

**AMENDMENT NO. 5 TO THE OPERATIONS MANAGEMENT AGREEMENT
BETWEEN THE COUNTY OF SAN MATEO AND BRIUS, LLC**

THIS AMENDMENT TO THE AGREEMENT, entered into this _____ day of April 2014, by and between the COUNTY OF SAN MATEO, hereinafter called "Licensee," and Brius, LLC, hereinafter called "Manager".

WITNESSETH

WHEREAS, pursuant to Government Code, Section 31000, Licensee may contract with independent contractors for the furnishing of such services to or for Licensee or any Department thereof;

WHEREAS, the parties entered into an Operations Management Agreement (the "Agreement") whereby Manager is managing the Facility (as defined in the Agreement) for Licensee from the Operations Transfer Date to the Transition Date; and

WHEREAS, the parties now wish to amend the Agreement to extend the term through September 30th, 2020;

WHEREAS, the parties further wish to amend the Agreement as it pertains to oversight, governance, purchasing, and the management fee and to further clarify the responsibilities and obligations of the parties.

NOW, THEREFORE, IT IS HEREBY AGREED BY THE PARTIES HERETO AS FOLLOWS:

I. Section 3.2 of the Agreement is amended to read as follows:

3.2 For purposes hereof, the "Transition Date" shall be September 30, 2020, or as soon before that date that Manager obtains its own License and Medi-Cal and Medicare provider numbers and is able to operate the Facility under those provider numbers, free of any further commitment of or participation by Licensee, subject to the requirements of Section 27.3.

II. Section 11.1 of the Agreement is amended to read as follows:

11.1 Utilization of SMMC Materials Management and Group Purchasing Organization. At Licensee's direction and in accordance with Licensee's policies and procedures, Manager shall arrange for the provision and replenishment of all supplies (including food supplies) and inventory used in the Facility via Licensee's materials management system and Licensee's participation in group purchasing organizations when possible (subject to the requirements of this Section). Final responsibility for arranging and procuring supplies rests with Manager.

III. Section 17.1 of the Agreement is amended to read as follows:

17.1 Acceptance of Patients. In conformity with applicable law, Licensee and Manager shall not discriminate against Medicare and Medi-Cal patients who request services at the Facility. In addition, Manager agrees to accept (subject to space availability and the terms and conditions herein) all referrals of patients from San Mateo Medical Center, the County Health System's Aging & Adult Services division, or the County Health System's Behavioral Health and Recovery Services division (even if the patient is coming from the San Mateo Medical Center Emergency Department, from the patient's home or other location, or from another facility) who require skilled nursing facility level care regardless of payor source.

IV. Section 17.8 of the Agreement is amended to read as follows:

17.8 Rent. As set forth in Section 1.2, Manager shall agree upon new lease terms with the County of San Mateo which are consistent with this Agreement regarding Licensee's use of the Facility for the duration of the Management Period. As will be outlined in said lease, from the Operations Transfer Date through the end of the Management Period, Licensee shall pay rent to ETP in the form of (1) valuable consideration outlined in this Agreement and (2) a total of one-million nine-hundred four thousand four-hundred twenty dollars (\$1,904,420.00). Rent payments equal to one-twelfth (1/12) of the rent payment amount shall be made by Licensee each month for only the first twelve months of this Agreement. Seven-hundred fifty thousand dollars (\$750,000.00) of this amount shall be a refundable amount to be returned to the Licensee on July 15, 2015, with 3% simple interest accruing on this refundable amount on a monthly basis and one-twelfth (1/12) of the refundable amount being paid each month by Licensee to Manager for the first twelve months of this Agreement. The following table shows the amount of monthly payments and amount due to Licensee on July 15, 2015 (*i.e.*, eight-hundred seven thousand one-hundred eighty-seven dollars and fifty cents (\$807,187.50)):

<u>Date</u>	<u>Monthly Rent</u>	<u>Total Rent Amount</u>	<u>Amount of</u>	<u>Total Refundable</u>	<u>Monthly Simple</u>	<u>Total Amount Due to</u>
	<u>Payment By Licensee</u>	<u>Paid By Licensee to</u>	<u>Refundable Rent Paid</u>	<u>Rent Amount Paid to</u>	<u>Interest Due On</u>	<u>Be Repaid By ETP to</u>
	<u>to ETP</u>	<u>ETP to Date</u>	<u>Each Month by</u>	<u>ETP to Date</u>	<u>Refundable Rent</u>	<u>Licensee (Total</u>
			<u>Licensee</u>		<u>Amount Paid (not</u>	<u>Refundable Rent Paid</u>
					<u>compounded: 3%</u>	<u>+ Monthly Interest)</u>
					<u>annual rate = 0.25%</u>	
					<u>per month)</u>	
7/15/2012	\$158,701.67	\$158,701.67	\$62,500.00	\$62,500.00	\$0.00	\$62,500.00
8/15/2012	\$158,701.67	\$317,403.33	\$62,500.00	\$125,000.00	\$156.25	\$125,156.25
9/15/2012	\$158,701.67	\$476,105.00	\$62,500.00	\$187,500.00	\$312.50	\$187,968.75
10/15/2012	\$158,701.67	\$634,806.67	\$62,500.00	\$250,000.00	\$468.75	\$250,937.50
11/15/2012	\$158,701.67	\$793,508.33	\$62,500.00	\$312,500.00	\$625.00	\$314,062.50
12/15/2012	\$158,701.67	\$952,210.00	\$62,500.00	\$375,000.00	\$781.25	\$377,343.75
1/15/2013	\$158,701.67	\$1,110,911.67	\$62,500.00	\$437,500.00	\$937.50	\$440,781.25
2/15/2013	\$158,701.67	\$1,269,613.33	\$62,500.00	\$500,000.00	\$1,093.75	\$504,375.00
3/15/2013	\$158,701.67	\$1,428,315.00	\$62,500.00	\$562,500.00	\$1,250.00	\$568,125.00
4/15/2013	\$158,701.67	\$1,587,016.67	\$62,500.00	\$625,000.00	\$1,406.25	\$632,031.25
5/15/2013	\$158,701.67	\$1,745,718.33	\$62,500.00	\$687,500.00	\$1,562.50	\$696,093.75
6/15/2013	\$158,701.67	\$1,904,420.00	\$62,500.00	\$750,000.00	\$1,718.75	\$760,312.50
7/15/2013	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$762,187.50
8/15/2013	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$764,062.50
9/15/2013	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$765,937.50
10/15/2013	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$767,812.50
11/15/2013	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$769,687.50
12/15/2013	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$771,562.50
1/15/2014	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$773,437.50
2/15/2014	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$775,312.50
3/15/2014	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$777,187.50
4/15/2014	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$779,062.50
5/15/2014	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$780,937.50
6/15/2014	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$782,812.50
7/15/2014	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$784,687.50
8/15/2014	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$786,562.50
9/15/2014	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$788,437.50
10/15/2014	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$790,312.50
11/15/2014	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$792,187.50
12/15/2014	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$794,062.50
1/15/2015	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$795,937.50
2/15/2015	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$797,812.50
3/15/2015	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$799,687.50
4/15/2015	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$801,562.50
5/15/2015	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$803,437.50
6/15/2015	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$805,312.50
7/15/2015	\$0.00	\$1,904,420.00	\$0.00	\$750,000.00	\$1,875.00	\$807,187.50
Total Repayment						\$807,187.50

Notwithstanding the existence of the "Option Agreement 1100 Trousdale Avenue" between Shlomo Rechnitz and the previous owners of Facility and the fact that rent payments were made by Licensee to the previous owners of Facility through October 2012 pursuant to said option agreement, all rent payments outlined by this section are considered by the parties to have been paid by Licensee to Manager, and, accordingly, the full eight-hundred seven thousand one-hundred eighty-seven dollars and fifty cents (\$807,187.50) of the refundable amount is due to Licensee from Manager on July 15, 2015.

V. Section 20.1 of the Agreement is amended to read as follows:

20.1 For its services under this Agreement, Manager shall be entitled to a fee from the Licensee (the "Management Fee") equal to the Facility's operating revenues less all operating expenses resulting from operation of

the Facility during the Management Period, calculated in accordance with Generally Accepted Accounting Principles. For purposes of this calculation, any item which is billed by Licensee and in relation to which Licensee is entitled to keep the revenues is excluded from this calculation (i.e., pharmacy medications billed by Licensee pursuant to Section 10.4). According to the Department of Health Care Services ("DHCS"), the daily Medi-Cal reimbursement rate for DP-NF services provided at the Facility effective August 1, 2011 was \$318.23 (the "Base Rate"). The Medi-Cal reimbursement rate for DP-NF services provided at the Facility was subsequently increased by DHCS. For services provided during the Management Period, any increases above the Base Rate shall be retained. Licensee shall be retained fifty percent (50%) by Licensee and fifty percent (50%) by Manager.

- VI. Sections 27.2, 27.3, 27.3.1, and 27.3.2 of the Agreement are amended to read as follows:

27.2 Licensee and Provider Agreements. On or before the Transition Date, Manager shall have procured its own License and Medicare and Medi-Cal provider agreements for the Facility. As of the Transition Date, Manager shall assume full operational responsibility for and ownership of Facility and shall cease using Licensee's NPIs, License, and Medicare and Medi-Cal provider numbers. After the Transition Date, Licensee shall continue to use its own NPIs and Medicare and Medi-Cal provider numbers for its own operations (excluding any operations at Facility). Effective as of the Transition Date, Licensee shall remove the Facility beds from the Facility's license. Manager will do everything required such that Licensee can provide sufficient notice to the state and federal governments to allow the removal of the beds from the Licensee's license effective September 30, 2020.

27.3 Timing of Transition. Unless otherwise agreed to in writing by both parties, the Transition Date shall occur no later than September 30, 2020. If Manager has not met all of the conditions to have the Transition Date occur on or before 11:59 p.m. on September 30, 2020, then Licensee at its sole discretion shall immediately be authorized to do either of the following:

27.3.1 Elect to continue this Agreement in full force and effect, and Manager shall cause Licensee to be paid: seven-hundred fifty thousand dollars (\$750,000.00) for any time the Facility beds remain on Licensee's license from October 1, 2020, through December 31, 2020; an additional \$1,000,000.00 for any time the Facility beds remain on Licensee's license from January 1, 2021, through March 31, 2021; an additional \$2,000,000.00 for any time the Facility beds remain on Licensee's license from April 1, 2021, through June 30, 2021; an additional \$3,000,000.00 for any time the Facility beds remain on

Licensee's license from July 1, 2021, through September 30, 2021; and an additional four million dollars (\$4,000,000.00) each quarter for any time the Facility beds remain on Licensee's license during each subsequent quarter; provided, however, that Licensee may opt to exercise its right to Terminate Manager's management role for cause pursuant to Section 27.3.2 in relation to any such upcoming quarter listed in this Section 27.3.1 (meaning that Licensee may permit Manager to continue its role for any number of quarters after October 1, 2020, until Manager meets all conditions or Licensee opts to terminate Manager's management role); or

27.3.2 Terminate Manager's management role for cause as outlined by Section 29.3, in which case Manager and/or Shlomo Rechnitz shall be jointly and severally responsible to cover all costs of the closure of the Facility (to be facilitated by Licensee) as outlined in Section 30.

VII. Section 50 of the Agreement is added to read as follows:

50. Assumption of Lease Obligations. As noted above, Licensee leases the Facility pursuant to the Lease described in Exhibit A. Pursuant to Amendment No. 1 to the Lease, ETP is now the Lessor described in the Lease, and the term of the Lease is now concurrent with the term of this Management Agreement. Pursuant to Amendment No. 5 to this Management Agreement, Manager hereby assumes all obligations of Licensee under the Lease except as otherwise outlined by this Management Agreement. Accordingly, the scope of Section 30 of this Management Agreement specifically includes the joint and several indemnification by Manager and/or Shlomo Rechnitz of Licensee regarding Licensee's obligations under the terms of the Lease.

VIII. All other terms and conditions of the agreement dated June 19, 2012, between the Licensee and Manager shall remain in full force and effect.

IX. Manager and Licensee have been negotiating in good faith to provide additional capacity of fifty skilled nursing beds for placement of patients of the County's Health System who have certain psychiatric and other diagnoses at other skilled nursing facilities operated by Manager in the region. If, pursuant to mutually-acceptable agreement between the parties, Manager agrees to provide such access to approved skilled nursing facility beds other than at the Facility, the parties will work to revise Section 20.1 along the following lines:

20.1 For its services under this Agreement, Manager shall be entitled to a fee from the Licensee (the "Management Fee") equal to the Facility's operating revenues less all operating expenses resulting from operation of the Facility during the Management Period, calculated in accordance with Generally Accepted Accounting Principles. For purposes of this calculation, any item which is billed by Licensee and in relation to which Licensee is entitled to keep the revenues is excluded from this calculation

(i.e., pharmacy medications billed by Licensee pursuant to Section 10.4). According to the Department of Health Care Services ("DHCS"), the daily Medi-Cal reimbursement rate for DP-NF services provided at the Facility effective August 1, 2011 was \$318.23. The current Medi-Cal reimbursement rate for DP-NF services provided at the Facility is \$416.95. The parties agree that the "Base Rate" shall be \$367.59. For services provided during the Management Period, the parties agree that Manager shall be entitled to the Base Rate plus fifty percent (50%) of any increases above \$416.95. The Licensee shall retain the amount of the Medi-Cal rate between the Base Rate and \$416.95 and fifty percent (50%) of any amount above \$416.95.

The proposed preceding language regarding Section 20.1 shall not be automatically implementing, and the parties may only introduce said change via a written amendment that is mutually agreeable.

- X. Manager has recently been negotiating to purchase a skilled nursing facility called A&C Convalescent Hospital of Millbrae (the "A&C Facility"), located at 33 Mateo Avenue, Millbrae, California, 94030. If Brius or its affiliates acquire the A&C Facility during the term of this Agreement, Manager shall provide Licensee with access to fifty (50) skilled nursing beds at that facility pursuant to the same general conditions of admission as those listed in this Agreement.
- XI. Manager is the successor in interest of A&C Health Care Services, Inc. in relation to the licensed residential board and care facility located at 1001 Hemlock Avenue, Millbrae, California 94030 ("Millbrae Manor") that Manager purchased pursuant to a bankruptcy proceeding in or around March 2014. In consideration for the items described by this Amendment, Manager and Licensee hereby agree to immediately terminate the Agreement Between the County of San Mateo and A&C Health Care Services, Inc. Doing Business As Millbrae Manor, executed May 21, 2013. In further consideration for the items described by this Amendment, Manager and Licensee enter into a new agreement regarding services provided at Millbrae Manor via the Agreement Between the County of San Mateo and Brius, LLC Regarding Millbrae Manor, executed concurrently with this amendment.

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

COUNTY OF SAN MATEO

By: _____
Its: President, Board of Supervisors

ATTESTED:

Clerk of the Board

RESOLUTION NO.

Date:

BRIUS, LLC

By: Shlomo Reehnitz
Signature

Shlomo Reehnitz
Printed Name

Date: April 4, 2014