

September 24, 2024

**Via Electronic Transmission and Overnight Mail Delivery**

Re: Letter of Intent and Term Sheet – Behavioral Health Arrangement

Dear Ms. Maysent:

The purpose of this letter of intent (this “**Letter of Intent**”) is to set forth certain understandings by and among The County of San Diego (“County”) and The Regents of the University of California, on behalf of UC San Diego Health, a California constitutional corporation (“UCSD”) with respect to their collective efforts to develop an inpatient behavioral health service at the UCSD East Campus Medical Center, as more particularly described herein (the “**Transaction**”). The parties to this Letter of Intent may be referred to herein collectively as the “parties” or individually as a “party”.

Letter of Intent. The Transaction terms are attached hereto as Exhibit A and incorporated by reference herein (the “Term Sheet”), for the Transaction. Such transaction will be documented in definitive agreements to be entered into between County and UCSD, including without limitation a long-term agreement and other related documents (collectively the “Definitive Agreements”). All capitalized terms used but not defined in this Letter of Intent shall have the meanings set forth in the Term Sheet. In the event of any conflict between this Letter of Intent and the Term Sheet, the provisions of this Letter of Intent will prevail.

Exclusion from Federal Health Care Programs. Each party represents and warrants to the other party(ies) that it (a) is not currently excluded or otherwise ineligible to participate in the Federal health care programs (as such term is defined in 42 U.S.C 1320a-7b(f)), including but not limited to Medicare and Medi-Cal; (b) has not been convicted of a criminal offense related to the provision of health care items or services; and (c) has no knowledge of being under investigation or otherwise aware of any circumstances which may result in such party being excluded from participation in the Federal health care programs. Each party represents and warrants to the other party(ies) that its employees are not currently excluded or otherwise ineligible to participate in the Federal health care programs, including but not limited to, Medicare and Medi-Cal. This shall be an ongoing representation and warranty while this Letter of Intent is in effect and a party shall promptly notify the other party(ies) of any change in the status of the representation and warranty set forth in this paragraph. Any breach of this party shall give the non-breaching parties the right to terminate this Letter of Intent immediately.

HIPAA. Each party agrees to comply with the applicable provisions of the Health Insurance Portability and Accountability Act of 1996 and the requirements of any regulations promulgated thereunder, as both may be amended from time-to-time and with all other applicable privacy laws governing the privacy and security of personal information and medical information.

Costs. Each party will be responsible to pay its own costs and expenses incurred in connection with evaluating, negotiating, or proceeding with the Transaction, including, but not limited to, any legal fees incurred by such party.

Miscellaneous. This Letter of Intent and the Term Sheet shall be construed and enforced in accordance with the laws of the State of California. No signatory hereto shall assign this Letter of Intent to any party, other than an affiliate of such party. This Letter of Intent may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Signatures of the parties on this Letter of Intent or any document delivered pursuant to this Letter of Intent may be transmitted by facsimile (or other electronic transmission including email of a PDF signature) shall be deemed to be original signatures for all purposes. The liability of each Seller entity signatory hereto shall be joint and several.

Notice. Any notice, demand or communication required, permitted or desired to be given hereunder shall be deemed effectively given (i) if sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement); or (ii) if otherwise given in writing, (x) on the date tendered by personal delivery or (y) on the date tendered for delivery by nationally recognized overnight courier, in any event addressed as follows:

If to County:

County of San Diego  
1600 Pacific Highway  
San Diego, CA 92101  
Attn: Ebony N. Shelton, Chief Administrative Officer  
Email: [ebony.shelton@sdcounty.ca.gov](mailto:ebony.shelton@sdcounty.ca.gov)

With a copy to:

County of San Diego  
Office of County Counsel  
1600 Pacific Highway, Room 355

Attn: Shiri Hoffman, Chief Deputy County Counsel  
Email: [shiri.hoffman@sdcounty.ca.gov](mailto:shiri.hoffman@sdcounty.ca.gov)

If to UCSD:

UC San Diego Health  
9500 Gilman Drive, MC 0933  
San Diego, CA 92093  
Attn: Patricia S. Maysent, Chief Executive Officer  
Email: [pmaysent@ucsd.edu](mailto:pmaysent@ucsd.edu)

With a copy to:

UC Legal-UC San Diego Office of Campus Counsel  
Office of Legal Affairs

9500 Gilman Drive, MC 0933  
San Diego, CA 92093  
Attn: Veronica Marsich Chief Health Counsel  
Email: [vmarsich@UCSD.EDU](mailto:vmarsich@UCSD.EDU)

or to such other persons or places as a party may from time to time designate by written notice to the other.

*[Signatures Appear on Next Page]*

If the terms herein are acceptable, please sign and date this Letter of Intent in the space provided below to confirm our mutual understandings as to the matters described herein and return a signed copy to the undersigned.

Sincerely,

**COUNTY OF SAN DIEGO**

By: \_\_\_\_\_  
Ebony N. Shelton  
Chief Administrative Officer

**ACKNOWLEDGED AND AGREED:**

**THE REGENTS OF THE UNIVERSITY OF CALIFORNIA**

By: \_\_\_\_\_  
Patricia S. Maysent, MPH, MBA, Chief Executive  
Officer, UC San Diego Health

*[Signature Page to Letter of Intent]*

EXHIBIT A**TERM SHEET**

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| 1. Defined Terms  | Any capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Letter of Intent, to which this Term Sheet is attached.  |
| 2. Overall Transaction Structure  | The Transaction contemplated by the Letter of Intent and the Term Sheet, shall be for the delivery of behavioral health services to Medi-Cal enrolled or eligible patients that require services in the County of San Diego   |
| 3. Services and Size of Facility  | UCSD shall agree to operate an inpatient behavioral health facility at its East Campus Medical Center that shall include (i) 30 to 32 beds designated for Medi-Cal patients covered under County-led Mental Health Plans for specialty mental health services and (ii) a Crisis Stabilization Unit (CSU).   |
| 4. Construction, Financing, and Facilities Development of Inpatient Units | <p>(a) The County shall offer UCSD a loan up to \$32M to cover capital costs for the build out of the inpatient bed unit and CSU described above. The parties shall develop and agree to a loan repayment schedule with a commercially reasonable interest rate, that meets the requirements of applicable federal regulations, and that utilizes straight-line 30-year depreciation plus interest amortized over 30 years; UCSD shall repay the loan to County as long as loan repayment funds are recoverable through the rates for services paid by the County pursuant to this arrangement, or other mechanism(s); The parties will determine during final negotiations of the Definitive Agreements, a mechanism for repayment of the loan without negative economic impact to UCSD should loan repayment funds no longer be recoverable to UCSD.</p> <p>(b) UCSD agrees to apply for Proposition 1 Bond Behavioral Health Continuum Infrastructure Program (BHCIP) Round 1: Launch Ready grant funding, and the County agrees to support UCSD in its application for BHCIP Round 1: Launch Ready grant funding. This Transaction is not contingent upon receipt of such grant funding, and UCSD, in consultation with the County is not obligated to accept any award to the extent it is conditioned on terms that are more burdensome than the obligations under the existing loan arrangement or requires more administrative, legal, financial and staff time, unless the County agrees to offset these expenses. UCSD shall claim maximum reimbursement for such expenses under its Proposition 1 award, and will only be entitled to an offset of such expenses by the County to the extent they are not covered by Proposition 1 funding. UCSD will not include any internal or external costs incurred by UCSD that are not in excess of its existing fixed administrative costs.</p> |

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|  | <p>(c) The County and UCSD both agree to continue to jointly pursue other capital funding opportunities (exclusive of University philanthropy) which may be available for the build out of the inpatient bed unit or CSU and will agree upon terms under which such subsequently acquired funds will be used to “pay down” or otherwise decrease the loan principal in (a).</p>  |
| 5. Reimbursement for Inpatient, CSU, and Professional Services | <p>With respect to the beds designated for Medi-Cal patients referenced in Item #3, the CSU, and payment for technical and professional services, the County understands that UCSD will require a reimbursement rate for all services that ensures that UCSD will not be operating the unit(s) at a loss and is committed to the establishment of final reimbursement rates that are consistent with this principle. The parameters surrounding UCSD’s use of unoccupied beds shall be determined during final negotiations. In consideration of the foregoing, the County will negotiate the UCSD rates in good faith, and both parties agree that without a final agreement on the rates, they will be unable to enter into the Definitive Agreements.</p> |
| 6. Employees and Workforce Development                         | <p>UCSD through the leadership of its Department of Psychiatry will provide a comprehensive suite of programs and services tailored to meet the evolving needs of patients currently served by the County with serious mental illness. Leveraging cutting-edge research, evidence-based practices that are rigorously and efficiently delivered, through a multidisciplinary team-based approach, UCSD not only commits to exceptional patient care but also provides supports for improving the skills and potentials of the public behavioral health workforce.</p>  |
| 7. Education and Training                                      | <p>UCSD through the leadership of its Department of Psychiatry will provide comprehensive and innovative education and training programs, drawing from the latest clinical advancements in psychiatry. Through a blend of hands-on clinical experiences, immersive simulations, and interdisciplinary seminars, UCSD will equip the behavioral health workforce with the skills and knowledge necessary to excel in their roles. UCSD emphasizes evidence-based practices, holistic patient care, and ethical considerations, ensuring that the workforce is prepared to navigate the complexities of behavioral health care with expertise and compassion.</p>  |
| 8. CSU   | <p>UCSD understands that the County would like UCSD to design, develop and operate the available space in the former emergency department on the first floor of the West Tower to accommodate a CSU. UCSD will agree to include work on the design, development and operation of a CSU space if the parties agree to an arrangement for operation and reimbursement for a CSU as outlined in Section 5.</p>  |

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| 9. Conditions | <p>(a) The Definitive Agreements shall contain (i) the provisions outlined herein and (ii) representations, warranties, and other terms and conditions consistent herewith and otherwise customary in this type of public to public partnership and acceptable to the parties hereto, including without limitation governmental and regulatory approvals, and also approvals related to hospital licensure, including approvals required by the University of California. The Parties have agreed that certain of the standard Terms and Conditions utilized by the County in other forms of agreements are not appropriate to meet the nature of this partnership, and the Parties will accordingly negotiate such terms in good faith. The terms will, at a minimum, ensure that UCSD is held harmless from repayment under the loan arrangement and such that UCSD shall have the right to terminate the arrangement as appropriate and within parameters determined during final negotiations.</p> <p>(b) The Letter of Intent and the Term Sheet have been prepared on the basis of a review of currently available information. The execution and terms of any Definitive Agreements are subject to UCSD's and County's due diligence, fair market valuation and customary operational due diligence, including physical condition, legal, tax, regulatory, employment and information technology due diligence.</p> <p>(c) Each party's obligation to close the Transaction contemplated by the Definitive Agreements shall be subject to all relevant legal and regulatory approvals prior to the Closing. The parties acknowledge that regulatory approvals may occur after October 31, 2024 and that the Definitive Agreements may be singularly conditioned upon those approvals after that date.</p> <p>(d) The parties agree that the closing of the Transaction (the "<b>Closing</b>") will occur on or before October 31, 2024, appreciating that UCSD's approval process will require that the negotiations be completed by October 21<sup>st</sup>, in order to ensure time to obtain final authority for execution (the "<b>Closing Date</b>"), subject to the terms and conditions set forth in the Definitive Agreements.</p> |
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