Agreement.

3. No Indemnification by the State.

3.1 The State shall not indemnify, defend, protect, or hold harmless the Operators from losses, attorneys' fees, fines, judgments, or other liability for any action taken as Operators.

4. Conditions of Termination/Cancellation.

4.1 The State reserves the right to terminate this Agreement for material breach by Operators upon thirty (30) days written notice.

4.2 This Agreement shall terminate at 12:01 am on the 181st day after entry of an order by the Bankruptcy Court approving this Agreement, unless extended by the express mutual agreement of the Operators and the State.

4.3 Upon mutual agreement between the State and the Operators, this agreement shall be terminated at any time.

4.4 During the Term of this Agreement, the Hospital shall not be closed without the written consent of the State. If the State agrees in writing that the Hospital may close, upon such closure, when all patients have been relocated and the Hospital has ceased operation this Agreement shall be terminated.

5. Miscellaneous Provisions.

5.1 This Agreement may be modified or amended in writing only, signed by the parties in interest at the time of the modification. No waiver of any term, provision, or condition of this Agreement in any one or more instances, shall be deemed to be or be construed as a further or continuing waiver of any such term, provision, or condition of this Agreement. No failure to act shall be construed as a waiver of any term, provision, condition, or right granted hereunder.

5.2 This Agreement is executed and intended to be performed in the State of California, its interpretation and performance, the relationship between the parties, and any disputes arising from or relating to any of the foregoing, shall be governed, construed, interpreted, and regulated under the Laws of the State, without regard to principles of conflict of laws; provided however, that the State shall waive and hereby expressly waives any rights to assert sovereign immunity with respect to matters arising under or related to the parties performance under this Agreement.

5.3 This Agreement does not terminate any recorded mortgages, deeds of trust, or other validly recorded liens affecting the Premises and any liens affecting the premises arising from entry of orders by the Bankruptcy Court, whether or not recorded.

5.4 This Agreement shall not become effective until entry of an order of the Bankruptcy Court, which includes the terms listed in 5.5, and which has not been stayed regardless of whether such order is otherwise subject to an appeal. The Debtors shall seek waiver of the 14-day stay concerning the order approving this Agreement, pursuant to Rule 6004(h) of the Federal Rules of Bankruptcy Procedure.

5.5 This Agreement shall not become effective until entry of an order of the Bankruptcy Court that includes the following terms:

The final version of the Proposed Order must be satisfactory to both parties.

The Court is exercising its jurisdiction over the Debtors' property pursuant to § 105(a),

§ 363(b), and § 363(f) of the Bankruptcy Code to authorize the Debtors to enter into the Agreements as being a reasonable exercise of the Debtors' business judgment in response to the humanitarian and commercial exigencies affecting the Debtors' estates, the communities in which they operate or exist and the State;

From and after the execution of the Agreements, the automatic stay under § 362(a) of the Bankruptcy Code, if and to the extent applicable, is hereby lifted with respect to the State's use and enjoyment of the Debtors' property, and exercise of rights subject to the Agreements;

That the State's actions under the Executive Order N-25-20, and through the Agreements under the facts of these Cases to obtain control or use of the Debtors' property are exempt from the automatic stay as valid exercises of the State's police powers under § 362(b)(4) of the Bankruptcy Code and otherwise not subject to the automatic stay under § 362(a);

Debtors will not seek a stay under § 105 of the Bankruptcy Code to enjoin any of the rights, privileges or benefits of, or provided to the State under the Agreements;

The Proposed Order, and the terms and conditions of the Agreements, are binding on the Debtors and their estates and shall be binding upon any trustee appointed under Chapter 11 or under Chapter 7 of the Bankruptcy Code, their estates and the Cases;

Neither the State nor any department or agency obtaining benefit from, or utilizing the Debtors' property, assume any obligation to any third party nor shall they be deemed to have any liability to any third party, including, without limitation, any of the Debtors' creditors, interest holders or parties in interest in the Debtors' Cases;

Unless a court of competent jurisdiction has determined that the State is in material breach of this Agreement, the rights conveyed to the State under the Agreements and the Proposed Order are inviolable, and not subject to alteration, interference or divestiture by any party, including, without limitation, any creditor, interest holder, or party in interest, in the Debtors' Cases, without regard to any liens, claims, encumbrances and/or interests those parties may assert, allege and/or possess, including, for the avoidance of doubt, any liens, claims, encumbrances and/or interests of the Prepetition Secured Creditors (as defined in the Cash Collateral Orders) under the Cash Collateral Orders (defined below);

The Agreements and the Proposed Order shall each survive any dismissal of the Cases, except as to the extent that either of the Agreements already have been terminated in accordance with their terms prior any such dismissal;

Nothing in the Agreements or the Proposed Order shall be deemed to be a waiver of the State's police powers;

The Debtors and the State may mutually agree to make non-material modifications to the Agreements from time to time without Court approval and to make material modifications pursuant to a stipulation and subsequent order thereon and may give notice of any material modifications by five (5) days' negative notice;

Except as may be expressly provided in the Proposed Order or the Agreements, nothing in the Proposed Order modifies the rights of the Prepetition Secured Creditors, the Debtors or the Official Committee of Unsecured Creditors with respect to the allocation of value or the any Challenge under the *Final Order (I) Authorizing Postpetition Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying Automatic Stay, and (VI) Granting Related Relief* [Docket No. 409], the *Final Order (A) Authorizing Continued Use of Cash Collateral (B) Granting Adequate Protection, (C) Modifying Automatic Stay and (D) Granting Related Relief* [Docket No. 3022], the *Final Order Approving Stipulation to (A) Amend Cash Collateral Agreement and Supplemental Cash Collateral Order, (B) Authorize Continued Use of Cash Collateral, (C) Grant Adequate Protection, (D) Modify Automatic Stay, and (E) Grant Related Relief Supplemental* [Docket No. 3883], the *Final Order Approving Stipulation to (A) Amend the First Amended Supplemental Cash Collateral Order, (B) Authorize Continued Use of Cash Collateral, (C) Grant Adequate Protection, (D) Modify Automatic Stay, and (E) Grant Related Relief* [Docket No. 4028], and the *Final Order Approving Stipulation to (A) Amend the Second Amended Supplemental Cash Collateral Order, (B) Authorize Continued Use of Cash Collateral, (C) Grant Adequate Protection, (D) Modify Automatic Stay, and (E) Grant Related Relief* [Docket No. 4187] (collectively, the "Cash Collateral Orders").