

Term Sheet for Wind-up of Prior Lease
Draft 11/27/17

I. Parties

- A. Mark Twain Health Care District (District)
- B. Mark Twain Medical Center (MTMC)

II. Background

The parties are negotiating terms by which to terminate the existing 1989 Lease Agreement (Prior Lease) between District and MTMC, prior to its 12/31/2019 expiration. This “Term Sheet for Wind-up of Prior Lease” addresses the termination and wind-up of the Prior Lease. A separate Term Sheet sets forth the terms the parties and Dignity Health are negotiating with regard to a potential New Lease.

III. Consideration

Pursuant to the termination provisions of the Prior Lease, at Closing District will purchase MTMC’s unamortized Tenant Improvements (including but not limited to buildings, building services equipment, renovations and fixed and moveable equipment) from MTMC. “District’s Acquisition Cost” shall be the net book value of MTMC’s property, plant & equipment including construction-in-progress (i.e. MTMC’s acquisition cost less accumulated depreciation) as of the termination date, less \$4,699,000. “District’s Acquisition Cost” shall be paid to MTMC no later than the termination date, and shall consist of cash and a Note Payable (if any).

Pursuant to paragraph V. of the aforementioned Term Sheet, Dignity Health will contribute Consideration to the Closing in cash. Should “District’s Acquisition Cost” exceed such Consideration, District may contribute cash and/or a Note Payable as required to meet its Closing obligations. Such Note (if any) shall be payable to MTMC, and shall have terms no less favorable to MTMC than: (a) a five year term, (b) interest at Wall Street Journal Prime rate + 1%, adjusted monthly, and (c) annual payments comprising the accrued interest and at least 20% of the principal.

The parties acknowledge that (i) under the existing lease, MTMC needs the District’s approval for the Angels Camp project, (ii) the District cannot afford to approve any substantial portion of, or expenditure on, the Angels Camp project prior to the termination of the Prior Lease, as that would increase the “District Acquisition Cost” under the Prior Lease to an amount that could exceed the Consideration and thus would require that the District assume debt in order to complete the early termination of the Prior Lease, which – other than as set forth in the immediately preceding paragraph – the District has very limited means of accomplishing, and (iii) that MTMC cannot make substantial expenditures to build the Angels Camp project without assurance that either (a) the New Lease is in place, or (b) that the District will purchase the Angels Camp project upon termination of the Prior Lease. Accordingly, the parties agree that substantial expenditures on the Angels Camp project will be delayed until the effective date of the New Lease, and that – provided the election result is favorable – the parties will use best

efforts to accomplish an early termination of the Prior Lease and a Closing, as of the last day of a month occurring as soon as practicable following a favorable election result.