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State of California
DEPARTMENT OF JUSTICE



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December 11, 2020

Hannah H. Lou
Associate
Hanson Bridgett LLP
425 Market Street, 26th Floor
San Francisco, CA 94105

Sent via email and USPS

RE: Covia Proposed Change in Control and Governance

Dear Ms. Lou:

Pursuant to Corporations Code section 5920 *et seq.*, the Attorney General hereby conditionally consents to the proposed change in control and governance of Covia pursuant to the terms of the Affiliation Agreement dated June 1, 2020 between Covia, a California nonprofit public benefit corporation and Front Porch Communities, a California nonprofit public benefit corporation.

Corporations Code section 5923 and California Code of Regulations, title 11, section 999.5, subdivision (f) set forth factors that the Attorney General shall consider in determining whether to consent to a proposed transaction between a nonprofit corporation and a nonprofit corporation or entity. The Attorney General has considered such factors and consents to the proposed transaction subject to the attached conditions that are incorporated by reference herein.

Thank you for your cooperation throughout the review process.

Sincerely,

[original signed]

ANITA GARCIA VELASCO
Deputy Attorney General

For XAVIER BECERRA
Attorney General

LA2020301719

Conditions to Proposed Change in Control and Governance of the Covia Group, Covia Communities, Covia Affordable Communities, and Covia Foundation and Approval of the Affiliation Agreement by and between the Covia Group, Covia Communities, Covia Affordable Communities, and Covia Foundation and Front Porch Communities

I.

These Conditions shall be legally binding on Front Porch Communities, a California non-profit public benefit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of the Covia Group, Covia Communities, Covia Affordable Communities, and Covia Foundation or the real property on which the Covia Group, Covia Communities, Covia Affordable Communities, and Covia Foundation is located, any and all current and future owners, lessees, licensees, or operators of any of the facilities or units the Covia Group, Covia Communities, Covia Affordable Communities, and Covia Foundation, and any and all current and future lessees and owners of the real property on which the Covia Group, Covia Communities, Covia Affordable Communities, and Covia Foundation are physically located.

II.

The transaction approved by the Attorney General consists of the Affiliation Agreement by and between the Covia Group, Covia Communities, Covia Affordable Communities, and Covia Foundation and Front Porch Communities dated June 1, 2020, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to these agreements. All entities listed in Condition I shall fulfill the terms of these agreements and any other agreements or documents referenced therein or attached thereto, and shall notify the Attorney General in writing of any proposed modification or rescission of any terms of these agreements. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917.

III.

For five years from the closing date of the Affiliation Agreement, Front Porch Communities and all owners, managers, lessees, or operators of the Covia Group, Covia Communities, Covia Affordable Communities, and Covia Foundation or any portion thereof shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of the Covia Group, Covia Communities, Covia Affordable Communities, and Covia Foundation or any portion thereof;
- (b) Transfer control, responsibility, management, or governance of the Covia Group, Covia Communities, Covia Affordable Communities, and Covia Foundation or any portion thereof.

The substitution, merger or addition of a new member of the governing body, general partner, or limited partner of Front Porch Communities that transfers the control of, responsibility for or governance of the Covia Group, Covia Communities, Covia Affordable Communities, and Covia Foundation or any portion thereof shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body, general partner, or limited partners of Front Porch Communities or any arrangement, written or oral, that would transfer voting control of the members of the governing body, general partner, or limited partners of Front Porch Communities shall also be deemed a transfer for purposes of this Condition.

IV.

For five years from the closing date of the Affiliation Agreement Covia Communities shall be operated and maintained as a skilled nursing facility and shall maintain the same licensure, types, and or levels of services being provided including, but not limited to, audiology, occupational therapy, outpatient services, physical therapy, and speech therapy. This is applicable to the following Covia Communities locations:

1. Canterbury Woods is a 24 licensed-bed skilled nursing facility.
2. St. Paul's Towers is a 43 licensed-bed skilled nursing facility.
3. Spring Lake Village is a 70 licensed-bed skilled nursing facility.
4. San Francisco Towers is a 55, licensed-bed skilled nursing facility.
5. Webster House is a 145 licensed-bed skilled nursing facility.

Front Porch Communities or the operator or licensee of Covia Communities shall not place all or any portion of Covia Communities' skilled nursing licensed-bed capacity or services in voluntary suspension or surrender its license for any beds or services.

V.

For five years from the closing date of the Affiliation Agreement, Front Porch Communities or the operator or licensee of Covia Communities shall be certified to participate in the Medicare program and have a Medicare Provider Number (or provider number for any successor program to Medicare) to provide the same types and levels of skilled nursing services to Medicare beneficiaries (both Traditional and Managed Care) at Covia Communities as required in these Conditions.

VI.

For five years from the closing date of the Affiliation Agreement, Front Porch Communities or operator or licensee of Covia Communities shall annually submit to the Attorney General, no later than four months after each anniversary of the closing date of the Affiliation Agreement, a report describing in detail its compliance with each Condition set forth herein. The report will also include the most recent annual staffing audit received from the California Department of Public Health. The Chief Executive Officers or their equivalents at Covia Communities and any operator or licensee of Covia Communities shall each certify that the report is true, accurate, and complete.

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VII.

At the request of the Attorney General, all parties listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with the terms and conditions of the transaction as set forth herein. The Attorney General shall, at the request of a party and, to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret, or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

VIII.

At the close of the transaction, all parties listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition. The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorneys' fees and costs incurred in remedying each and every violation.