

AGREEMENT BETWEEN AND AMONG AHMC SETON MEDICAL CENTER LLC; AHMC
HEALTHCARE INC.; AND THE COUNTY OF SAN MATEO FOR FINANCIAL SUPPORT
FOR SEISMIC UPGRADES AT AHMC SETON MEDICAL CENTER IN DALY CITY,
CALIFORNIA

I. RECITALS AND BACKGROUND

AHMC Seton Medical Center LLC ("AHMC Seton") is a California limited liability company and the licensed operator of AHMC Seton Medical Center, a general acute care hospital located in the City of Daly City (the "Hospital"). AHMC Healthcare Inc. ("AHMC Healthcare") is a California corporation headquartered in Alhambra, California and AHMC Seton is an affiliate of AHMC Healthcare. The County of San Mateo is a political subdivision of the State of California (the "County" and, together with AHMC Seton and AHMC Healthcare, the "Parties").

The Parties enter into this Agreement whereby the County agrees to provide funding support for AHMC Seton for use in seismic upgrades at the Hospital in exchange for agreement by AHMC Seton and AHMC Healthcare to maintain the Hospital's role as a safety net provider of medical/hospital services in San Mateo County during the term of the Agreement.

The Parties agree that the Hospital plays an important role in the County's healthcare delivery system and that the Hospital has been and remains key to the County's and the region's COVID-19 response and the continued successful regional response to changes to healthcare policy that have occurred at the federal, state, and local levels.

The County has recognized and continues to recognize the importance of the Hospital's role in providing medical care to the full range of residents of the County, particularly in the northern portion of the County, including Health Plan of San Mateo members and County residents who receive healthcare under the County's Access to Care for Everyone ("ACE") Program, and the County has determined that it is in the public interest to work with the Hospital to ensure its continuing viability as a component of the County's medical safety net.

Pursuant to statutory requirements and conditions imposed by the California Attorney General on operations of the Hospital as an affiliate of AHMC Healthcare, certain seismic upgrades to the Hospital facilities must be undertaken by no later than as is required by applicable laws and regulations to meet and maintain OSHPD seismic compliance requirements through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983 as amended by the California Hospital Facilities Seismic Act (the "Seismic Project").

The Board of Supervisors of the County of San Mateo has emphasized the need to ensure the overall quality of health care in the County, as well as to ensure that hospitals, including AHMC Seton Medical Center, are earthquake safe.

In particular, at its meeting of March 10, 2020, the San Mateo County Board of Supervisors voted to afford financial assistance to the entity acquiring the Hospital contingent on, among other things, that entity continuing to operate the Hospital as a full service hospital consistent

with conditions imposed by the California Attorney General related to acquisition of the Hospital; the funds provided by the County being appropriately secured, as determined by County staff and counsel; the Hospital continuing to provide services that afford countywide public benefit; the acquiring entity providing the County with satisfactory business plans and financial statements; and the acquiring entity providing annual reports reflecting satisfaction of these conditions.

The County, by way of this Agreement, hereby commits to provide to AHMC Seton Ten Million Dollars during the County's 2021-2022 fiscal year, provided that AHMC Seton shall use these granted funds exclusively for purposes of funding the costs of planning, development, and construction of the Seismic Project, which costs shall consist of those costs customarily incurred in hospital-based seismic remediation projects, including, but not limited to, construction costs, architectural and engineering costs, attorneys fees (such fees to be directly related to the Seismic Project, including, for example, environmental review, permitting, and contract negotiations), as well as the incurred costs of actual construction (hereinafter, "Qualified Expenses").

The Parties agree that, in the event that the Hospital ceases to fully operate as a general acute care hospital at any time during the Term of this Agreement (as defined herein); if AHMC Seton Medical Center Coastsides ("Seton Coastsides") ceases to fully operate at any time during the term of this Agreement; or if either AHMC Seton or AHMC Healthcare fails to comply with the *Conditions to the Sale of Seton Medical Center and Seton Coastsides and Asset Purchase Agreement by and Among Verity Health System of California, Inc., Verity Holdings, LLC, Seton Medical Center and AHMC Healthcare, Inc.*, imposed by the California Attorney General and dated July 27, 2020 ("Conditions of Sale") during the time period that the Conditions of Sale remain in effect, AHMC Seton and AHMC Healthcare shall be jointly and severally liable to return the funds received from the County by AHMC Seton pursuant to this Agreement, in whole or in part, as described herein. For purpose of this Agreement, the Parties agree that "full operation" of the Hospital means that the Hospital shall maintain those services of the type for which the Hospital is licensed. The Parties further agree, for purposes of this Agreement, that "full operation" of Seton Coastsides means that Seton Coastsides shall maintain those services of the type for which it is licensed. A copy of the Conditions of Sale is attached to this Agreement as Exhibit A and is incorporated herein by reference.

II. Term of the Agreement and Obligations of the Parties

In recognition of the foregoing recitals, the Parties agree to the following:

1. The Term of this Agreement shall begin on December 7, 2021 and shall end on June 30, 2027. If, however, a Repayment Event (as defined herein) occurs on or before June 30, 2027, the term of this Agreement shall end on the date on which AHMC Seton and/or AHMC Healthcare or any of their related or successor entities make all of the payments called for in Section 9 of the Agreement.

2. During the Term of this Agreement, the County shall make available to AHMC Seton a total of Ten Million Dollars (\$10,000,000) that AHMC Seton may use only to pay for, or as reimbursement of expenses incurred for, Qualified Expenses. The funding provided under this

Agreement shall not exceed the actual Qualified Expenses. The funds shall be made available and disbursed to AHMC Seton as follows:

a. Five Million Dollars (\$5,000,000) shall be made available to AHMC Seton after this Agreement has been duly executed by all Parties, not to exceed actual Qualified Expenses expended.

b. An additional Five Million Dollars (\$5,000,000) shall be made available to AHMC Seton beginning on February 1, 2022, not to exceed actual Qualified Expenses expended. Up to \$9.1 million may be used to reimburse AHMC Seton for Qualified Expenses incurred by AHMC Seton prior to the first day of the term of this Agreement.

c. To the extent that the funds referenced above in this Section 2 that are made available to AHMC Seton in the County's 2021-2022 fiscal year are not fully expended (i.e., incurred or committed) by AHMC Seton in the 2021-2022 fiscal year, the shortfall in use of the available funds shall continue to be made available to AHMC Seton in the following fiscal years, not to extend beyond the 2023-2024 fiscal year. Any funds deposited by the County with the Escrow Agent that remain unexpended after the end of the 2023-2024 fiscal year (i.e., after June 30, 2024) shall be returned by the Escrow Agent to the County; provided, that an amount of unexpended funds equal to the amount for which requests for disbursement have been submitted prior to the end of the 2023-2024 fiscal year shall remain with the Escrow Agent to be disbursed in accordance with the terms of this Agreement even after the end of the 2023-2024 fiscal year. If any withheld funds remain after the process for disbursement of funds as provided for in this Agreement has been completed for requests for disbursement submitted but not processed prior to the end of the 2023-2024 fiscal year, any such remaining funds shall be returned by the Escrow Agent to the County.

e. AHMC Seton shall use the funds disbursed by the County pursuant to this Agreement solely to pay for Qualified Expenses for the Seismic Project and no funding shall be used to support AHMC Seton's general administrative expenses.

g. Within ten (10) business days of the approval of this Agreement by all Parties, the funds described in this Section 2.a. of this Agreement will be disbursed into an escrow account to be arranged and agreed by the Parties, and within ten (10) business days of the first business day in February 2022, the funds described in Section 2.b. of this Agreement will be disbursed into that escrow account. The escrow account will be managed by an escrow agent with specific instructions for purposes of managing disbursements (the "Escrow Agent"). The Escrow Agent will provide a regular reporting of all disbursements to the County and shall maintain all records of requests, invoices and receipts. The Parties agree to confer in good faith to develop and deliver to the Escrow Agent commercially reasonable escrow instructions regarding, among other things, the disbursement of funds to AHMC Seton for Qualified Expenses, as set forth in this Agreement. Any interest in the escrow account shall accrue to AHMC Seton and AHMC Seton and/or AHMC Healthcare shall be responsible for all expenses related to the establishment and maintenance of the escrow account, which expenses may be paid from escrowed funds as Qualified Expenses.

h. Funds will be disbursed by the Escrow Agent upon presentation by AHMC Seton to the Escrow Agent, with a copy provided to the County at the address set forth in Section 13 of this Agreement, of invoices that comply with the escrow instructions and that substantiate, in the reasonable judgment of the Escrow Agent, Qualified Expenses. AHMC Seton will also be required to provide receipts for all paid invoices.

i. If the County objects to any disbursement request submitted by AHMC Seton to the Escrow Agent, the County will provide AHMC Seton with a written statement of the specific nature of the County's questions within ten (10) business days of notice of receipt by the County of a copy of the request for a disbursement, with a copy of such statement to the Escrow Agent. If the County fails to provide an objection to a request for disbursement within that period, and the request is otherwise satisfactory to the Escrow Agent, the request will be deemed acceptable and the Escrow Agent will disburse the requested funds. Absent a later determination that false information was furnished or that the funds were not spent on the Seismic Project, there shall be no retroactive disallowance of funding disbursements. AHMC Seton shall respond to the County's written statement within ten (10) business days of actual receipt of the County's written statement. The Parties shall meet and confer regarding any questions raised by the County and the Escrow Agent shall not be obligated to make any further disbursement until all of the County's questions regarding the disbursement request have been resolved. If the Parties cannot informally resolve any objection, the Parties shall engage in mediation with a mutually agreed mediator before resorting to any other remedies available under law.

j. AHMC Seton will provide a semi-annual report to the County (in June and December during the Term of the Agreement) providing a status update on the Seismic Project, with the update including confirmation that both the Seismic Project is expected to meet the project's deadline and an accounting demonstrating that the proceeds disbursed by the Escrow Agent are Qualified Expenses and have been used exclusively for the Seismic Project. The County reserves the right to instruct the Escrow Agent to withhold disbursements if the County reasonably determines that the Seismic Project is not expected to meet the project's deadline, that the proceeds disbursed by the Escrow Agent are not used for Qualified Expenses, or that the use of disbursed funds is otherwise not in compliance with this Agreement, based on AHMC Seton's reports or other evidence that it is commercially reasonable to rely upon, provided that the County shall provide AHMC Seton with notice and a reasonable opportunity to cure.

k. In no event shall County's total fiscal obligation under this Agreement exceed Ten Million Dollars (\$10,000,000).

3. Notwithstanding any other provision in this Agreement, County may terminate this Agreement, or any portion thereof, based upon evidence of unavailability of County funds by providing written notice to AHMC Seton as soon as is reasonably possible after County learns of said unavailability of funding, but in no event shall such notice period be less than ninety (90) days. Any funds then held in the escrow account as of the time that the County provides such notice shall remain in the account to be used for the Seismic Project as contemplated by this Agreement.

4. AHMC Seton and AHMC Healthcare agree and understand that neither AHMC Seton, AHMC Healthcare, nor any of their respective employees or agents acquire any of the rights, privileges, powers, or advantages of County employees.
5. AHMC Seton and AHMC Healthcare each agree to indemnify and defend County and its employees and agents from any and all claims, damages, and liability in any way occasioned by or arising out of the negligence of AHMC Seton and/or its employees/officers/agents in the performance of this Agreement or any activities paid for, in whole or in part, from the funds made available to AHMC Seton pursuant to the terms of this Agreement, including any sanctions, penalties, or claims of damages resulting from AHMC Seton's failure to comply with any law, regulation, or ordinance, including but not limited to those listed in this Agreement. Such indemnity, however, shall not extend to any claims arising from the County's decision to make funds available under this Agreement or to exercise any rights it may have under this Agreement or other legal responsibilities that it may have in connection with the Seismic Project.
6. Except as permitted in this Agreement, none of the Parties shall assign this Agreement or any portion thereof to a third party without the prior written consent of the other Parties.
7. The County shall not be obligated to make available any of the funding provided for under this Agreement until insurance of the types and in the amounts reasonably satisfactory to the County has been obtained by AHMC Seton and approved by the County's Risk Manager. AHMC Seton shall furnish the County with certificates of insurance evidencing the insurance coverage required by this Agreement and said certificates shall reflect that the County and its Supervisors, officers, employees, and agents have been named as additional insureds with respect to AHMC Seton's and AHMC Healthcare's indemnification obligations set forth in Section 5 of this Agreement.
8. AHMC Seton shall maintain all records related to this Agreement for at least five (5) years after the end of the Term of this Agreement.
9. If, at any time during the Term of the Agreement, the Hospital ceases to fully operate, Seton Coastside ceases to fully operate, or AHMC Seton and/or AHMC Healthcare fail to comply with any of the Conditions of Sale during the time that any such condition remains in effect (each, a "Repayment Event") then AHMC Seton and AHMC Healthcare shall be jointly and severally liable to repay the County all or a portion of the funds paid to AHMC Seton for Qualified Expenses pursuant to this Agreement, as follows:
 - a. If a Repayment Event occurs prior to July 1, 2023, AHMC Seton and AHMC Healthcare shall be jointly and severally obligated to repay the County Ten Million Dollars (\$10,000,000), unless less than \$10,000,000 has been disbursed to AHMC Seton for Qualifying Expenses at that time, in which case AHMC Seton and AHMC Healthcare shall repay the County the full amount that has been disbursed to AHMC Seton for Qualifying Expenses.
 - b. If a Repayment Event occurs at any time during the County's 2023-2024 fiscal year (i.e., between July 1, 2023 and June 30, 2024, inclusive), AHMC Seton and AHMC Healthcare shall be jointly and severally obligated to repay the County Eight Million Dollars

(\$8,000,000), unless less than \$10,000,000 has been disbursed to AHMC Seton for Qualifying Expenses at that time, in which case AHMC Seton and AHMC Healthcare shall repay the County eighty percent (80%) of the full amount that has been disbursed to AHMC Seton for Qualifying Expenses.

c. If a Repayment Event occurs at any time during the County's 2024-2025 fiscal year (i.e., between July 1, 2024 and June 30, 2025, inclusive), AHMC Seton and AHMC Healthcare shall be jointly and severally obligated to repay the County Six Million Dollars (\$6,000,000), unless less than \$10,000,000 has been as disbursed to AHMC Seton for Qualifying Expenses, in which case AHMC Seton and AHMC Healthcare shall repay the County sixty percent (60%) of the full amount that has been disbursed to AHMC Seton for Qualifying Expenses.

d. If a Repayment Event occurs at any time during the County's 2025-2026 fiscal year (i.e., between July 1, 2025 and June 30, 2026, inclusive), AHMC Seton and AHMC Healthcare shall be jointly and severally obligated to repay the County Four Million Dollars (\$4,000,000), unless less than \$10,000,000 has been disbursed to AHMC Seton for Qualifying Expenses, in which case AHMC Seton and AHMC Healthcare shall repay the County forty percent (40%) of the full amount that has been disbursed to AHMC Seton for Qualifying Expenses.

e. If a Repayment Event occurs at any time during the County's 2026-2027 fiscal year (i.e., between July 1, 2026 and June 30, 2027, inclusive), AHMC Seton and AHMC Healthcare shall be jointly and severally obligated to repay the County Two Million Dollars (\$2,000,000), unless less than \$10,000,000 has been disbursed to AHMC Seton for Qualifying Expenses, in which case AHMC Seton and AHMC Healthcare shall repay the County twenty percent (20%) of the full amount that has been disbursed to AHMC Seton for Qualifying Expenses.

f. After the end of the 2026-2027 fiscal year (which is also after the Term of this Agreement), AHMC Seton and AHMC Healthcare shall have no obligation to repay any funds to the County.

10. Business Plan, Financial Statements and Reporting Requirements.

a. Prior to the release by the County of any funds to the Escrow Agent pursuant to this Agreement, AHMC Seton shall provide to the County a business plan and financial statements that set forth a viable and sustainable plan to maintain full operation of the Hospital during the Term of the Agreement and that reasonably substantiate full compliance with the Conditions of Sale during the full period that such conditions remain in effect. At least once each calendar year during the term of the Agreement, AHMC Seton shall provide the County with an updated business plan and financial statements that set forth and substantiate the same matters. To the extent permitted by applicable law, the County shall maintain the confidentiality of information provided by AHMC to the County under this Agreement, including without limitation AHMC Seton's business plans and financial statements.

b. If the County Manager of the County of San Mateo (the "County Manager") determines, in the County Manager's reasonable judgment, that a business plan and/or financial statements (or an updated business plan and/or financial statements) provided by AHMC Seton do not set forth a viable and sustainable plan to maintain full operation of the Hospital in all material respects during the Term of the Agreement or that they do not reasonably substantiate full compliance with the Conditions of Sale in all material respects during the full period that such conditions remain in effect, then within 30 calendar days after receiving such a business plan and financial statements (or updated business plan and financial statements) the County Manager shall provide to AHMC Seton a written statement of the basis for such determination. If AHMC Seton disagrees with the County Manager's determination, AHMC Seton shall have thirty calendar days to respond in writing to the County Manager's determination to set forth the basis of AHMC Seton's disagreement with the County Manager's determination. If the County Manager and AHMC Seton continue to disagree after the County receives AHMC Seton's written statement, the County shall be entitled to provide the Escrow Agent with instructions to cease making any further payments to AHMC Seton until AHMC Seton has satisfactorily addressed the matters set forth in the County Manager's written statement.

11. This Agreement constitutes the sole Agreement of the parties to this Agreement and correctly states the rights, duties, and obligations of each party as of this document's date with respect to the subject matter hereof. Any prior agreement, promises, negotiations, or representations between the parties not expressly stated in this document are not binding. All subsequent modifications or amendments shall be in writing and signed by the Parties.

12. This Agreement and any disputes arising out of this Agreement shall for all purposes be deemed subject to the laws of the State of California without regard to its choice of law rules, and any lawsuit concerning or arising out of this Agreement shall be venued in the California Superior Court for the County of San Mateo.

13. Any notice, request, demand, or other communication required or permitted under this Agreement shall be deemed to be properly given when both:

- a) Transmitted via email to the email address listed below; and
- b) Sent to the physical address listed below by either being deposited in the United States mail, postage prepaid, or deposited for overnight delivery, charges prepaid, with an established overnight courier that provides a tracking number showing confirmation of receipt.

In the case of County, to:	In the case of AHMC Seton and AHMC Healthcare , to:
Name/Title:	Name/Title: Linda Marsh, Senior Executive VP
Address:	Address: 100 N Stoneman Ave #200 Alhambra, CA 91801
Telephone:	Telephone: (626) 705-0972
Email:	Email: linda.marsh@ahmchealth.com

IN WITNESS WHEREOF, the parties hereto, by their duly authorized representatives, have affixed their hands.

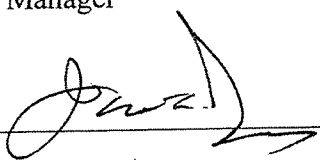
COUNTY OF SAN MATEO

AHMC SETON MEDICAL CENTER LLC

By: AHMC Healthcare Inc.

Its: Manager

By: _____

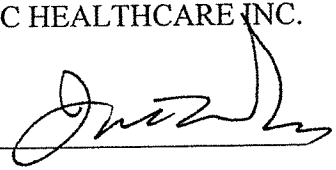
By: 

San Mateo County Board of Supervisors

Date: _____

Date: 12/2/21

AHMC HEALTHCARE INC.

By: 

Date: 12/2/21

ATTEST:

By: _____

Clerk of Said Board