



**SONOMA VALLEY HEALTH CARE DISTRICT  
FINANCE COMMITTEE  
REGULAR MEETING AGENDA  
Tuesday, January 7, 2014, 5:00 p.m.**

**Location: Schantz Conference Room  
Sonoma Valley Hospital – 347 Andrieux Street, Sonoma CA 95476**

AGENDA ITEM	RECOMMENDATION	
<b>MISSION STATEMENT</b> The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.		
<b>1. CALL TO ORDER/ANNOUNCEMENTS</b>	<i>Fogg</i>	
<b>2. PUBLIC COMMENT SECTION</b> At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Committee at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Committee consideration.		
<b>3. CONSENT CALENDAR:</b> A. FC Meeting Minutes, 12.3.13	<i>Fogg</i>	Action
<b>4. 2009 SERIES-A GO BOND REFINANCING</b>	<i>Fogg/Hicks</i>	Action
<b>5. CELL PHONE LEASE AGREEMENT</b>	<i>Reid</i>	Action
<b>6. OB FINANCIALS</b> (attachment available at meeting)	<i>Reid</i>	Inform/Action
<b>7. REVIEW OF CHARITY CARE POLICY AND BAD DEBT POLICY</b> (Charity Care Policy available at meeting)	<i>Reid</i>	Inform
<b>8. RAC UPDATE</b>	<i>Reid</i>	Inform
<b>9. SVH FOUNDATION AUDIT UPDATE</b>	<i>Reid</i>	Inform
<b>10. FINANCE COMMITTEE CHARTER REVIEW</b>	<i>Fogg</i>	Inform
<b>11. PATIENT BILLING UPDATE</b> (attachment available at meeting)	<i>Reid</i>	Inform



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AGENDA ITEM	RECOMMENDATION	
<b>12. NOVEMBER 2013 FINANCIALS</b>	<i>Reid</i>	Inform
<b>13. PROJECTED CASH FLOWS</b>	<i>Reid</i>	Inform
<b>14. PRIMA CLINIC FUNDING REQUEST</b>	<i>Reid</i>	Inform
<b>15. ADJOURN</b> Next FC meeting January 28, 2014	<i>Fogg</i>	

3.

CONSENT



**SONOMA VALLEY HEALTH CARE DISTRICT  
FINANCE COMMITTEE  
MEETING MINUTES  
Tuesday, December 3, 2013  
Schantz Conference Room**

<b>Members Present</b>	<b>cont.</b>	<b>Staff/ Public/Other</b>	<b>Absent/Excused</b>
Dick Fogg Phil Woodward Subhash Mishra Richard Conley Peter Hohorst Shari Glago	Sharon Nevins Keith Chamberlin	Kelly Mather Rick Reid Gigi Betta	Steve Barclay Mary Smith

<b>AGENDA ITEM</b>	<b>DISCUSSION</b>	<b>ACTIONS</b>	<b>FOLLOW-UP</b>
<b>MISSION AND VISION STATEMENTS</b>	<i>The mission of the SVHCD is to maintain, improve and restore the health of everyone in our community. The vision of the SVHCD is that SVH will be a nationally recognized, compassionate place of healing known for excellence in clinical quality. We serve as the guide and indispensable link in our community members' health care journey.</i>		
<b>1. CALL TO ORDER</b>	<i>Fogg</i>		
	5:04 p.m. Mr. Woodward asked for an update on the proposed SVH Foundation audit. Mr. Reid confirmed that the Foundation will be audited and he is in the process of submitting RFPs to some recommended auditing firms. More updates to come at the next FC meeting on 1.7.14.		Add item to 1.7.14 Agenda: <b>Update on SVH Foundation Audit/Reid/Inform</b>
<b>2. PUBLIC COMMENT SECTION</b>	<i>Fogg</i>		
	None.		
<b>3. CONSENT CALENDAR</b>	<i>Fogg</i>	Action	
<b>A. FC Minutes 10.22.13</b>		<b>MOTION</b> by Glago to approve and 2 <sup>nd</sup> by Nevins. All in favor.	
<b>4. 2009 SERIES-A GO BOND REFINANCING</b>	<i>Fogg</i>	Inform	

AGENDA ITEM	DISCUSSION	ACTIONS	FOLLOW-UP
	Mr. Fogg informed the Committee that Mr. Dennis Ciocca (a current member of SVH Audit Committee) is currently conducting an analysis of the 2009 Series-A GO Bond refinancing.		
<b>5. RAC UPDATE</b>	<i>Reid</i>	Inform	
	The Hospital is doing exceptionally well in terms of RAC activity. Mr. Reid distributed a handout on current RAC activity as of 11.26.13 including historical data.		
<b>6. PATIENT BILLING REORGANIZATION UPDATE</b>	<i>Reid</i>	Inform	
	Mr. Reid gave the patient billing reorganization update on behalf of Ms. Jensen. Her report for October 2013 covered the revenue cycle and process improvement efforts. Update to the report: a new Billing Director has been hired and will be starting in a couple of weeks. Ms. Glago pointed out an error in the metrics box, the <i>greater than</i> sign should be a <i>less than</i> sign.		
<b>7. OCTOBER 2013 FINANCIALS</b>	<i>Reid</i>	Inform	
	<p>Overall for October, SVH has income after the restricted contributions of \$989,485 on budgeted income of \$42,133, for a favorable difference of \$947,352. Without donations, there is a loss of \$108,843. Total net patient service revenue was over budget by \$278,694. This includes the final recording of the Intergovernmental Transfer (IGT) gross revenue of \$406,527. Risk contracts were over budget by \$10,084. Other operating revenue is over budget by \$8,316, bringing the total operating revenue to \$4,602,347 or \$297,094 over budget. Expenses were \$5,021,736 on a budget of \$4,538,878 or (\$482,858) over budget. Of the \$482,858, \$422,743 related to the IGT that was paid in October. The EBIDA prior to the restricted donations for the month was \$125,759 or 2.7%.</p> <p>Ms. Mather informed the Committee that a major expense reduction plan will take effect in the new year.</p> <p>Mr. Woodward asked about future fundraising efforts. Ms. Mather informed that there is already a philanthropy strategy for 2014 and a Committee has been formed. The next phase of fundraising, although not as compelling as a new ER, has set its sights on total annual donations of \$1M.</p>		
<b>8. PROJECTED CASH FLOWS</b>	<i>Reid</i>	Inform	
	Mr. Reid reviewed the projected cash flows through May 2014 and the Summary of the Building Program through January 2014.		

AGENDA ITEM	DISCUSSION	ACTIONS	FOLLOW-UP
	Because Sonoma Valley Hospital (SVH) was early in adopting an electronic health record system (EHR), the Hospital is able to apply for the 2 <sup>nd</sup> federal reimbursement early. SVH can expect a \$400,000 payment on a Medicare settlement this month and \$1.2M in January 2014.		
<b>9. PROPOSED NEXT FC MEETING DATE 1-7-14</b>	<i>Fogg</i>	Action	
		<b>MOTION</b> by Glago to approve and 2 <sup>nd</sup> by Nevins. All in favor.	
<b>10. ADJOURN</b>	<i>Fogg</i> Mr. Woodward asked Mr. Reid to define the role of the Finance Committee in his own words. The Committee as a whole discussed the FC's role and in so doing, decided to review the Charter at the next meeting on 1.7.14. Meeting adjourned at 6:30 p.m.	Inform	Board Clerk to email FC Charter out to all Members and add this item on 1.7.14 Agenda: <b>FC Charter/Fogg/ Discuss+Action.</b>

4.

# GO BOND REFINANCING

**FORM OF FINAL OPINION OF BOND COUNSEL**

[Letterhead of Quint &amp; Thimmig LLP]

February 19, 2014

Board of Directors of the  
Sonoma Valley Health Care District  
347 Andrieux Street  
Sonoma, California 95476

**OPINION:** \$\_\_\_\_\_ Sonoma Valley Health Care District (Sonoma County, California) 2014  
General Obligation Refunding Bonds

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Members of the Board of Directors:

We have acted as bond counsel to the Sonoma Valley Health Care District (the "District") in connection with the issuance by the District of \$\_\_\_\_\_ principal amount of Sonoma Valley Health Care District (Sonoma County, California) 2014 General Obligation Refunding Bonds (the "Bonds"), pursuant to Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Act"), Resolution No. \_\_\_\_\_, adopted by the Board of Directors of the District on February 6, 2014 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The District is duly created and validly existing as a health care district with the power to cause the Board to issue the Bonds in its name and to perform its obligations under the Resolutions and the Bonds.

2. The Resolution has been duly adopted by the District and creates a valid first lien on the funds pledged under the Board Resolution for the security of the Bonds.

3. The Bonds have been duly authorized, executed and delivered by the Board and the Bonds are valid and binding general obligations of the District. The Board is required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the Bonds. The Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

4. Subject to the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not



included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such District covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to the bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the District and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

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**BOARD OF DIRECTORS  
SONOMA VALLEY HEALTH CARE DISTRICT  
COUNTY OF SONOMA, STATE OF CALIFORNIA**

**RESOLUTION NO. \_\_\_\_**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE SONOMA VALLEY  
HEALTH CARE DISTRICT AUTHORIZING THE ISSUANCE AND SALE OF THE  
DISTRICT'S 2014 GENERAL OBLIGATION REFUNDING BONDS**

Adopted February 6, 2014

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**BOARD OF DIRECTORS  
SONOMA VALLEY HEALTH CARE DISTRICT  
COUNTY OF SONOMA, STATE OF CALIFORNIA**

**RESOLUTION NO. \_\_\_\_**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE SONOMA  
VALLEY HEALTH CARE DISTRICT AUTHORIZING THE ISSUANCE AND  
SALE OF THE DISTRICT'S 2014 GENERAL OBLIGATION REFUNDING  
BONDS**

RESOLVED, by the Board of Directors (the "Board") of the Sonoma Valley Health Care District (the "District"), as follows:

WHEREAS, on February 24, 2009, the District issued its "Sonoma Valley Health Care District General Obligation Bonds, Election of 2008, Series A (2009)" (the "2009 Bonds"), in the original principal amount of \$12,000,000, issued for authorized hospital purposes, of which \$11,975,000 principal amount remains outstanding;

WHEREAS, pursuant to Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Act"), the District is empowered to issue general obligation refunding bonds;

WHEREAS, the District intends to issue general obligation refunding bonds pursuant to this resolution and in conformity with the Act to refund, on an advance basis, the 2009 Bonds maturing on and after August 1, 2015 (the "Refunded 2009 Bonds");

WHEREAS, this ~~Board of Directors~~ now desires to authorize the issuance of such general obligation refunding bonds (the "Bonds"); and

WHEREAS, the Bonds shall be secured by a sole and exclusive statutory lien on and irrevocable revenue pledge of the ad valorem tax or taxes levied for repayment;

NOW, THEREFORE, BE IT RESOLVED, THAT THE BOARD OF DIRECTORS OF THE SONOMA VALLEY HEALTH CARE DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:

## ARTICLE I

### DEFINITIONS; AUTHORITY

Section 1.01. Definitions. The terms defined in this Section 1.01, as used and capitalized herein, shall, for all purposes of this Resolution, have the meanings ascribed to them below, unless the context clearly requires some other meaning.

*"Act"* means Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code, as is in effect on the date of adoption hereof and as amended hereafter.

*"Articles," "Sections"* and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Resolution, and the words *"herein," "hereof," "hereunder"* and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section or subdivision hereof.

*"Authorized Investments"* means any investments permitted by law to be made with moneys belonging to, or in the custody of, the District, but only to the extent that the same are acquired at Fair Market Value.

*"Board of Directors"* means the Board of Directors of the District.

*"Bond Counsel"* means any attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax exempt status of securities issued by public entities.

*"Bond Purchase Agreement"* means ~~the one or more~~ bond purchase agreements executed between the District and the Purchaser relating to the Bonds.

*"Bond Register"* means the records maintained by the Paying Agent pursuant to Section 2.08 of this Resolution for registration of the ownership and transfer of ownership of the Bonds.

*"Bonds"* means the Sonoma Valley Health Care District (Sonoma County, California) 2014 General Obligation Refunding Bonds at any time Outstanding pursuant to this Resolution.

*"Closing Date"* means the date upon which there is an exchange of Bonds for the proceeds representing the purchase price of the Bonds by the Purchaser.

*"Code"* means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

*"Costs of Issuance"* means all items of expense directly or indirectly reimbursable to the District relating to the issuance, execution and delivery of the Bonds including, but not limited to, filing and recording costs, settlement costs, reproduction and binding costs, legal fees and charges, fees and expenses of the Paying Agent, financial and other professional consultant fees and fees in connection with the foregoing.

*"Debt Service"* means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during

such period which relate to principal which has been retired before the beginning of such period.

*"District Representative"* means the Chair of the Board of Directors, the Vice Chair of the Board of Directors, Chief Executive Officer or the Chief Financial Officer, or any other person authorized by resolution of the Board of Directors of the District to act on behalf of the District with respect to this Resolution and the Bonds.

*"Escrow Agreement"* means that certain Escrow Deposit and Trust Agreement, dated the Closing Date, by and between the District and the Escrow Bank, providing for the refunding of the Refunded 2009 Bonds.

*"Escrow Bank"* means The Bank of New York Mellon Trust Company, N.A., as escrow bank under the Escrow Agreement.

*"Event of Default"* means an event of default as described in Section 7.01 of this Resolution.

*"Fair Market Value"* means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the District and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

*"Federal Securities"* means United States Treasury notes, bonds, bills or certificates of indebtedness or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

*"Interest Payment Date"* means, with respect to interest, February 1 and August 1 of each year commencing on August 1, 2014, and with respect to principal, August 1, of each year commencing on August 1, 2015.

*"Net Proceeds,"* when used with reference to the Bonds, means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount and underwriter's discount, if any.

*"Outstanding,"* when used as of any particular time with reference to Bonds, means all Bonds except:

(a) Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of Section 9.02 hereof; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the District pursuant to the Resolution.

*"Owner"* or *"Bondowner"* mean any person who shall be the registered owner of any Outstanding Bond.

*"Paying Agent"* means The Bank of New York Mellon Trust Company, N.A., as paying agent, registrar and authenticating agent for the Bonds, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 6.01 hereof.

*"Paying Agent Agreement"* means the Paying Agent/Bond Registrar/Costs of Issuance Agreement, dated the Closing Date, by and between the District and the Paying Agent.

*"Principal Office"* means the principal corporate trust office of the Paying Agent in San Francisco, California.

*"Purchaser"* means \_\_\_\_\_, the initial purchaser or purchasers of the Bonds. |

*"Refunded 2009 Bonds"* means the 2009 Bonds maturing on and after August 1, 2015.

*"Regulations"* means temporary and permanent regulations promulgated under the Code.

*"Resolution"* means this Resolution.

*"Supplemental Resolution"* means any resolution supplemental to or amendatory of this Resolution, adopted by the District in accordance with Article VIII hereof.

*"Term Bonds"* means Bonds for which mandatory redemption dates have been established pursuant to the Bond Purchase Agreement.

*"2009 Bonds"* means the Sonoma Valley Health Care District General Obligation Bonds, Election of 2008, Series A (2009), in the original principal amount of \$12,000,000, issued for authorized hospital purposes, of which \$11,975,000 principal amount remains outstanding.

*"Written Request of the District"* means an instrument in writing signed by a District Representative, or by any other officer of the District duly authorized by the District.

Section 1.02. Authority for this Resolution. This Resolution is entered into pursuant to the provisions of the Act.



## ARTICLE II

### THE BONDS

Section 2.01. Authorization. Bonds in the aggregate principal amount of not to exceed thirteen million dollars (\$13,000,000) are hereby authorized to be issued by the District under and subject to the terms of the Act and this Resolution. The amount of Bonds shall be determined on the date of sale thereof in accordance with the Bond Purchase Agreement. This Resolution constitutes a continuing agreement with the Owners of all of the Bonds issued or to be issued hereunder and then Outstanding to secure the full and final payment of principal of and premiums, if any, and the interest on all Bonds which may from time to time be executed and delivered hereunder, subject to the covenants, agreements, provisions and conditions herein contained. The Bonds shall be designated the "Sonoma Valley Health Care District (Sonoma County, California) 2014 General Obligation Refunding Bonds."

#### Section 2.02. Terms of Bonds.

(a) *Form; Numbering*. The Bonds shall be issued as fully registered Bonds, without coupons, in the denomination of \$5,000 each or any integral multiple thereof, but in an amount not to exceed the aggregate principal amount of Bonds maturing in the year of maturity of the Bond for which the denomination is specified. Bonds shall be lettered and numbered as the Paying Agent shall prescribe.

(b) *Date of Bonds*. The Bonds shall be dated as of the Closing Date.

(c) *Maturities; Interest*. The Bonds shall mature on August 1, 2029. The Bonds shall bear interest at such rate as shall be determined upon the sale thereof in accordance with Section 4.01 hereof, payable semi-annually on each Interest Payment Date, commencing August 1, 2014.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is registered and authenticated as of an Interest Payment Date, in which event it shall bear interest from such date, or (ii) it is registered and authenticated prior to an Interest Payment Date and after the close of business on the fifteenth day of the month preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is registered and authenticated prior to July 15, 2014, in which event it shall bear interest from the date described in paragraph (b) of this Section 2.02; *provided, however*, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Bonds shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

(e) *Payment*. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Paying Agent mailed via first-class mail to the Owner thereof at such Owner's address as it appears on the Bond Register at the close of business on the fifteenth (15th) day of the month preceding the Interest Payment Date (the "Record Date"), or at such other address as the Owner may have filed with the Paying Agent for that purpose; provided however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Paying Agent at least five (5) days before the applicable Record Date.

Principal of the Bonds is payable in lawful money of the United States of America at the Principal Office of the Paying Agent.

Section 2.03. Redemption of Bonds.

(a) *Optional Redemption.* The Bonds shall be subject to optional redemption in accordance with the provisions of the Bond Purchase Agreement. The District shall be required to give the Paying Agent written notice of its intention to redeem Bonds under this subsection (a).

(b) *Mandatory Sinking Fund Redemption.* The Bonds shall be subject to mandatory sinking fund redemption on August 1 in each year, commencing August 1, 2015, in the amounts specified in the Bond Purchase Agreement. If some but not all of such Term Bonds have been redeemed pursuant to the preceding subsection (a) of this Section 2.03, the aggregate principal amount of the Bonds to be redeemed in each year pursuant to this subsection (b) shall be reduced on a *pro rata* basis in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the District with the Paying Agent.

(c) *Notice of Redemption.* The Paying Agent on behalf and at the expense of the District shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption, at least thirty (30) but not more than sixty (60) days prior to the redemption date, at their respective addresses appearing on the Bond Register; *provided, however,* that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Office of the Paying Agent for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Notwithstanding the foregoing, in the case of any optional redemption of the Bonds, the notice of redemption shall state that the redemption is conditioned upon receipt by the Paying Agent of sufficient moneys to redeem the Bonds on the scheduled redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Bonds have not been deposited with the Paying Agent. In the event that the Paying Agent does not receive sufficient funds by the scheduled optional redemption date to so redeem the Bonds to be optionally redeemed, the Paying Agent shall send written notice to the Owners, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of optional redemption was given shall remain Outstanding for all purposes.

(d) *Selection of Bonds for Redemption.* Whenever provision is made for the redemption of Bonds, the Paying Agent shall select the Bonds to be redeemed by lot in any manner which the Paying Agent in its sole discretion shall deem appropriate and fair. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 portions and such portions shall be treated as separate Bonds which may be separately redeemed.

(e) *Partial Redemption of Bonds.* In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the District shall execute and the Paying Agent shall authenticate and deliver to the Owner thereof, at the expense of the District, a new Bond or Bonds of the same maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

(f) *Effect of Redemption.* From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Resolution other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. All Bonds redeemed pursuant to this Section 2.03 shall be canceled and shall be destroyed by the Paying Agent.

Section 2.04. Form of Bonds. The Bonds, the form of the Paying Agent's certificate of authentication and registration and the form of assignment to appear thereon shall be substantially in the forms, respectively, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Resolution, as are set forth in Exhibit A attached hereto.

Section 2.05. Execution of Bonds. The Bonds shall be executed on behalf of the District by the facsimile signatures of a District Representative, attested to by the Secretary who are in office on the date of adoption of this Resolution or at any time thereafter. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the Purchaser, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the Purchaser. Any Bond may be signed and attested on behalf of the District by such persons as at the actual date of the execution of such Bond shall be the proper officers of the District although at the nominal date of such Bond any such person shall not have been such officer of the District.

Only such Bonds as shall bear thereon a certificate of authentication and registration in the form set forth in Exhibit A attached hereto, executed and dated by the Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution, and such certificate of the Paying Agent shall be conclusive evidence that the Bonds so registered have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Resolution.

Section 2.06. Transfer of Bonds.

(a) The registration of the Bonds may, in accordance with their terms, be transferred in whole only, upon the Bond Register by the person in whose name it is registered, in person or by his attorney duly authorized in writing upon surrender of the Bonds for cancellation at the Principal Office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. Whenever the Bonds shall be surrendered for registration of transfer, the Paying Agent shall execute and deliver a Bond for like aggregate principal amount. The District shall pay any costs of the Paying Agent incurred in connection with such transfer, except that the Paying Agent may require the payment by the Bond Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The Paying Agent shall not be required to transfer (i) the Bonds during the period between the date fifteen (15) days prior to the date of selection of Bonds for redemption and such date of selection, or (ii) any Bonds selected for redemption.

(b) Ownership of the Bonds may be transferred in whole only to a person that the Owner reasonably believes is either:

(i) a qualified institutional buyer within the meaning of Rule 144A promulgated under the Securities Act of 1933, as amended,

(ii) an accredited investor as defined in Section 501(a)(1), (2), (3) or (7) of Regulation D promulgated under the Securities Act of 1933, as amended, or

(iii) a trust, partnership, custodial arrangement or similar entity, interests in which are offered and sold in a private placement or limited offering only to qualified institutional buyers or accredited investors;

in each case that executes and delivers to the Paying Agent an investor letter in substantially the form attached hereto as Exhibit B.

Section 2.07. Exchange of Bonds. Bonds may be exchanged at the Principal Office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The Paying Agent shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds shall be required to be made (a) fifteen days prior to the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond after such Bond has been selected for redemption.

Section 2.08. Bond Register. The Paying Agent shall keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as herein before provided.

Section 2.09. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the District, and may contain such reference to any of the provisions of this Resolution as may be appropriate. Every temporary Bond shall be executed by the District upon the same conditions and in substantially the same manner as the definitive Bonds. If the District issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Office of the Paying Agent and the Paying Agent shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits pursuant to this Resolution as definitive Bonds executed and delivered hereunder.

Section 2.10. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the District, at the expense of the Owner of said Bond, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like maturity and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Paying Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Paying Agent shall be canceled by it and delivered to, or upon the order of, the District. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the District and, if such evidence be satisfactory to the District and indemnity satisfactory to it shall be given, the District, at the expense of the Owner, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like maturity and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The District may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the District and the Paying Agent in connection therewith. Any Bond issued under the provisions of this Section 2.10 in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the District whether or not the Bond so alleged to be lost, destroyed or stolen be at

any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Resolution with all other Bonds issued pursuant to this Resolution.

### ARTICLE III

#### ISSUE OF BONDS; COSTS OF ISSUANCE FUND; APPLICATION OF BOND PROCEEDS; SECURITY FOR THE BONDS

Section 3.01. Issuance, Award and Delivery of Bonds. At any time after the execution of this Resolution the District may issue and deliver Bonds in the aggregate principal amount of not to exceed thirteen million dollars (\$13,000,000).

A District Representative shall be, and is hereby, directed to cause the Bonds to be printed and signed and to be delivered to the Purchaser on receipt of the purchase price therefor and upon performance of the conditions contained in the Bond Purchase Agreement.

The Paying Agent is hereby authorized to deliver the Bonds to the Purchaser, upon receipt of a Written Request of the District.

Section 3.02. Establishment of Costs of Issuance Fund. There is hereby created the "Sonoma Valley Health Care District (Sonoma County, California) 2014 General Obligation Refunding Bonds Costs of Issuance Fund" (the "Costs of Issuance Fund"), which shall be held and maintained by the Paying Agent as a separate fund, distinct from all other funds thereof. Amounts on deposit in the Costs of Issuance Fund shall be disbursed for the purpose of paying ~~all items of expense directly or indirectly reimbursable to the District relating to the issuance, execution and delivery of the Bonds including, but not limited to, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, legal fees and charges, fees and expenses of the Paying Agent, financial and other professional consultant fees, costs of obtaining credit ratings, fees for execution, transportation and safekeeping of the Bonds and charges and fees in connection with the foregoing~~ ("Costs of Issuance"). Payment of the Costs of Issuance shall be made only upon the receipt by the Paying Agent, as costs of issuance custodian under the Paying Agent Agreement, of a written request of the District. Moneys on deposit in the Costs of Issuance Fund shall be invested in money market mutual funds which are rated by Standard & Poor's Credit Ratings Services in one of its two highest rating categories, including funds for which the Paying Agent, its affiliates or subsidiaries provide investment, advisory or other management or administrative services. Interest and earnings derived from the investment of amounts on deposit in the Costs of Issuance Fund shall be retained therein until the Costs of Issuance Fund is closed. On May 18, 2014, or upon prior written direction from the District, all amounts remaining on deposit in the Costs of Issuance Fund shall be withdrawn therefrom by the Paying Agent and transferred to District and the Costs of Issuance Fund shall be closed.

Section 3.03. Application of Proceeds of Sale of Bonds. On the Closing Date, the proceeds of sale of the Bonds shall be paid by the Purchaser as follows:

(a) The Paying Agent shall deposit in the Costs of Issuance Fund the proceeds of the Bonds required to pay the Costs of Issuance (as shall be designated by the District on or prior to the Closing Date); and

(b) The Paying Agent shall transfer to the Escrow Bank the proceeds of the Bonds required to provide for the refunding of the Refunded 2009 Bonds, for deposit in the escrow fund held by the Escrow Bank under and pursuant to the Escrow Agreement (as shall be designated by the District on or prior to the Closing Date).

Section 3.04. Security for the Bonds. There shall be levied by Sonoma County on all the taxable property in the District, in addition to all other taxes, a continuing direct and *ad valorem*

tax annually during the period the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due, which moneys when collected will be placed in the Interest and Sinking Fund of the District, which fund is irrevocably pledged for the payment of the principal of and interest on the Bonds when and as the same fall due. The Bonds shall be secured by a sole and exclusive statutory lien on and irrevocable revenue pledge of the ad valorem tax or taxes levied for repayment. The moneys in the Interest and Sinking Fund heretofore established and maintained by Sonoma County for the District, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, shall be transferred by Sonoma County to the Paying Agent, as paying agent for the Bonds, as necessary to pay the principal of and interest on the Bonds.



## ARTICLE IV

### SALE OF THE BONDS; APPROVAL OF PAYING AGENT AGREEMENT; APPROVAL OF ESCROW AGREEMENT; OFFICIAL ACTION

Section 4.01. Sale of the Bonds. The Board hereby authorizes the negotiated sale of the Bonds to the Purchaser. A Bond Purchase Agreement, in the form attached hereto as Exhibit C, together with any additions thereto or changes therein deemed necessary or advisable by a District Representative is hereby approved by the Board. A District Representative is hereby authorized and directed to execute ~~the one or more~~ Bond Purchase Agreements for and in the name and on behalf of the District; *provided, however*, that the present value savings to be realized by the District as a result of the issuance of the Bonds shall not be less than 5% of the Refunded 2009 Bonds. The Board hereby authorizes the delivery and performance of the Bond Purchase Agreement.

Section 4.02. Approval of Paying Agent Agreement. The Paying Agent Agreement, in substantially the form attached hereto as Exhibit D, together with any additions thereto or changes therein deemed necessary or advisable by a District Representative, is hereby approved by the Board ~~of Directors~~. The Chief Executive Officer, or any designee thereof, is hereby authorized and directed to execute the Paying Agent Agreement for and in the name and on behalf of the District. The Board ~~of Directors~~ hereby authorizes the delivery and performance of the Paying Agent Agreement.

Section 4.03. Approval of Escrow Agreement. The Escrow Agreement, in the form attached hereto as Exhibit E, together with any additions thereto or changes therein deemed necessary or advisable by a District Representative, is hereby approved by the Board ~~of Directors~~. The Chief Executive Officer, or any designee thereof, is hereby authorized and directed to execute the Escrow Agreement for and in the name and on behalf of the District. The Board ~~of Directors~~ hereby authorizes the delivery and performance of the Escrow Agreement.

Section 4.04. Official Action. All actions heretofore taken by the officers and agents of the District with respect to the sale and issuance of the Bonds are hereby approved, and the District Representatives, and any and all other officers of the District are hereby authorized and directed for and in the name and on behalf of the District, to do any and all things and take any and all actions relating to the execution and delivery of any and all certificates, requisitions, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds in accordance with this resolution.



ARTICLE V  
COVENANTS OF THE DISTRICT

Section 5.01. Punctual Payment. The District will punctually pay, or cause to be paid, the principal of and interest on the Bonds, in strict conformity with the terms of the Bonds and of this Resolution, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Resolution and of the Bonds. Nothing herein contained shall prevent the District from making advances of its own moneys, howsoever derived, to any of the uses or purposes permitted by law.

Section 5.02. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the District will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and will not, directly or indirectly, approve any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the District, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Resolution, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have so extended or funded.

Section 5.03. Protection of Security and Rights of Bondowners. The District will preserve and protect the security of the Bonds and the rights of the Bondowners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Bonds by the District, the Bonds shall be incontestable by the District. The District will do whatever is in its knowledge and power to assure that the Bonds shall be secured by a sole and exclusive statutory lien on and irrevocable revenue pledge of the ad valorem tax or taxes levied for repayment

Section 5.04. Further Assurances. The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Resolution, and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Resolution.

Section 5.05. Tax Covenants.

(a) *Private Activity Bond Limitation*. The District shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(b) *Federal Guarantee Prohibition*. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(c) *Rebate Requirement*. The District shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

(d) *No Arbitrage*. The District shall not take, or permit or suffer to be taken by the Paying Agent or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally

taken, on the date of issuance of the Bonds would have caused the Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code.

(e) *Maintenance of Tax-Exemption.* The District shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Section 5.06. Acquisition, Disposition and Valuation of Investments.

(a) Except as otherwise provided in subsection (b) of this Section 5.06, the District covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Resolution, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Resolution or the Code) at Fair Market Value.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued at their present value (within the meaning of section 148 of the Code).

ARTICLE VI  
PAYING AGENT

Section 6.01. Appointment of Paying Agent. The Bank of New York Mellon Trust Company, N.A. is hereby appointed Paying Agent for the Bonds. The Paying Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Resolution, and, even during the continuance of an Event of Default, no implied covenants or obligations shall be read into this Resolution against the Paying Agent. The Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by executing and delivering to the District a certificate to that effect.

The District may remove the Paying Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company doing business in the State of California, having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 6.01 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Paying Agent may at any time resign by giving written notice to the District and the Bondowners of such resignation. Upon receiving notice of such resignation, the District shall promptly appoint a successor Paying Agent by an instrument in writing. Any resignation or removal of the Paying Agent and appointment of a successor Paying Agent shall become effective upon acceptance of appointment by the successor Paying Agent.

Section 6.02. Paying Agent May Hold Bonds. The Paying Agent may become the owner of any of the Bonds in its own or any other capacity with the same rights it would have if it were not Paying Agent.

Section 6.03. Liability of Agents. The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the District, and the Paying Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Resolution or of the Bonds, nor shall incur any responsibility in respect thereof, other than as set forth in this Resolution. The Paying Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default.

In the absence of bad faith, the Paying Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Paying Agent and conforming to the requirements of this Resolution; but in the case of any such certificates or opinions by which any provision hereof are specifically required to be furnished to the Paying Agent, the Paying Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Resolution.

The Paying Agent shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Paying Agent was negligent in ascertaining the pertinent facts.

No provision of this Resolution shall require the Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Paying Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Paying Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

Section 6.04. Notice to Agents. The Paying Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Paying Agent may consult with counsel, who may be of counsel to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of its duties under this Resolution the Paying Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Paying Agent, be deemed to be conclusively proved and established by a certificate of the District, and such certificate shall be full warrant to the Paying Agent for any action taken or suffered under the provisions of this Resolution upon the faith thereof, but in its discretion the Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 6.05. Compensation, Indemnification. The District shall pay to the Paying Agent from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Resolution. A District Representative is hereby authorized to execute an agreement or agreements with the Paying Agent in connection with such fees and expenses. The District further agrees to indemnify and hold the Paying Agent harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or bad faith.

## ARTICLE VII

### REMEDIES OF BONDOWNERS

Section 7.01. Events of Default. The following events shall be Events Of Default hereunder:

(a) if default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) if default shall be made by the District in the observance of any of the covenants, agreements or conditions on its part in this Resolution or in the Bonds contained, and such default shall have continued for a period of thirty (30) days after written notice thereof to the District; or

(d) if the District shall file a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, seeking reorganization of the District under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property.

Section 7.02. Remedies of Bondowners. Any Bondowner shall have the right, for the equal benefit and protection of all Bondowners similarly situated:

(a) by mandamus, suit, action or proceeding, to compel the District and its members, officers, agents or employees to perform each and every term, provision and covenant contained in this Resolution and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the District and the fulfillment of all duties imposed upon it;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bondowners' rights; or

(c) upon the happening of any Event of Default, by suit, action or proceeding in any court of competent jurisdiction, to require the District and its members and employees to account as if it and they were the trustees of an express trust.

Section 7.03. Non-Waiver. Nothing in this Article VII or in any other provision of this Resolution, or in the Bonds, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as herein provided, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Bondowner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner of any of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence

therein, and every power and remedy conferred upon the Bondowners by this Article VII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners of the Bonds.

If a suit, action or proceeding to enforce any right or exercise any remedy be abandoned or determined adversely to the Bondowners, the District and the Bondowners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Section 7.04. Remedies Not Exclusive. No remedy herein conferred upon the Owners of Bonds shall be exclusive of any other remedy and that each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or thereafter conferred on the Bondowners.

## ARTICLE VIII

### SUPPLEMENTAL RESOLUTIONS

Section 8.01. Supplemental Resolutions Effective Without Consent of the Owners. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the District may be adopted, which, without the requirement of consent of the Owners of the Bonds, shall be fully effective in accordance with its terms:

(a) to add to the covenants and agreements of the District in this Resolution, other covenants and agreements to be observed by the District which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(b) to add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the District which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(c) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under this Resolution;

(d) to cure any ambiguity, supply and omission, or cure or correct any defect or inconsistent provision in this Resolution; or

(e) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds.

Section 8.02. Supplemental Resolutions Effective With Consent to the Owners. Any modification or amendment of this Resolution and of the rights and obligations of the District and of the Owners of the Bonds, in any particular, may be made by a Supplemental Resolution, with the written consent of the Owners of at least two-thirds in aggregate principal amount of the Bonds Outstanding at the time such consent is given. No such modification or amendment shall permit a change in the terms of maturity of the principal of any Outstanding Bonds or of any interest payable thereon or a reduction in the principal amount thereof or in the rate of interest thereon, or shall reduce the percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change any of the provisions in Section 7.01 hereof relating to Events of Default, or shall reduce the amount of moneys pledged for the repayment of the Bonds without the consent of all the Owners of such Bonds, or shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto.

ARTICLE IX  
MISCELLANEOUS

Section 9.01. Benefits of Resolution Limited to Parties. Nothing in this Resolution, expressed or implied, is intended to give to any person other than the District, the Paying Agent and the Owners of the Bonds, any right, remedy, claim under or by reason of this Resolution. Any covenants, stipulations, promises or agreements in this Resolution contained by and on behalf of the District shall be for the sole and exclusive benefit of the Owners of the Bonds.

Section 9.02. Defeasance.

(a) *Discharge of Resolution*. Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable hereunder by the District:

(i) by paying or causing to be paid the principal or redemption price of and interest on Bonds Outstanding, as and when the same become due and payable;

(ii) by depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 9.02(c)) to pay or redeem Bonds Outstanding;  
or

(iii) by delivering to the Paying Agent, for cancellation by it, Bonds Outstanding.

If the District shall pay all Bonds Outstanding and shall also pay or cause to be paid all other sums payable hereunder by the District, then and in that case, at the election of the District (evidenced by a certificate of a District Representative, filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and this Resolution), and notwithstanding that any Bonds shall not have been surrendered for payment, this Resolution and other assets made under this Resolution and all covenants, agreements and other obligations of the District under this Resolution shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in Section 9.02(b). In such event, upon request of the District, the Paying Agent shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it pursuant to this Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

(b) *Discharge of Liability on Bonds*. Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 9.02(c)) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in Section 2.03 provided or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, then all liability of the District in respect of such Bond shall cease and be completely discharged, except only that thereafter the Owner thereof shall be entitled only to payment of the principal of and interest on such Bond by the District, and the District shall remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment, provided further, however, that the provisions of Section 9.02(d) shall apply in all events.



The District may at any time surrender to the Paying Agent for cancellation by it any Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

(c) *Deposit of Money or Securities with Paying Agent.* Whenever in this Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established pursuant to this Resolution and shall be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Section 2.03 provided or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Section 2.03 or provision satisfactory to the Paying Agent shall have been made for the giving of such notice;

provided, in each case, that the Paying Agent shall have been irrevocably instructed (by the terms of this Resolution or by request of the District) to apply such money to the payment of such principal or redemption price and interest with respect to such Bonds.

(d) *Payment of Bonds After Discharge of Resolution.* Notwithstanding any provisions of this Resolution, any moneys held by the Paying Agent in trust for the payment of the principal or redemption price of, or interest on, any Bonds and remaining unclaimed after the payment is due (whether at maturity or upon call for redemption as provided in this Resolution), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the District free from the trusts created by this Resolution, and all liability of the Paying Agent with respect to such moneys shall thereupon cease; *provided, however,* that before the repayment of such moneys to the District as aforesaid, the Paying Agent may (at the cost of the District) first mail to the Owners of all Bonds which have not been paid at the addresses shown on the Bond Register a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

Section 9.03. Execution of Documents and Proof of Ownership by Bondowners. Any request, declaration or other instrument which this Resolution may require or permit to be executed by Bondowners may be in one or more instruments of similar tenor, and shall be executed by Bondowners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Bondowner or his attorney of such request, declaration or other instrument, or of such writing

appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books.

Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the District or the Paying Agent in good faith and in accordance therewith.

Section 9.04. Waiver of Personal Liability. No Board member, officer, agent or employee of the District shall be individually or personally liable for the payment of the principal of or interest on the Bonds; but nothing herein contained shall relieve any such Board member, officer, agent or employee from the performance of any official duty provided by law.

Section 9.05. Destruction of Canceled Bonds. Whenever in this Resolution provision is made for the surrender to the District of any Bonds which have been paid or canceled pursuant to the provisions of this Resolution, a certificate of destruction duly executed by the Paying Agent shall be deemed to be the equivalent of the surrender of such canceled Bonds and the District shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to.

Section 9.06. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Resolution shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Resolution. The District hereby declares that it would have adopted this Resolution and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Resolution may be held illegal, invalid or unenforceable. If, by reason of the judgment of any court, the District is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the District hereunder shall be assumed by and vest in the Paying Agent in trust for the benefit of the Bondowners.

Section 9.07. Effective Date of Resolution. This Resolution shall take effect from and after the date of its passage and adoption.

\* \* \* \* \*

THE FOREGOING RESOLUTION is approved and adopted by the Board of Directors of the Sonoma Valley Health Care District this 6th day of February, 2014.

ATTEST:

\_\_\_\_\_  
Chair of the Board of Directors |

\_\_\_\_\_  
Secretary of the Board |

**EXHIBIT A**  
**FORM OF BOND**

United States of America  
State of California  
Sonoma County

SONOMA VALLEY HEALTH CARE DISTRICT  
2014 General Obligation Refunding Bond

INTEREST RATE:	MATURITY DATE:	ISSUE DATE:
_____ %	August 1, 2029	February 19, 2014

REGISTERED OWNER: \_\_\_\_\_

PRINCIPAL SUM: \_\_\_\_\_ DOLLARS

The SONOMA VALLEY HEALTH CARE DISTRICT, a health care district duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "District"), for value received hereby promises to pay to the Registered Owner stated above, or registered assigns (the "Owner"), on the Maturity Date stated above (subject to any right of prior redemption hereinafter provided for), the Principal Sum stated above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless (i) this Bond is authenticated on an interest payment date, in which event it shall bear interest from such date of authentication, or (ii) this Bond is authenticated prior to an interest payment date and after the close of business on the fifteenth day of the month preceding such interest payment date, in which event it shall bear interest from such interest payment date, or (iii) this Bond is authenticated on or prior to July 15, 2014, in which event it shall bear interest from the Issue Date stated above; provided however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on this Bond) until payment of such Principal Sum in full, at the rate per annum stated above, payable on February 1 and August 1 in each year, commencing August 1, 2014, calculated on the basis of 360-day year comprised of twelve 30-day months. Principal hereof and premium, if any, upon early redemption hereof are payable at the corporate trust office of The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent"), in San Francisco, California. Interest hereon (including the final interest payment upon maturity or earlier redemption) is payable by check or draft of the Paying Agent mailed by first-class mail to the Owner at the Owner's address as it appears on the Bond register maintained by the Paying Agent as of the close of business on the fifteenth day of the month next preceding such interest payment date (the "Record Date"), or at such other address as the Owner may have filed with the Paying Agent for that purpose; provided however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Paying Agent at least five (5) days before the applicable Record Date.

This Bond is one of a duly authorized issue of bonds of the District designated as "Sonoma Valley Health Care District (Sonoma County, California) 2014 General Obligation Refunding Bonds" (the "Bonds"), in an aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_), all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers and other provisions) and all issued pursuant to the provisions of Chapter 4 (commencing with section 53550) of Article 9 of Chapter 3 of Division 2 of Title 5 of the California Government Code (the "Act"), and pursuant to Resolution No. \_\_\_\_ of the District adopted February 6, 2014 (the "Resolution"), authorizing the issuance of the Bonds. Reference is hereby made to the Resolution (copies of which are on file at the office of the Secretary of the Board of Directors of the District) and the Act for a description of the terms on which the

Bonds are issued and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Paying Agent and the rights and obligations of the District thereunder, to all of the provisions of which Resolution the Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the District to refund, (a) on an advance basis, the Sonoma Valley Health Care District (Sonoma County, California), General Obligation Bonds, Election of 2008, Series A (2009), maturing on and after August 1, 2015.

This Bond and the interest hereon and on all other Bonds and the interest thereon (to the extent set forth in the Resolution) are general obligations of the District and the District has the power and is obligated to cause the Sonoma County Treasurer-Tax Collector to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District. The Bonds shall be secured by a sole and exclusive statutory lien on and irrevocable revenue pledge of the ad valorem tax or taxes levied for repayment.

The Bonds maturing on or before August 1, \_\_\_\_, are non-callable. The Bonds maturing on August 1, \_\_\_\_, or any time thereafter, are callable for redemption prior to their stated maturity date at the option of the District, as a whole, or in part on any date or after August 1, \_\_\_\_ (in such maturities as are designated by the District, or, if the District fails to designate such maturities, on a proportional basis), from any source lawfully available therefor, at a redemption price equal to the principal amount redeemed, plus accrued interest to date of redemption, without premium.

The Bonds are subject to mandatory sinking fund redemption prior to their stated maturity date, at the principal amount thereof without premium on each August 1, on and after August 1, 2015, to and including August 1, 2029 in the principal amounts as set forth in the following table:

Date of Sinking Fund Redemption (August 1)	Sinking Fund Installment Amount	Date of Sinking Fund Redemption (August 1)	Sinking Fund Installment Amount
2015		2023	
2016		2024	
2017		2025	
2018		2026	
2019		2027	
2020		2028	
2021		2029†	
2022			

†Maturity

The Bonds are issuable as fully registered Bonds, without coupons, in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Resolution, Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity.

This Bond is transferable by the Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Paying Agent in San Francisco, California, but only in the manner and subject to the limitations provided in the Resolution, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The District and the Paying Agent may treat the Owner hereof as the absolute owner hereof for all purposes, and the District and the Paying Agent shall not be affected by any notice to the contrary.

The Resolution may be amended without the consent of the Owners of the Bonds to the extent set forth in the Resolution.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time and manner as required by the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the District, does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Resolution.

This Bond shall not be entitled to any benefit under the Resolution or become valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been signed manually by the Paying Agent.

IN WITNESS WHEREOF, the Sonoma Valley Health Care District has caused this Bond to be executed in its name and on its behalf with the facsimile signatures of the Chair of its Board of Directors and the Secretary of Board of Directors, all as of the Issue Date stated above.

SONOMA VALLEY HEALTH CARE DISTRICT

By \_\_\_\_\_  
Chair of the Board of Directors

ATTEST:

\_\_\_\_\_  
Secretary the Board of Directors

#### **CERTIFICATE OF AUTHENTICATION**

This is one of the Bonds described in the within-mentioned Resolution.

Authentication Date:

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Paying Agent

By \_\_\_\_\_  
Authorized Signatory

## ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
(Name, Address and Tax Identification or Social Security Number of Assignee)  
\_\_\_\_\_  
\_\_\_\_\_

the within Bond and do(es) hereby irrevocably constitute(s) and appoint(s)

\_\_\_\_\_  
attorney, to transfer the same on the bond register of the Paying Agent with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
Notice: Signature(s) must be guaranteed by a qualified guarantor institution.

\_\_\_\_\_  
Notice: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

**EXHIBIT B**  
**FORM OF INVESTOR LETTER**

Sonoma Valley Health Care District  
Sonoma, California

The Bank of New York Mellon Trust Company, N.A.  
San Francisco, California

Re: Sonoma Valley Health Care District (Sonoma County, California) 2014 General Obligation  
Refunding Bonds

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Ladies and Gentlemen:

The undersigned (the “Purchaser”), being the purchaser of the above-referenced Bonds (the “Bonds”) does hereby certify, represent and warrant for the benefit of the Peninsula Health Care District (the “District”) and The Bank of New York Mellon Trust Company, N.A. (the “Paying Agent”) that:

(a) The Purchaser (MARK OR INDICATE APPROPRIATELY):

☐ is a qualified institutional buyer” (a “Qualified Institutional Buyer”) within the meaning of Rule 144A promulgated under the Securities Act of 1933, as amended (the “Securities Act”),

☐ is an “accredited investor” as defined in Section 501(a)(1), (2), (3) or (7) of Regulation D promulgated under the Securities Act (an “Accredited Investor”), or

☐ a trust, partnership, custodial arrangement or similar entity, interests in which are offered and sold in a private placement or limited offering only to Qualified Institutional Buyers or Accredited Investors.

(b) The Purchaser understands that the Bonds have not been registered under the United States Securities Act of 1933, as amended, or under any state securities laws. The Purchaser agrees that it will comply with any applicable state and federal securities laws then in effect with respect to any disposition of the Bonds by it, and further acknowledges that any current exemption from registration of the Bonds does not affect or diminish such requirements.

(c) The Purchaser is not now and has never been controlled by, or under common control with, the District. The District has never been and is not now controlled by the Purchaser. The Purchaser has entered into no arrangements with the District or with any affiliate in connection with the Bonds, other than as disclosed to the District.

d) The Purchaser has authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bonds. The individual who is signing this letter on behalf of the Purchaser is a duly appointed, qualified, and acting officer of the Purchaser and is authorized to cause the Purchaser to make the Bonds,



representations and warranties contained herein by execution of this letter on behalf of the Purchaser.

(e) The Purchaser understands that the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the District, the State of California or any political subdivision or taxing district thereof; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the District, the State of California or any political subdivision thereof; that no right will exist to have taxes levied by the State of California or any political subdivision thereof for the payment of principal and interest with respect to the Bonds; and that the liability of the District with respect to the Bonds is subject to further limitations as set forth in the Lease Agreement.

(f) The Purchaser has been informed that the Bonds (i) have not been and will not be registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any jurisdiction, and (ii) will not be listed on any stock or other securities exchange.

(g) The Purchaser acknowledges that it has the right to sell and transfer the Bonds, subject to compliance with the transfer restrictions set forth in Section 2.08 of the Trust Agreement, including in certain circumstances the requirement for the delivery to the District and the Paying Agent of an investor's letter in the same form as this Investor's Letter, including this paragraph. Failure to comply with the provisions of Section 2.08 of the Trust Agreement shall cause the purported transfer to be null and void. The Purchaser agrees to indemnify and hold harmless the District with respect to any claim asserted against the District that arises with respect to any sale, transfer or other disposition of the Bonds by the Purchaser or any transferee thereof in violation of the provisions of the Trust Agreement.

(h) Neither the Paying Agent nor Bond Counsel its members, its governing body, or any of its employees, counsel or agents will have any responsibility to the Purchaser for the accuracy or completeness of information obtained by the Purchaser from any source regarding the District or its financial condition or the Project, or regarding the Bonds, the provision for payment thereof, or the sufficiency of any security therefor. No written information has been provided by the District to the Purchaser with respect to the Bonds. The Purchaser acknowledges that, as between the Purchaser and all of such parties, the Purchaser has assumed responsibility for obtaining such information and making such review as the Purchaser deemed necessary or desirable in connection with its decision to purchase the Bonds.

(j) The Purchaser acknowledges that the Bonds are exempt from the requirements of Rule 15c2-12 of the Securities and Exchange Commission and that the District has not undertaken to provide any continuing disclosure with respect to the Bonds.

The Purchaser acknowledges that the sale of the Bonds to the Purchaser is made in reliance upon the certifications, representations and warranties herein by the addressees hereto. Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Trust Agreement.

[PURCHASER]

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

**EXHIBIT C**  
**FORM OF BOND PURCHASE AGREEMENT**

[TO BE ATTACHED PRIOR TO ADOPTION]

**EXHIBIT D**  
**FORM OF PAYING AGENT AGREEMENT**  
[TO BE ATTACHED PRIOR TO ADOPTION]

**EXHIBIT E**  
**FORM OF ESCROW AGREEMENT**  
[TO BE ATTACHED PRIOR TO ADOPTION]

\$ \_\_\_\_\_  
**SONOMA VALLEY HEALTH CARE DISTRICT**  
**(Sonoma County, California)**  
**2014 General Obligation Refunding Bonds**

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**BOND PURCHASE AGREEMENT**

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February 7, 2014

Sonoma Valley Health Care District  
347 Andrieux Street  
Sonoma, CA 95476

Ladies and Gentlemen:

The undersigned, \_\_\_\_\_ (the "Purchaser"), offers to enter into this agreement with the Sonoma Valley Health Care District (the "District"), which, upon your acceptance hereof, will be binding upon the District and the Purchaser. This offer is made subject to the written acceptance of this Bond Purchase Agreement by the delivery of such acceptance to the Purchaser at or prior to 5:00 P.M., Pacific time, on the date hereof.

1. Purchase and Sale of the Bonds. Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Purchaser hereby agrees to purchase, for reoffering to the public, and the District hereby agrees to issue and execute and cause The Bank of New York Mellon Trust Company, N.A., San Francisco, California (the "Paying Agent"), to authenticate and deliver to the Purchaser for such purpose, all (but not less than all) of \$\_\_\_\_\_ in aggregate principal amount of the District's Sonoma Valley Health Care District 2014 General Obligation Refunding Bonds (the "Bonds").

The purchase price of the Bonds shall be \$\_\_\_\_\_ (being equal to the aggregate principal amount of the Bonds).

The District acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction between the District and the Purchaser; (ii) in connection with such transaction, including the process leading thereto, the Purchaser is acting solely as a principal and not as an agent or a fiduciary of the District; (iii) the Purchaser has neither assumed an advisory or fiduciary responsibility in favor of the District with respect to the offering of the Bonds or the process leading thereto (whether or not the Purchaser, or any affiliate of the Purchaser, has advised or is currently advising the District on other matters) nor has it assumed any other obligation to the District except the obligations expressly set forth in this Bond Purchase Agreement, (iv) the Purchaser has financial and other interests that differ from those of the District; and (v) the District has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Bonds.

2. The Bonds. The Bonds are issued under Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code and pursuant to a resolution adopted by the Board of Directors of the District on February 6, 2014 (the "Resolution").

The Bonds are general obligation bonds of the District, and ~~the~~ Sonoma County (the "County") is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of interest on and principal of the Bonds, upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates).

The Bonds will be dated as of their date of delivery. The Bonds will mature on the dates and in the principal amounts set forth in Exhibit A attached hereto. Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2014, at the rates set forth in Exhibit A attached hereto. The Bonds will be subject to redemption prior to maturity on the dates and at the prices set forth in Exhibit A attached hereto.

The Bonds will be issued by the District to (a) refund, on an advance basis, the outstanding Sonoma Valley Health Care District (Sonoma County, California) General Obligation Bonds, Election of 2008, Series A (2009), maturing on and after August 1, 2015 (the "Refunded 2009 Bonds"), and (b) pay for costs of issuance of the Bonds.

3. Private Placement; Bonds Constitute Investment of Purchaser.

(a) The Purchaser has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other obligations of a nature similar to the Bonds to be able to evaluate the risks and merits of the investment represented by the purchase of the Bonds.

(b) The Purchaser is acquiring the Bonds for its own account and not with a view to, or for sale in connection with, any distribution of the Bonds or any part thereof. The Purchaser has not offered to sell, solicited offers to buy, or agreed to sell the Bonds or any part thereof, and the Purchaser has no current intention of reselling or otherwise disposing of the Bonds *provided, however*, such representation shall not preclude the Purchaser from transferring or selling of the Bonds in accordance with the Resolution. The Purchaser is not acting in a broker-dealer capacity in connection with its purchase of the Bonds. The Purchaser intends to book and hold the Bonds as a loan in its loan portfolio.

(c) As a sophisticated investor, the Purchaser has made its own credit inquiry and analysis with respect to the District and the Bonds and has made an independent credit decision based upon such inquiry and analysis and in reliance on the truth, accuracy, and completeness of the representations and warranties of the District set forth in the Resolution and this Bond Purchase Agreement and in the information set forth in any materials submitted to the Purchaser by the District. The Purchaser acknowledges that it has reviewed information, including financial statements and other financial information regarding the District, and the Purchaser has had the opportunity to ask questions of and receive answers from knowledgeable individuals concerning the District and the Bonds.

(d) The Purchaser understands that the Bonds have not been registered under the United States Securities Act of 1933 or under any state securities laws. The Purchaser agrees that it will comply with any applicable state and federal securities laws then in effect with respect to any disposition of the Bonds by it, and further acknowledges that any current exemption from registration of the Bonds does not affect or diminish such requirements.

(e) The Purchaser has authority to purchase the Bonds and to execute this Bond Purchase Agreement and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bonds. The undersigned is a duly appointed, qualified, and acting officer of the Purchaser and is authorized to cause the Purchaser to make the representations and warranties contained herein by execution of this Bond Purchase Agreement on behalf of the Purchaser.

(f) The Purchaser has been informed that the Bonds (i) have not been and will not be registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any jurisdiction, and (ii) will not be listed on any stock or other securities exchange.

(g) The Purchaser acknowledges that the Bonds are transferable with certain requirements, as described in the Resolution.

(h) The Purchaser has been informed that the Bonds are exempt from the requirements of Rule 15c2-12 of the Securities and Exchange Commission and that the District has not undertaken to provide any continuing disclosure with respect to the Bonds.

4. Use of Documents. The District hereby authorizes the Purchaser to use, in connection with the offer and sale of the Bonds, this Bond Purchase Agreement, the Resolution, the Escrow Deposit and Trust Agreement, dated the date of Closing (as hereinafter defined), relating to the refunding of the Refunded 2009 Bonds (the "Escrow Agreement"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank"), and all information contained herein and therein and all of the documents, certificates or statements furnished by the District to the Purchaser in connection with the transactions contemplated by this Bond Purchase Agreement.

5. Closing. At 8:00 A.M., California time, on February 19, 2014, or at such other time or on such other date as shall have been mutually agreed upon by you and us (the "Closing"), you will deliver to us (except as otherwise provided in the Resolution), at the offices of Bond Counsel, or at such other place as we may mutually agree upon, the Bonds in fully registered book-entry form, duly executed and registered in the name of the Purchaser, and the other documents hereinafter mentioned; and we will accept such delivery and pay the purchase price thereof in immediately available funds by check, draft or wire transfer to or upon the order of the Paying Agent on behalf of the District.

6. Representations, Warranties and Agreements of the District. The District hereby represents, warrants and agrees with the Purchaser that:

(a) *Due Organization*. The District is a health care district duly organized and validly existing under the laws of the State of California, with the power to request the issuance of the Bonds pursuant to the Act.

(b) *Due Authorization*. (i) At or prior to the Closing, the District will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds; (ii) the District has full legal right, power and authority to enter into this Bond Purchase Agreement and the Escrow Agreement, to adopt the Resolution, to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Bond Purchase Agreement, the Escrow Agreement and the Resolution; (iii) the execution and delivery or adoption of, and the performance by the District of the obligations contained in the Bonds, the Resolution, the Escrow Agreement and this Bond Purchase Agreement have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Bond Purchase Agreement and the Escrow Agreement constitute the valid and legally binding obligations of the District, subject to bankruptcy, insolvency, reorganization,



arrangement, moratorium, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases; and (v) the District has duly authorized the consummation by it of all transactions contemplated by this Bond Purchase Agreement and the Escrow Agreement. The District will not amend, terminate or rescind, and will not agree to any amendment, termination or rescission of the Resolution, the Escrow Agreement or this Bond Purchase Agreement without the prior written consent of the Purchaser prior to the Closing Date.

(c) *Consents.* Other than the approving vote of the electorate of the District and adoption of the Resolution, no consent, approval, authorization, order, filing, registration, qualification, election or referendum of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bonds or the consummation of the other transactions effected or contemplated herein or hereby, ~~except for such actions as may be necessary to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Purchaser may reasonably request, or which have not been taken or obtained; provided, however, that the District shall not be required to subject itself to service of process in any jurisdiction in which it is not so subject as of the date hereof.~~

(d) *Internal Revenue Code.* The District has covenanted to comply with the Internal Revenue Code of 1986, as amended, with respect to the Bonds.

(e) *No Conflicts.* To the best knowledge of the District, the issuance of the Bonds, and the execution, delivery and performance of this Bond Purchase Agreement, the Escrow Agreement, the Resolution and the Bonds, and the compliance with the provisions hereof do not conflict with or constitute on the part of the District a violation of or default under, the Constitution of the State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is subject.

(f) *Litigation.* As of the time of acceptance hereof, based on the advice of counsel to the District, no action, suit, proceeding, hearing or investigation is pending or, to the best knowledge of the District, threatened against the District: (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several offices or of the titles of the officials of the District to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or the collection of ad valorem taxes of the District pledged or to be pledged or available to pay the principal of and interest on the Bonds, or the pledge thereof, or, the levy of any taxes contemplated by the Resolution or in any way contesting or affecting the validity or enforceability of the Bonds, this Bond Purchase Agreement, the Escrow Agreement or the Resolution or contesting the powers of the District or its authority with respect to the Bonds, the Resolution, the Escrow Agreement or this Bond Purchase Agreement; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Bond Purchase Agreement, the Escrow Agreement or the Resolution, (b) declare this Bond Purchase Agreement or the Escrow Agreement to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes and the exemption of such interest from California personal income taxation.

(g) *No Other Debt.* Between the date hereof and the Closing, without the prior written consent of the Purchaser, the District will not have issued any bonds, notes or certificates of participation.

(h) *Arbitrage Certificate*. The District has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the District is a bond issuer whose arbitrage certificates may not be relied upon.

(j) *Certificates*. Any certificates signed by any officer of the District and delivered to the Purchaser shall be deemed a representation by the District to the Purchaser, but not by the person signing the same, as to the statements made therein.

(j) *Financial Statements*. The financial statements of the District provided to the Purchaser fairly present the financial position of the District as of the dates indicated and the results of its operations for the periods specified.

7. Application of Proceeds. The District covenants and agrees with the Purchaser that:

~~(a) *Securities Laws*. The District will furnish such information, execute such instruments, and take such other action in cooperation with the Purchaser if and as the Purchaser may reasonably request in order to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions, provided, however, that the District shall not be required to consent to service of process in any jurisdiction in which they are not so subject as of the date hereof;~~

~~(b) *Application of Proceeds*. The the District will apply the proceeds from the sale of the Bonds for the purposes specified in the Resolution;~~

8. Conditions to Closing. The Purchaser has entered into this Bond Purchase Agreement in reliance upon the representations and warranties of the District contained herein and the performance by the District of its obligations hereunder, both as of the date hereof and as of the date of Closing. The Purchaser's obligations under this Bond Purchase Agreement are and shall be subject at the option of the Purchaser, to the following further conditions at the Closing:

(a) *Representations True*. The representations and warranties of the District contained herein shall be true, complete and correct in all material respects at the date hereof and at and as of the Closing as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Purchaser at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and the District shall be in compliance with each of the agreements made by it in this Bond Purchase Agreement;

(b) *Obligations Performed*. At the time of the Closing, (i) this Bond Purchase Agreement, the Escrow Agreement and the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Purchaser; (ii) all actions under the Act which, in the opinion of Quint & Thimmig LLP ("Bond Counsel"), shall be necessary in connection with the transactions contemplated hereby shall have been duly taken and shall be in full force and effect; and (iii) the District shall perform or have performed all of its obligations required under or specified in the Resolution, this Bond Purchase Agreement or the Escrow Agreement to be performed at or prior to the Closing;

(c) *Marketability*. Between the date hereof and the Closing, the market price or marketability or the ability of the Purchaser to enforce contracts for the sale of the Bonds shall not have been materially adversely affected in the judgment of the Purchaser (evidenced by a written notice to the District terminating the obligation of the Purchaser to accept delivery of and pay for the Bonds) by reason of any of the following:

(i) legislation enacted or introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court established

under Article III of the Constitution of the United States or by the United States Tax Court, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made:

(A) by or on behalf of the United States Treasury Department, or by or on behalf of the Internal Revenue Service, with the purpose or effect, directly or indirectly, of causing inclusion in gross income for purposes of federal income taxation of the interest received by the owners of the Bonds; or

(B) by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, to the effect that the Bonds, or obligations of the general character of the Bonds, including any and all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended;

(ii) legislation enacted by the legislature of the State of California (the "State"), or a decision rendered by a court of the State, or a ruling, order, or regulation (final or temporary) made by State authority, which would have the effect of changing, directly or indirectly, the ~~State~~-tax consequences of interest on obligations of the general character of the Bonds in the hands of the holders thereof;

(iii) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war or other calamity or crisis the effect of which on financial markets is such as to make it, in the reasonable judgment of the Purchaser, impractical or inadvisable to proceed with the offering or delivery of the Bonds;

(iv) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(v) the imposition by the New York Stock Exchange, other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds, or obligations of the general character of the Bonds, or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Purchaser;

(vi) an order, decree or injunction of any court of competent jurisdiction, or order, filing, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, as contemplated hereby, is or would be in violation of the federal securities laws, as amended and then in effect; or

(vii) the withdrawal or downgrading of any rating of the 2009 Bonds by a national rating agency.

(d) *Delivery of Documents.* At or prior to the date of the Closing, Bond Counsel shall deliver sufficient copies of the following documents, in each case dated as of the Closing Date and satisfactory in form and substance to the Purchaser:

(i) **Bond Opinion.** An approving opinion of Bond Counsel, as to the validity and tax-exempt status of the Bonds, dated the date of the Closing, addressed to the District;

(ii) **Reliance Letter.** A reliance letter from Bond Counsel to the effect that the Purchaser can rely upon the approving opinion described in (d)(1) above;

(iii) **Supplemental Opinion.** A supplemental opinion of Bond Counsel, dated the Closing Date, addressed to the Purchaser to the effect that:

(A) this Bond Purchase Agreement and the Escrow Agreement have been duly executed and delivered by the District and, assuming due authorization, execution and delivery by and validity against the other parties thereto, are valid and binding agreements of the District, subject to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases; and

(B) the Bonds are not subject to the registration requirements of the Securities Act and the Resolution is exempt from qualification under the Trust Indenture Act; and

(iv) **Additional Certificates.** Certificates signed by appropriate officials of the District to the effect that (i) such officials are authorized to execute this Bond Purchase Agreement and the Escrow Agreement, (ii) the representations, agreements and warranties of the District herein are true and correct in all material respects as of the date of Closing, (iii) the District has complied with all the terms of the Resolution, the Escrow Agreement and this Bond Purchase Agreement which are necessary to be complied with prior to or concurrently with the Closing and such documents are in full force and effect, and (iv) the Bonds being delivered on the date of the Closing to the Purchaser under this Bond Purchase Agreement substantially conform to the descriptions thereof contained in the Resolution;

(v) **Tax Matters.** An arbitrage certificate of the District in a form satisfactory to Bond Counsel;

(vi) **Resolution.** A certificate, together with fully executed copies of the Resolution, of the Secretary of the District's Board of Directors to the effect that:

(A) such copies are true and correct copies of the Resolution; and

(B) that the Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing.

(vii) **Escrow Bank Certificate.** A certificate signed by appropriate officials of the Escrow Bank, to the effect that:

(A) the Escrow Bank is duly organized and validly existing as a national banking association, with full corporate power to undertake the trust of the Escrow Agreement;

(B) the Escrow Bank has duly authorized, executed and delivered the Escrow Agreement and by all proper corporate action has authorized the acceptance of the trust of the Escrow Agreement; and

(C) to the best of such officer's knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body which has been served on the Escrow Bank (either in state or federal courts), or to the knowledge of the Escrow Bank which would restrain or enjoin the execution or delivery of the Escrow Agreement, or which would affect the validity or enforceability of the Escrow Agreement, or the Escrow Bank's participation in, or in any way contesting the powers or the authority of the Escrow Bank with respect to, the transactions contemplated by the Escrow Agreement, or any other agreement, document or certificate related to such transactions;

(viii) **Defeasance Opinion.** An opinions of Bond Counsel as to the legal defeasance of the Refunded 2009 Bonds; and

(ix) **Other Documents.** Such additional legal opinions, certificates, proceedings, instruments and other documents as the Purchaser may reasonably request to evidence compliance (i) by the District with legal requirements, (ii) the truth and accuracy, as of the time of Closing, of the representations of the District herein contained, and (iii) the due performance or satisfaction by the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District; and

(e) *Termination.* Notwithstanding anything to the contrary herein contained, if for any reason whatsoever the Bonds shall not have been delivered by the February 19, 2014, then the obligation to purchase Bonds hereunder shall terminate and be of no further force or effect except with respect to the obligations of the District and the Purchaser under Section 10 hereof.

If the District shall be unable to satisfy the conditions to the Purchaser's obligations contained in this Bond Purchase Agreement or if the Purchaser's obligations shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement may be canceled by the Purchaser at, or at any time prior to, the time of Closing. Notice of such cancellation shall be given to the District in writing, or by telephone or telegraph, confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the District hereunder and the performance of any and all conditions contained herein for the benefit of the Purchaser may be waived by the Purchaser in writing at its sole discretion.

9. Conditions to Obligations of the District. The performance by the District of its obligations is conditioned upon (i) the performance by the Purchaser of its obligations hereunder; and (ii) receipt by the District and the Purchaser of opinions and certificates being delivered at the Closing by persons and entities other than the District.

10. Costs and Expenses. The District shall pay any expenses incident to the performance of its obligations hereunder from the proceeds of the Bonds. All out-of-pocket expenses of the Purchaser, ~~including the California Debt and Investment Advisory Commission fee, travel (except in connection with securing a rating on the Bonds) and other expenses (except as provided above),~~ shall be paid by the Purchaser.

11. Notices. Any notice or other communication to be given under this Bond Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing if to the District, to the Chief Executive Officer, Sonoma Valley Health Care District, 347 Andrieux Street, Sonoma, CA 95476, or if to the Purchaser, to

12. Parties in Interest; Survival of Representations and Warranties. This Bond Purchase Agreement when accepted by the District in writing as heretofore specified shall constitute the entire agreement among the District and the Purchaser. This Bond Purchase Agreement is made solely for the benefit of the District and the Purchaser (including the successors or assigns of the Purchaser). No person shall acquire or have any rights hereunder or by virtue hereof. All representations, warranties and agreements of the District in this Bond Purchase Agreement shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Purchaser, (b) delivery of and payment by the Purchaser for the Bonds hereunder, and (c) any termination of this Bond Purchase Agreement.

13. Execution in Counterparts. This Bond Purchase Agreement may be executed in several counterparts each of which shall be regarded as an original and all of which shall constitute but one and the same document.

14. Applicable Law. This Bond Purchase Agreement shall be interpreted, governed and enforced in accordance with the laws of the State of California applicable to contracts made and performed in such State.

Very truly yours,

\_\_\_\_\_, as Purchaser

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

The foregoing is hereby agreed to and  
accepted as of the date first above written:

SONOMA VALLEY HEALTH CARE  
DISTRICT

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

[Sonoma Valley Health Care District (Sonoma County, California) 2014 General Obligation Refunding Bonds]

## EXHIBIT A

### INTEREST RATES, REOFFERING PRICES, MATURITIES, DEBT SERVICE, AND OPTIONAL AND MANDATORY REDEMPTION PROVISIONS

#### Maturity Schedule

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
2029				

#### Redemption Provisions

*Optional Redemption.* The Bonds maturing on or before August 1, \_\_\_\_, are non-callable. The Bonds maturing on August 1, \_\_\_\_, or any time thereafter, are callable for redemption prior to their stated maturity date at the option of the District, in whole or in part on any day on or after August 1, \_\_\_\_ (in such maturities as are designated by the District, or, if the District fails to designate such maturities, on a proportional basis), and may be redeemed prior to the maturity thereof by payment of all principal, plus accrued interest to date of redemption, without premium, payable from any source lawfully available therefor.

*Mandatory Sinking Fund Redemption.* The Bonds are subject to mandatory sinking fund redemption prior to their stated maturity date, at the principal amount thereof without premium on each August 1, on and after August 1, 2015, to and including August 1, 2029 in the principal amounts as set forth in the following table:

<u>Date of</u> <u>Sinking Fund</u> <u>Redemption</u> <u>(August 1)</u>	<u>Sinking Fund</u> <u>Installment Amount</u>	<u>Date of</u> <u>Sinking Fund</u> <u>Redemption</u> <u>(August 1)</u>	<u>Sinking Fund</u> <u>Installment Amount</u>
2015		2023	
2016		2024	
2017		2025	
2018		2026	
2019		2027	
2020		2028	
2021		2029†	
2022			

†Maturity



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**ESCROW DEPOSIT AND TRUST AGREEMENT**

**by and between the**

**SONOMA VALLEY HEALTH CARE DISTRICT**

**and**

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Escrow Bank**

**Dated February 19, 2014**

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Advance refunding of a portion of the outstanding  
Sonoma Valley Health Care District  
General Obligation Bonds, Election of 2008, Series A (2009)



## ESCROW DEPOSIT AND TRUST AGREEMENT

This Escrow Deposit and Trust Agreement (this "Escrow Deposit and Trust Agreement"), dated February 19, 2014, is by and between the SONOMA VALLEY HEALTH CARE DISTRICT, a health care district duly created and existing pursuant to the laws of the State of California (the "District"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as escrow bank (the "Escrow Bank").

### WITNESSETH:

WHEREAS, the Board of Directors (the "Board") of the District has, heretofore issued the District's Sonoma Valley Health Care District General Obligation Bonds, Election of 2008, Series A (2009) (the "2009 Bonds"), in the original principal amount of \$12,000,000, issued for authorized hospital purposes, of which \$11,975,000 principal amount remains outstanding;

WHEREAS, the 2009 Bonds were issued under and pursuant to a resolution of the Board, adopted on January 28, 2009 (the "2009 Bond Resolution");

WHEREAS, pursuant to Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Act"), the District is empowered to issue general obligation refunding bonds;

WHEREAS, the District has determined that it is in the best interests of the District to refund, on an advance basis, the outstanding 2009 Bonds maturing on and after August 1, 2015 (the "Refunded 2009 Bonds") and it is desirable to enter into this Escrow Deposit and Trust Agreement to do so;

WHEREAS, the Board, by resolution adopted on February 6, 2014 (the "Refunding Bond Resolution"), has authorized the issuance and sale of the District's \$\_\_\_\_\_ 2014 General Obligation Refunding Bonds (the "2014 Refunding Bonds"), and has determined to use a portion of the proceeds of the 2014 Refunding Bonds to provide for the redemption of the outstanding Refunded 2009 Bonds in full on August 1, 2014 (the "Redemption Date"), at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to such date (the "Redemption Price");

WHEREAS, the District, in the Refunding Bond Resolution, has directed that a portion of the proceeds of the sale of the 2014 Refunding Bonds be deposited hereunder, and that such amount will be in an amount sufficient to provide for the payment of interest on the Refunded 2009 Bonds to and including August 1, 2014, and to redeem the Refunded 2009 Bonds as described above;

WHEREAS, the Escrow Bank has full powers to perform the duties and obligations to be undertaken by it pursuant to this Escrow Deposit and Trust Agreement.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants herein set forth, the parties hereto do hereby agree as follows:

*Section 1. Discharge of Bonds.* The District hereby irrevocably elects to pay and discharge all indebtedness payable by the District under the 2009 Bond Resolution with respect to the 2009 Bonds, and to terminate all obligations of the District thereunder with respect thereto.

Section 2. Escrow Fund.

(a) There is hereby established a special fund, to be held in trust by the Escrow Bank for the benefit of the owners of the Refunded 2009 Bonds, to be known as the "Escrow Fund." Upon the issuance of the 2014 Refunding Bonds, there shall be deposited into the Escrow Fund an amount equal to \$\_\_\_\_\_, derived from the proceeds of the 2014 Refunding Bonds.

(b) The Escrow Bank shall invest \$\_\_\_\_\_ of the moneys deposited into the Escrow Fund pursuant to the preceding paragraph in the Federal Securities set forth in Exhibit A attached hereto and by this reference incorporated herein (the "Escrowed Federal Securities") and shall hold the remaining \$\_\_\_\_\_ in cash, uninvested. The Escrowed Federal Securities shall be deposited with and held by the Escrow Bank in the Escrow Fund solely for the uses and purposes set forth herein.

If the Escrow Bank learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a SLGS subscription, the Escrow Bank shall promptly request alternative written investment instructions from the District with respect to escrowed funds which were to be invested in the Escrow Securities. The Escrow Bank shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Bank shall hold funds uninvested and without liability for interest until receipt of further written instructions from the District. In the absence of investment instructions from the District the Escrow Bank shall not be responsible for the investment of such funds or interest thereon. The Escrow Bank may conclusively rely upon the District selection of an alternative investment as a determination of the alternative investment's legality and suitability and shall not be liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.

(c) The Escrow Bank may rely upon the conclusion of Grant Thornton LLP, as contained in its opinion and accompanying schedules (the "Report") dated February 18, 2014, that the Escrowed Federal Securities mature and bear interest payable in such amounts and at such times as, together with cash on deposit in the Escrow Fund, will be sufficient to pay redeem the outstanding Refunded 2009 Bonds in full on the Redemption Date at the Redemption Price.

(d) The Escrow Bank shall not be liable or responsible for any loss resulting from its full compliance with the provisions of this Escrow Deposit and Trust Agreement.

(e) Any money left on deposit in the Escrow Fund after payment in full of the Refunded 2009 Bonds, and the payment of all amounts due to the Escrow Bank hereunder, shall be paid to the District.

Section 3. Instructions as to Application of Deposit. The moneys deposited in the Escrow Fund pursuant to Section 2 shall be applied by the Escrow Bank for the sole purpose of redeeming the outstanding Refunded 2009 Bonds in full on the Redemption Date at the Redemption Price, as set forth in Exhibit B attached hereto and by this reference incorporated herein.

The Escrow Bank, in its capacity as paying agent for the 2009 Bonds, is hereby requested, and the Escrow Bank, in its capacity as paying agent for the 2009 Bonds, hereby agrees to give notice of the defeasance of the Refunded 2009 Bonds in the form of defeasance notice attached hereto as Exhibit C.

The Escrow Bank, in its capacity as paying agent for the 2009 Bonds is hereby requested, and the Escrow Bank, as paying agent for the 2009 Bonds, hereby agrees to give timely notice of

the redemption of the Refunded 2009 Bonds on the Redemption Date in accordance with the applicable provisions of the 2009 Bond Resolution and the form of redemption notice attached hereto as Exhibit D.

*Section 4. Investment of Any Remaining Moneys.* The Escrow Bank shall invest and reinvest the proceeds received from any of the Escrowed Federal Securities, and the cash originally deposited into the Escrow Fund, for a period ending not later than the next succeeding interest payment date relating to the Refunded 2009 Bonds, in Federal Securities pursuant to written directions of the District; *provided, however*, that (a) such written directions of the District shall be accompanied by (i) a certification of an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions that the Federal Securities then to be so deposited in the Escrow Fund, together with the cash then on deposit in the Escrow Fund, together with the interest to be derived therefrom, shall be in an amount at all times at least sufficient to make the payments specified in Section 4 hereof, and (ii) an opinion of nationally recognized bond counsel ("Bond Counsel") that investment in accordance with such directions will not affect, for Federal income tax purposes, the exclusion from gross income of interest due with respect to the Refunded 2009 Bonds, and (b) if the District directs such investment or reinvestment to be made in United States Treasury Securities-State and Local Government Series, the District shall, at its cost, cause to be prepared all necessary subscription forms therefor in sufficient time to enable the Escrow Bank to acquire such securities. In the event that the District shall fail to file any such written directions with the Escrow Bank concerning the reinvestment of any such proceeds, such proceeds shall be held uninvested by the Escrow Bank. Any interest income resulting from investment or reinvestment of moneys pursuant to this Section 4 and not required for the purposes set forth in Section 2, as indicated by such verification, shall, promptly upon the receipt of such interest income by the Escrow Bank, be paid to the District.

*Section 5. Substitution or Withdrawal of Federal Securities.* The District may, at any time, direct the Escrow Bank in writing to substitute Federal Securities for any or all of the Escrowed Federal Securities then deposited in the Escrow Fund, or to withdraw and transfer to the District any portion of the Federal Securities then deposited in the Escrow Fund, provided that any such direction and substitution or withdrawal shall be simultaneous and shall be accompanied by (a) a certification of an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions that the Federal Securities then to be so deposited in the Escrow Fund together with interest to be derived therefrom, or in the case of withdrawal, the Federal Securities to be remaining in the Escrow Fund following such withdrawal together with the interest to be derived therefrom, together with the cash then on deposit in the Escrow Fund, shall be in an amount at all times at least sufficient to make the payments specified in Section 3 hereof; and (b) an opinion of Bond Counsel that the substitution or withdrawal will not affect, for Federal income tax purposes, the exclusion from gross income of interest on the Refunded 2009 Bonds. In the event that, following any such substitution of Federal Securities pursuant to this Section 5, there is an amount of moneys or Federal Securities in excess of an amount sufficient to make the payments required by Section 2 hereof, as indicated by such verification, such excess shall be paid to the District.

*Section 6. Compensation to Escrow Bank.* The District shall pay the Escrow Bank full compensation for its duties under this Escrow Deposit and Trust Agreement, including out-of-pocket costs such as publication costs, prepayment or redemption expenses, legal fees and other costs and expenses relating hereto. Under no circumstances shall amounts deposited in the Escrow Fund be deemed to be available for said purposes.

*Section 7. Liabilities and Obligations of Escrow Bank.* The Escrow Bank shall have no obligation to make any payment or disbursement of any type or incur any financial liability in the performance of its duties under this Escrow Deposit and Trust Agreement unless the District shall have deposited sufficient funds with the Escrow Bank. The Escrow Bank may rely and shall be protected in acting upon the written instructions of the District or its agents relating to any matter or action as Escrow Bank under this Escrow Deposit and Trust Agreement.

The Escrow Bank and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Escrow Deposit and Trust Agreement, the establishment of the Escrow Fund, the acceptance of the moneys deposited therein, the sufficiency of the uninvested moneys held hereunder to accomplish the purposes set forth herein, or any payment, transfer or other application of moneys by the Escrow Bank in accordance with the provisions of this Escrow Deposit and Trust Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Bank made in good faith in the conduct of its duties. The recitals of fact contained in the "whereas" clauses herein shall be taken as the statement of the District, and the Escrow Bank assumes no responsibility for the correctness thereof. The Escrow Bank makes no representations as to the sufficiency of the uninvested moneys to accomplish the purposes set forth herein or to the validity of this Escrow Deposit and Trust Agreement as to the District and, except as otherwise provided herein, the Escrow Bank shall incur no liability in respect thereof. The Escrow Bank shall not be liable in connection with the performance of its duties under this Escrow Deposit and Trust Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Bank shall be determined by the express provisions of this Escrow Deposit and Trust Agreement. The Escrow Bank may consult with counsel, who may or may not be counsel to the District, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Bank shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Escrow Deposit and Trust Agreement, such matter (except the matters set forth herein as specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of counsel) may be deemed to be conclusively established by a written certification of the District.

Anything in this Escrow Deposit and Trust Agreement to the contrary notwithstanding, in no event shall the Escrow Bank be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Bank has been advised of the likelihood of such loss or damage and regardless of the form of action.

The Escrow Bank agrees to accept and act upon instructions or directions pursuant to this Escrow Deposit and Trust Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Escrow Bank shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the District elects to give the Escrow Bank e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Bank in its discretion elects to act upon such instructions, the Escrow Bank's understanding of such instructions shall be deemed controlling. The Escrow Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Bank's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District agrees to assume all risks arising out of the

use of such electronic methods to submit instructions and directions to the Escrow Bank, including without limitation the risk of the Escrow Bank acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated), to the extent permitted by law, to indemnify, protect, save and hold harmless the Escrow Bank and its respective successors, assigns, agents and servants from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, at any time, the Escrow Bank (whether or not also indemnified against by any other person under any other agreement or instrument) and in any way relating to or arising out of the execution and delivery of this Escrow Deposit and Trust Agreement, the establishment of the Escrow Fund, the retention of the moneys therein and any payment, transfer or other application of moneys by the Escrow Bank in accordance with the provisions of this Escrow Deposit and Trust Agreement, or as may arise by reason of any act, omission or error of the Escrow Bank made in good faith in the conduct of its duties; provided, however, that the District shall not be required to indemnify the Escrow Bank against its own negligence or misconduct. The indemnities contained in this Section 7 shall survive the termination of this Escrow Deposit and Trust Agreement or the resignation or removal of the Escrow Bank.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to revive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Escrow Bank will furnish the District monthly cash transaction statements which include detail for all investment transactions made by the Escrow Bank hereunder.

No provision of this Escrow Deposit and Trust Agreement shall require the Escrow Bank to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

The Escrow Bank may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

*Section 8. Amendment.* This Escrow Deposit and Trust Agreement may be modified or amended at any time by a supplemental agreement which shall become effective when the written consents of the owners of one hundred percent (100%) in aggregate principal amount of the Refunded 2009 Bonds shall have been filed with the Escrow Bank. This Escrow Deposit and Trust Agreement may be modified or amended at any time by a supplemental agreement, without the consent of any such owners, but only (1) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein or therein reserved to the District, (2) to cure, correct or supplement any ambiguous or defective provision contained herein, (3) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which, in the opinion of counsel, shall not materially adversely affect the interests of the owners of the Refunded 2009 Bonds or the 2014 Refunding Bonds, and that such amendment will not cause interest on the Refunded 2009 Bonds or the 2014 Refunding Bonds to become subject to federal income taxation. In connection with any contemplated amendment or revocation of this Escrow Deposit and Trust Agreement, prior written notice thereof and draft copies of the applicable legal documents shall be provided by the District to each rating agency then rating the Refunded 2009 Bonds.



*Section 9. Severability.* If any section, paragraph, sentence, clause or provision of this Escrow Deposit and Trust Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence clause or provision shall not affect any of the remaining provisions of this Escrow Deposit and Trust Agreement. Notice of any such invalidity or unenforceability shall be provided to each rating agency then rating the 2009 Bonds.

*Section 10. Notice of Escrow Bank and District.* Any notice to or demand upon the Escrow Bank may be served and presented, and such demand may be made, at the Principal Corporate Trust Office of the Escrow Bank as specified by the Escrow Bank as 2009 Trustee in accordance with the provisions of the 2009 Resolution. Any notice to or demand upon the District shall be deemed to have been sufficiently given or served for all purposes by being mailed by first class mail, and deposited, postage prepaid, in a post office letter box, addressed to such party as provided in the 2009 Resolution (or such other address as may have been filed in writing by the District with the Escrow Bank).

*Section 11. Merger or Consolidation of Escrow Bank.* Any company into which the Escrow Bank may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Bank may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible to act as trustee under the 2009 Resolution, shall be the successor hereunder to the Escrow Bank without the execution or filing of any paper or any further act.

*Section 12. Execution in Several Counterparts.* This Escrow Deposit and Trust Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same instrument.

*Section 13. Governing Law.* This Escrow Deposit and Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

*Section 14. Severability.* In case any one or more of the provisions contained in this Escrow Deposit and Trust Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Escrow Deposit and Trust Agreement, but this Escrow Deposit and Trust Agreement shall be construed as if such invalid or illegal or unenforceable provisions had never been contained herein.

*Section 15. Counterparts.* This Escrow Deposit and Trust Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and such counterparts, or as many of them as the District and the Escrow Bank shall preserve undestroyed, shall together constitute but one and the same instrument.

*Section 16. Business Days.* Whenever any act is required by this Escrow Deposit and Trust Agreement to be done on a specified day or date, and such day or date shall be a day other than a business day for the Escrow Bank, then such act may be done on the next succeeding business day.

IN WITNESS WHEREOF the parties hereto have caused this Escrow Deposit and Trust Agreement to be executed in their respective names by their respective duly authorized officers, all as of the day and year first above written.

SONOMA VALLEY HEALTH CARE  
DISTRICT

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Escrow Bank

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

## EXHIBIT A

### SCHEDULE OF ESCROWED FEDERAL SECURITIES

Type	Maturity	Coupon	Principal	Price	Cost	Accrued	Total
SLGS	08/01/14						



## EXHIBIT B

### PAYMENT AND REDEMPTION SCHEDULE

Date	Maturing Principal	Called Principal	Interest	Redemption Premium	Total Payment
08/01/14	—	\$11,880,000	\$379,350.00	—	\$12,259,350.00

## EXHIBIT C

### NOTICE OF DEFEASANCE

**Sonoma Valley Health Care District  
General Obligation Bonds, Election of 2008, Series A (2009)**

Maturity Date	Amount Defeased	CUSIP Number
8/1/2015	\$ 150,000	835603 AC5
8/1/2016	225,000	835603 AD3
8/1/2017	290,000	835603 AE1
8/1/2018	355,000	835603 AF8
8/1/2019	430,000	835603 AG6
8/1/2020	510,000	835603 AH4
8/1/2021	600,000	835603 AJ0
8/1/2022	700,000	835603 AK7
8/1/2023	810,000	835603 AL5
8/1/2025	1,990,000	835603 AM3
8/1/2027	2,565,000	835603 AN1
8/1/2029	3,255,000	835603 AP6

NOTICE IS HEREBY GIVEN, on behalf of the Sonoma Valley Health Care District (the "District") to the holders of the outstanding Sonoma Valley Health Care District General Obligation Bonds, Election of 2008, Series A (2009) (the "Bonds"), as described above, that pursuant to the resolution authorizing the issuance of the Bonds (the "Resolution"), the lien of the Resolution with respect to the Bonds has been discharged through the irrevocable deposit of cash in an escrow fund (the "Escrow Fund"). The Escrow Fund has been established and is being maintained pursuant to that certain Escrow Deposit and Trust Agreement, dated February 18, 2014, by and between the District and The Bank of New York Mellon Trust Company, N.A., as escrow bank. As a result of such deposit, the Bonds are deemed to have been paid and defeased in accordance with the Resolution. The pledge of the funds provided for under the Resolution and all other obligations of the District to the owners of the defeased Bonds shall hereafter be limited to the application of moneys in the Escrow Fund for the payment of the principal and interest with respect to the Bonds as the same become due and payable as described below.

Amounts deposited in the Escrow Fund are calculated to provide sufficient moneys to redeem the outstanding Bonds in full on August 1, 2014 (the "Redemption Date"), at a redemption price equal to 100% of the principal amount thereof, plus accrued interest. From and after the Redemption Date, interest with respect to the Bonds shall cease to accrue and be payable.

DATED this \_\_\_\_ day of \_\_\_\_\_, 2014

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Escrow Agent

## EXHIBIT D

### FORM OF REDEMPTION NOTICE

#### NOTICE OF FULL/FINAL REDEMPTION OF

**Sonoma Valley Health Care District  
General Obligation Bonds, Election of 2008, Series A (2009)**

Maturity Date	Amount Called	Redemption Price (1)	Interest Rate	CUSIP Number
8/1/2015	\$ 150,000	\$ 150,000	8.750%	835603 AC5
8/1/2016	225,000	225,000	8.750	835603 AD3
8/1/2017	290,000	290,000	8.750	835603 AE1
8/1/2018	355,000	355,000	8.750	835603 AF8
8/1/2019	430,000	430,000	8.750	835603 AG6
8/1/2020	510,000	510,000	8.750	835603 AH4
8/1/2021	600,000	600,000	8.750	835603 AJ0
8/1/2022	700,000	700,000	8.000	835603 AK7
8/1/2023	810,000	810,000	6.375	835603 AL5
8/1/2025	1,990,000	1,990,000	5.375	835603 AM3
8/1/2027	2,565,000	2,565,000	5.500	835603 AN1
8/1/2029	3,255,000	3,255,000	5.500	835603 AP6

(1) Accrued interest to be added.

**NOTICE** is hereby given that the Sonoma Valley Health Care District (the “District”) has called for redemption on August 1, 2014 (the “Redemption Date”), the outstanding Sonoma Valley Health Care District General Obligation Bonds, Election of 2008, Series A (2009) (the “Bonds”), as described above, at a price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Redemption Price”).

On the Redemption Date, the Redemption Price will become due and payable upon each Bond and interest with respect thereto shall cease to accrue from and after the Redemption Date.

Payment of principal will be made upon presentation on and after August 1, 2014, at the following addresses:

By First Class/Registered/  
Certified Mail:

The Bank of New York Mellon  
Global Corporate Trust  
P.O. Box 396  
East Syracuse, NY 13057

Express Delivery Only:

The Bank of New York Mellon  
Global Corporate Trust  
111 Sanders Creek Parkway  
East Syracuse, NY 13057

By Hand Only:

The Bank of New York Mellon  
Global Corporate Trust  
Corporate Trust Window  
101 Barclay Street, 1<sup>st</sup> Floor  
New York, NY 10286

Owners of Bonds presenting their certificates in person for the same day payment must surrender their certificate by 1:00 p.m. on the prepayment date and a check will be available for pickup after 2:00 p.m. Checks not picked up by 4:30 p.m. will be mailed to the Bondholder by first class mail.

Interest with respect to the principal amount designated to be redeemed shall cease to accrue on and after the Redemption Date.

If payment of the Redemption Price is to be made to the registered owner of the Bond you are not required to endorse the Bond to collect the Redemption Price.

Under the Economic Growth and Tax Relief Reconciliation Act of 2003 (the "Act") 28% will be withheld if tax identification number is not properly certified. The Form W-9 may be obtained from the Internal Revenue Service.

Neither the District nor the Paying Agent shall be held responsible for the selection or use of the CUSIP number, nor is any representation made as to its correctness as shown in the Redemption Notice. It is included solely for convenience of the Holders.

Dated: \_\_\_\_\_, 2014

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Paying  
Agent

**SONOMA VALLEY HEALTH CARE DISTRICT**

**RESOLUTION NO. \_\_\_\_**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE SONOMA VALLEY  
HEALTH CARE DISTRICT AUTHORIZING THE COMMENCEMENT OF  
PROCEEDINGS IN CONNECTION WITH THE ISSUANCE OF BONDS OF  
THE DISTRICT TO REFUND THE OUTSTANDING SONOMA VALLEY  
HEALTH CARE DISTRICT (SONOMA COUNTY, CALIFORNIA) GENERAL  
OBLIGATION BONDS, ELECTION OF 2008, SERIES A (2009), AND  
APPOINTING A FINANCIAL ADVISOR, A PLACEMENT AGENT AND  
BOND COUNSEL IN CONNECTION THEREWITH**

RESOLVED, by the Board of Directors (the "Board") of the Sonoma Valley Health Care District (the "District"), as follows:

WHEREAS, on February 24, 2009, the District issued its "Sonoma Valley Health Care District General Obligation Bonds, Election of 2008, Series A (2009)" (the "2009 Bonds"), in the original principal amount of \$12,000,000, for authorized hospital purposes, of which \$11,975,000 principal amount remains outstanding;

WHEREAS, pursuant to Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Act"), the District is empowered to issue general obligation refunding bonds;

WHEREAS, the District intends to issue general obligation refunding bonds (the "2014 Refunding Bonds") pursuant to this resolution and in conformity with the Act to refund, on an advance basis, the 2009 Bonds maturing on and after August 1, 2015, in the amount of \$11,880,000;

WHEREAS, it is anticipated that the 2014 Refunding Bonds will be purchased by one or more institutional investors on a private placement basis;

WHEREAS, it is desirable for the Board to authorize the commencement of proceedings in connection with the 2014 Refunding Bonds and to appoint a financial advisor, a placement agent and bond counsel in connection therewith;

NOW, THEREFORE, it is hereby ORDERED and DETERMINED, as follows:

*Section 1.* The Board hereby authorizes the commencement of proceedings in connection with the issuance and sale of the 2014 Refunding Bonds. Officers and officials of the District are authorized to proceed with the preparation of the necessary documents in connection with the issuance and sale of the 2014 Refunding Bonds, subject to the final approval thereof by the Board at a subsequent meeting.

*Section 2.* G.L. Hicks Financial, LLC is hereby designated as financial advisor to the District in connection with the issuance and sale of the 2014 Refunding Bonds. The Chair of the Board, the Vice Chair of the Board, the Chief Executive Officer and the Chief Financial Officer, are each hereby authorized and directed in the name and on behalf of the District to execute an agreement for financial advisory services with such firm, with compensation to be paid thereunder from the proceeds of the 2014 Refunding Bonds.

*Section 3.* Piper Jaffray & Co. is hereby designated as placement agent to the District in connection with the issuance and sale of the 2014 Refunding Bonds. The Chair of the Board, the Vice Chair of the Board, the Chief Executive Officer and the Chief Financial Officer, are each hereby authorized and directed in the name and on behalf of the District to execute an agreement for placement agent services with such firm, with compensation to be paid thereunder from the proceeds of the 2014 Refunding Bonds.

*Section 4.* Quint & Thimmig LLP is hereby designated as bond counsel to the District in connection with the issuance and sale of the 2014 Refunding Bonds. The Chair of the Board, the Vice Chair of the Board, the Chief Executive Officer and the Chief Financial Officer, are each hereby authorized and directed in the name and on behalf of the District to execute an agreement for legal services with such firm, with compensation to be paid thereunder from the proceeds of the 2014 Refunding Bonds.

*Section 5.* The Chair of the Board, the Vice Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, the Secretary and other appropriate officers and officials of the District are hereby authorized and directed to take such action and to execute such documents as may be necessary or desirable to effectuate the intent of this Resolution.

*Section 6.* This Resolution shall take effect from and after the date of its passage and adoption.

\*\*\*\*\*

I, the undersigned Secretary of the Board of Directors of the Sonoma Valley Health Care District, hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted by the Board at a meeting thereof on the 9th day of January, 2014, by the following vote of the members thereof:

-

AYES:

NOES:

ABSTAIN:

ABSENT:

---

Secretary of the Board of Directors

\$ \_\_\_\_\_  
**SONOMA VALLEY HEALTH CARE DISTRICT**  
**(Sonoma County, California)**  
**2014 General Obligation Refunding Bonds**

**PAYING AGENT/BOND REGISTRAR/COSTS OF ISSUANCE AGREEMENT**

THIS PAYING AGENT/BOND REGISTRAR/COSTS OF ISSUANCE AGREEMENT (this "Agreement"), is entered into as of February 19, 2014, by and between the SONOMA VALLEY HEALTH CARE DISTRICT (the "District"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (the "Bank"), relating to the \$ \_\_\_\_\_ Sonoma Valley Health Care District (Sonoma County, California) 2014 General Obligation Refunding Bonds (the "Bonds"). The District hereby appoints the Bank to act as Paying Agent, Transfer Agent and Bond Registrar for the Bonds and as Custodian and Disbursing Agent for the payment of costs of issuance relating to the Bonds.

RECITALS

WHEREAS, the District has duly authorized and provided for the issuance of the Bonds as fully registered bonds without coupons;

WHEREAS, the District will ensure all things necessary to make the Bonds the valid obligations of the District, in accordance with their terms, will be done upon the issuance and delivery thereof;

WHEREAS, the District and the Bank wish to provide the terms under which the Bank will act as Paying Agent to pay the principal, redemption premium (if any) and interest on the Bonds, in accordance with the terms thereof, and under which the Bank will act as Registrar for the Bonds;

WHEREAS, the District and the Bank also wish to provide the terms under which Bank will act as Custodian and Disbursing Agent for the payment of costs of issuance relating to the Bonds;

WHEREAS, the Bank has agreed to serve in such capacities for and on behalf of the District and has full power and authority to perform and serve as Paying Agent, Transfer Agent and Bond Registrar for the Bonds and as Custodian and Disbursing Agent for the payment of costs of issuance relating to the Bonds;

WHEREAS, the District has duly authorized the execution and delivery of this Agreement and all things necessary to make this Agreement a valid agreement have been done.

NOW, THEREFORE, it is mutually agreed as follows:



## ARTICLE ONE

### DEFINITIONS

#### Section 1.01. Definitions.

For all purposes of this Agreement except as otherwise expressly provided or unless the context otherwise requires:

*"Bank"* means The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America.

*"Bond Register"* means the book or books of registration kept by the Bank in which are maintained the names and addresses and principal amounts registered to each Registered Owner.

*"Bond Resolution"* means the resolution of the District pursuant to which the Bonds were issued.

*"Bond"* or *"Bonds"* means any one or all of the \$\_\_\_\_\_ Sonoma Valley Health Care District (Sonoma County, California) 2014 General Obligation Refunding Bonds.

*"Custodian and Disbursing Agent"* means the Bank when it is performing the function of custodian and disbursing agent for the payment of costs of issuance relating to the Bonds.

*"District"* means Sonoma Valley Health Care District.

*"District Request"* means a written request signed in the name of the District and delivered to the Bank.

*"Fiscal Year"* means the fiscal year of the District ending on June 30 of each year.

*"Paying Agent"* means the Bank when it is performing the function of paying agent for the Bonds.

*"Person"* means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government or any entity whatsoever.

*"Registered Owner"* means a Person in whose name a Bond is registered in the Bond Register.

*"Registrar"* means the Bank when it is performing the function of registrar for the Bonds.

*"Stated Maturity"* when used with respect to any Bond means the date specified in the Bond Resolution as the date on which the principal of such Bond is due and payable.

## ARTICLE TWO

### APPOINTMENT OF BANK AS PAYING AGENT, TRANSFER AGENT, BOND REGISTRAR AND CUSTODIAN AND DISBURSING AGENT

Section 2.01. Appointment and Acceptance. The District hereby appoints the Bank to act as Paying Agent and Transfer Agent with respect to the Bonds, to pay to the Registered Owners in accordance with the terms and provisions of this Agreement and the Bond Resolution, the principal of, redemption premium (if any), and interest on all or any of the Bonds.

The District hereby appoints the Bank as Registrar with respect to the Bonds. As Registrar, the Bank shall keep and maintain for and on behalf of the District, books and records as to the ownership of the Bonds and with respect to the transfer and exchange thereof as provided herein and in the Bond Resolution.

The District hereby appoints the Bank as Custodian and Disbursing Agent.

The Bank hereby accepts its appointment, and agrees to act as Paying Agent, Transfer Agent, Bond Registrar and Custodian and Disbursing Agent.

Section 2.02. Compensation. As compensation for the Bank's services as Paying Agent and Bond Registrar, the District hereby agrees to pay the Bank the fees and amounts set forth in a separate agreement between the District and the Bank.

In addition, the District agrees to reimburse the Bank, upon its request, for all reasonable and necessary out-of-pocket expenses, disbursements, and advances, including without limitation the reasonable fees, expenses, and disbursements of its agents and attorneys, made or incurred by the Bank in connection with entering into and performing under this Agreement and in connection with investigating and defending itself against any claim or liability in connection with its performance hereunder.

## ARTICLE THREE

### PAYING AGENT

Section 3.01. Duties of Paying Agent. ~~As Paying Agent, the Bank, provided sufficient collected funds have been provided to it for such purpose by or on behalf of the District, The Bank shall pay, on behalf of the District, the principal of, and interest on each Bond, from moneys received by it for such purpose,~~ in accordance with the provisions of the Bond Resolution.

Section 3.02. Payment Dates. The District hereby instructs the Bank to pay the principal of, redemption premium (if any) and interest on the Bonds on the dates specified in the Bond Resolution.

## ARTICLE FOUR

### REGISTRAR

Section 4.01. Initial Delivery of Bonds. The Bonds will be initially registered and delivered to the purchaser designated by the District as one Bond for each maturity. If such purchaser delivers a written request to the Bank not later than five business days prior to the

date of initial delivery, the Bank will, on the date of initial delivery, deliver Bonds of authorized denominations, registered in accordance with the instructions in such written request.

Section 4.02. Duties of Registrar. The Bank shall provide for the proper registration of transfer, exchange and replacement of the Bonds. Every Bond surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an eligible guarantor institution, in form acceptable to the Bank, duly executed by the Registered Owner thereof or his attorney duly authorized in writing. The Registrar may request any supporting documentation it deems necessary or appropriate to effect a re-registration.

Section 4.03. Unauthenticated Bonds. The District shall provide to the Bank on a continuing basis, an adequate inventory of unauthenticated Bonds to facilitate transfers. The Bank agrees that it will maintain such unauthenticated Bonds in safekeeping.

Section 4.04. Form of Bond Register. The Bank as Registrar will maintain its records as Bond Registrar in accordance with the Bank's general practices and procedures in effect from time to time.

Section 4.05. Reports. The District may request the information in the Bond Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing and to convert the information into written form.

The Bank will not release or disclose the content of the Bond Register to any person other than to the District at its written request, except upon receipt of a subpoena or court order or as may otherwise be required by law. Upon receipt of a subpoena or court order the Bank will notify the District.

Section 4.06. Cancelled Bonds. All Bonds surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Bank, shall be promptly cancelled by it and, if surrendered to the District, shall be delivered to the Bank and, if not already cancelled, shall be promptly cancelled by the Bank. The District may at any time deliver to the Bank for cancellation any Bonds previously authenticated and delivered which the District may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly cancelled by the Bank. All cancelled Bonds held by the Bank for its retention period then in effect and shall thereafter be destroyed and evidence of such destruction furnished to the District upon its written request.

## ARTICLE FIVE

### CUSTODIAN AND DISBURSING AGENT

Section 5.01. Receipt of Moneys. The Custodian and Disbursing Agent has received, from \_\_\_\_\_, the purchaser of the Bonds, the sum of \$\_\_\_\_\_. Of such amount,

(a) \$\_\_\_\_\_ has been transferred to The Bank of New York Mellon Trust Company, N.A., as paying agent for the Sonoma Valley Health Care District (Sonoma County, California) General Obligation Bonds, Election of 2008, Series A (2009) (the "2009 Bonds"), and as escrow bank, to provide for the defeasance of the 2009 Bonds maturing on and after August 1, 2015, and

(b) \$\_\_\_\_\_ has been deposited in a special account to be held and maintained by the Custodian and Disbursing Agent in the name of the District (the "Costs of Issuance Account").

Section 5.02. Investment. The Custodian and Disbursing Agent will hold and invest funds in the Costs of Issuance Account until May 19, 2014, or upon prior written order of the District.

Section 5.03. Payment of Costs of Issuance. The Custodian and Disbursing Agent will pay costs of issuance of the Bonds as directed by the District from time to time via a written requisition of the District.

Section 5.04. Transfer of Remaining Amounts. Any balances remaining in the Costs of Issuance Account (including any earnings) on May 19, 2014, or upon earlier written direction from the District, will be transferred to the Sonoma County Treasurer-Tax Collector for deposit in the Interest and Sinking Fund maintained for the District.

Section 5.05. Limited Liability. The liability of the Custodian and Disbursing Agent as custodian and disbursing agent is limited to the duties listed above. The Custodian and Disbursing Agent will not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion of power conferred upon it by this Agreement.

## ARTICLE SIX

### THE BANK

Section 6.01. Duties of Bank. The Bank undertakes to perform the duties set forth herein. No implied duties or obligations shall be read into this Agreement against the Bank. The Bank hereby agrees to use the funds deposited with it for payment of the principal of and interest on the Bonds to pay the same as it shall become due and further agrees to establish and maintain such accounts and funds as may be required for the Bank to function as Paying Agent.

Section 6.02. Reliance on Documents, Etc.

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions expressed therein, on certificates or opinions furnished to the Bank by the District.

(b) The Bank shall not be liable for any error of judgment made in good faith. The Bank shall not be liable for other than its negligence or willful misconduct in connection with any act or omission hereunder.

(c) No provision of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(d) The Bank may rely, or be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Bank need not examine the ownership of any Bond, but shall be protected in acting upon receipt of Bonds containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Registered Owner or agent of the Registered Owner.

(e) The Bank may consult with counsel, and the written advice or opinion of counsel shall be full authorization and protection with respect to any action taken, suffered or omitted by it hereunder in good faith and reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys and shall not be liable for the actions of such agent or attorney if appointed by it with reasonable care.

(g) The Bank agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Bank shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the District elects to give the Bank e-mail or facsimile instructions (or instructions by a similar electronic method) and the Bank in its discretion elects to act upon such instructions, the Bank's understanding of such instructions shall be deemed controlling. The Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bank's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District agrees to assume all risks arising out of such electronic methods to submit instructions and directions to the Bank including without limitation the risk of the Bank acting on unauthorized instructions, and the risk of interception and misuse by third parties.

Section 6.03. Recitals of District. The recitals contained in the Bond Resolution and the Bonds shall be taken as the statements of the District, and the Bank assumes no responsibility for their correctness.

Section 6.04. May Own Bonds. The Bank, in its individual or any other capacity, may become the owner or pledgee of Bonds with the same rights it would have if it were not the Paying Agent and Bond Registrar for the Bonds.

Section 6.05. Money Held by Bank. Money held by the Bank hereunder need not be segregated from other funds. The Bank shall have no duties with respect to investment of funds deposited with it and shall be under no obligation to pay interest on any money received by it hereunder.

Any money deposited with or otherwise held by the Bank for the payment of the principal, redemption premium (if any) or interest on any Bond and remaining unclaimed for two years after such deposit will be paid by the Bank to the District, and the District and the Bank agree that the Registered Owner of such Bond shall thereafter look only to the District for payment thereof, and that all liability of the Bank with respect to such moneys shall thereupon cease.

Section 6.06. Other Transactions. The Bank may engage in or be interested in any financial or other transaction with the District.

Section 6.07. Interpleader. The District and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in a court of competent jurisdiction. The District and the Bank further agree that the Bank has the right to file an action in interpleader in any court of competent jurisdiction to determine the rights of any person claiming any interest herein.

Section 6.08. Indemnification. To the extent permitted by law, the District shall indemnify the Bank, its officers, directors, employees and agents ("Indemnified Parties") for, and hold them harmless against any loss, cost, claim, liability or expense arising out of or in connection with the Bank's acceptance or administration of the Bank's duties hereunder or under the Bond Resolution (except any loss, liability or expense as may be adjudged by a court of competent jurisdiction to be attributable to the Bank's negligence or willful misconduct), including the cost and expense (including its counsel fees) of defending itself against any claim

or liability in connection with the exercise or performance of any of its powers or duties under this Agreement. Such indemnity shall survive the termination or discharge of this Agreement or discharge of the Bonds.

## ARTICLE SEVEN

### MISCELLANEOUS PROVISIONS

Section 7.01. Amendment. This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

Section 7.02. Assignment. This Agreement may not be assigned by either party without the prior written consent of the other party.

Section 7.03. Notices. Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the District or the Bank shall be mailed or delivered to the District or the Bank, respectively, at the address shown herein, or such other address as may have been given by one party to the other by fifteen (15) days written notice.

Section 7.04. Effect of Headings. The Article and Section headings herein are for convenience of reference only and shall not affect the construction hereof.

Section 7.05. Successors and Assigns. All covenants and agreements herein by the District and the Bank shall bind their successors and assigns, whether so expressed or not.

Section 7.06. Severability. If any provision of this Agreement shall be determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

Section 7.07. Benefits of Agreement. Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim hereunder.

Section 7.08. Entire Agreement. This Agreement and the Bond Resolution constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent, Transfer Agent and Bond Registrar for the Bonds and as Custodian and Disbursing Agent for the payment of costs of issuance relating to the Bonds.

Section 7.09. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 7.10. Term and Termination. This Agreement shall be effective from and after its date and until the Bank resigns or is removed in accordance with the Bond Resolution; provided, however, that no such termination shall be effective until a successor has been appointed and has accepted the duties of the Bank hereunder.

The Bank may resign at any time by giving written notice thereof to the District. If the Bank shall resign, be removed or become incapable of acting, the District shall promptly appoint a successor Paying Agent and Bond Registrar. If an instrument of acceptance by a successor Paying Agent and Bond Registrar shall not have been delivered to the Bank within thirty 30 days after the Bank gives notice of resignation, the Bank may petition any court of competent jurisdiction at the expense of the District for the appointment of a successor Paying Agent and Bond Registrar. In the event of resignation or removal of the Bank as Paying Agent

and Bond Registrar, upon the written request of the District and upon payment of all amounts owing to the Bank hereunder the Bank shall deliver to the District or its designee all funds and unauthenticated Bonds, and a copy of the Bond Register. The provisions of Section 2.02 and Section 6.08 hereof shall survive and remain in full force and effect following the termination of this Agreement.

Section 7.11. Governing Law. This Agreement shall be construed in accordance with and shall be governed by the laws of the State of California.

Section 7.12. Documents to be Filed with Bank. At the time of the Bank's appointment as Paying Agent and Bond Registrar, the District shall file with the Bank the following documents: (a) a certified copy of the Bond Resolution and a specimen Bond; (b) a copy of the opinion of bond counsel provided to the District in connection with the issuance of the Bonds; and (c) a District Request containing written instructions to the Bank with respect to the issuance and delivery of the Bonds, including the name of the Registered Owners and the denominations of the Bonds.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SONOMA VALLEY HEALTH CARE  
DISTRICT

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Paying Agent

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_



**SONOMA VALLEY HEALTH CARE DISTRICT**  
**(Sonoma County, California)**  
**2014 General Obligation Refunding Bonds**

Distribution List

**DISTRICT**

Ms. Kelly Mather  
 Chief Executive Officer  
 Mr. Richard Reid  
 Chief Financial Officer  
 Mr. David Cox  
 Chief Financial Officer, Marin General  
 Ms. Jeannette Tarver  
 Finance Director  
 Mr. Dennis Ciocca  
 Bond Oversight Committee Member  
 Sonoma Valley Health Care District  
 347 Andrieux Street  
 Sonoma, CA 95476  
 (707) 935-5005 (Mather)  
 (707) 935-5003 (Reid)  
 (415) 464-2095 (Cox)  
 (707) 935-5013 (Tarver)  
 (707) 935-3757 (Ciocca)  
 (707) 935-5433 (Fax)  
 kmather@svh.com  
 rreid@svh.com  
 coxd@maringeneral.org  
 jtarver@svh.com  
 dgciocca@yahoo.com

**DISTRICT'S FINANCIAL ADVISOR**

Mr. Gary L. Hicks  
 President  
 Ms. Dareth H. Goulding  
 Vice President  
 G.L. Hicks Financial, LLC  
 5033 Riverpark Way  
 Provo, UT 84604  
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 gary@glhicks.com  
 dareth@glhicks.com

**DISTRICT COUNSEL**

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 Wilson Law Group, PC  
 11622 El Camino Real, Suite 100  
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 matthew@wilsonlawcorp.com

**COUNTY**

Mr. Jonathan Kadlec  
 Assistant Treasurer  
 Ms. Cathy Patton  
 Analyst  
 Ms. Barbara Boyd  
 Treasury Manager  
 Office of the Sonoma County Auditor-  
 Controller/Treasurer-Tax Collector  
 County of Sonoma Fiscal Building  
 585 Fiscal Drive, Suite 100  
 Santa Rosa, CA 95403-2819  
 (707) 565-6124 (Kadlec)  
 (707) 565-2073 (Patton)  
 (707) 565-3229 (Boyd)  
 (707) 565-1167 (Fax-Kadlec, Patton)  
 jonathan.kadlec@sonoma-county.org  
 cathy.patton@sonoma-county.org  
 barbra.boyd@sonoma-county.org

Mr. Randy Osborn  
 Tax Accounting Manager  
 Ms. Dawn Calahan  
 Assistant Tax Accounting Manager  
 Mr. Brian Pacula  
 Accounting Technician, Property Taxes  
 Office of the Sonoma County Auditor-  
 Controller/Treasurer-Tax Collector  
 County of Sonoma Fiscal Building  
 585 Fiscal Drive, Suite 101  
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 (707) 565-3294 (Osborn)  
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 (707) 565-2635 (Pacula)  
 (707) 565-1167 (Fax)  
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 randy.osborn@sonoma-county.org  
 brian.pacula@sonoma-county.org

**PAYING AGENT/ESCROW BANK**

Ms. Caresse Tankersley  
 Associate  
 Transaction/Client Service Manager  
 The Bank of New York Mellon Trust  
 Company, N.A.  
 2001 Bryan Street  
 Dallas, TX 75201  
 (214) 468-6543  
 (214) 468-6322 (Fax)  
 caresse.tankersley@bnymellon.com



Ms. Josephine Libunao  
Vice President  
Relationship Manager:  
The Bank of New York Mellon Trust  
Company, N.A.  
100 Pine Street, Suite 3100  
San Francisco, CA 94111  
(415) 263-2418  
(415) 399-1647 (Fax)  
*josephine.libunao@bnymellon.com*

**PLACEMENT AGENT**

Mr. Todd Van Deventer  
Senior Vice President  
Mr. Stephen W. Woodard  
Managing Director  
Mr. Curt Gilliam  
Associate  
Piper Jaffray & Co.  
11150 Overbrook Road, Suite 310  
Leawood, KS 66211  
(913) 345-3352 (Van Deventer)  
(314) 726-7531 (Woodard)  
(913) 345-3393 (Van Deventer Fax)  
(314) 727-2622 (Woodard/Gilliam Fax)  
*todd.c.vandeventer@pjc.com*  
*stephen.w.woodard@pjc.com*  
*curtis.m.gilliam@pjc.com*

**PURCHASER**

[TO BE DETERMINED]

**VERIFICATION AGENT**

Mr. M. Joseph Smith  
Managing Director  
Grant Thornton LLP  
200 South Sixth Street, Suite 500  
Minneapolis, MN 55402  
(612) 677-5237  
(612) 332-8984 (Fax)  
*joe.smith@us.gt.com*

**BOND COUNSEL**

Brian D. Quint, Esq.  
Ms. Blythe Fleet  
Assistant to Mr. Quint  
Quint & Thimmig LLP  
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Larkspur, CA 94939-1726  
(415) 925-4200  
(415) 925-4201 (Fax)  
*bquint@qtlp.com*  
*bfleet@qtlp.com*

5.

## CELL PHONE LEASE

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

**LL B SHEET 1, LLC**  
**4640 Admiralty Way, Suite 1030**  
**Marina del Rey, CA 90292**  
**Attn: Legal Dept.**

*(space above for Recorder's use only)*

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### **EASEMENT AND ASSIGNMENT OF LEASE AGREEMENT**

This EASEMENT AND ASSIGNMENT OF LEASE AGREEMENT (the "Easement Agreement" or the "Agreement") dated \_\_\_\_\_, 2014 (the "Effective Date") by and between **Sonoma Valley Hospital District, a public corporation**, having an address at 347 Andrieux St, Sonoma, CA 95476-6811 ("Grantor"), and **LL B SHEET 1, LLC**, a Delaware limited liability company having an address at 4640 Admiralty Way, Suite 1030, Marina del Rey, CA 90292 ("Grantee");

**WHEREAS**, Grantor has legal title to the real property situated in Sonoma County, CA as described in **Exhibit A** attached hereto and made a part hereof (the "Parent Parcel").

**WHEREAS**, Grantor and Tenant (as defined in Exhibit B), as lessee, entered into that certain lease agreement as more particularly described on **Exhibit B** (the "Lease"). The premises described in the Lease, including the locations where antennas, generators or antenna equipment have been installed pursuant to such Lease, are referred to herein as the "Premises."

**WHEREAS**, Grantor desires to bargain, sell, and convey to Grantee an easement over the portion of the Parent Parcel as described on **Exhibit C** attached hereto and made a part hereof, and as further described in Section 1 below (the "Easement Area"), and to memorialize the terms of such easement granted to Grantee with respect to the Premises and the Easement Area in this Agreement.

**WHEREAS**, Grantor and Grantee are parties to an Purchase Agreement dated on or about the date hereof (the "Underlying Agreement"), pursuant to which Grantor has, among other things, sold and assigned to Grantee its beneficial right, title and interest in and to the Lease. Grantor will continue to own the Parent Parcel and has retained the obligations and liabilities that Grantor must perform pursuant to the Lease and the Underlying Agreement. The recording of this Agreement is constructive notice of the existence of the Underlying Agreement and of Grantee's rights thereunder, including the easement granted therein.

**NOW THEREFORE**, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in consideration of the premises contained herein, it is agreed as follows:

**1. Grant of Easement.** Commencing on the Effective date, and terminating on \_\_\_\_\_ (the "Reversion Date"), Grantor conveys to Grantee and its successors and assigns, an exclusive possessory easement in, to and upon the Premises for telecommunications purposes, and a non-exclusive easement in, to and upon the Parent Parcel as reasonably necessary to comply with the lessor obligations under the Lease, for a term of 480 Months, to install antennas, antenna support structures, generators, cables, equipment shelters or cabinets, meter boards, utilities and related equipment ("Equipment"), and for all other purposes, subject to the terms and conditions set forth herein (together, the "Easement"). The Easement shall run with the land. The Easement Area may be used or operated by Grantee, its agents, representatives, employees, tenants, licensees, invitees (collectively, the "Grantee Parties") for any lawful purpose, but specifically for the purpose of installing, improving, enlarging, removing, maintaining, repairing and replacing of Equipment within the Easement Area and, to the extent necessary and/or appurtenant to the purposes of the Easement, on the Premises; for granting to others leases and licenses to use the Easement Area and the Premises for such purposes, for allowing others to sublease and/or assign their rights therein, and for such

other telecommunications purposes as Grantee reasonably deems appropriate in connection therewith, provided, however, that during the term of the Lease, Grantee's rights to install or replace Equipment, are subject to the rights of the tenant under the Lease. In addition, Grantor grants to Grantee easements for the purposes of: (a) pedestrian and vehicular ingress, egress and access to the Easement Area over all driveways, lanes, roadways, trails and paths now or hereafter located on the real property in the immediate vicinity of the Easement Area in which Grantor owns or holds any interest, such that Grantee shall have access to and from the Easement Area from one or more paved public roadways; and (b) providing necessary or appropriate utilities (electrical, telecommunications and/or fiber) for the Equipment. Grantee, if desired, may make any changes, improvements, additions, alterations or modifications to the Easement Area, subject to this Agreement and the Underlying Agreement. Grantor agrees to cooperate with Grantee's efforts to obtain any and all permits, approvals, variances or other consents or authorizations from the agency or authority having jurisdiction over the Easement Area and shall not unreasonably withhold or delay its consent to any application, permit or other consents sought by Grantee, including providing its signature thereon.

**2. Assignment of Lease.** Grantor has sold and assigned and hereby does sell and assign all of its beneficial right, title and interest in and to the Lease to Grantee, on the terms and subject to the conditions set forth in the Underlying Agreement. Such assignment of Lease shall commence on the Effective Date and terminate on the Reversion Date. Copies of the Lease and the Underlying Agreement are maintained by Grantee at the address of Grantee above and are available to parties with a bona fide interest upon request.

**3. Future Revenue Share.** The parties agree to share in any future revenue received from New Tenants on the Parent Parcel, 75% to Grantor and 25% to Grantee. New Tenants shall be defined as tenants (telecommunications or outdoor advertising) on the Parent Parcel, other than those listed on Exhibit B, their successors and assigns. Grantee shall pay Grantor any revenue due under this section on a quarterly basis.

**4. Right of First Refusal.** If Grantor receives an offer from any third party to purchase, assign, or pledge the cash flow of Grantor's interest in any telecommunications or outdoor advertising lease on the Parent Parcel, Grantor shall provide written notice via overnight courier to Grantee of such offer. Grantee shall have the right to purchase the cash flow on the same terms and conditions as the offer from the third party. In the event Grantee does not exercise its right of first refusal within 30 days of its receipt of such offer, Grantor may sell its interest in the lease to such third party on the terms and conditions provided in the notice to Grantee.

**5. Notice of Underlying Agreement; Conflicts.** This Agreement summarizes, for purposes of the public record, the rights granted to Grantee by virtue of the Underlying Agreement, and this Agreement does not and should not be interpreted to amend, amplify or diminish any of the terms and provisions contained in the Underlying Agreement. The parties agree and intend that the Underlying Agreement shall control in the event of any conflict between any sentence contained in this Agreement and the terms and provisions contained in the Underlying Agreement.

**6. Grantor Representations and Covenants.** Grantor represents that it lawfully possesses the Premises and that it has the good and lawful right to convey it or any part thereof including, without limitation, the Easement granted herein. Grantee acknowledges that Grantor may place locks on certain areas of the Parent Parcel, and Grantor agrees to provide Grantee with keys to such locks, as are reasonable necessary for Grantee's use or operations at the Premises. Grantor shall not disturb Grantee's or any lessee or licensee of Grantee's use, quiet enjoyment or possession of the Easement Area. To Grantor's knowledge, as of the Effective Date, the Easement includes direct access to and from the Easement Area from the most accessible public right-of-way (the "Existing Public Rights-of-Way") for utilities (electric, telecommunication and/or fiber), persons and vehicles necessary for the use of the Easement Area by Grantee and the Grantee Parties. Grantee may obtain Title Insurance to determine such access. If, after the Effective Date, direct access to and from the Easement Area for persons and vehicles is not available via the Existing Public Rights-of-Way or another public street, public road, or public right-of-way, then the Grantee and Grantee Parties shall have, at no additional expense, the right to pedestrian and vehicular ingress/egress to and from the Easement Area over the Parent Parcel, which access route shall be subject to the mutual agreement of Grantor and Grantee.

**7. Impositions.** Grantor shall pay and perform in a timely manner all mortgages that are liens against the Parent Parcel and pay prior to delinquency, all taxes, charges and other obligations ("Impositions") that are or could

become liens against the Parent Parcel, whether existing as of the date hereof or hereafter created or imposed. Grantee shall have no obligation or liability for the same. Except to the extent taxes and assessments are Tenant's obligation under the Lease, Grantor shall be solely responsible for payment of all taxes and assessments now or hereafter levied, assessed or imposed upon the Parent Parcel, or imposed in connection with the execution, delivery or performance of this Agreement, including without limitation any sales, income, documentary or other transfer taxes. Grantee may from time to time as Grantee deems appropriate file, record, serve and/or deliver a request for notice of default, deficiency or sale upon any Person to whom an Imposition is payable.

**8. Condemnation; Casualty and Eminent Domain.** In the event of any condemnation or taking of any portion or interest in the Easement Area, Grantee may share in any award made against a condemning authority as a result of such action, participate in negotiations, litigation or other proceedings, and make a claim against the condemning authority for just compensation, so long as such claim shall not limit the Grantor's claims. Grantor shall promptly notify Grantee of any casualty to the Premises or the exercise of any power of eminent domain relating thereto. Grantee is entitled to receive any insurance proceeds or condemnation award attributable to the value of Grantor's interest under the Lease for the period commencing on the Effective Date and ending on the termination date of this Agreement. Grantor shall not settle or compromise any insurance claim or condemnation award relating to the Premises except upon 30 days prior written notice to Grantee.

**9. Hazardous Materials; Indemnification.** Grantee shall not (either with or without negligence) cause or permit the escape, disposal or release of any Hazardous Material on the Premises in any manner prohibited by law. Grantee shall indemnify and hold Grantor harmless from any and all claims, damages, fines, judgments, penalties, costs, liabilities or losses (including any and all sums paid for settlement of claims, attorneys', consultants' and experts' fees) from the release of any Hazardous Material on the Premises if caused by or persons acting under Grantee. Grantor shall not (either with or without negligence) cause or permit the escape, disposal or release of any Hazardous Material on or from the Parent Parcel located thereon in any manner prohibited by law. Grantor shall indemnify and hold Grantee harmless from any and all claims, damages, fines, judgments, penalties, costs, liabilities or losses (including any and all sums paid for settlement of claims, attorneys', consultants' and experts' fees) from the presence or release of any Hazardous Material on Grantor's Parent Parcel unless caused by Grantee or persons acting under Grantee. For purposes of this Agreement, "Hazardous Material" means any substance which is designated, defined, classified or regulated as a hazardous substance, hazardous material, hazardous waste, pollutant or contaminant under any Environmental Law, as currently in effect or as hereafter amended or enacted.

**10. Easement Relocation.** In the event the telecommunications tower or equipment on the Premises is relocated to a portion of the Parent Parcel outside of the Premises for any reason during the term of the Easement, Grantor shall immediately grant to Grantee an easement interest substantially similar to the Easement granted herein, in, to and upon the portion of the Parent Parcel to which the telecommunications tower or equipment has been relocated (the "Relocation Easement"). If determined to be necessary by Grantee, Grantor shall execute an easement agreement in a form substantially similar to this Agreement conveying such Relocation Easement to Grantee. The terms of this Section 10 shall survive the termination of this Agreement.

**11. Miscellaneous.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns. Grantee may sell, transfer or assign this Agreement to any related or unrelated third parties, so long as any such assignee shall be bound by all of the terms, conditions, rights, and obligations of this Agreement and the Underlying Agreement, the terms of which are incorporated herein for all purposes. This Agreement and any and all sales, transfers and assignments hereof shall be binding on Grantor and its successors in title or interest. It is the intention of the parties that this Agreement shall be recorded in the County where the Premises are located, as soon after the date of execution hereof as is possible, and the parties agree to take such reasonable actions as are necessary to facilitate such recording. The terms of this Easement Agreement shall be governed by the laws of the State of California without regard for its conflict of laws rules.

*(SIGNATURES TO FOLLOW ON NEXT PAGE)*

**IN WITNESS WHEREOF**, Grantor and Grantee have caused this Easement Agreement to be executed by their duly-authorized representatives as of the Effective Date set forth above.

**GRANTOR:**

Sonoma Valley Hospital District, a public corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**GRANTOR NOTARY ACKNOWLEDGEMENT:**

State of \_\_\_\_\_ )  
 ) ss.  
County of \_\_\_\_\_ )

On \_\_\_\_\_ before me, \_\_\_\_\_, a Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of \_\_\_\_\_ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Notary Public

(Notary Seal)

**IN WITNESS WHEREOF**, Grantor and Grantee have caused this Easement Agreement to be executed by their duly-authorized representatives as of the Effective Date set forth above.

**GRANTEE:**

LL B SHEET 1, LLC

By: \_\_\_\_\_  
Name: Jarred Saba  
Its: Vice President

**GRANTEE NOTARY ACKNOWLEDGEMENT:**

State of California            )  
                                          ) ss.  
County of Los Angeles        )

On \_\_\_\_\_, before me, \_\_\_\_\_, a Notary Public, personally appeared Jarred Saba, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under penalty of perjury under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Notary Public

(Notary Seal)

**EXHIBIT A**

**LEGAL DESCRIPTION OF PARENT PARCEL**

Lots 75 to 92, inclusive, as shown upon that certain Map entitled "Sebastiani Subdivision, Etc.", filed for record May 12, 1948 in Book 59 of Maps, at Page(s) 21, 22 and 23, Sonoma County Records.

APN 018-334-002 & 003

For information purposes only, the property address is purported to be:  
347 Andrieux Street, Sonoma, CA



## **EXHIBIT B**

### **LEASE DESCRIPTION**

That certain Option and Rooftop Lease Agreement dated October 25, 1991, by and between Sonoma Valley Hospital District, a public corporation (“Grantor”) and Cagal Cellular Communications Corp., a California corporation (“Tenant”) for a portion of the Parent Parcel located at 347 Andrieux St, Sonoma, CA, 95476-6811, as amended by that certain Amendment to Rooftop Lease Agreement dated January 27, 1993, as further amended by that certain Second Amendment to Lease dated December 30, 1996, as further amended by that certain Third Amendment to Option and Rooftop Lease Agreement dated March 8, 2007.

**EXHIBIT C**

**LEGAL DESCRIPTION OF EASEMENT AREA**

(To be attached)

\*This Exhibit C may be replaced by an As-Built Survey at Grantee's option depicting the Easement Area.

## PURCHASE AGREEMENT

This **PURCHASE AGREEMENT** (the “Agreement”) is made as of \_\_\_\_\_, 2014 (the “Effective Date”) by and between **LL B SHEET 1, LLC**, a Delaware limited liability company, located at 4640 Admiralty Way, Suite 1030, Marina del Rey, California 90292 (“Grantee”), and **Sonoma Valley Hospital District**, a public corporation a/k/a **Sonoma Valley Health Care District**, a public corporation, located at 347 Andrieux St, Sonoma, CA 95476-6811 (“Grantor”) (collectively, the “Parties”).

**WHEREAS**, Grantor owns certain real property described in the legal description attached as Exhibit A, and commonly known as 347 Andrieux St, Sonoma, CA 95476-6811 (the “Parent Parcel”); and

**WHEREAS**, Grantor, by use of a lease or license, a copy of which is attached as Exhibit B (the “Lease”), has leased a portion of the Parent Parcel (the “Lease Area”) to Tenant (as defined in Exhibit C); and

**WHEREAS**, The Lease Area, including the locations where antennas, generators or antenna equipment have been installed pursuant to the Lease, are referred to herein as the “Premises”; and

**WHEREAS**, Grantor intends to grant to Grantee an exclusive easement for communications purposes (the “Easement”) on a portion of the Parent Parcel as more fully described in the legal description attached as Exhibit D, and pursuant to an Easement and Assignment of Lease Agreement (the “Easement Agreement”) to be executed in counterpart with this Agreement; and

**WHEREAS**, Grantor intends to grant to sell, assign, set over, convey and transfer all of its beneficial interest in the Lease to Grantee pursuant to the Easement Agreement.

**ACCORDINGLY**, for valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties hereby agree as follows:

**1. Purchase Price.** On the Effective Date, Grantee shall pay to Grantor Two Hundred Thirty Thousand and 00/100 Dollars (\$230,000.00) (the “Purchase Price”). Except in the event of Future Revenue Share, as more particularly described in the Easement Agreement, Grantor shall not be entitled to any other compensation, fees, commissions, reimbursements, contributions or other payments under this Agreement or otherwise in connection with the easement, sale or assignment of rights under the Lease, the performance of Grantor’s other obligations under this Agreement or under any other documents executed in connection herewith. Notwithstanding the foregoing, in the event the Lease is amended within six (6) months of the Effective date, and such amendment increases the rent by Four Hundred Twenty and 00/100 Dollars (\$420.00) or more per month, Grantee shall pay Grantor an additional payment of Fifty Seven Thousand and 00/100 Dollars (\$57,000.00).

**2. Grant of Easement.** Upon the Effective Date, Grantor grants to Grantee an exclusive possessory easement in, to and upon the Premises for telecommunications purposes, and a non-exclusive easement in, to and upon the Parent Parcel as necessary to fulfill the purposes of the exclusive easement on the terms and conditions set forth in the Easement Agreement executed in counterpart with this Agreement. The Easements granted herein shall be for a term of 480 Months, commencing on the Effective Date and terminating on \_\_\_\_\_ (the “Reversion Date”).

**3. Assignment of Lease.** Grantor transfers to Grantee all of its beneficial right, title and interest in and to the Lease. Such assignment of Lease shall commence on the Effective Date and terminate on the Reversion Date. Without limiting the generality of the foregoing, Grantee shall have the sole and exclusive right to: (a) Receive and collect all rent, income and any other revenues payable by Tenant to Grantor under the Lease and holdover rent (collectively as, “Rent”), except that payments for real property taxes and utilities shall, to the extent payable to the Grantor under the Lease, shall be paid by Tenant to Grantor; (b) Enforce all of the Grantor’s rights and remedies under the Lease and applicable law as Grantee deems appropriate in Grantee’s sole and absolute discretion; (c) Commence, defend and compromise any action or proceeding relating to Tenant’s obligations under the Lease and to retain and direct counsel of its choosing in any such action or proceeding; (d) Accept or decline a surrender or abandonment of the Premises by Tenant; (e) Extend or renew the term of the Lease (but not beyond the Reversion Date), or decline to do so; and (f) Take any other action permissible by Grantor under the Lease or applicable law with respect to Tenant’s Lease obligations or tenancy of the Premises. From and after the Effective Date, Grantor shall not, exercise or enjoy any rights or remedies granted to Grantor under the Lease unless required herein or requested in writing by Grantee.

**4. Grantor’s Obligations With Respect to Leases.** Grantor shall fully, faithfully and timely perform all of the Lease obligations that Grantor is obligated to perform pursuant to the Lease and this Agreement, and must not disturb Tenant’s quiet enjoyment under the Lease. Grantor shall not: (i) suffer or allow any breach, default or event of default by the Grantor to occur; (ii) take any action for the purpose, or with the effect, of inducing or causing Tenant to exercise, or not to exercise, a right to renew or extend the Lease. Grantor shall remain responsible for the environmental indemnities and obligations of the landlord in the Lease, if any.

**5. Cooperation by Grantor.** Grantor agrees to: (i) upon Grantee’s request, promptly furnish to Grantee such information regarding the Lease, the Premises and Tenant as reasonably requested by Grantee; (ii) provide access to the Premises (to the extent not

prohibited by the Lease) for the purpose of Grantee's inspection of the Premises and improvements thereon, and such other purposes as Grantee reasonably deems appropriate. Grantor shall deliver to Grantee a copy of any written communication that Grantor delivers to Tenant at the same time and in the same manner that such communication is delivered by Grantor to Tenant. Grantor shall promptly deliver to Grantee a copy of any written communication that Grantor receives from Tenant or any other person relating to the Lease or the Premises and shall keep Grantee reasonably informed of any other communications between Grantor and Tenant, and of any other notices or communications from any other entity, trust, association or individual (each, a "Person") that relates to the Lease or the Premises.

**6. Notice to Grantee.** After the Effective Date, Grantor shall notify Grantee in writing within five (5) calendar days of Grantor's receipt of any Rent payment not withheld by Grantee on the settlement statement, and Grantor shall forward such payment to Grantee within five (5) business days by reputable overnight courier service which provides package tracking services (if such payment was received by Grantor by check or other negotiable instrument; provided Grantor shall endorse such negotiable instrument in favor of Grantee prior to forwarding it to Grantee) or by wire transfer (if such payment was received by Grantor in any other form). If Grantor fails or refuses to forward any such payment to Grantee as provided in this Agreement, then Grantee shall be entitled to receive a processing fee equal to 10% of such payment. Additionally, all unforwarded payments shall be subject to an interest rate equal to 12% of the principal amount of the rental payment, payable to Grantee by Grantor within five (5) days of demand by Grantee. In the event Grantee receives a rent payment from Tenant which was withheld by Grantee, Grantee shall forward such payment to Grantor within five (5) business days of its receipt of such payment.

**7. Replacement Tenant.** Grantor hereby directs and consents to any replacement tenant lease (the "Replacement Tenant") and Grantee's interest(s) created therein as a license or lease by and between Grantee and a Replacement Tenant. Replacement Tenant must use the Premises for purposes consistent with Paragraph 2. If the current Tenant terminates, vacates the Premises, or otherwise breaches the Lease Grantee may lease, sublease, license, transfer or assign all or a portion of the Premises to a Replacement Tenant(s), and shall provide notice and copies of all subleases and licenses to Grantor prior to commencement of same.

**8. Termination.** Grantor may not terminate this Agreement, except in the event of abandonment. For purposes of this Agreement, abandonment shall occur upon a date that is three (3) years following both: (i) termination of the current Lease, provided that Grantee has not granted a lease or an option to lease to any other entity to any portion of the Premises; and (ii) removal of the telecommunications tower and all equipment located on the Premises. Grantee shall notify Grantor in writing within fifteen (15) days of the termination of the Lease and removal of the telecommunications tower. Grantor shall deliver written notice to Grantee after the telecommunications tower has been removed and the five year abandonment period is completed. Only after Grantee has failed to respond following notice and opportunity to cure as provided herein, may Grantor seek to terminate this Agreement in accordance with this section. In the event of material breach of this Agreement by Grantee, Grantor shall properly deliver notice and provide Grantee with a three (3) month opportunity to cure. Grantee may terminate this Agreement at any time according to the notice provisions of this Agreement.

**9. Remedies.** Grantee has the right to pay and/or discharge any Imposition (as defined in the Easement Agreement), together with any penalty and interest that is not paid within the time specified, if such Imposition is or could become senior in right of payment or foreclosure to this Agreement, and Grantor shall reimburse Grantee for such payment. If Grantee so elects by written notice to Grantor, then the amount reimbursable to Grantee shall constitute a lien upon the Premises. If and to the extent permitted by applicable law, Grantee shall be subrogated to the rights of the Person to whom the Imposition was due, and such lien shall have such priority and benefit from such other rights and remedies, as were formerly available to such Person with respect to the Imposition. If Grantor or Grantee determine that the other party has failed to perform any obligation required under the Lease, then that party shall have the right to perform such obligation and shall be reimbursed by the non-performing party for all costs and expenses incurred in the performance of such obligation within 30 calendar days of request therefor. In addition to its other rights and remedies under this Agreement, Grantee may enforce this Agreement by its equitable remedies available under applicable law, being acknowledged by Grantor that money damages may not be an adequate remedy for the harm caused to Grantee by a breach or default by Grantor under this Agreement. **IN THE EVENT OF BREACH BY EITHER PARTY, ANY AVAILABLE DAMAGES ARE EXPRESSLY LIMITED TO THE AMOUNT OF THE PURCHASE PRICE DEFINED ABOVE.**

**10. Mutual Indemnification.** Grantor and Grantee shall each indemnify, defend and hold the other harmless against any and all liability, claims, damages, expenses, judgments, proceedings and causes of action of any kind ("Claims") arising (a) due to the breach of any representation, warranty or covenant of such indemnifying party set forth herein; (b) out of the use and/or occupancy of the Premises and/or Easement by the indemnifying party; and (c) out of, or in any way connected with the indemnifying party's failure to perform under the Lease, this Agreement or the Easement Agreement. This indemnity shall not apply to any Claims to the extent arising from the gross negligence or intentional misconduct of the indemnified party.

**11. Representations.** Grantor hereby represents and warrants to Grantee, as of the Effective Date, that: **(a)** The Lease, this Agreement and all other documents executed by Grantor in connection therewith constitute the legal, valid and binding obligation of Grantor, enforceable against Grantor in accordance with their terms; **(b)** The execution, delivery and performance by Grantor of the Lease, this Agreement and such other documents do not and will not violate or conflict with any provision of Grantor's organizational documents (if Grantor is an organization) or of any agreement to which Grantor is a party or by which Grantor or the Premises is bound; **(c)** Any permits, licenses, consents, approvals and other authorizations necessary or appropriate respecting Grantor's execution, delivery or performance of the Lease, this Agreement and such other documents have been obtained by Grantor and are and

will remain in full force and effect; (d) There is no pending or threatened action, suit or proceeding that, if determined against Grantor, would adversely affect Grantor's ability to enter into the Lease, this Agreement or such other documents or to perform its obligations; (e) A true, correct, and complete copy of the Lease (including all amendments, modifications, supplements, waivers, renewals and extensions thereof), is attached hereto as Exhibit B; (f) Grantor has not breached or defaulted upon Grantor's obligations under the Lease; (g) To the actual knowledge of the Grantor, Tenant's use and enjoyment of the Premises does not depend upon any license or easement (other than licenses and easements that may be granted in the Lease) for access or utility purposes. If Tenant's use and enjoyment of the Premises depends upon any such license or agreement, then Grantor hereby assigns all of its right, title and interest in and to such license or agreement to Grantee and such license or agreement shall, for the purposes of this Agreement, be deemed to be included in the term "Lease".

**12. Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Parties. The obligations of Grantor shall burden the Premises and shall run with such land. Grantor may not assign or otherwise transfer, voluntarily or involuntarily, any of its rights under this Agreement to any person other than to a successor owner of all of Grantor's fee title in and to the Parent Parcel without Grantee's written consent, and Grantee shall not be obligated to recognize any such assignment or transfer unless and until such successor owner delivers an assumption of all of Grantor's obligations under this Agreement in writing. Grantee may from time to time sell, convey, assign, mortgage, pledge, encumber, hypothecate, securitize or otherwise transfer some or all of Grantee's right, title and interest in and to this Agreement, the Lease and/or the documents executed and delivered in connection herewith and therewith without consent of Grantor.

**13. Miscellaneous.** The Parties shall, from time to time, upon the written request of the other party, promptly execute and deliver such certificates, instruments and documents and take such other actions as may be reasonably appropriate to effectuate or evidence the terms and conditions of this Agreement or to enforce all rights and remedies hereunder or under the Lease. Any notice required or permitted to be given hereunder shall be in writing and shall be served by personal delivery, or by reputable overnight courier service, addressed to the party to be notified at the address set forth above. Nothing express or implied in this Agreement is intended to confer any rights or benefits on any Person other than Grantor and Grantee, and their permitted successors and assigns. This Agreement shall be governed and construed in accordance with the laws of the State of California, without regard to the conflicts of laws principles. Each Party waives any right to a jury trial in any action or proceeding to enforce or interpret this Agreement. In any action or proceeding brought to enforce or interpret this Agreement, the prevailing party shall be entitled to an award of its reasonable attorney's fees and costs, and of its other expenses, costs and losses, including internal and administrative costs and losses associated with any breach or default. All damages or other sums payable by one party to another hereunder shall bear interest from the date incurred or payable until paid at a rate equal to the highest rate permitted by applicable law. If any part of this Agreement is deemed invalid, illegal or unenforceable, that invalid, illegal or unenforceable provision shall only be ineffective, and the remaining provisions shall remain in full force and effect unless the economic and legal substance of the transactions contemplated hereby, taken as a whole, are affected thereby in a materially adverse manner with respect to either party. Each person or entity constituting Grantor shall be jointly and severally liable for all of the obligations of Grantor under this Agreement. This Agreement, and the instruments and agreements referred to herein, constitute the entire agreement between Grantor and Grantee with respect to the subject matter hereof. Without limiting the generality of the foregoing, Grantor acknowledges that it has not received or relied upon any advice of Grantee or its representatives regarding the tax effect or attributes of the transactions contemplated hereby. This Agreement may be executed in counterparts each of which, when taken together, shall constitute a single agreement.

**IN WITNESS WHEREOF**, the undersigned, intending to be legally bound, have caused this Agreement to be duly executed as of the date first written above.

**GRANTOR:**

Sonoma Valley Hospital District, a public corporation a/k/a  
Sonoma Valley Health Care District, a public corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**IN WITNESS WHEREOF**, the undersigned, intending to be legally bound, have caused this Agreement to be duly executed as of the date first written above.

**GRANTEE:**

LL B SHEET 1, LLC, a Delaware limited liability company

By: \_\_\_\_\_  
Name: Jarred Saba  
Its: Vice President

**EXHIBIT A**

**LEGAL DESCRIPTION OF PARENT PARCEL**

Lots 75 to 92, inclusive, as shown upon that certain Map entitled "Sebastiani Subdivision, Etc.", filed for record May 12, 1948 in Book [59 of Maps](#), at Page(s) 21, 22 and 23, Sonoma County Records.

APN [018-334-002 & 003](#)

For information purposes only, the property address is purported to be:  
347 Andrieux Street, Sonoma, CA

**EXHIBIT B**

**LEASE**

(SEE ATTACHED)



## **EXHIBIT C**

### **LEASE DESCRIPTION**

That certain Option and Rooftop Lease Agreement dated October 25, 1991, by and between Sonoma Valley Hospital District, a public corporation ("Grantor") and Cagal Cellular Communications Corp., a California corporation ("Tenant") for a portion of the Parent Parcel located at 347 Andrieux St, Sonoma, CA, 95476-6811, as amended by that certain Amendment to Rooftop Lease Agreement dated January 27, 1993, as further amended by that certain Second Amendment to Lease dated December 30, 1996, as further amended by that certain Third Amendment to Option and Rooftop Lease Agreement dated March 8, 2007.

**EXHIBIT D**

**LEGAL DESCRIPTION OF EASEMENT**

(To be attached)

\*This Exhibit D may be replaced by an As-Built Survey at Grantee's option depicting the Easement Area

**VIA OVERNIGHT MAIL**

AT&T

12555 Cingular Way, Ste 1300, Alpharetta, GA 30004

Attention: Network Real Estate

RE: **Notice of Assignment of Telecommunications Lease**  
**Site Address:** 347 Andrieux St, Sonoma, CA 95476-6811  
**Lease date:** October 25, 1991 (the "Lease")  
**Site ID & Name:** 404C0193 / FA# 10095810, Downtown Sonoma  
**Grantee Reference #:** 13736  
**Current Payee:** Sonoma Valley Hospital District, a public corporation  
a/k/a Sonoma Valley Health Care District, a public corporation

Dear Tenant:

Effective as of \_\_\_\_\_, 2014, all beneficial rights of the undersigned to the Lease were sold and assigned by the undersigned to LL B SHEET 1, LLC ("Grantee"). The undersigned will continue to own the premises, and has retained the obligations and liabilities of the landlord under the Lease.

After the date hereof, except for payments in respect of utility fees, real property taxes and assessments payable by you to the landlord under the Lease, any amounts payable by you to landlord under the Lease should be made payable to LL B SHEET 1, LLC and should be delivered, subject to any further instructions you may hereafter receive, to: **LL B SHEET 1, LLC, 4640 Admiralty Way, Suite 1030, Marina del Rey, CA 90292.**

Any future communications regarding the Lease should be made directly to Grantee. If you have any questions about the foregoing, please phone Grantee's Servicing Department at (877) 418-5238. For future reference, Grantee's fax number is (310) 306-9309.

Best regards,

Sonoma Valley Hospital District, a public corporation a/k/a Sonoma Valley Health Care District, a public corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

State of \_\_\_\_\_ )

ss.

County of \_\_\_\_\_ )

On \_\_\_\_\_, 2014, before me, \_\_\_\_\_, a Notary Public in and for said State, personally appeared, \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under penalty of perjury under the laws of the State of \_\_\_\_\_ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Notary Public

(Notary Seal)

6.

# OB FINANCIALS

(attachment available at meeting)

7.

# CHARITY CARE AND BAD DEBT POLICIES

(Charity Care Policy available at meeting)

Sonoma Valley Hospital  
Sonoma Valley Healthcare District  
Policy and Procedure  
**Organizational**

Title: **Bad Debt Policy**

Number: LD119  
Page: 1 of 3

Approved By: Finance Committee

Effective Date: **05/2012**

Signature: \_\_\_\_\_

Date: 05/02/2012

Revision Dates: **12/2001, 9/2004, 02/2006,  
01/2007, 05/2012**

Review Dates: **12/2001, 9/2004, 02/2006, 01/2007,  
05/2012, 1/2014**

**PURPOSE**

The purpose of this policy is to classify Bad Debt patients and to ensure consistent and appropriate referral of unpaid accounts to outside agency(s) for additional collection activities.

**POLICY**

Accounts with unpaid self pay balances will be referred to outside agency for collection activity.

**RESPONSIBILITIES**

Patient Accounting Manager or the Director of Finance is responsible for administering and maintaining this policy.

**PROCEDURE**

1. All insurance eligibility and benefits will be verified at the time of service.
2. Billing to insurance will be made in a timely manner as specified by contract or statute.
  - a. Collection representative will insure that all insurances have been verified and billed as appropriate.
  - b. Discounts previously applied to account including uninsured discounts will remain on the account.
  - c. Failure to bill within filing guidelines does not allow for bad debt filing.
  - d. Charges declared as not medically necessary by the insurance may not be declared as bad debt unless the patient was notified in writing in advance of service.
  - e. Insurance response (EOB, denials, etc) will be documented in appropriate computer system (the patients account).
3. Medicare/Medi-Cal/CMSP data base will be accessed on all accounts listed as self pay.
  - a. Batch file of self-pay accounts will be submitted to eligibility vendor at least monthly.
    - i. If batch files are not accepted by Medicare/Medi-Cal/CMSP, notation of any attempt at Medicare/Medi-Cal/CMSP verification is appropriate.
  - b. Batch file will access the Medicare/Medi-Cal/CMSP eligibility file and return appropriate information for billing to Medicare/Medi-Cal/CMSP.
  - c. Account will be updated with new information.
  - d. Appropriate billing will be completed.
  - e. After payment or denial, process will begin again.
4. Self-pay accounts will be worked by SVH Patient Accounting Representative.
  - a. Return mail will result in changing the account to a self-pay status.
    - i. Telephone contact may be attempted to patient and/or employer.
    - ii. Check address against imaged identification, telephone directory.
  - b. Flag accounts as bad address for future registration.
  - c. Send all open accounts to the outsource agency if unable to verify new address.

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5. Accounts scheduled for assignment are to be reviewed by the Patient Financial Representative prior to assignment.
  - a. Accounts with balances greater than \$10,000 and an insurance listed require management approval by CFO, Patient Accounting Manager, or Director of Finance.
  - b. Accounts shall be placed in collection status/Bad Debt after 120 days of the first statement bill date to the patient.
  - c. Accounts may NOT be written off the bad debt GL until returned as non-collectable.
6. Refer to the appropriate agency via electronic format.
  - a. All collection efforts are to be documented.
  - b. Agency is to report all activity on each account by credit noting the patients account.
7. If collection efforts are unsuccessful, account is to be returned to the hospital with complete collection documentation and history.
  - a. A total of 120 days must pass before an account can be declared uncollectible.
  - b. The 120 days may include the collection efforts prior to placement with the agency.
  - c. Patient will receive a bill at 30 day, 60 days, 90 days, and again at 120 days with a final phone call. Each account is documented with credit notes in patients account.
8. The returned account shall be declared as uncollectible and reflected as bad debt.
  - a. If Medicare is listed as insurance in any position, the agency code shall be changed to a code specified for Medicare Bad Debt.
  - b. The account information shall be listed on the Medicare Bad Debt log.
  - c. Copies of all collection efforts, including all remits and notes, shall be printed and maintained as a part of the bad debt log.
  - d. Amounts owed will be verified against the Medicare remit to ensure only amounts related to co-pays and deductibles are reported to Medicare as bad debt.
  - e. Any patient responsibility related to NON-COVERED services cannot be listed as a Medicare bad debt.
    - i. Any amounts claimed cannot be related to self-administered drugs or services for which an ABN was issued.
  - f. Any amounts related to professional fees cannot be listed as Medicare bad debt.
  - g. All payments from secondary insurance and/or the patient must be deducted from the amount claimed as Medicare Bad Debt.
9. The hospital must demonstrate that reasonable collection efforts have been made.
  - a. The patient must be notified AFTER Medicare has processed and paid the claim.
  - b. If a second insurance is involved, the patient must be notified after the second insurance has paid or denied.
  - c. The date of the first and subsequent statements must be documented.
  - d. There must be a minimum of 120 calendar days elapse between the first notice to the patient and the date the account is assigned to bad debt.
10. Accounts shall be listed on the appropriate Medicare Bad Debt forms available on the



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CMS web site.

- a. Deductibles and co-pay amounts NOT paid by Medi-Cal/Partnership are to be listed on the Cross-Over Bad Debt log. (separate policy)

11. Any failure to meet the above requirements results in the cancellation of the account on the Medicare Bad Debt log.

### **Billing and Collections**

SVH shall not send patients to a collection agency prior to 120 days from time of initial billing. SVH will send patients a bill at 30 days, 60 days, 90 days, and again at 120 days with a final phone call. SVH provides communication in English and Spanish to all patients for financial assistance. For those patients with a pending application for a government program serving the low-income, or a pending application for charity care or reduced-payment for health care services under the hospital's own financial assistance policy will not be sent to collections until the review process has been completed. A SVH Patient Accounting Representative will contact the federal, state or county agency to verify the application is pending, and if so, postpones the collection process until applications are completed and closed. If patients do not respond to the pre-collect notice at or after 120 days the account will be placed with an outside collection agency. Any collection agency utilized by the hospital will be knowledgeable of the hospital's charity care and discount policies and must comply with AB 774. Hospital accounts of any balance size can be returned from an outside collection agency upon determination of either of the following:

- Debtor is deceased and no estate funding is available to cover the balance, or
- The debt is part of a bankruptcy

Hospital accounts will be returned to the Hospital from an outside collection agency when the following criteria are met for balances at or less than \$3,000.00.

- Account is 18 months or more from original placement and has actively worked under agency standards, and
- Debtor is not employed, nor has prospect of employment (i.e. if patient is on federal disability or retired), and
- No payment on balance, or has defaulted on payment plan
- No known Workers Comp, No Fault, or other law suit that may result in payment of settlement with the debtor, and
- There are no known attachable assets (excluding primary resident, or vehicle), and
- It is determined that the account is not viable for other legal pursuit (garnishment, tax lien)

These notes will be recorded by the collection agency in each patient's account.

### **Regulatory Requirements**

Confidentiality of information and individual dignity will be maintained for all that seek charitable services. The handling of personal health information will meet all HIPPA requirements. In implementing this policy, SVH shall comply with all federal, state and local laws, rules and regulations that may apply to activities conducted pursuant to this policy.

9.  
SVHCD  
FOUNDATION  
AUDIT UPDATE



December 17, 2013

NAME  
ADDRESS  
CITY ST ZIP

RE: Request for Proposal for Audit Services

Dear:

Sonoma Valley Hospital Foundation is a not-for-profit 501(c) (3) corporation (tax ID #94-2832488) dedicated to bringing health and well-being to the residents of Sonoma Valley through philanthropic and volunteer support for Sonoma Valley Hospital. Since its founding in 1982, the SVH Foundation has raised more than \$7 million from individual donors, charitable foundations and corporations to enhance medical services, equipment and programs, and to help cover the Hospital's cost of caring for patients who could otherwise not afford to pay. The Foundation is led by Executive Director Harmony Plenty and governed by a volunteer Board of Directors.

We are requesting proposals to perform annual audits of our financial statements to provide to our Board of Directors, the community and interested donors.

Period of Service:

The audit engagement will be for the fiscal year ending December 11, 2013, with the right to extend the agreement under terms and conditions agreeable to both parties.

Audit Services to be provided:

The scope of the financial statement audit for the entity includes an examination of all records and accounts in sufficient detail to express an opinion of the financial statements as a whole. The audit shall be performed in accordance with generally accepted auditing standards. These statements may at some time be blended or discretely presented with the Sonoma Valley Hospital.

Other Related Services to be provided:

If necessary, a management or AU 265 letter should be prepared for each audit, as well as the required AU 260 communications to those charged with governance. This AU 265 letter should include, as appropriate, any findings, observations, opinions, comments, or recommendations with regard to the systems of internal control, accounting systems, compliance with laws and regulations, or any other material matters that may come to the attention of the auditor during the course of the examination.

Separately requested services are minimal telephone consultation on accounting, management, or financial matters. It is expected that these consultations would be contemplated in the overall fee which is to be quoted by bidders.

Time Frame for Completion:

With a fiscal year ending December 31, completed audit reports are required by June 2014, with presentation to our board of directors in July of 2014. These dates can be sooner if possible.

Written Proposal:

If you are interested in performing the above services, please submit a letter of intent by December 23, 2013, to:

Richard Reid, CFO, Sonoma Valley Hospital, rreid@svh.com.

The completed written proposal should include the following information:

1. Background of your firm
2. A description of your firm's experience with hospital foundation audits
3. A description of your firm's internal quality review processes
4. Qualification of each member of your proposed engagement team (partners, managers, seniors, for both audit and tax), including but not limited to a description of each of their roles on similar engagements and where each of these team members is physically located
5. A listing of former or present hospital foundation clients of similar size and scope that may be contacted for reference
6. Proposed fee for both the audit services and the tax services
7. Proposed hourly fee for related audit and tax services provided over and above the requested scope of work, along with a narrative description of how your firm handles cost overages with clients of our size
8. A description of how if at all you plan to bill for travel and other expenses
9. Statement as to why you believe the SVH Foundation should select your firm for audit and tax services
10. Any additional information you wish to submit to assist in the selection process

**The deadline for submission of three copies of the requested proposals for services is January 14, 2014.**

Evaluation of Proposal:

Selection of an auditor will depend upon the fees and technical expertise offered. Factors to be considered include:

- Responsiveness of the proposal in clearly stating an understanding of the work to be performed
- Technical experience for the firm in the health care and not for profit foundation areas
- Qualifications of the management and staff that perform the audit services
- Cost of the work to be performed
- Demonstrated commitment to Equal Opportunity and Affirmative Action

We look forward to receiving your letter of intent and subsequent proposal for services. If you have any questions, please contact me.

Sincerely,

Richard Reid  
Chief Financial Officer

## **CPA ADDRESS LIST**

### **RFP for Audit of SVH Foundation 2014**

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**Jeffrey Dreyer, 811 W Napa Street, 938-2273**

**Pieter Everard, 2833 White Alder, 938-1605**

**Richard Gullotta, 232 W Napa Street, 935-1000**

**Floyd Moses, 920 First West, 996-6781**

**Robert Marek, Robert L. Marek & Company, 440 Fifth Street West, 938-1831**

**Sandra Stout, 850 W Napa, 939-6700**

**Robert Sullivan, 430 First Street East, 996-3122**

**Leslie Wiener, 19485 Hwy 12, Sonoma, 993-4173**

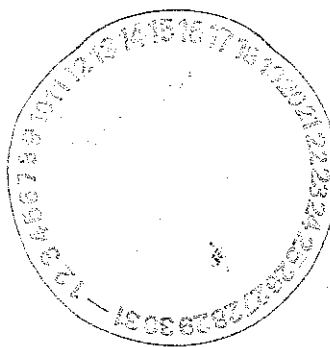
**Betsy Stewart, CPA, Zainer Rinehart Clark, 3510 Unocal Place, Suite 350, Santa Rosa 95403**

**Susan E. Goranson, CPA, Goranson and Associates, Inc., 446 Beaver Street, Santa Rosa, 95404**

**Ben Mack, Moss Adams, 101 Second Street Suite 900 San Francisco, CA 94105**

**Jon Dal Poggetto, Dal Poggetto & Company LLP, 149 Stony Circle, 1st Floor, Santa Rosa, CA 95401 (no)**

**Brenda W. Perry CPA, Perry & Co., 1443 Main St. #135D, Napa, CA 94559**



December 26, 2013

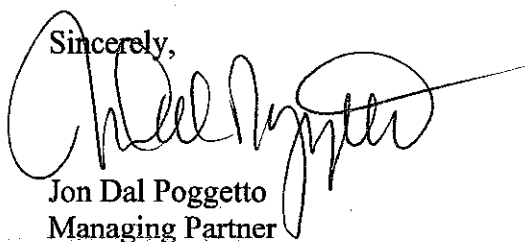
Mr. Richard Reid  
Chief Financial Officer  
Sonoma Valley Hospital  
347 Andrieux Street  
Sonoma, California 95476

Dear Mr. Reid:

Thank you for contacting us regarding an audit of the financial statements of Sonoma Valley Hospital Foundation. While we perform audits for a number of privately-held companies and not-for-profit organizations (including foundations), we do not possess hospital foundation audit experience, which appears to be an important criteria in your selection process.

Please feel free to contact us again in the future, as our audit client base evolves over time and we may have obtained appropriate experience by the time you request proposals again.

Sincerely,



Jon Dal Poggetto  
Managing Partner

JDP:sh

# 10.

## FC CHARTER REVIEW



SUBJECT: Finance Committee Charter	POLICY #
	PAGE 1 OF 4
DEPARTMENT: Board of Directors	EFFECTIVE: 4/5/12
APPROVED BY: Board of Directors	REVISED: <u>3.26.13</u>

**Purpose:**

This charter (the “Charter”) sets forth the duties and responsibilities and governs the operations of the Finance Committee (the “Committee”) of the Board of Directors (the “Board”) of Sonoma Valley Healthcare District (the “District”), a nonprofit corporation organized and existing under the California Law.

The Finance Committee’s purpose is to assist the Board in its oversight of the District’s financial affairs, including District’s financial condition, financial planning, operational and capital budgeting, debt structure, debt financing and refinancing and other significant financial matters involving the District. The Finance Committee is the body which recommends to the District Board on all financial decisions.

**Policy:**

**Duties and Responsibilities**

The Committee’s primary duties and responsibilities are as follows:

- A. Review Monthly Financial Operating Performance
  1. Review the District’s monthly financial operating performance. The committee will review the monthly financial statements, including but not limited to the Statement of Revenues and Expenses, Balance Sheet and Statement of Cash Flows, prepared by management. The committee will also review other financial indicators as warranted.
  2. Review management’s plan for improved financial and operational performance including but not limited to new patient care programs, cost management plans, and new financial arrangements. The committee will make recommendations to the Board when necessary.
- B. Budgets
  1. Review and recommend to the Board for approval an annual operating budget for the District.
  2. Review management’s budget assumptions including volume, growth, inflation and other budget assumptions.
  3. Review and recommend to the Board for approval an annual capital expenditures budget for





SUBJECT: Finance Committee Charter	POLICY #
	PAGE 2 OF 4
DEPARTMENT: Board of Directors	EFFECTIVE: 4/5/12
APPROVED BY: Board of Directors	REVISED: <u>3.26.13</u>

the District. If deemed appropriate by the Committee, review and recommend to the Board for approval projected capital expenditures budgets for one or more succeeding years.

C. Debt, Financing and Refinancing

1. Evaluate and monitor the District's long and short-term indebtedness, debt structure, collateral or security, therefore, cash flows, and uses and applications of funds.
2. Evaluate and recommend to the Board for approval proposed new debt financing, including lines of credit, financings and refinancing, including (i) interest rate and whether the rate will be fixed or floating rate; (ii) collateral or security, if any; (iii) issuance costs; (iv) banks, investment banks, and underwriters retained or compensated by the District in connection with any financing or refinancing.
3. Review and recommend to the Board all guarantees or other obligations for the indebtedness of any third party.

D. Insurance

1. Review on an annual basis all insurance coverage's, including (i) identity and rating of carriers; (ii) premiums; (iii) retentions; (iv) self-insurance; (v) stop-loss policies; and (vi) all other aspects of insurance coverage for healthcare institutions.

E. Investment Policies

1. Review and recommend to the Board the District's cash management and cash investment policies, utilizing the advice of financial consultants as the Committee deems necessary or desirable.
2. Review and recommend to the Board the District's investment policies relating to assets of any employee benefit plans maintained and controlled by the District, utilizing the advice of financial consultants as the Committee deems necessary or desirable.

F. General

1. Review and recommend the services of all outside financial advisors, financial consultants, banks, investment banks, and underwriters for the District. Review annually the District's significant commercial and investment bank relationships.
2. Perform any other duties and responsibilities as the Board may deem necessary, advisable



SUBJECT: Finance Committee Charter

POLICY #

DEPARTMENT: Board of Directors

PAGE 3 OF 4

EFFECTIVE: 4/5/12

APPROVED BY: Board of Directors

REVISED: 3.26.13

or appropriate for the Committee to perform.

3. Perform such other duties and responsibilities as the Committee deems appropriate to carry out its purpose as provided in this Charter.
4. Meet on a monthly basis preceding the Board meeting concerning the District's financial affairs. Urgent and time sensitive matters shall be reported at the next regular or special Board meeting.
5. The Finance Committee will be invited to attend the presentation by the District's independent auditors.
6. The Finance Committee shall review the Charter annually after the close of the fiscal year, or more often if required. If revisions are needed, they will be taken to the Board for action.
7. The Finance Committee shall report to the District Board on the status of its prior fiscal year's work plan accomplishments by after the completion of the Financial Statement Audit.



SUBJECT: Finance Committee Charter	POLICY #
	PAGE 4 OF 4
DEPARTMENT: Board of Directors	EFFECTIVE: 4/5/12
APPROVED BY: Board of Directors	REVISED: <u>3.26.13</u>

**Organization**

The Committee’s membership, the chairperson, the call and conduct of Committee meetings, the preparation of Committee minutes, and the Committee’s other activities shall be appointed, conducted and accomplished in accordance with applicable provisions of the Bylaws and the Corporate Governance Principles adopted by the Board. The committee’s membership is subject to the Approval of the District Board. The membership shall include the following:

- 1. Two (2) Board Members, one being the Treasurer
- 2. Six (6) District Citizens
- 3. At least one (1) member of the Medical Staff
- 4. District’s Chief Executive Officer (non-voting)
- 5. District’s Chief Financial Officer (non-voting)

**Performance Evaluation**

The Committee shall prepare and review with the Board an annual performance evaluation of the Committee, which evaluation shall compare the performance of the Committee with the requirements of this Charter. The performance evaluation shall also recommend to the Board any amendments to this Charter deemed necessary or desirable by the Committee. The performance evaluation shall be conducted in such manner as the Committee deems appropriate. The report to the Board may take the form of an oral report by the chairperson or any other member of the Committee designated by the Committee to make the report.

**Resources and Authority of the Committee**

The Finance Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the responsibility to recommend to select, retain, terminate, and approve the engagement and other retention terms of special counsel or other experts or consultants, as it deems appropriate.

**Amendment**

This Charter shall not be amended except upon approval by the Board.  
Adopted by the Board on April 5, 2012.

# 11. PATIENT BILLING UPDATE

(attachment available at meeting)

12.

# NOVEMBER 2013 FINANCIALS

Sonoma Valley Hospital  
Sonoma Valley Health Care District  
November 30, 2013 Financial Report

Finance Committee  
January 7, 2014

# November's Patient Volumes

	Actual	Budget	Variance	Prior Year
Acute Discharges	85	106	-21	104
Acute Patient Days	318	388	-70	351
SNF Patient Days	531	607	-76	638
Home Health Care Visits	903	1,050	-147	921
Outpatient Gross Revenue (in thousands)	\$9,325	\$8,759	\$566	\$8,485
Surgical Cases	135	130	5	130

# Summary Statement of Revenues and Expenses Month of November 30, 2013

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percentage</u>	<u>Prior Year</u>
1 Total Operating Revenue	\$ 3,894,657	\$ 4,099,690	\$ (205,033)	-5%	\$ 3,835,446
2 Total Operating Expenses	\$ 4,361,454	\$ 4,438,178	\$ 76,724	2%	\$ 4,234,580
3 Operating Margin	\$ (466,797)	\$ (338,488)	\$ (128,309)	-38%	\$ (399,134)
4 NonOperating Rev/Exp	\$ 304,052	\$ 302,943	\$ 1,109	0%	\$ 320,004
5 Net Income before Restricted Cont.	\$ (162,745)	\$ (35,545)	\$ (127,200)	358%	\$ (79,130)
6 Restricted Contribution	\$ 105,664	\$ 1,103,852	\$ (998,188)	-90%	\$ 252,890
Net Income with Restricted 7 Contributions	\$ (57,081)	\$ 1,068,307	\$ (1,125,388)	-105%	\$ 173,760
8 EBIDA before Restricted Contributions	\$ 54,621	\$ 200,598	\$ (145,977)		\$ 128,274
9 EBIDA before Restricted Cont. %	1%	5%	-4%		3%
10 Net Income without GO Bond Activity	\$ (174,484)	\$ 944,733	\$ (1,119,217)		\$ 50,204



# Summary Statement of Revenues and Expenses Year to Date November 30, 2013 (5 months)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percentage</u>	<u>Prior Year</u>
1 Total Operating Revenue	\$ 21,225,082	\$ 21,245,354	\$ (20,272)	0%	\$ 19,926,477
2 Total Operating Expenses	\$ 22,574,797	\$ 22,542,165	\$ (32,632)	0%	\$ 21,431,326
3 Operating Margin	\$ (1,349,716)	\$ (1,296,811)	\$ (52,905)	-4%	\$ (1,504,849)
4 NonOperating Rev/Exp	\$ 1,463,802	\$ 1,496,153	\$ (32,351)	-2%	\$ 1,582,352
5 Net Income before Restricted Cont.	\$ 114,086	\$ 199,342	\$ (85,256)	-43%	\$ 77,503
6 Restricted Contribution	\$ 2,555,041	\$ 1,124,676	\$ 1,430,365	127%	\$ 386,973
Net Income with Restricted 7 Contributions	\$ 2,669,127	\$ 1,324,017	\$ 1,345,110	102%	\$ 464,476
8 EBIDA before Restricted Contributions	\$ 1,229,485	\$ 1,433,193	\$ (203,708)		\$ 1,281,120
9 EBIDA before Restricted Cont. %	6%	7%	-1%		6%
10 Net Income without GO Bond Activity	\$ (472,919)	\$ (398,868)	\$ (74,051)		\$ (540,278)

# November's Operating Revenues

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percentage</u>	<u>Prior Year</u>
REVENUE					
NET PATIENT REVENUE					
1 Acute Inpatient	\$ 1,093,777	\$ 1,564,650	\$ (470,873)	-30%	\$ 1,249,057
2 Skilled Nursing Facility	\$ 276,950	\$ 468,398	\$ (191,448)	-41%	\$ 373,572
3 Outpatient and Emergency	\$ 1,762,714	\$ 1,756,985	\$ 5,729	0%	\$ 1,793,144
4 HomeCare	\$ 266,109	\$ 223,074	\$ 43,035	19%	\$ 222,640
5 Community Benefit (Charity)	\$ (6,400)	\$ (168,360)	\$ 161,960	96%	\$ (141,000)
6 Bad Debt Expense	\$ (120,000)	\$ (201,543)	\$ 81,543	40%	\$ (120,000)
7 Prior Period Adjustment	\$ 137,358	\$ -	\$ 137,358	0%	\$ -
8 TOTAL NET PATIENT REVENUE	\$ 3,410,508	\$ 3,643,204	\$ (232,696)	-6%	\$ 3,377,413
RISK CONTRACTS					
9 Capitation Revenue	\$ 246,645	\$ 164,178	\$ 82,467	50%	\$ 177,468
10 Napa State Hospital Revenue	\$ 99,700	\$ 157,739	\$ (58,039)	-37%	\$ 124,600
11 TOTAL RISK CONTRACTS	\$ 346,345	\$ 321,917	\$ 24,428	8%	\$ 302,068
12 OTHER OPER REVENUE	\$ 137,804	\$ 134,569	\$ 3,235	2%	\$ 155,965
13 TOTAL HOSPITAL NET REVENUE	\$ 3,894,657	\$ 4,099,690	\$ (205,033)	-5%	\$ 3,835,446

# Revenue Variances

- Total Operating Revenue under budget by (\$205,033)
  - Overall inpatient volume was under budget by 21 discharges
  - Skilled Nursing Home volume was under budget by 76 days
  - Outpatient was over budget in volume, but had higher Medi-Cal patients and lower commercial insured patients.
  - Home Care volume was under budget by 147 visits.
  - Bad Debts and Charity Care were favorable to budget by \$243,503.
  - Prior Period Adjustment is for the 2012 Cost report for \$137,804.

# November's Operating Expense

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percentage</u>	<u>Prior Year</u>
OPERATING EXPENSES					
1 Salary and Wages and Agency	\$ 1,871,329	\$ 1,948,387	\$ 77,058	4%	\$ 1,868,585
2 Employee Benefits	\$ 706,925	\$ 759,896	\$ 52,971	7%	\$ 732,330
3 Total People Cost	\$ 2,578,254	\$ 2,708,283	\$ 130,029	5%	\$ 2,600,915
4 Medical and Prof Fees (excl'd Agency)	\$ 423,298	\$ 381,010	\$ (42,288)	-11%	\$ 428,823
5 Supplies	\$ 543,662	\$ 485,201	\$ (58,461)	-12%	\$ 615,215
6 Purchased Services	\$ 404,814	\$ 432,619	\$ 27,805	6%	\$ 239,156
7 Depreciation	\$ 159,398	\$ 187,558	\$ 28,160	15%	\$ 149,513
8 Utilities	\$ 84,648	\$ 77,354	\$ (7,294)	-9%	\$ 78,034
9 Insurance	\$ 18,888	\$ 18,699	\$ (189)	-1%	\$ 19,375
10 Interest	\$ 23,044	\$ 18,574	\$ (4,470)	-24%	\$ 27,880
11 Other	\$ 125,448	\$ 128,880	\$ 3,432	3%	\$ 75,669
12 TOTAL OPERATING EXPENSE	\$ 4,361,454	\$ 4,438,178	\$ 76,724	2%	\$ 4,234,580

# Expense Variances

Total operating expenses were under budget by \$76,724

- Total productivity FTE's were at budget at 288.
- Employee benefits were under budget by \$52,971. Of this health insurance was under budget by \$27,975 and Paid Time Off was under budget by \$12,761.
- Medical and Professional Fees were over budget by (\$42,288), (\$46,497) is due to additional Prima Physician call.
- Supplies were over budget by (\$58,461) due to Pharmacy volumes of high cost drugs.
- Purchase services were under budget by \$27,805 due to budgeted projects in Plant Operations and Information Systems not starting.

# November's Non-Operating Items

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percentage</u>	<u>Prior Year</u>
NON OPERATING					
1 Miscellaneous Revenue	\$ 1,832	\$ 4,167	\$ (2,335)	-56%	\$ 17,060
2 Donations	\$ -	\$ 3,333	\$ (3,333)	0%	\$ -
Professional Center / Phys					
3 Recruitment	\$ -	\$ -	\$ -	0%	\$ -
4 Physician Practice Support - Prima	\$ (52,486)	\$ (65,630)	\$ 13,144	0%	\$ (65,630)
5 Tax Assessment Revenue-Parcel Tax	\$ 237,305	\$ 237,500	\$ (195)	0%	\$ 245,018
6 Tax Assessment Revenue - GO Bond	\$ 152,326	\$ 153,584	\$ (1,258)	-1%	\$ 153,567
7 GO Bond Interest	\$ (34,925)	\$ (30,011)	\$ (4,914)	16%	\$ (30,011)
8 NON-OPERATING REV/EXP	\$ 304,052	\$ 302,943	\$ 1,109	0%	\$ 320,004
9 Capital Campaign Contribution	\$ 105,664	\$ 1,103,852	\$ (998,188)	-90%	\$ 252,890
10 Restricted Foundation Contribution	\$ -	\$ -	\$ -	0%	\$ -
11 TOTAL NON-OPERATING REV/EXP	\$ 409,716	\$ 1,406,795	\$ (997,079)	-71%	\$ 572,894



**To:** SVH Finance Committee  
**From:** Rick Reid, CFO  
**Date:** January 7, 2014  
**Subject:** Financial Report for the Month Ending November 30, 2013

### Overall Results for November 2013

Overall for November, SVH has a loss after the restricted contributions of (\$57,081) on budgeted income of \$1,068,307, for an unfavorable difference of (\$1,125,388). \$1,000,000 of this variance is due to the early receipt of a large capital donation while it was budgeted to be received in November. Without donations, there is a loss of (\$162,745).

Total net patient service revenue was under budget by (\$232,696). This includes a prior period adjustment of \$137,358 for the 2012 Medicare Cost report. The main reason for this negative variance is lower commercial insurance and higher Medicare and Medi-Cal volumes. Risk contracts were over budget by \$24,428, due to a true up of Napa State at June 30, 2013 there was an additional \$76,274. Other operating revenue is over budget by \$3,235, bringing the total operating revenue to \$3,894,657 or (\$205,033) under budget. Expenses were \$4,361,454 on a budget of \$4,438,178 or \$76,724 under budget. The EBIDA prior to the restricted donations for the month was \$54,622 or 1.4%.

### Patient Volumes - November

	ACTUAL	BUDGET	VARIANCE	PRIOR YEAR
Acute Discharges	85	106	-21	104
Acute Patient Days	318	388	-70	351
SNF Patient Days	531	607	-76	638
Home Care Visits	903	1,050	-147	921
OP Gross Revenue	\$9,325	\$8,759	\$566	\$8,485
Surgical Cases	135	130	5	130

### Overall Payer Mix - November

	ACTUAL	BUDGET	VARIANCE	YTD ACTUAL	YTD BUDGET	VARIANCE
Medicare	52.8%	49.2%	3.6%	48.7%	49.0%	-0.3%
Medi-Cal	15.3%	10.7%	4.6%	12.1%	10.7%	1.4%
Self Pay	2.3%	3.7%	-1.4%	3.1%	3.8%	-0.7%
Commercial	21.7%	29.3%	-7.6%	26.6%	29.4%	-2.8%
Managed MC	3.9%	2.8%	1.1%	4.8%	2.8%	2.0%
Workers Comp	3.6%	1.5%	2.5%	3.2%	1.5%	1.7%
Capitated	0.4%	2.8%	-2.4%	1.5%	2.8%	-1.3%
Total	100%	100%		100%	100%	

### **Total Operating Revenues**

Total operating revenues for November were \$3.9 million on a budget of \$4.1 million or (\$205,033) under budget.

Net Patient Revenue is under budget by (\$232,696) or 6%, due to the following:

- Overall inpatient volume was under budget by 21 discharges.
- Skilled Nursing Home volume was under budget by 76 days.
- Outpatient was over budget in volume, but had higher Medi-Cal patients and lower commercial insured patients.
- Home Care volume was under budget by 147 visits.
- Bad Debts and Charity Care were favorable to budget by \$243,503.
- A prior period adjustment of \$137,804 for the 2012 Cost report.

### **Expenses**

November's expenses were \$4.4 million on a budget of \$4.4 million or under budget by \$76,724. The following is a summary of the operating expense variances for the month of November:

- Total productivity FTE's were over budget by 11 at 288, on a budget of 277. Salaries were under budget by \$77,058, due to the adjustment of the first 4 months of shared costs for approximately \$110,000. This is offset by Home Health Care over budget by (\$29,323).
- Employee benefits were under budget by \$52,971, of this health insurance was under budget by \$27,975 and Paid Time Off was under budget by \$12,761.
- Medical and Prof Fees are over budget by (\$42,288), (\$46,497) is due to additional Prima Physician call.
- Supplies were over budget by (\$58,461) due to Pharmacy volumes of high cost drugs.
- Purchase services were under budget by \$27,805 due to budget projects in Plant Operations and Information Systems not starting.

### **Cash Collections on Patient Receivables:**

For the month of November the cash collection goal was \$3,175,072, the Hospital collected \$3,235,582 or over the goal by \$60,510. Year to date the Hospital patient collections goal was \$16,547,257 and had collection of \$16,363,476 or (\$183,781) under the goal. The cash collection goal is based upon net hospital revenue from 60 days ago.

### **RAC Activity**

	<b>November</b>	<b>Year to Date</b>
<b>Payments to Medicare</b>	<b>\$223,810</b>	<b>\$567,288</b>
<b>Appeals Won and Repaid to the Hospital</b>	<b>\$0</b>	<b>\$105,815</b>
<b>Payments from Rebilling Received</b>	<b>\$0</b>	<b>\$0</b>



**Capital Campaign Summary:**

For the month of November, the Hospital received \$105,664 in capital campaign donations. The total amount received from the Capital Campaign to date is \$6,969,596 offset with spending of \$4,697,629. The funds are included on line 17, Specific Funds on the Balance Sheet. Included on line 17 is also \$21,469 for miscellaneous restricted funds, \$114,552 received from the Foundation for the X-ray machine and \$32,270 for the Health Round Table, all of which have been reduced by spending of \$119,062.

	Cash Receipts	Spending	Balance
Emergency Dept.	\$1,511,046	\$837,170	\$673,876
Operating Room	\$0	\$0	\$0
Art Work/Lobby	\$400,000	\$122,992	\$277,008
General	\$4,795,943	\$3,737,467	\$1,058,476
Children's Area	\$250,000	\$0	\$250,000
Interest Earned	\$12,607	\$0	\$12,607
<b>Total Capital Campaign</b>	<b>\$6,969,596</b>	<b>\$4,697,629</b>	<b>\$2,271,967</b>
X-Ray Machine	\$114,552	\$114,552	\$0
Misc. Restricted Funds	\$21,469	\$0	\$21,469
Health Round Table	\$32,515	\$5,475	\$27,040
<b>Total Specific Funds</b>	<b>\$7,138,132</b>	<b>\$4,720,616</b>	<b>\$2,320,476</b>

These comparisons are for actual FY 2014 compared to actual FY 2013. These are not budget comparisons.

**ER Visits**

	ER – Inpatient				ER - Outpatient			
	CY	PY	Change	%	CY	PY	Change	%
July	109	109	0	0%	641	729	-88	-12.1%
Aug	94	106	-12	-11.3%	695	778	-83	-10.7%
Sept	105	111	-6	-5.6%	690	677	13	1.9%
Oct	60	95	-35	-32.4%	671	706	-35	-5.2%
Nov	72	101	-29	-27.1%	593	631	-38	-6.0
YTD	440	522	-82	-15.7%	3,290	3,521	-231	-6.6%

**OPERATING INDICATORS**  
**SONOMA VALLEY HOSPITAL**

**For the month ended November, 2013**

	CURRENT MONTH			YEAR-TO-DATE			
	Actual 11/30/13	Budget 11/30/13	Favorable (Unfavorable) Variance	Actual 11/30/13	Budget 11/30/13	Favorable (Unfavorable) Variance	Prior Year 11/30/12
<b>Inpatient Utilization</b>							
<b>Discharges</b>							
1 Acute	69	86	(17)	399	476	(77)	516
2 ICU	16	20	(4)	86	103	(17)	50
3 Total Discharges	85	106	(21)	485	579	(94)	566
4 Newborn	12	14	(2)	63	68	(5)	59
5 Total Discharges inc. Newborns	97	106	(23)	548	647	(99)	625
<b>Patient Days:</b>							
6 Acute	221	268	(47)	1,294	1,490	(196)	1,594
7 ICU	97	120	(23)	526	612	(86)	375
8 Total Patient Days	318	388	(70)	1,820	2,102	(282)	1,969
9 Newborn	27	30	(3)	126	149	(23)	133
10 Total Patient Days inc. Newborns	345	418	(73)	1,946	2,251	(305)	2,102
<b>Average Length of Stay:</b>							
11 Acute	3.2	3.1	0.1	3.2	3.1	0.1	3.1
12 ICU	6.1	6.0	0.1	6.1	5.9	0.2	7.5
13 Avg. Length of Stay	3.7	3.7	0.1	3.8	3.6	0.1	3.5
14 Newborn ALOS	2.3	2.2	0.0	2.0	2.2	0.2	2.3
<b>Average Daily Census:</b>							
15 Acute	7.4	8.9	(1.6)	8.5	9.7	(1.3)	10.4
16 ICU	3.2	4.0	(0.8)	3.4	4.0	(0.6)	2.5
17 Avg. Daily Census	10.6	12.9	(2.3)	11.9	13.7	(1.8)	12.9
18 Newborn	0.9	1.0	(0.1)	0.8	1.0	(0.1)	0.9
<b>Long Term Care:</b>							
19 SNF Patient Days	531	607	(76)	2,794	3,093	(299)	3,146
20 SNF Discharges	29	39	(10)	138	179	(41)	169
21 Average Daily Census	17.7	20.2	(3)	18.3	20.2	(2)	20.6
<b>Other Utilization Statistics</b>							
<b>Emergency Room Statistics</b>							
22 Total ER Visits	665	747	(82)	3,730	4,099	(369)	4,043
<b>Outpatient Statistics:</b>							
23 Total Outpatients Visits	3,959	4,260	(301)	21,151	21,427	(276)	20,758
24 IP Surgeries	26	36	(10)	159	183	(24)	190
25 OP Surgeries	109	94	15	496	476	20	463
26 Special Procedures	33	28	5	167	172	(5)	186
27 Home Health Visits	903	1,050	(147)	4,085	4,100	(15)	4,755
28 Adjusted Discharges	288	319	(31)	1,464	1,683	(220)	1,628
29 Adjusted Patient Days	2,145	2,186	(42)	10,841	11,530	(689)	11,331
30 Adj. Avg. Daily Census	71.5	72.9	(1.4)	70.9	75.4	(4.5)	74.1
31 Case Mix Index -Medicare	1.7607	1.4000	0.361	1.5879	1.4000	0.188	1.4615
32 Case Mix Index - All payers	1.7457	1.4000	0.346	1.5622	1.4000	0.162	1.4648
<b>Labor Statistics</b>							
33 FTE's - Worked	288	277	(11.3)	283	275	(7.3)	281
34 FTE's - Paid	313	312	(1.0)	315	311	(4.0)	320
35 Average Hourly Rate	34.97	36.32	1.35	36.23	36.01	(0.22)	34.35
36 Manhours / Adj. Pat Day	25.0	24.4	(0.6)	25.3	23.5	(1.8)	24.7
37 Manhours / Adj. Discharge	185.8	167.1	(18.7)	187.5	161.0	(26.5)	171.6
38 Benefits % of Salaries	23.5%	24.1%	0.5%	22.7%	23.9%	1.2%	23.0%
<b>Non-Labor Statistics</b>							
39 Supply Expense % Revenue	4%	3%	-1%	3%	3%	0%	3%
40 Supply Exp. / Adj. Discharge	1,887.74	1,519.68	(368)	1,734.65	1,478.42	(256)	1,535.21
41 Total Expense / Adj. Discharge	15,447.67	12,633.39	(2,814)	15,783.16	13,686.33	(2,097)	13,456.20
<b>Other Indicators</b>							
42 Days Cash - Operating Funds	11.0						
43 Days in Net AR	54.2	50.0	4.2	51.9	50.0	1.9	51.37
44 Collections % of Net Revenue	102%			98%			
45 Days in Accounts Payable	-	60.0	(60.0)	44.5	60.0	(16)	-
46 % Net revenue to Gross revenue	24.3%	24.7%	-0.3%	24.2%	24.7%	-0.5%	24.5%
47 % Net AR to Gross AR	24.1%			24.1%			22.4%

Sonoma Valley Health Care District  
Balance Sheet  
For The Period Ended  
As of November 30, 2013

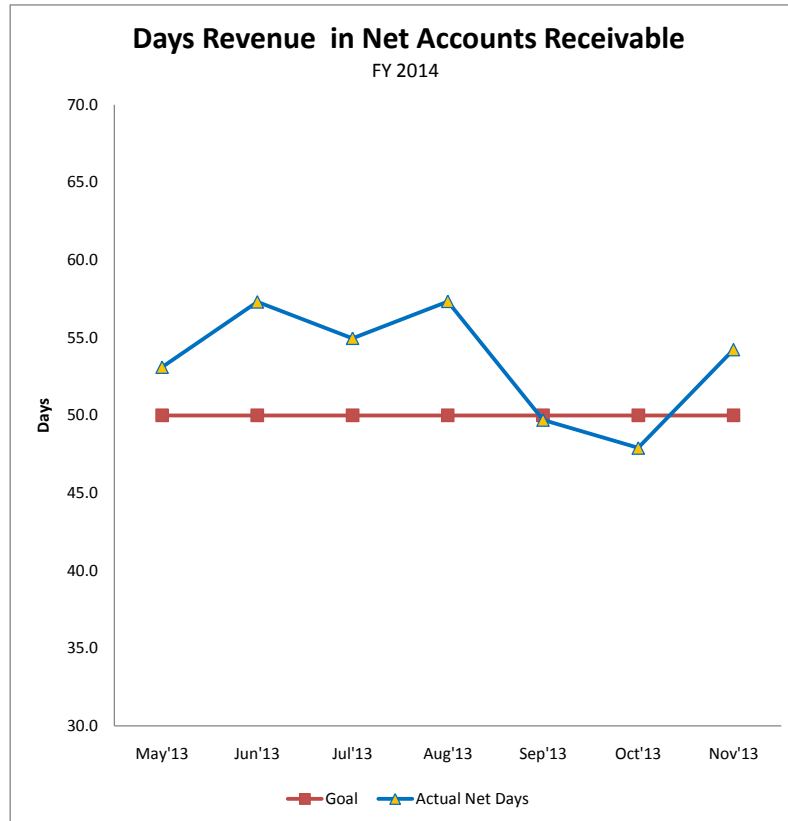
	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
<b>Assets</b>			
Current Assets:			
1 Cash	\$ 1,666,525	\$ 1,060,464	\$ 1,046,269
2 Trustee Funds	540,405	540,405	339,459
3 Net Patient Receivables	8,545,283	8,606,050	8,080,021
4 Allow Uncollect Accts	(1,754,699)	(1,714,414)	(1,675,948)
5 Net A/R	6,790,584	6,891,636	6,404,073
6 Other Accts/Notes Rec	6,263,404	6,932,624	4,360,687
7 3rd Party Receivables, Net	1,998,099	1,562,310	1,467,524
8 Due Frm Restrict Funds	-	-	-
9 Inventory	816,861	879,581	933,079
10 Prepaid Expenses	1,013,432	1,094,686	1,255,270
11 Total Current Assets	\$ 19,089,310	\$ 18,961,707	\$ 15,806,361
12 Board Designated Assets	\$ 5,384	\$ 5,384	\$ 186,193
13 Property, Plant & Equip, Net	11,126,088	12,951,732	10,701,170
14 Hospital Renewal Program	37,902,595	34,044,873	18,571,818
15 Unexpended Hospital Renewal Funds	-	-	14,008,248
16 Investments	-	-	-
17 Specific Funds	2,320,475	4,333,785	2,453,340
18 Other Assets	427,571	444,229	315,277
19 Total Assets	\$ 70,871,423	\$ 70,741,710	\$ 62,042,407
<b>Liabilities &amp; Fund Balances</b>			
Current Liabilities:			
20 Accounts Payable	\$ 4,737,512	\$ 4,220,904	\$ 5,590,883
21 Accrued Compensation	3,306,031	3,368,750	2,831,352
22 Interest Payable	567,681	425,011	571,410
23 Accrued Expenses	1,463,240	1,523,075	228,312
24 Advances From 3rd Parties	1,868,922	1,847,145	1,349,994
25 Deferred Tax Revenue	2,866,515	3,266,300	2,776,389
26 Current Maturities-LTD	845,797	841,229	1,398,707
27 Other Liabilities	4,188,919	4,203,919	83,975
28 Total Current Liabilities	\$ 19,844,617	\$ 19,696,333	\$ 14,831,022
29 Long Term Debt, net current portion	\$ 37,497,710	\$ 37,459,200	\$ 37,849,221
Fund Balances:			
31 Unrestricted	\$ 4,888,538	\$ 5,051,283	\$ 6,849,164
32 Restricted	8,640,558	8,534,894	2,513,000
33 Total Fund Balances	\$ 13,529,096	\$ 13,586,177	\$ 9,362,164
34 Total Liabilities & Fund Balances	\$ 70,871,423	\$ 70,741,710	\$ 62,042,407

**Sonoma Valley Health Care District**  
**Statement of Revenue and Expenses**  
**Comparative Results**  
**For the Period Ended November 2013**

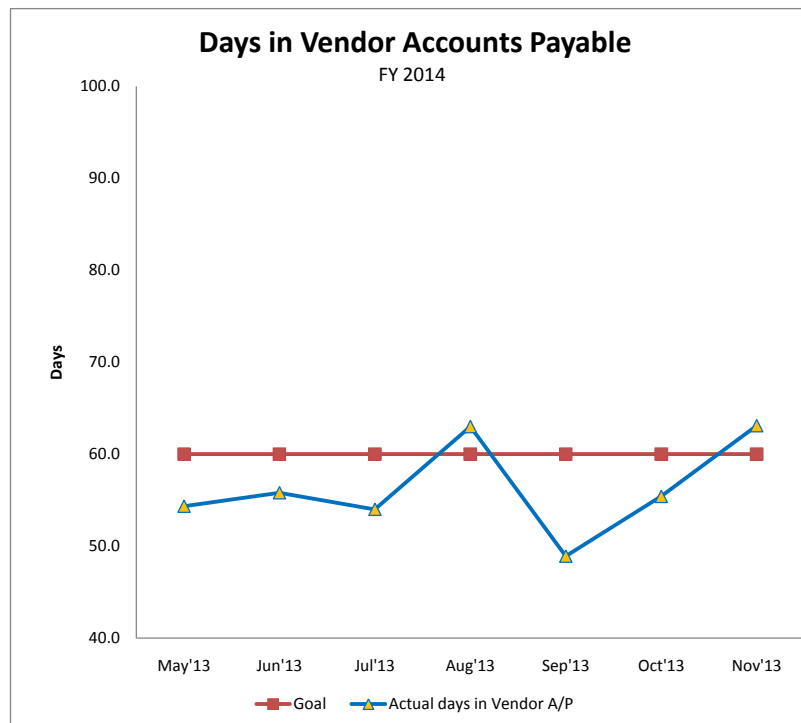
		Month				Year-To-Date				YTD
		This Year		Variance		This Year		Variance		
		Actual	Budget	\$	%	Actual	Budget	\$	%	Prior Year
Volume Information										
1	Acute Discharges	85	106	(21)	-20%	485	579	(94)	-16%	566
2	SNF Days	531	607	(76)	-13%	2,794	3,093	(299)	-10%	3,146
3	Home Care Visits	903	1,050	(147)	-14%	4,087	4,100	(13)	0%	4,755
4	Gross O/P Revenue (000's)	9,325	8,759	566	6%	\$ 48,617	\$ 45,710	2,908	6%	\$ 42,737
Financial Results										
Gross Patient Revenue										
5	Inpatient	\$ 4,130,786	\$ 5,225,773	(1,094,987)	-21%	\$ 25,285,549	\$ 26,813,455	(1,527,906)	-6%	\$ 24,980,043
6	Outpatient & Emergency	9,046,124	8,471,854	574,270	7%	47,370,486	44,612,894	2,757,592	6%	41,332,428
7	SNF	1,978,887	2,088,925	(110,038)	-5%	10,737,233	10,669,332	67,901	1%	10,187,400
8	Home Care	278,947	287,161	(8,214)	-3%	1,246,742	1,096,665	150,077	14%	1,404,743
9	Total Gross Patient Revenue	\$ 15,434,744	\$ 16,073,713	(638,969)	-4%	\$ 84,640,010	\$ 83,192,346	1,447,664	2%	\$ 77,904,614
Deductions from Revenue										
10	Contractual Discounts	\$ (12,035,194)	\$ (12,060,606)	25,412	0%	\$ (64,656,564)	\$ (62,462,815)	(2,193,749)	-4%	\$ (58,072,249)
11	Bad Debt	(120,000)	(201,543)	81,543	40%	(870,000)	(1,043,121)	173,121	17%	(1,350,000)
12	Charity Care Provision	(6,400)	(168,360)	161,960	96%	(96,527)	(723,486)	626,959	87%	(952,541)
13	Prior Period Adjustments	137,358	-	137,358	0%	209,002	-	209,002	0%	-
14	Total Deductions from Revenue	\$ (12,024,236)	\$ (12,430,509)	268,915	-2%	\$ (65,623,091)	\$ (64,229,422)	(1,393,669)	2%	\$ (60,374,790)
15	Net Patient Service Revenue	\$ 3,410,508	\$ 3,643,204	(232,696)	-6%	\$ 19,016,919	\$ 18,962,924	53,995	0%	\$ 17,529,824
16	Risk contract revenue	\$ 346,345	\$ 321,917	24,428	8%	\$ 1,455,674	\$ 1,609,585	(153,911)	-10%	\$ 1,567,826
17	Net Hospital Revenue	\$ 3,756,853	\$ 3,965,121	(208,268)	-5%	\$ 20,472,593	\$ 20,572,509	(99,916)	0%	\$ 19,097,650
18	Other Op Rev & Electronic Health Records	\$ 137,804	\$ 134,569	3,235	-2%	\$ 752,489	\$ 672,845	79,644	12%	\$ 828,827
19	Total Operating Revenue	\$ 3,894,657	\$ 4,099,690	(205,033)	-5%	\$ 21,225,082	\$ 21,245,354	(20,272)	0%	\$ 19,926,477
Operating Expenses										
20	Salary and Wages and Agency Fees	\$ 1,871,329	\$ 1,948,387	77,058	4%	\$ 9,946,179	\$ 9,875,698	(70,481)	-1%	\$ 9,594,455
21	Employee Benefits	706,925	759,896	52,971	7%	3,645,026	3,839,927	194,901	5%	3,616,926
22	Total People Cost	\$ 2,578,254	\$ 2,708,283	130,029	5%	\$ 13,591,205	\$ 13,715,625	124,420	1%	\$ 13,211,381
23	Med and Prof Fees (excl Agency)	\$ 423,298	\$ 381,010	(42,288)	-11%	\$ 2,071,971	\$ 1,940,686	(131,285)	-7%	\$ 1,858,084
24	Supplies	543,662	485,201	(58,461)	-12%	2,539,202	2,488,816	(50,386)	-2%	2,499,650
25	Purchased Services	404,814	432,619	27,805	6%	1,926,603	2,178,872	252,269	12%	1,882,438
26	Depreciation	159,398	187,558	28,160	15%	819,674	986,654	166,980	17%	898,797
27	Utilities	84,648	77,354	(7,294)	-9%	412,014	416,770	4,756	1%	417,732
28	Insurance	18,888	18,699	(189)	-1%	94,440	93,494	(946)	-1%	101,875
29	Interest	23,044	18,574	(4,470)	-24%	121,100	77,486	(43,614)	-56%	154,765
30	Other	125,448	128,880	3,432	3%	998,588	643,762	(354,826)	-55%	406,604
31	Operating expenses	\$ 4,361,454	\$ 4,438,178	76,724	2%	\$ 22,574,797	\$ 22,542,165	(32,632)	0%	\$ 21,431,326
32	Operating Margin	\$ (466,797)	\$ (338,488)	(128,309)	-38%	\$ (1,349,716)	\$ (1,296,811)	(52,905)	-4%	\$ (1,504,849)
Non Operating Rev and Expense										
33	Miscellaneous Revenue	\$ 1,832	\$ 4,167	(2,335)	-56%	\$ 31,750	\$ 20,835	10,915	52%	\$ 67,632
34	Donations	-	3,333	(3,333)	0%	11,967	17,759	(5,792)	33%	-
35	Professional Center/Phys Recruit	-	-	-	0%	-	-	-	0%	-
36	Physician Practice Support-Prima	(52,486)	(65,630)	13,144	-20%	(354,225)	(328,150)	(26,075)	8%	(328,150)
37	Parcel Tax Assessment Rev	237,305	237,500	(195)	0%	1,187,305	1,187,500	(195)	0%	1,225,090
38	GO Bond Tax Assessment Rev	152,326	153,584	(1,258)	-1%	761,630	767,920	(6,290)	-1%	767,835
39	GO Bond Interest	(34,925)	(30,011)	(4,914)	16%	(174,625)	(169,711)	(4,914)	3%	(150,055)
40	Total Non-Operating Rev/Exp	\$ 304,052	\$ 302,943	1,109	0%	\$ 1,463,802	\$ 1,496,153	(32,351)	-2%	\$ 1,582,352
41	Net Income / (Loss) prior to Restricted Contributions	\$ (162,745)	\$ (35,545)	(127,200)	358%	\$ 114,086	\$ 199,342	(85,256)	-43%	\$ 77,503
42	Capital Campaign Contribution	\$ 105,664	\$ 1,103,852	(998,188)	-90%	\$ 2,555,041	\$ 1,124,676	1,430,365	127%	\$ 272,639
43	Restricted Foundation Contributions	\$ -	\$ -	-	0%	\$ -	\$ -	-	100%	\$ 114,334
44	Net Income / (Loss) w/ Restricted Contributions	\$ (57,081)	\$ 1,068,307	(1,125,388)	-105%	\$ 2,669,127	\$ 1,324,018	1,345,109	102%	\$ 464,476
45	Net Income w/o GO Bond Activity	\$ (174,482)	\$ 944,734	(1,119,216)	118%	\$ (472,919)	\$ (398,867)	(74,052)	-19%	\$ (540,277)

**Sonoma Valley Hospital**  
**Statement of Cash Flows**  
**For the Period Ended**

	<u>Current Month</u>	<u>Year To Date</u>
<b>Operating Activities</b>		
Net Income (Loss)	(57,081)	2,669,127
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation and amortization	147,907	806,184
Net changes in operating assets and liabilities:		
(Increase)/Decrease Patient accounts receivable - net	101,052	(264,562)
(Increase)/Decrease Other receivables and other assets	250,047	(322,996)
(Increase)/Decrease Prepaid expenses	81,254	60,980
(Increase)/Decrease in Inventories	62,720	(22,227)
(Decrease)/Increase in Deferred revenues	(378,008)	(1,779,519)
(Decrease)/Increase in Accounts payable, accrued expenses	521,766	(27,151)
<b>Net Cash Provided/(Used) by operating activities</b>	<u>729,658</u>	<u>1,119,836</u>
<b>Investing Activities</b>		
Net Purchases of property, plant and equipment - Other Fixed Assets	(162,569)	(1,257,820)
Net Purchases of property, plant and equipment - GO Bond Purchases	(2,017,416)	(6,100,718)
Net Proceeds and Distributions from investments	-	-
Net Book Value of Assets Disposed	-	-
Change in Restricted Funds	-	-
Change in Limited Use Cash	2,013,310	6,038,782
(Payment)/Refund of Deposits		
<b>Net cash Provided/(Used) by investing activities</b>	<u>(166,675)</u>	<u>(1,319,756)</u>
<b>Financing Activities</b>		
Proceeds (Repayments) from Borrowings - Banks & Carriers	43,078	(271,957)
Proceeds (Repayments) from Borrowings - Other		
Net Intercompany Borrowings/(Repayments)		
Change in Post Retirement Obligations & Other Net Assets	-	-
Net Equity Transfers to related entities (Cash and Non-Cash)		
<b>Net cash Provided/(Used) by financing activities</b>	<u>43,078</u>	<u>(271,957)</u>
<b>Net increase/(Decrease) in cash and cash equivalents</b>	<u>606,061</u>	<u>(471,877)</u>
Cash and Equivalents at beginning of period	<u>1,060,464</u>	<u>2,138,402</u>
<b>Cash and Equivalents at November 30, 2013</b>	<u><u>1,666,525</u></u>	<u><u>1,666,525</u></u>



Days in A/R	May'13	Jun'13	Jul'13	Aug'13	Sep'13	Oct'13	Nov'13
Actual days in A/R	53.1	57.3	55.0	57.3	49.7	47.9	54.2
Goal	50.0	50.0	50.0	50.0	50.0	50.0	50.0



Days in A/P	May'13	Jun'13	Jul'13	Aug'13	Sep'13	Oct'13	Nov'13
Actual days in Vendor A/P	54.3	55.8	54.0	63.0	48.9	55.4	63.1
Goal	60.0	60.0	60.0	60.0	60.0	60.0	60.0

**Sonoma Valley Hospital**  
Statistical Analysis  
FY 2014

Statistics	ACTUAL	BUDGET	ACTUAL												
	Nov-13	Nov-13	Oct-13	Sep-13	Aug-13	Jul-13	Jun-13	May-13	Apr-13	Mar-13	Feb-13	Jan-13	Dec-12	Nov-12	Oct-12
Acute															
Acute Patient Days	318	388	374	405	385	338	323	396	315	447	449	613	456	351	443
Acute Discharges	85	106	91	107	102	100	87	99	88	122	128	159	117	104	121
SNF Days	531	607	606	585	615	457	470	638	589	725	678	707	671	638	576
HHA Visits	903	1,050	941	745	736	760	990	1,140	1,101	1,067	1,001	1,076	940	921	1,043
Emergency Room Visits	665	747	731	795	789	750	716	795	729	757	710	852	793	732	801
Gross Outpatient Revenue (000's)	\$9,325	\$8,759	\$10,248	\$9,173	\$9,801	\$10,071	\$8,353	\$9,289	\$8,906	\$8,167	\$8,065	\$8,805	\$8,302	\$8,485	\$8,935
Equivalent Patient Days	2,145	2,186	2,342	2,157	2,256	1,945	1,892	2,266	2,237	2,422	2,314	2,594	2,353	2,213	2,214
Births	14	14	12	13	11	15	8	15	12	16	11	19	13	14	9
Surgical Cases - Inpatient	26	36	32	33	35	33	30	42	25	35	33	38	32	35	37
Surgical Cases - Outpatient	109	94	103	87	95	102	86	105	90	96	80	78	94	95	91
Total Surgical Cases	135	130	135	120	130	135	116	147	115	131	113	116	126	130	128
Medicare Case Mix Index	1.76	1.40	1.52	1.47	1.64	1.54	1.58	1.62	1.50	1.55	1.36	1.52	1.51	1.47	1.29
Income Statement															
Net Revenue (000's)	3,757	3,965	4,459	3,937	4,251	4,068	3,821	3,324	3,986	3,945	3,938	4,006	4,085	3,679	3,963
Operating Expenses (000's)	4,361	4,438	5,022	4,339	4,441	4,413	4,694	4,529	4,407	4,577	4,353	4,632	4,482	4,235	4,407
Net Income (000's)	(57)	1,068	990	883	440	185	732	(651)	149	251	114	237	134	174	67
Productivity															
Total Operating Expense Per Equivalent Patient Day	\$2,033	\$2,030	\$2,144	\$2,011	\$1,968	\$2,269	\$2,481	\$1,999	\$1,970	\$1,890	\$1,881	\$1,786	\$1,905	\$1,914	\$1,990
Productive FTEs	288	287	282	279	286	279	277	282	286	291	290	284	284	266	281
Non-Productive FTE's	25	26	29	41	30	36	40	28	34	31	32	37	33	47	36
Total FTEs	313	312	312	320	315	315	317	311	320	322	322	321	317	313	316
FTEs per Adjusted Occupied Bed	4.39	4.28	4.12	4.45	4.33	4.25	4.25	4.25	4.29	4.12	3.77	3.84	4.24	4.24	4.43
Balance Sheet															
Days of Expense In General Operating Cash	11		7	8	11	8	7	12	17	15	9	9	14	7	12
Net Days of Revenue in AR	54		48	50	53	50	62	59	55	51	53	51	53	52	53

13.

# PROJECTED CASH FLOWS



**Sonoma Valley Hospital  
Summary of Building Program**

	November	December	January
<b>GO Bond Cash Flow</b>			
GO Bond Balance	\$ -	\$ -	\$ -
Anticipated Payments	\$ -	\$ -	\$ -
<b>Ending Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Capital Campaign Cash Flow</b>			
Beginning Balance	\$ 4,284,311	\$ 2,271,967	\$ 998,825
Anticipated Cash Receipts	\$ 105,664	\$ 90,097	\$ 93,178
Interest Earned			
Anticipated Borrowing	\$ -	\$ -	\$ -
Anticipated Payments	\$ (2,118,008)	\$ (1,363,239)	\$ (1,092,003)
<b>Ending Balance</b>	<u>\$ 2,271,967</u>	<u>\$ 998,825</u>	<u>\$ (0)</u>
<b>Building Cash Flow Borrowing</b>	\$ -	\$ -	\$ -
<b>CEC Loan</b>			
Beginning Balance			\$ -
Building Spending			\$ (602,543)
<b>Receipts</b>			<u>\$ 1,100,000</u>
Ending Balance		<u>\$ -</u>	<u>\$ 497,457</u>
<b>Cash Flow Summary</b>			
GO Bond Money	\$ -	\$ -	\$ -
CEC Proceeds		\$ -	\$ 497,457
Donation Balance	\$ 2,271,967	\$ 998,825	\$ (0)
<b>Balance</b>	<u>\$ 2,271,967</u>	<u>\$ 998,825</u>	<u>\$ 497,457</u>
<b>Total Project Summary</b>			
GO Balance	\$ -	\$ -	\$ -
CEC Loan Balance			\$ -
Fundraising Balance	\$ 4,284,311	\$ 2,271,967	\$ 998,825
Fundraising Receipts	\$ 105,664	\$ 90,097	\$ 93,178
CEC Loan Receipts		\$ -	\$ 1,100,000
Payments	\$ (2,118,008)	\$ (1,363,239)	\$ (1,694,546)
<b>Ending Balance</b>	<u>\$ 2,271,967</u>	<u>\$ 998,825</u>	<u>\$ 497,457</u>

**Sonoma Valley Hospital  
6 Month Cash Projection**

Updated: 12/31/2013

	Nov-13 Actual	Dec-13 Projected	Jan-14 Projected	Feb-14 Projected	Mar-14 Projected	Apr-14 Projected	May-14 Projected	Jun-14 Projected
<b>Operating Activities</b>								
1 Net Income, Before Restricted Donations.	(162,745)	-	-	-	-	-	-	-
2 Restricted Donations Received	105,664	90,097	93,178	94,199	92,849	76,139	101,782	-
3 Total Net Income	(57,081)	90,097	93,178	94,199	92,849	76,139	101,782	-
4 Add: Depreciation & Amortization	159,398	166,512	301,661	301,661	301,661	301,661	301,661	301,661
5 Dec (Inc) in Net Accts Receivable	101,052	-	-	-	-	-	-	-
6 Dec (Inc) in Inventories/Other Rec'v & Assets	495,687	(703,339)	866,661	972,682	266,661	340,000	(150,000)	(3,884,424)
7 Dec (Inc) in E H R Payment Accrual	(115,000)	(115,000)	(115,000)	(115,000)	(115,000)	(115,000)	(115,000)	(115,000)
8 Dec (Inc) in Restricted Donations Received	(105,664)	(90,097)	(93,178)	(94,199)	(92,849)	(76,139)	(101,782)	-
9 Decrease (Inc) in Prepaid Expenses	81,254	40,327	40,327	40,327	40,327	40,327	40,327	40,327
10 Increase (Dec) in Accounts Payable	516,608	(600,000)	(900,000)	(80,000)	(459,000)	(200,000)	-	-
11 Increase (Dec) in Payroll Accruals	(62,719)	792,018	354,332	(346,216)	762,332	322,888	468,332	(689,112)
12 Increase (Dec) in Accrued Expenses	(59,835)	22,264	20,000	14,000	8,000	20,000	14,000	8,000
13 Increase (Dec) in Deferred Revenue	(378,008)	(310,670)	(398,584)	(398,584)	(398,584)	(398,584)	(398,584)	4,384,424
14 Increase (Dec) in Interest Payable	142,671	142,671	142,671	142,671	142,671	142,671	142,671	542,670
15 Increase (Dec) in Other Liabilities	(15,000)	250,000	(140,000)	(250,000)	(360,000)	(300,000)	75,000	75,000
16 Net Cash Provided By Operating Activities	703,363	(315,217)	172,068	281,541	189,068	153,963	378,407	663,546
<b>Capital and Related Financing Activities</b>								
18 Building Project Related								
19 Draws on Equipment Lease	250,000	250,000						
20 Transfers from Bond Fund/Donations	1,868,008	1,363,239	1,694,546	-		-		
21 Draws on Pledge Financing								
22 Draws on CEC Loan								
23 Building Program Spending	(2,118,008)	(1,363,239)	(1,694,546)	-		-	-	-
24 Transfers From (To) Restricted/Trustee Funds		-	-	-	-	-	-	-
25 Non Building Project Capital Spending								
26 Purchase of Capital non Building Project	-	(25,000)	(50,000)	(50,000)	(50,000)	(50,000)	(100,000)	(50,000)
27 Other Financing								
28 Draws on Line of Credit				-	-			
29 Repayments of Long-Term Debt	(35,603)	(91,362)	(69,983)	(59,478)	(59,478)	(59,478)	(59,478)	(142,556)
30 Payments on Line of Credit -				(200,000)			(200,000)	(200,000)
31 Payments on Line of Credit	(61,699)	(61,699)	(61,699)	(61,699)	(61,699)	(61,699)	(61,699)	(61,699)
32 Net Cash Used in Financing Activities	(97,302)	71,939	(181,682)	(371,177)	(171,177)	(171,177)	(421,177)	(454,255)
33 Net Increase (Decrease) in Operating Cash	606,061	(243,278)	(9,614)	(89,636)	17,891	(17,214)	(42,770)	209,291
<b>Operating Cash Balances</b>								
34 Cash At Beginning of Period	1,060,464	1,666,525	1,423,247	1,413,633	1,323,997	1,341,888	1,324,673	1,281,903
35 Change	606,061	(243,278)	(9,614)	(89,636)	17,891	(17,214)	(42,770)	209,291
36 Cash At End of the Period	1,666,525	1,423,247	1,413,633	1,323,997	1,341,888	1,324,673	1,281,903	1,491,193

**Sonoma Valley Hospital  
6 Month Cash Projection**

Updated: 12/31/2013

		<b>Nov-13 Actual</b>	<b>Dec-13 Projected</b>	<b>Jan-14 Projected</b>	<b>Feb-14 Projected</b>	<b>Mar-14 Projected</b>	<b>Apr-14 Projected</b>	<b>May-14 Projected</b>	<b>Jun-14 Projected</b>
38	<b>Balance of Line of Credit</b>	4,024,868	3,963,169	3,901,470	3,639,771	3,378,072	3,116,373	2,654,674	2,192,975
39	<b>Balance of GO Bond Money</b>	-	-	-	-	-			
40	<b>Balance of UnSpent Donations</b>	2,271,967	998,825	-	-	-	-	-	-
41	<b>Balance of UnPaid Pledges</b>	4,420,414	4,330,317	4,237,139	4,142,940	4,050,091	3,973,952	3,872,170	3,872,170
42	<b>Projected Accounts Receivable</b>	6,790,584	6,790,584	6,790,584	6,790,584	6,790,584	6,790,584	6,790,584	6,790,584
43	<b>Projected Accounts Payable</b>	4,737,512	4,137,512	3,237,512	3,157,512	2,698,512	2,498,512	2,498,512	2,498,512
<b>Statistics</b>									
23	Days Cash on Hand (Operating Only)	12	10	10	10	10	9	9	11
24	Days in Net Accounts Receivable	48	48	48	48	48	48	48	48
25	Days in Accounts Payable	55	51	40	39	34	31	31	31

Objectives and Priorities:

- \* Maintain cash balance at \$1.5 million minimum (Priority 1)
- \* Maintain days in Accounts Payable at 60
- \* Maintain days in Accounts Receivable at current month's level

**Sonoma Valley Hospital**  
**Significant UnBudgeted Cash Flow Events For FY 2014**

		<b>Dollars</b>	<b>AP Days</b>
E.H.R. Federal Payment		\$ 1,008,000	13.4
E.H.R. State Payment		\$ 372,000	5.0
Medicare Rural Floor Calculation Appeal		\$ 400,000	5.3
Cell Phone Lease		\$ 255,000	3.4
February IGT, estimated net		\$ 300,000	4.0
Foundation repayment of Campaign costs			
2012 Expenses	\$ 233,325		
2013 Expenses	\$ 198,774		
2014 Expenses	\$ 54,723		
Total Campaign Cost to Date		\$ 486,821	6.5
<b>Total new cash over the remainder of FY 2014</b>		<b>\$ 2,821,821</b>	<b>37.6</b>

**Cash Plan**

1. Use these funds plus expense savings to paydown AP to be in compliance with Vendor contracts
2. Increase cash balance to \$2 million minimum
3. Pay Down LOC

Cash need to get AP to 30 Days, as of December 31	\$ 1,816,300
Remaining Cash to get to 2 million	\$ 333,475
Balance to Pay Down LOC	\$ 672,046
<b>Total Unbudgeted Cash</b>	<b>\$ 2,821,821</b>

**Sonoma Valley Hospital  
Project Costs and Funding  
December 31, 2013**

**Project Costs**

Master Plan	\$	3,249,946
Fees and Permits	\$	700,000
Central Utility Plan	\$	330,497
HVAC Upgrades	\$	230,702
Electrical Panels	\$	150,045
Information Technology	\$	1,020,387
Major Medical Equipment	\$	617,300
South Lot Rental and Options	\$	1,038,069
Design Build - ED / Surgery	\$	22,611,228
Emergency Room	\$	5,750,000
Art Work	\$	150,000
Lobby	\$	200,000
Surgery and Emergency Equipment	\$	2,809,000
Furniture	\$	450,000
Issuance of Bonds	\$	152,068
Existing Facility Improvements	\$	1,804,265
Second Floor Improvements	\$	1,100,000
New Wing	\$	117,759
East Wing	\$	105,200
West Wing	\$	136,245
Central Core	\$	154,515
Project Mgt. and Planning	\$	931,774
<b>Total Project Costs</b>	<b>\$</b>	<b>43,809,000</b>

**Sources of Funds**

GO Bonds - For Project	\$	31,000,000
Donations - Received to Date	\$	8,909,000
California Energy Commission Loans	\$	1,500,000
Equipment Lease	\$	2,200,000
Interest Earned from GO Bonds	\$	200,000
<b>Total Sources of Funds</b>	<b>\$</b>	<b>43,809,000</b>

Donations Received and Pledged	\$	11,170,000
Less Received to Date	\$	8,909,000
Uncollected Donations	\$	2,261,000

The remaining uncollected donations will be used to pay off the equipment lease and to pay for the cost of the campaign