

**NOTICE AND AGENDA OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
MENDOCINO COAST HEALTH CARE DISTRICT**

Thursday, January 28, 2021

**6:00 P.M. Open Session
Meeting via Zoom Conference**

PLEASE TAKE NOTICE a Regular Board of Directors meeting has been called for Thursday, January 28, 2021 at 6:00 pm. **This meeting will be held via Zoom Conference only in order to reduce the risk of spreading coronavirus (COVID-19) and pursuant to the Governor's Executive Orders N-25-20 and N-29-20.**

No physical location from which members of the public may observe the meeting and offer public comment will be provided.

Topic: MCHCD BOD Meeting

Time: Jan 28, 2021 06:00 PM Pacific Time (US and Canada)

Join Zoom Meeting

<https://zoom.us/j/3453214116>

Meeting ID: 345 321 4116

One tap mobile

+16699009128,,3453214116# US (San Jose)

Dial by your location

+1 669 900 9128 US (San Jose)

Meeting ID: 345 321 4116

Find your local number: <https://zoom.us/j/3453214116>

CONDUCT OF BUSINESS:

1. **CALL TO ORDER:** Ms. Jessica Grinberg, Chair

2. **ROLL CALL**

3. PUBLIC COMMENTS

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation, but can seek clarification to points made in your presentation or comments.

BROWN ACT REQUIREMENTS: Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

4. APPROVAL OF THE AGENDA: Ms. Jessica Grinberg, Chair

NEW BUSINESS:

5. **INFORMATION/ACTION:** Accounts Receivable Factoring: Ms. Sara Spring, Treasurer **TAB 1**

6. **INFORMATION:** Update from Adventist Health Mendocino Coast (AHMC): Ms. Judy Leach, President

7. **ACTION:** Approval of Minutes for December 10, 2020 Board meeting: Ms. Jessica Grinberg, President **TAB 2**

8. **INFORMATION/ACTION:** Resolution 2021-01 Bank of America: Ms. Sara Spring, Treasurer **TAB 3**

9. **INFORMATION/ACTION:** Resolution 2021-02 Savings Bank of Mendocino County: Ms. Sara Spring, Treasurer **TAB 4**

10. **INFORMATION/ACTION:** Resolution 2021-03 Tri-Counties Bank: Ms. Sara Spring, Treasurer **TAB 5**

11. **INFORMATION/ACTION:** Resolution 2021-04 Local Agency Investment Fund (LAIF): Ms. Sara Spring, Treasurer **TAB 6**

12. **INFORMATION/ACTION:** Approval of District credit card users

OLD BUSINESS:

13. **INFORMATION/ACTION:** Appoint two new members to the 2018 Measure C Oversight Committee: Ms. Jessica Grinberg, Chair

REPORTS:

14. Update from Ad Hoc Committee on Web Design: Mr. John Redding and Mr. Norman de Vall

15. Update on Consultant Recruitment: Ms. Jessica Grinberg, Chair and Ms. Amy McColley, Vice Chair

16. Update on Office Space: Ms. Jessica Grinberg, Chair

17. **ACTION:** Finance Report: Ms. Sara Spring, Treasurer

TAB 7

18. **FUTURE AGENDA ITEMS:** Ms. Jessica Grinberg, Chair

19. **PUBLIC COMMENTS**

This portion of the meeting is reserved for persons desiring to address the Board of Directors on any matter which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board of Directors can take no action on your presentation but can seek clarification to points made in your presentation or comments.

BROWN ACT REQUIREMENTS: Pursuant to the Brown Act, the Board of Directors cannot discuss issues or take action on requests during this comment period.

20. **COMMENTS FROM BOARD OF DIRECTORS**

21. **ADJOURNMENT:** Ms. Jessica Grinberg, Chair


Dated: January 25, 2021

STATE OF CALIFORNIA)
COUNTY OF MENDOCINO

I declare under penalty of perjury that I am a Board Member of the Mendocino Coast Health Care District Board of Directors; and that I posted this notice at the North and Patient Services Building Lobby entrances to the Adventist Health Mendocino Coast Hospital on January 25, 2021



Jessica Grinberg
Chair & Secretary of the Board of Directors


Date

All disabled persons requesting disability related modifications or accommodations, including auxiliary aids or service may make such request in order to participate in a public meeting to Jessica Grinberg, Chair of the Board of Directors, 700 River Drive, Fort Bragg, CA 95437 no later than 1 working day prior to the meeting that such matter be included on that month's agenda.

*Per District Resolution, each member of the public who wishes to speak shall be limited to three minutes each per agenda item. Please identify yourself prior to speaking. Thank you.

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**NO DOCUMENT CURRENTLY AVAILABLE FOR
THIS AGENDA ITEM**

**DOCUMENT WILL BE AVAILABLE AND POSTED
BY 5 P.M. ON JANUARY 26, 2021**

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MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
MENDOCINO COAST HEALTH CARE DISTRICT

Thursday, December 10, 2020

6:00 P.M. Open Session

Meeting via Zoom Conference

CONDUCT OF BUSINESS:

1. CALL TO ORDER: Ms. Jessica Grinberg, Chair
2. ROLL CALL: Redding Y, McColley Y, De Vall Y, Spring Y, Grinberg Y
3. APPROVAL OF THE AGENDA: Motion by: De Vall, Seconded by: McColley
In Favor: All
4. PUBLIC COMMENTS: None

NEW BUSINESS:

6. ACTION: Oath of Office for Sara Spring and Norman de Vall: Officiated by Dan Gjerde BOS
4th District.
7. DISCUSSION/ACTION: Funding of OB Hardship Fund for North Coast Family Health Center.
MOTION: Women's Health restricted fund donation of \$10,000 for OB/GYN care.
Moved by: McColley, Seconded by: Spring
Board discussion took place. No Community comments.
Vote: Spring Y, McColley Y, De Vall Y, Redding Y, Grinberg Y
8. DISCUSSION/ACTION: Advertising budget for Community Outreach:
MOTION: Have a \$450 budget for a thank you holiday ad in the local papers
Moved by: McColley, Seconded by: Spring
Board Discussion took place to include multiple publications and social media.
Vote: Spring Y, De Vall Y, Redding Y, Grinberg Y, McColley Y
9. Nominations and votes: Election of Board Officers. Noel Cauffman, district counsel,
present to tally votes.
Board Chair: Jessica Grinberg
Board Vice Chair: Amy McColley
Board Treasurer: Sara Spring

Board Secretary: Jessica Grinberg

OLD BUSINESS:

10. DISCUSSION: Selection of District Counsel: De Vall has reached out to the Association of Health Care Districts for support in creating a template for the hiring of counsel. Discussion was to wait until we have the guideline from AHCD.

11. DISCUSSION: Review of OB Hardship Fund Financial report from Mendocino Coast Clinics. No action taken. A letter to be written to MCC expressing gratitude for use of funds and to report approval of additional services that may be included.

12. DISCUSSION/ACTION: Discussion regarding Mission Statement/Goals & Objectives: Suggestion for retreat to discuss.

COMMITTEE REPORTS:

13. Update on Consultant selection process: Grinberg & McColley

13. Update on Website project: Redding & de Vall

14. DISCUSSION/ACTION: Update on Measure C Oversight Committee- Redding
Discussion only. No update provided because committee has not met.

15. INFORMATION/ACTION: Finance Report: Redding
Information only. No action.

16. COMMUNITY COMMENTS

17. PUBLIC COMMENT: No comments

18. NEXT MEETING TO BE HELD ON: January 28, 2021

Respectfully submitted by Jessica Grinberg, Board Chair/Board Secretary

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**MENDOCINO COAST HEALTH CARE DISTRICT
RESOLUTION NO. 2021-01**

WHEREAS, the Mendocino Coast Health Care District dba Mendocino Coast District Hospital (hereinafter "District") maintains various bank accounts with the Bank of America; and

WHEREAS, due to the District having a new Interim Chief Executive Officer (CEO), it will be necessary to notify Bank of America of the change of personnel; and

WHEREAS, all persons who act as authorized signatories for the District are required to be covered under Alliant Insurance Services, Inc. Crime Healthcare Insurance Program for government entities for the benefit of Mendocino Coast Health Care District.

A complete list of the District's accounts at Bank of America is attached to this Resolution as EXHIBIT A and incorporated by reference herein as though set forth in full.

NOW, THEREFORE, IT IS ORDERED AND RESOLVED that the following District Officers and/or Directors of the District have authority to disburse or withdraw funds from the District's bank accounts with Bank of America: Wayne C. Allen, Interim Chief Executive Officer (CEO), or in his absence, Karen Arnold or Chairperson (President) of the Board of Directors or Jessica Grinberg, Vice-President of the Board of Directors. With the exception of routine authorized employee payroll, routine District accounts payable, approved vendor and professional contracts (e.g. physician payments and other authorized contractual obligations), disbursement or withdrawals of District funds in excess of \$25,000.00 require the authorization of at least two (2) of the Officers/ Directors identified in this Resolution.

The Board of Directors of the Mendocino Coast Health Care District at a regularly scheduled meeting of the Board passed this Resolution on April 25, 2019 by the following vote.

AYES: _____

NOES: _____

ABSENT: _____

ABSTAIN: _____

KAREN ARNOLD, President of the Board of Directors

ATTEST:

STEVEN LUND, Secretary to the Board of Directors
Mendocino Coast Health Care District

MENDOCINO COAST HEALTH CARE DISTRICT
BANK ACCOUNTS

ACCOUNT	ACCT#
<hr/>	
BANK OF AMERICA	
MASTER	263
ACCTS PAYABLE	268
PAYROLL	282
CORE	155
HOME HEALTH ACCTS PAYABLE	743
HOME HEALTH PAYROLL	680

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**MENDOCINO COAST HEALTH CARE DISTRICT
RESOLUTION NO. 2021-02**

WHEREAS, the Mendocino Coast Health Care District dba Mendocino Coast District Hospital (hereinafter "District") maintains various bank accounts with the Savings Bank of Mendocino County; and

WHEREAS, due to the District having a new Interim Chief Executive Officer (CEO), it will be necessary to notify the Savings Bank of Mendocino County of the change of personnel; and

WHEREAS, all persons who act as authorized signatories for the District are required to be covered under Alliant Insurance Services, Inc. Crime Healthcare Insurance Program for government entities for the benefit of Mendocino Coast Health Care District

A complete list of the District's accounts at the Savings Bank of Mendocino County is attached to this Resolution as EXHIBIT A and incorporated by reference herein as though set forth in full.

NOW, THEREFORE, IT IS ORDERED AND RESOLVED that the following District Officers and/or Directors of the District have authority to disburse or withdraw funds from the District's bank accounts with the Savings Bank of Mendocino County: Wayne C. Allen, Interim Chief Executive Officer (CEO), or in his absence, Karen Arnold, Chairperson (President) of the Board of Directors or Jessica Grinberg, Vice-President of the Board of Directors. With the exception of routine authorized employee payroll, routine District accounts payable, approved vendor and professional contracts (e.g. physician payments and other authorized contractual obligations), disbursement or withdrawals of District funds in excess of \$25,000.00 require the authorization of at least two (2) of the Officers/ Directors identified in this Resolution.

The Board of Directors of the Mendocino Coast Health Care District at a regularly scheduled meeting of the Board passed this Resolution on April 25, 2019 by the following vote.

AYES: _____

NOES: _____

ABSENT: _____

ABSTAIN: _____

KAREN ARNOLD, President of the Board of Directors

ATTEST:

STEVEN LUND, Secretary of the Board of Directors

MENDOCINO COAST HEALTH CARE DISTRICT
BANK ACCOUNTS

ACCOUNT	ACCT#
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SAVINGS BANK OF MENDOCINO	
GIFT & MEMORIAL	686
PLAN FUND	748
CORPORATE ACCOUNT	660
HOME HEALTH & HOSPICE	678

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**MENDOCINO COAST HEALTH CARE DISTRICT
RESOLUTION NO. 2021-03**

WHEREAS, the Mendocino Coast Health Care District, dba Mendocino Coast District Hospital (hereinafter "District") maintains various bank accounts with Tri Counties Bank; and

WHEREAS, the District's accounts at Tri Counties Bank are:

MASTER	207
DEPOSIT ACCOUNT	219
ACCTS PAYABLE	244
PAYROLL	232
MCHCD CERTIFICATE OF DEPOSIT	039
HOME HEALTH ACCTS PAYABLE	888
HOME HEALTH PAYROLL	256
HELP II	827
PARCEL TAX	861

WHEREAS, due to the District having new Board of Director Officers and a new Interim Chief Executive Officer, it is necessary to notify Tri Counties Bank of the needed changes of signatory authority.

NOW, THEREFORE, IT IS ORDERED AND RESOLVED that the following District Officers and/or Directors of the District have authority to disburse or withdraw funds from the District's bank accounts with Tri Counties Bank: Wayne C. Allen, Interim Chief Executive Officer Karen Arnold, Chairperson (President) of the Board of Directors, or Jessica Grinberg, Vice-President of the Board of Directors, or John Redding, Treasurer of the Board of Directors. With the exception of routine authorized employee payroll, routine District accounts payable, approved vendor and professional contracts (e.g. physician payments and other authorized contractual obligations), disbursement or withdrawals of District funds in excess of \$25,000 require the authorization of at least two (2) of the Officers/ Directors identified in this Resolution.

The Board of Directors of the Mendocino Coast Health Care District at a regularly scheduled meeting of the Board passed this Resolution on April 25, 2019 by the following vote.

AYES: _____

NOES: _____

ABSENT: _____

ABSTAIN: _____

KAREN ARNOLD, President of the Board of Directors
Mendocino Coast Health Care District

ATTEST:

STEVE LUND, Secretary of the Board of Directors
Mendocino Coast Health Care District

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MENDOCINO COAST HEALTH CARE DISTRICT
RESOLUTION NO. 2021-04

AUTHORIZING INVESTMENT OF MONIES
IN THE LOCAL AGENCY INVESTMENT FUND; ACCOUNT NO.001

WHEREAS, the Local Agency Investment Fund is established in the State Treasury under Government Code Section 16429.I et seq. for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Board of Directors hereby finds that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with Government Code Section 16429.1 et seq. for the purpose of investment as provided therein is in the best interests of the Mendocino Coast Health Care District;

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors hereby authorizes the deposit and withdrawal of Mendocino Coast Health Care District monies in the Local Agency Investment Fund in the State Treasury in accordance with Government Code Section 16429.1 et seq. for the purpose of investment as provided therein.

BE IT FURTHER RESOLVED, as follows:

Section I. The following Mendocino Coast Health Care District officers holding the title(s) specified herein below or their successors in office are each hereby authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund and may execute and deliver any and all documents necessary or advisable in order to effectuate the purposes of this resolution and the transactions contemplated hereby:

Wayne C. Allen, Interim Chief Executive Officer _____

Karen Arnold, Board President _____

Jessica Grinberg, Board Vice-President _____

Section 2. This resolution shall remain in full force and effect until rescinded by the Board of Directors by resolution and a copy of the resolution rescinding this resolution is filed with the State Treasurer's Office. This resolution rescinds any previous resolution pertaining to the District's LAIF account.

PASSED AND ADOPTED, by the Board of Directors of Mendocino Coast Health Care District, 700 River Dr., Fort Bragg, Mendocino County, California 95437 at a regular meeting of the Board on 4/25/19 by the following vote:

AYES: _____

NOES: _____

ABSENT: _____

ABSTAIN: _____

KAREN ARNOLD, President of the Board of Directors
Mendocino Coast Health Care District

ATTEST:

STEVE LUND, Secretary of the Board of Directors
Mendocino Coast Health Care District

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CASH FLOW (JULY 1, 2020 TO DECEMBER 31,2020)
INCLUDING
CASH RECONCILIATION BETWEEN THE DISTRICT & AHMC

Mendocino Coast District Hospital
Statement of Actual Transition Operating Cash Flow
July thru December, 2020 (transition period)
Updated: January 23, 2021

	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	TOTAL
Beginning Operating Cash	\$6,980,275	\$3,747,438	\$5,557,934	\$10,896,309	\$15,528,179	\$19,342,583	
Sources of Cash:							
Patient Receipts	\$2,786,744	\$2,423,445	\$4,999,345	\$3,647,975	\$2,960,843	\$4,330,769	\$21,149,121
PIP Payment	\$496,000	\$496,000	\$496,000	\$496,000	\$503,600	\$755,400	\$3,243,000
Sale of Inventory/Prepays & MCDH PTO Liab Purch	\$0	\$0	\$0	\$1,153,054	\$0	\$0	\$1,153,054
Receipt of Semi-Annual Rent	\$0	\$875,000	\$0	\$0	\$0	\$0	\$875,000
Property Tax Receipts incl Measure C Payment	\$0	\$171,082	\$0	\$0	\$0	\$1,372,245	\$1,543,327
Other-State Programs	\$0	\$0	\$231,429	\$0	\$1,283,817	\$90,936	\$1,606,182
Other	\$800	\$100,853	\$0	\$0	\$0	\$0	\$101,653
340B-Payments	\$98,945	\$95,103	\$0	\$0	\$0	\$0	\$194,048
Total Sources	\$3,382,489	\$4,161,483	\$5,726,774	\$5,297,029	\$4,748,260	\$6,549,350	\$29,865,385
Uses of Cash:							
Vendor Payments- AP	\$2,832,006	\$1,341,024	\$232,047	\$238,943	\$72,106	\$167,338	\$4,883,463
PTO Payment	\$96,949	\$0	\$0	\$0	\$0	\$0	\$96,949
Pension Payment	\$0	\$0	\$0	\$0	\$861,750	\$0	\$861,750
Payroll Period ending 06-27-20 & 7-11-2020 & PR Tax	\$1,466,787	\$9,963	\$0	\$0	\$0	\$0	\$1,476,750
Legal Settlement	\$125,000	\$0	\$0	\$0	\$0	\$0	\$125,000
Insurance- Tail Payment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AH Transition Purchased Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental Transfer (IGT)	\$0	\$0	\$0	\$331,633	\$0	\$386,598	\$718,231
Transfer to Improvements Fund/Measure C	\$2,000,000	\$0	\$109,060	\$0	\$0	\$873,091	\$2,982,151
Transfer to Restricted Capital Fund		\$1,000,000					\$1,000,000
BNY Bond Payment	\$94,583	\$0	\$47,292	\$94,583	\$0	\$94,583	\$331,042
Total Uses	\$6,615,326	\$2,350,987	\$388,399	\$665,159	\$933,856	\$1,521,610	\$12,475,337
Gross Ending Operating Cash	\$3,747,438	\$5,557,934	\$10,896,309	\$15,528,179	\$19,342,583	\$24,370,323	
Less Payable to AHMC for Hospital AR Receipts Only							(\$15,177,065)
Net Ending Operating Cash	\$3,747,438	\$5,557,934	\$10,896,309	\$15,528,179	\$19,342,583	\$9,193,258	
Restricted Measure C	\$1,323,078	\$1,322,214	\$1,431,275	\$1,430,987	\$1,430,843	\$2,301,918	
Board Special Appropriation 05-28-20	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	
Total Improvements Fund	\$3,323,078	\$3,322,214	\$3,431,275	\$3,430,987	\$3,430,843	\$4,301,918	
Restricted Capital Fund	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	
[ADVENTISTHEALTH:INTERNAL] Restricted LAIF Cash	\$3,456,956	\$3,456,956	\$3,464,297	\$3,464,297	\$3,464,297	\$3,464,297	

AHMC vs MCDH Hospital only Accounts Receivable (AR) Postings from Meditech
 Script Postings based on Admit or Service Dates
 MCDH dates = 6/30/20 and before
 AHMC dates = 7/1/20 and after

B/AR Corporate Summary

	AHMC Posting Dates 7/1/20 and After						MCDH Posting Dates 6/30/20 and Before			BOTH ENTITIES TOTAL AR CASH RECEIVED
	HOSPITAL AR ENTRIES ONLY			LESS AHMC			HOSPITAL AR ENTRIES ONLY			
	PIP-IP 1027.0010	AR CASH 1003.0000	TOTAL AR CASH RECEIVED	CASH DEPOSIT TO WELLS FARGO	PAYABLE TO AHMC		PIP 1027.0010	CASH 1003.0000	TOTAL AR CASH RECEIVED	
JUL 20	-	23,562	23,562	(18,492)	5,070	*	427,325	2,269,134	2,696,459	2,720,021
AUG 2	490,448	476,814	967,262	(29,141)	938,121		34,110	1,411,518	1,445,628	2,412,890
SEP 20	524,307	3,850,562	4,374,869	(198,662)	4,176,207		13,178	605,220	618,398	4,993,268
OCT 20	566,760	2,462,781	3,029,540	(122,130)	2,907,410		6,860	396,358	403,218	3,432,759
NOV 20	410,430	2,067,399	2,477,829	(178,301)	2,299,528		18,956	79,257	98,213	2,576,043
DEC 20	678,241	4,457,871	5,136,112	(285,383)	4,850,729		(6,860)	40,828	33,968	5,170,080
TOTAL	2,670,186	13,338,989	16,009,174	(832,109)	15,177,065	**	493,570	4,802,316	5,295,885	21,305,060

*Note: The Patient Accounting team did not begin to bill for AHMC until August 2020

** This does not reflect Clinic AR nor Misc Deposits

**PROFIT & LOSS STATEMENTS
FOR
2018 MEASURE C PARCEL TAX**

MENDOCINO COAST HEALTH CARE DISTRICT
 MEASURE C - PARCEL TAX REVENUE ACCOUNT
 FYE 06-30-2019

Opening Balance 07-01-2018 \$ -

Date	Receipts	Description
10/15/2018	100	To open checking account
1/14/2019	946,294	Mendocino Co Property Tax Payment
4/26/2019	<u>653,803</u>	Mendocino Co Property Tax Payment
	<u>\$1,600,098</u>	Total Cash Received
	<u>\$1,600,198</u>	Subtotal Cash

Disbursements		
2/28/2019	(18,144)	Parcel Tax Rebate Checks
4/3/2019	(5,040)	Parcel Tax Rebate Checks
4/17/2019	(1,584)	Parcel Tax Rebate Checks
5/8/2019	(700,000)	Implementation Fee for Meditech Upgrade
5/30/2019	(1,152)	Parcel Tax Rebate Checks
6/7/2019	<u>(1,296)</u>	Parcel Tax Rebate Checks
	<u>(727,216)</u>	Total Disbursements

Ending Balance 06-30-2019 \$ 872,982

MENDOCINO COAST HEALTH CARE DISTRICT
 PARCEL TAX REVENUE ACCOUNT
 FYE 06-30-2021

Opening Balance 07-01-2020 \$ 1,322,934

Date	Receipts	Description
9/15/2020	109,060	Mendocino Co Property Tax Payment
12/28/2020	<u>873,091</u>	Mendocino Co Property Tax Payment

	<u>982,152</u>	Total Cash Received
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	<u>2,305,086</u>	Subtotal Cash
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7/15/2020	(3,168)	Parcel Tax Rebate Checks
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	<u>(3,168)</u>	Total Disbursements
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Ending Balance 12-31-2020 \$ 2,301,918

**IMPROVEMENTS FUND
AND
RESTRICTED CAPITAL FUND**

Mendocino Coast Health Care District
Lease Compliance per Articles 7.1 & 7.2

Improvements Fund:

Measure C Balance on 12-31-20	\$2,301,918		
Less: Reserve for Future Check Rebates	(\$75,000)		
Net Balance on 12-31-20		\$2,226,918	Footnote 1
Add: Board Special Appropriation 05-28-20		\$2,000,000	Footnote 2
Available CapEx Funds for AHMC 12-31-20		<u>\$4,226,918</u>	

Footnote 1: Complies with the Lease stipulation for the District to set aside \$2M annually into the Improvements Fund account for AHMC to spend on CapEx

Footnote 2: To cap out at \$2,000,000 to complete the two open OSPHD projects, that involve the ATS switch system, the HVAC system and improvements to our facilities that include but are not limited to the water heater, and supplies associated in the surgical procedure area

Restricted Capital Fund:

Balance on 12-31-20	<u>\$1,000,000.00</u>	Footnote 1
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Footnote 1: Complies with the Lease stipulation for the District to set aside excess funds annually into the Restricted Capital Fund account for Landlord to only use for (1) to achieve seismic compliance of the improvements mandated by state and federal Laws ("Seismic Compliance"), or (2) upon mutual agreement with Tenant, for (i) the development or modernization of Hospital outpatient facilities or (ii) the development or modernization of inpatient facilities.

5.2 *Exclusive Control.* Tenant shall have exclusive control, possession, occupancy, use, and management of the Premises. Tenant shall have full and complete charge, authority and control of the administration, management and operation of the Medical Business at the Premises. Tenant shall have the right and authority to determine all business, technical and professional policies relating to the operation of the Medical Business, with no restrictions, qualifications or supervision by Landlord. Tenant shall determine the financial policy of the Medical Business and shall have complete power to fix, control and regulate the charges and collections made for services therein. In fixing such charges, Tenant shall apply its best judgment and be controlled by applicable State and federal regulatory statutes and rules.

5.3 *Character of Service.* Tenant is a nonprofit charitable corporation which furthers the mission of the Seventh-day Adventist Church. As such, it operates under certain defined principles and objectives in the operation and management of its health care facilities. Tenant desires to maintain an atmosphere consistent with its beliefs. Landlord understands and agrees that the Medical Business shall be operated in accordance with the characteristics of Seventh-day Adventist medical facilities, subject to Tenant's covenants set forth in Section [6.1] of this Lease.

5.4 *District Bonds Use Requirements.* Tenant and Landlord agree in good faith to execute an amendment to this Lease as soon as reasonably practicable after the Execution Date, but no later than fifty-five (55) days from such date, to reflect any amendments acceptable to Tenant and necessary: (i) to be made to the provisions of this Lease in order to comply with or otherwise render the provisions of this Lease consistent with the requirements imposed by OSHPD and (ii) in order to preserve the tax-exempt status of the District Bonds during the Term of this Lease.

5.5 *Mandated Use.* Tenant's failure to operate the Premises for the Mandated Use during the Mandated Use Period, other than as the result of Loss or other Unavoidable Delay, shall constitute a Default.

6. Compliance.

6.1 *Generally.* Tenant shall during the Term, at Tenant's expense, in all material respects, subject to Tenant's right of Contest: (a) comply with all Laws and (b) procure and comply with all Approvals required by Law.

6.2 *Copies of Notices.* Landlord shall promptly give Tenant a copy of any notice of any kind regarding the Premises or any Real Estate Taxes (including any bill or statement), and any notice of nonrenewal or threatened nonrenewal of any Approval that Landlord receives from any Government, utility company, insurance carrier, or insurance rating bureau.

7. Maintenance and Construction.

7.1 *Obligation to Maintain.* Landlord shall, during the Term, keep and maintain the Premises and the Existing FF&E in good order, condition, and repair, as reasonably specified and prioritized by Tenant according to Tenant's operational needs, subject to Loss (governed by other provisions of this Lease). Landlord's obligation to maintain the Premises and the Existing

FF&E includes an obligation to make all repairs, improvements and replacements that the Premises and the Existing FF&E may require by Law from time to time during the Term, whether foreseen or unforeseen, capital or operating. The parties acknowledge the Premises and the Existing FF&E will require significant and ongoing maintenance, repair, and improvements. The parties agree that Tenant, as the operator of the Premises, shall have the principal interest in determining the priority and schedule of Premises and Existing FF&E maintenance, repair, improvements and/or replacements, as applicable. Therefore, beginning on the Execution Date, Tenant shall develop a schedule of maintenance, alterations and construction for the Premises (the "Improvements Schedule"). Tenant will have sole discretion in determining and prioritizing projects on the Improvements Schedule except as may be required to comply with the provisions of the Measure C (2018). Prior to undertaking any project described in the Improvements Schedule, Tenant shall provide the Improvements Schedule to Landlord so that Landlord can determine whether the expenditures comply with Measure C. Beginning on the Commencement Date, Landlord shall make Two Million Dollars (\$2,000,000) ("Improvements Fund") annually available to fund (i) the Improvements Schedule projects and (ii) any repairs, improvements or replacements of Existing FF&E and/or procurement of new FF&E for Hospital operations as determined by Tenant in its sole discretion ("New FF&E"). Landlord shall make the Improvements Funds available each year of this Lease in two equal installments. The first installment will be made available to Tenant on the Commencement Date and each subsequent anniversary of the Commencement Date during the Term. The second installment will be made available to Tenant on the date that is six months after the Commencement Date and thereafter on the date that is six months after each Commencement Date anniversary during the Term. Tenant shall provide an accounting annually to Landlord of the use the Improvements Fund and for the purpose of retrospective review and validation on the use of Measure C funds. Notwithstanding anything herein to the contrary, any FF&E Tenant acquires or leases during the Term for Hospital operations using funds other than the Improvements Fund shall not be included in the definition of "New FF&E." Landlord shall deposit the Improvements Fund in an account. **Tenant shall manage the Improvements Fund account and shall have authority to withdraw money for Improvements Schedule projects and FF&E related expenses as described herein.** On each anniversary of the Commencement Date, the Improvements Fund shall be increased by an amount equal to the product of (a) the Improvements Fund for the immediately preceding year multiplied by (b) the CPI Adjustment Factor, provided that in no event will the Improvements Fund ever be an amount less than Two Million Dollars (\$2,000,000). Any surplus of the Improvements Fund from a given year will be carried forward and added to the following year's Improvements Fund.

7.2 *Restricted Capital Fund.* No later than the Commencement Date, Landlord shall open a non-transferable account with a bank or escrow company of its choosing and begin depositing monies according to the schedule set forth in **Exhibit D**. Landlord will retain *sole ownership and control of this Restricted Capital Fund account ("Restricted Capital Fund")*, subject to a springing control agreement in favor of Tenant in the event of the occurrence of a Landlord Default under Section 19.2.2.1. Landlord shall provide Tenant with an accounting of the Restricted Capital Fund upon Tenant's request, subject to Section 15.5.7 of this Lease. Landlord may only use the Restricted Capital Fund (1) to achieve seismic compliance of the Improvements as mandated by state and federal Laws ("Seismic Compliance"), or (2) upon mutual agreement with Tenant, for (i) the development or modernization of Hospital outpatient facilities or (ii) the development or modernization of inpatient facilities.