



BOARD OF DIRECTORS' MEETING

AGENDA

THURSDAY, NOVEMBER 2, 2017

REGULAR SESSION 6:00 P.M.

COMMUNITY MEETING ROOM

177 First St. W., Sonoma, CA

<p>In compliance with the Americans Disabilities Act, if you require special accommodations to participate in a District meeting, please contact District Clerk Stacey Finn at (707) 935.5004 at least 48 hours prior to the meeting.</p>	RECOMMENDATION	
AGENDA ITEM		
<p>MISSION STATEMENT The mission of SVHCD is to maintain, improve, and restore the health of everyone in our community.</p>		
<p>1. CALL TO ORDER</p>	<i>Hirsch</i>	
<p>2. PUBLIC COMMENT</p>	<i>Hirsch</i>	Inform
<p>3. CONSENT CALENDAR A. Board Minutes 10.05.17 B. Board Retreat Minutes 10.03.17 C. Governance Committee Minutes 10.24.17 D. Finance Committee Minutes 09.26.17 E. Quality Committee Minutes 09.27.17 F. Executed Policies and Procedures G. Medical Staff Credentialing Report <i>Pages 3-18</i></p>	<i>Hirsch</i>	Action
<p>4. CHIEF OF STAFF QUARTERLY REPORT <i>Page 20</i></p>	<i>Sebastian</i>	Inform
<p>5. SOUTH LOT DISCUSSION <i>Pages 22-129</i></p>	<i>Hirsch</i>	Inform
<p>6. REVIEW AND DISCUSSION OF SVH EMERGENCY RESPONSE PLAN AND IMPLEMENTATION <i>Pages 131-139</i></p>	<i>Mather/Kuwahara/Kobe</i>	Inform
<p>7. 2017 FINANCIAL AUDIT APPROVAL</p>	<i>Jensen</i>	Inform/Action
<p>8. ADMINISTRATIVE REPORT NOVEMBER 2017 <i>Pages 141-143</i></p>	<i>Mather</i>	Inform
<p>9. FINANCIAL REPORT MONTH END SEPTEMBER 30, 2017 <i>Pages 145-157</i></p>	<i>Jensen</i>	Inform
<p>10. COMMITTEE REPORTS</p> <ul style="list-style-type: none"> • Governance Committee <ul style="list-style-type: none"> ○ Orientation Guide ○ Board Legislative and Regulatory Policy ○ Board Member and Board Chairperson Legal Duties, Roles and Responsibility and Limits on Power and Authority <p style="text-align: right;"><i>Pages 159-169</i></p>	<i>Hirsch Hohorst</i>	Inform
<p>11. BOARD COMMENTS</p>	<i>Board Members</i>	Inform
<p>12. ADJOURN</p>	<i>Hirsch</i>	

3.

CONSENT CALENDAR



BOARD OF DIRECTORS' MEETING
MINUTES

THURSDAY, OCTOBER 5, 2017
 CLOSED SESSION 5:00 P.M.
 REGULAR SESSION 6:00 P.M.

COMMUNITY MEETING ROOM
 175 First Street West Sonoma CA

	RECOMMENDATION	
MISSION STATEMENT <i>The mission of SVHCD is to maintain, improve and restore the health of everyone in our community.</i>		
1. CALL TO ORDER The meeting was called to order at 6:05p.m.	<i>Hirsch</i>	
2. PUBLIC COMMENT ON CLOSED SESSION	<i>Hirsch</i>	
None		
3. CLOSED SESSION <u>Calif. Government Code & Health and Safety Code § 54947</u> Performance Evaluation Regarding Chief Executive Officer	<i>Hirsch</i>	
4. REPORT ON CLOSED SESSION		Inform
Ms. Hirsch reported that the Board finalized performance evaluation of the Chief Executive Officer. Further discussion will commence with the agenda item.		
5. PUBLIC COMMENT	<i>Hirsch</i>	
None		
6. CONSENT CALENDAR	<i>Hirsch</i>	Inform/Action
		MOTION: by Rymer 2 nd Nevins by. All in favor
7. CEO PERFORMANCE EVALUATION	<i>Hirsch</i>	Inform/Action
Mr. Hohorst reviewed the three elements of the evaluation. Performance incentive payment, salary increase recommendation, and the third is the contract extension consideration. The recommended total incentive earned was \$34,791.43. The recommended salary increase was \$10,251, a 3% increase. This would be the same increase the SVH staff would receive January 1, 2018, budget allowing. The recommended extension on the CEO contract was for another three year employment term.		MOTION: by Rymer 2 nd by Hohorst to approve incentive payment. All in favor MOTION: by Rymer 2 nd by Hohorst to approve the CEO salary 3% increase. All in favor.

		MOTION: by Rymer 2 nd by Hohorst to extend the CEO contract. All in favor
8. AUDIT COMMITTEE MEMBERS	<i>Nevins</i>	Inform/Action
<p>Ms. Nevins reported that this year the audit committee will consist of 2 Board members and 3 Community members because of her standing as the Finance Chair and Board Treasurer. The two recommendations for the audit committee are David Duncan and Dick Fogg</p> <p>Ms. Nevins also discussed the recommendation to review the structure of the audit committee.</p>		<p>MOTION: by Nevins for the addition of the two new committee members 2nd by Rymer. All in favor</p> <p>MOTION: by Nevins to review the audit committee structure 2nd by Hohorst. All in favor</p>
9. UPDATE FROM SONOMA COUNTY DEPARTMENT OF HEALTH	<i>Robinson</i>	Inform
<p>Ms. Barbie Robinson, Director of Sonoma County Department of Health, presented an update from the Sonoma County Dept of Health.</p> <p>She reported that Sonoma County Department received the 2017 Health Department of the year from National Association of City and County Officials. And the past year Sonoma County was ranked the 6th healthiest county in California by the Robert Wood Johnson Foundation.</p> <p>She said the Board of Supervisors approved the strategic priorities for the upcoming year. The priorities include, healthy water shed, securing the safety net, housing for all, and building the infrastructure.</p> <p>Ms. Robinson then spoke about the departments plan to improve the Safety Net priority area. The safety net includes the department’s human services, probation, child support services, the community development commission, the public defender and the Sheriff’s department. This includes getting most vulnerable people in the county into the safety net, but also moving them out with greater wellbeing and strengthened self-sufficiency. One of the programs being developed and implemented with this is called Access Sonoma County. This project will allow the safety net departments to access and share data from each other as one system. This will allow the departments to work together to create comprehensive strategies and interventions to meet the needs of the population.</p> <p>She also spoke about the Whole Person Care Project. This is looking at individuals who are utilizing services at any part of the continuum of care in the mental health issues and disorders.</p>		

<p>This concept project will first identify the most vulnerable and look at how they are evaluated and the different strategies of how their needs are addressed, then scale that up. This will then become how the county does business.</p> <p>As part of the safety net priorities the Board charged the Department of Health with is strengthening the behavioral health system of care. They are in the process of developing a behavioral health campus in Roseland.</p> <p>Sonoma is one of 16 counties that received or has the authority to implement the drug MedCal delivery system. This allows the county to provide a comprehensive health plan for substance use and recovery services. This has expanded the types of services that are available under alcohol and drug treatment. This will allow the county to deliver services in a way they have never been able to do and receive reimbursement.</p> <p>She also spoke about the Whole Person Care Pilot Project which is identifying individuals who are high utilizers of systems and are also homeless, who have serious mental illness and who have co-occurring conditions. The purpose of the pilot is to test integration with behavioral health with physical health and social services to provide a holistic strategy to any individual who meets criteria participation in the program. There will be teams in the valley, Guerneville, Cloverdale, and working with the hospitals. She said that they have received funding for this but have yet to go to the Board with it.</p> <p>She said one of the other projects was looking at neighborhood services and needs. The assessment is on-going to look at services and access in the smaller communities.</p> <p>She also gave updates on various community needs assessment's as well as the Sonoma Developmental Center.</p>		
<p>10. ADMINISTRATIVE REPORT OCTOBER 2017</p>	<p><i>Mather</i></p>	<p>Inform</p>
<p>Ms. Mather reported that the summer months were slow. She said that this is a trend that is being seen in surrounding hospitals as well.</p> <p>She said the Paragon 14 upgrade was very successful. The nursing upgrade will happen in the next few months.</p> <p>The physical plant upgrades are underway. The expectation for the Mammography project to be complete is January.</p> <p>She reported that the hospital went on a disaster alert due to the overhead paging system going down for three days.</p> <p>The capital campaign has started and we have already raised twenty thousand dollars in pledges, with a goal of fifteen to twenty million.</p> <p>The Kaiser discussions are ongoing.</p> <p>A UCSF meeting to discuss the possible affiliations is happening.</p> <p>Canopy health is going live with the Western Health Advantage product, effect Jan 1st. This will lead to an increase in our payment from Western Health Advantage.</p>		

<p>Under enhanced strategies, the Bariatric Institute is moving forward. It will be called the Whole Health Institute. More information to come in the upcoming months.</p> <p>The new breast surgeon is here next week.</p> <p>Ophthalmology is going well with volumes up.</p> <p>South lot purchase is in the final stages.</p> <p>The Prime Grant data has been sent in. We should see the money from the grant in the next few weeks.</p> <p>Ms. Mather reviewed the dashboard and we are hitting most all of the benchmarks.</p>		
<p>11. FINANCIAL REPORT MONTH END AUG. 31, 2017</p>	<i>Jensen</i>	Inform
<p>Mr. Jensen reported the volumes were down but the payer mix was consistent with budget, of Medicare combined were at 56.7% vs a budget of 55.7%. Cash goal for the month was \$3.9 million and \$3.7 million was collected. Days of cash on hand was 10.6 days and AP 47 days, AR is down to 42.7 days.</p> <p>Inpatient t revenue was down 25%, outpatient was up 25%.</p> <p>The Net gross was down \$474,000, contractual better than budget due to lower volume. Total operating revenue was \$205,000 less than expected. Net expenses were off budget by \$12,900 but would have been 266k better if we didn't have the matching funds. The net loss was \$591,000 from operations vs a \$372,000 loss in budget. The net income, including the GO Bond, was a \$164,000 loss compared to an anticipated gain of \$35,000. EBIDA was 0.1% vs IBDA -0.9%.</p>		
<p>12. COMMITTEE REPORTS</p>	<i>Hirsch</i>	Inform
<p>Governance Committee – Orientation Outline 2017</p> <p>Mr. Hohorst presented the revised Orientation Outline. He proposes that it be sent to each Board committee member as well as Board members.</p> <p>Stated revisions to be made and will be brought back for approval</p>	<i>Hohorst</i>	
<p>16. BOARD COMMENTS</p> <ul style="list-style-type: none"> • SB687 Veto Letter- Ms. Hirsch reviewed the veto letter sent to Governor Brown. • Jan. 4, 2018 Board meeting move to Jan. 11, 2018. 	<i>Board Members</i>	
<p>COMMENTS</p>		
<p>Mr. Hohorst reported that the PI fair Oct 17 & 18th from 10a-2p.</p> <p>Mr. Boerum reported the city council convened a meeting on medical cannabis and the potential discussion regarding the hospital being a part of the dispensing.</p> <p>Mr. Boerum requested that the sending out of letters on behalf of the District be reviewed in the Governance meeting.</p> <p>Mr. Boerum gave his thoughts on the CEO bonus and pay increase. *memo as written as last year, the current salary was</p>		

not mentioned. For disclosure the salary should be included. \$350085 to \$360,587		
17. ADJOURN	<i>Hirsch</i>	
Meeting adjourned at 7:30pm		



**SONOMA VALLEY HEALTHCARE DISTRICT
BOARD OF DIRECTORS
RETREAT MINUTES
Tuesday, October 3, 2017
10:00am—1:45pm**

**GEORGE RANCH CLUBHOUSE
3200 White Alder, Sonoma, CA**

AGENDA ITEM	RECOMMENDATION
<p>MISSION STATEMENT <i>The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.</i></p>	
<p>1. CALL TO ORDER Meeting called to order at 9:15am</p>	<i>Hirsch</i>
<p>2. PUBLIC COMMENT SECTION 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 Board 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 Board consideration. At all times please use the microphone.</p>	
<p>No public comment</p>	
<p>STRATEGIC AFFILIATION/BEST PRACTICES DISCUSSION Ms. Mather reported that she has visited a number of similar institutions over the past year that have demonstrated “best practices”, in an effort to learn if there are areas where we could perform better. She has visited Marshall Medical Center, San Ramon Medical Center, Healdsburg General Hospital, Washington Hospital District in Fremont. While there are some similarities to SVH, there are significant differences in size, scope, affiliation with other institutions. Despite the differences, Kelly is in the process of developing an action plan to help guide our future. She is still in conversations with Kaiser about Home Care rates, and there was some discussion about potential new service lines.</p>	<i>Mather</i>
<p>PUBLIC RELATIONS vs MARKETING Mr. Hohorst reported on a breakout session he attended recently at the AHA Leadership Summit in San Diego. It was led by the CEO of Grinnell Medical Center in Grinnell, Iowa, which is a private institution with a much larger Board. Mr. Linden, the CEO, feels that the primary responsibility of the Board is Public Relations, while we look at our Board as primarily governance. Discussion ensued about the best way to use our Board members to engage with our community, help educate them and gain additional support. The Parcel Tax Committee has suggested the use of focus groups, to gain insight from areas that didn’t support the parcel tax. Mr. Hohorst agreed to get some additional information about that</p>	<i>Hohorst</i>

<p>proposal. A suggestion was made to develop a hospital committee, with two Board members and some community members. Next steps would include goal development. Ms. Hirsch and Mr. Hohorst agreed to be the Board members.</p>	
<p>BOARD ANNUAL ASSESSMENT AND DISCUSSION Ms. Hirsch led a discussion of areas of agreement regarding the Board’s performance, as well as areas where it was identified that improvements could be made.</p>	<p><i>Hirsch/Inform</i></p>
<p>ADJOURN Meeting adjourned at 1:45pm</p>	<p><i>Hirsch</i></p>



**SONOMA VALLEY HEALTH CARE DISTRICT
GOVERNANCE COMMITTEE MEETING
MINUTES
TUESDAY, OCTOBER 24, 2017
8:30AM**

**BASEMENT CONFERENCE ROOM
347 ANDRIEUX STREET, SONOMA, CA 95476**

AGENDA ITEM	RECOMMENDATION	
In compliance with the Americans with Disabilities Act, if you require special accommodations to participate in a District meeting, please contact the District Clerk, Stacy Finn at sfinn@svh.com or (707) 935.5004 at least 48 hours prior to the meeting.		
MISSION STATEMENT <i>The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.</i>		
1. CALL TO ORDER/ANNOUNCEMENTS	<i>Hohorst</i>	
2. PUBLIC COMMENT SECTION At this time, members of the public may comment on any item not appearing on the agenda. It is recommended 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.	<i>Hohorst</i>	
No public comment		
3. REVIEW OF TWO BOARD POLICIES	<i>Hohorst</i>	Inform
Board Legislative and Regulatory Policy Positions and Board Member and Board Chairperson Legal Duties, roles and Responsibilities and Limit on Power and Authority policies were reviewed and discussed. Recommended to forward both policies to November 2 nd Board meeting for re-approval without changes.		
5. ADJOURN	<i>Hohorst</i>	
Meeting adjourned at 09:00am.		



**SVHCD
FINANCE COMMITTEE MEETING
MINUTES
TUESDAY, SEPTEMBER 26, 2017
Schantz Conference Room**

Present	Excused	Staff	Public
John Perez Sharon Nevins Keith Hughes Peter Hohorst Dr. Mishra via telephone	Susan Porth	Kelly Mather Ken Jensen Sarah Dungan	

AGENDA ITEM	DISCUSSION	ACTIONS	FOLLOW-UP
MISSION & VISION STATEMENT <i>The mission of SVHCD is to maintain, improve and restore the health of everyone in our community.</i>			
1. CALL TO ORDER/ANNOUNCEMENTS	<i>Nevins</i>		
	Called to order 4:59p.m.		
2. PUBLIC COMMENT SECTION	<i>Nevins</i>		
	None		
3. CONSENT CALENDAR FC Minutes 6.27.17 & 8.22.17	<i>Nevins</i>	Action	
		MOTION: by Berezin second by Perez. All in favor	
5. ADMINISTRATIVE REPORT	<i>Mather</i>	Inform	
	Ms. Mather reported that the beginning of the FY started with a low census. The Home Care agreement has not been signed with Kaiser as of		

AGENDA ITEM	DISCUSSION	ACTIONS	FOLLOW-UP
	<p>yet. If this does not happen we will be cutting back by 40-50 percent.</p> <p>She reported that the Breast surgeon is starting next week.</p> <p>The financial team has improved the reimbursements on the Pain Management implant issues.</p> <p>Ms. Mather said that she will be meeting with UCSF next week regarding doing clinical integration with them.</p> <p>The capital campaign has started for the outpatient diagnostic center. The goal is to raise 15-20 million. We currently need \$750,000 by the end of the year to finish off the mammography construction and pay that back.</p> <p>Ms. Mather is hopeful that this will be possible.</p>		
<p>6. FINANCIAL REPORT FOR MONTH ENDING AUGUST 30, 2017</p>	<p><i>Jensen</i></p>	<p>Inform</p>	
	<p>Mr. Jensen reported on the financial report for August 30, 2017</p> <p>Payer mix was what it was anticipated to be.</p> <p>Cash goal was \$3,929,450 and the hospital collected \$3,702,687. Days of cash on hand is 10.6 days. In the last week we did receive the advance on our Parcel Tax, and we expect some IGT money in the coming week. Accounts Payable is up to 47 days. Accounts Receivable is down to 42.7 days.</p> <p>Total Operating budget was off by \$205,000. Total expenses were over budget by \$12, 000 but they would have been \$195,000 better than budget had we not had the matching IGT fees.</p> <p>Operating loss of \$595,000 vs a budgeted loss of \$372,000.</p>		

AGENDA ITEM	DISCUSSION	ACTIONS	FOLLOW-UP
	Total net income loss for August was \$164,000 vs. the budgeted net income of \$35,000 with the EBIDA at 0.1% and IBIDA at -0.9%		
7. AUDIT STATUS/COORDINATE MEETING W/AUDIT COMMITTEE	<i>Jensen</i>	Inform	
	Annual audit meeting will be prior to the October Finance Committee meeting. The current feedback from the audit group has been positive. The committee discussed the upcoming end to the audit group's contract. They all agreed that they would like to continue with the same group.		
8. BOND REFINANCING DISCUSSION	<i>Jensen</i>	Inform	
	Mr. Jensen reports that the Board approved the evaluation of the Bond refinancing. Discussion amongst the committee regarding the overall benefit and or detriment of the refinancing of the bond. The committee decided to move forward with the evaluation of the refinancing. A decision will be made once the evaluation is complete.		
9. CFO SEARCH PLAN	<i>Mather</i>	Inform	
	Ms. Mather reported that a plan for a search CFO is underway, due to Mr. Jensen's retirement. The plan will be bring someone in to be mentored and trained by Mr. Jensen.		
10. ADJOURN	<i>Nevins</i>		
	<i>Meeting adjourned at 6:06pm</i>		

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**SONOMA VALLEY HEALTH CARE DISTRICT
QUALITY COMMITTEE
September 27, 2017, 5:00 PM
MINUTES
Schantz Conference Room**

Members Present	Members Present cont.	Excused	Public/Staff
Jane Hirsch Michael Mainardi, MD Kelsey Woodward Carol Snyder Howard Eisenstark, MD Susan Idell Michael Brown, MD		Ingrid Sheets Joshua Rymer Cathy Webber Leslie Lovejoy	Robbie Cohen, MD Mark Kobe Frederick Kretzschmar MD Lois Valenzuela Emma Snyder Danielle Jones

AGENDA ITEM	DISCUSSION	ACTION
1. CALL TO ORDER/ANNOUNCEMENTS	<i>Hirsch</i>	
	Meeting called to order at 5:01p.m.	
2. PUBLIC COMMENT	<i>Hirsch</i>	
	None	
3. CONSENT CALENDAR	<i>Hirsch</i>	Action
<ul style="list-style-type: none"> • QC Minutes, 8.23.17 		MOTION: by Mainardi to approve, 2 nd by Eisenstark. All in favor
4. POLICY & PROCEDURES	<i>Lovejoy</i>	Action
	Medical Device policy needs clarification on wording regarding reporting and injury. Update Standard Employer Service Rate needs i.e. edited to e.g.	MOTION: by Woodward to approve with discussed clarifications 2 nd by Eisenstark. All in favor.
5. CLINICAL LABORATORY MEDICAL DIRECTOR REPORT	<i>Kretzschmar/Valenzuela</i>	Inform
	Ms. Valenzuela gave her Clinical laboratory annual summary for 2016. She reported that the outpatient numbers have declined and likely will continue to decline. This is due to high insurance deductibles, and Dr.'s	

AGENDA ITEM	DISCUSSION	ACTION
	<p>ordering less lab work, or insurance dictates the specific lab a patient can go to.</p> <p>She reviewed the clinical lab quality program and processes which includes three phases, pre analytical, analytical, and post analytical measures. In 2016 the lab scored 100% in all of their proficiency testing, except one event which was in microbiology 98%.</p> <p>She also reported the lab got new equipment that has improved the testing availability, efficiency, and accuracy.</p> <p>Dr. Kretzschmar, Clinical Lab Medical Director, gave an overview of the Pathology group, Marin Medical Laboratories and their services.</p> <p>He reported that the Pathology group participates in ongoing QI programs which include, Surgical Pathology peer review. They also do retrospective external consultations – cases that are signed out and a request for the Path to be sent out to UCSF or Stanford for evaluation. Concordance rate was 98% and all discrepancies were minor.</p>	
6. QUALITY REPORT AUGUST 2017	<i>Jones</i>	Inform
	<p>Ms. Jones gave the Quality Report for September. She reported that the Prime grant activities included meeting with the Sound Physicians groups to discuss their process for Medicare FFS patients and to make sure follow up calls are standardized.</p> <p>In the Quality Department, Ms. Jones has completed her 90 day probation and will be taking on more of the Risk management process over the next six months. A fulltime Case Manager/Nurse Navigator has been hired. We have offered to Andrea O'Donnell, currently a McKesson employee, to come on as the Nurse Informaticist.</p> <p>The Medical Staff office Performance Improvement did an audit of the Medical Staff By-laws and Rules and Regulations that identified some processes that the Med Staff Office did not have a system to complete. The action plan was reviewed and is expected to be complete in 4-5 months.</p>	

AGENDA ITEM	DISCUSSION	ACTION
	Ms. Jones then reviewed the departments and their projects in the upcoming Oct. 17 th & 18 th Performance Improvement Fair. A request was made for two Quality Committee members to volunteer to be judges.	
7. RATE MY HOSPITAL DASHBOARD	<i>Kobe</i>	Inform
	Mr. Kobe gave an overview of the Rate My Hospital program that is in 5 of our outpatient departments. He said that everyday summary emails of the last 24hours are received by department leaders. After discussion regarding the dashboard and its time frame break down Mr. Kobe will inquire about the data being broken down differently. Each average score for each department is reviewed. All responses have been over 4.5 out of 5.	
8. UPON ADJOURNMENT OF REGULAR SESSION	<i>Hirsch</i>	
	Regular session adjourned at 6:12p.m.	
9. CLOSED SESSION <ul style="list-style-type: none"> • <u>Calif. Health & Safety Code § 32155</u> Medical Staff Credentialing & Peer Review Report 	<i>Hirsch/Jones</i>	Action
10. REPORT OF CLOSED SESSION	<i>Hirsch</i>	Inform/Action
		MOTION: by Eisenstark to approve 2 nd Idell. All in favor
11. ADJOURN	<i>Hirsch</i>	
	Meeting adjourned at 6:16p.m.	



SUBJECT: Hepatitis B Vaccination Program	POLICY # HR8610-164.3
DEPARTMENT: Organizational	PAGE: 1 of 3
REVIEW/REVISED: 10/01, 9/04, 6/07, 6/10, 7/14, 8/17	EFFECTIVE: 12/85

- Revised Reviewed/No Changes Retired

CHANGE SUMMARY:

Briefly state changes and include reasons for making change(s).

What:

Verbiage change throughout removing reference to Employee Health and replacing with Human Resources, and other minor language/formatting changes for clarity. Changed reference to Annual Safety Training to Annual Employee Health Screenings as a place that the vaccination program will be discussed and/or offered. Added requirement to either consent or sign declination prior to starting work. Added to paragraph V that Human Resources will track the completion of each dose and send reminder notices to the employee at each interval to ensure completion of the entire series.

Why:

AUTHORS WITH JOB TITLES:

Lynn McKissock, Director of Human Resources
Kathy Mathews, Infection Control Coordinator

APPROVALS:

Policy & Procedure Committee: 9/19/17
Board Quality Committee:
Board of Directors:



SUBJECT: MMR, Varicella, Td, TDaP and Influenza Vaccinations	POLICY # HR8610-164.2
DEPARTMENT: Organizational	PAGE: 1 of 5
REVIEW/REVISED: 6/10, 7/14, 8/17	EFFECTIVE: 8/07

Revised Reviewed/No Changes Retired

CHANGE SUMMARY:
Briefly state changes and include reasons for making change(s).

What:
Changing title to: MMR, Varicella, Td, TDaP, and Influenza Immunizations. Updated language to indicate “proof of immunity” as required, instead of “screening.” Removed the offering of a Td booster every 10 years. Updated verbiage throughout changing reference from “Employee Health” to “Human Resources” and other minor language, formats, and order of topics to provide clarity. Added that MMR, Varicella and TDaP vaccination/proof of immunity is a requirement of employment.

Why:

AUTHORS WITH JOB TITLES:
Lynn McKissock, Director of Human Resources
Kathy Mathews, Infection Control Coordinator

APPROVALS:
Policy & Procedure Committee: 9/19/17
Board Quality Committee:
Board of Directors:

4.

**CHIEF OF STAFF
QUARTERLY REPORT**

THE CHIEF OF STAFF'S QUARTER IN REVIEW 11/2/2017

ELECTIONS were held, and I was confirmed chief of staff, whereas Dr. Mike Brown was confirmed vice chief, which left a vacancy as surgical chair. Elections were then held also in the Dept. of Surgery, and Dr. .Russel Sawyer was appointed chair of surgery (election was a tie, and Med Exec voted unanimously to appoint him) and Dr. Sabrina Kidd. We feel VERY optimistic about the leadership in Surgery Dept.

We have a few NEW DIRECTORS in our midst. Dr. Cynthia Lawder is now the director, of the ED and Dr. Adam Nevitt, the director of radiology. Dr. Streeter is now the hospitalist director as well. We also have a relatively new group of pain management specialists, and are expecting a breast surgeon among us very soon.

Many of the physicians participated in a PEER REVIEW process where some challenging cases were reviewed. The collegiality and collaboration was truly remarkable. It was a learning experience for all involved and physicians showed a commitment to improving their practice through learning from cases that may have not gone as well as expected

The CREDENTIALING process has been streamlined. Verge seems to be working well, and we are credentialing physicians within 90 days. I'm enjoying working with Leslie who has whipped the medical staff office into shape. Leslie is in the process of making sure dues are collected appropriately.

As we all know, the FIRESTORMS put a strain on the hospital, as well as the larger community. The hospital stayed open. Many of our physicians worked tirelessly to make that happen, including Dr. Cohen, Dr. Lawder in the ER, and Dr. Streeter and the hospitalists, Dr. Kidd, Dr. Gilmartin and Dr. Verducci. Tensions were high and there were disagreements from time to time. However, we had a "post-mortem" analysis of how things went and in general, the physicians felt there was good communication, and the discussions afterward, have been remarkably collegial and productive. I think this collegiality manifested at our Periodic Medical Staff Meeting last week.

AREAS FOR IMPROVEMENT

Crisis management:? Better organization

My goal has been generally to foster and improve communication among the physicians and especially between physicians and admin; To that end, I am planning to send out a POLL, which is designed to let physicians express themselves and how they feel about all the different aspects of SVH, and how it's run. Hopefully, this will facilitate a constructive dialogue among physicians and between physicians and the admin team.

5.

SOUTH LOT DISCUSSION

PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS

THIS PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS (this "**Agreement**"), dated for reference purposes only as of November __, 2017 ("**Agreement Date**"), is entered into by and between CIVIC PROPERTY GROUP, INC., a California corporation (or its related assign) ("**Buyer**"), and SONOMA VALLEY HEALTH CARE DISTRICT, a California health care district ("**Seller**"). In consideration of the mutual promises contained in this Agreement, Buyer and Seller (sometimes collectively referred to as "**Parties**") agree as follows:

RECITALS

A. Seller owns that certain real property located in the City of Sonoma (the "**City**"), County of Sonoma (the "**County**"), State of California, identified as 853 4th Street East, more particularly described as APNs 018-392-001 and 018-392-045 ("**Seller's Real Property**"). Seller wishes to sell to Buyer and Buyer desires to purchase from Seller that portion of the Seller Property referred to herein as the Residential Parcel (as defined in Section 4.3 below).

B. The Residential Parcel includes all of Seller's right, title and interest, if any, in and to all rights-of-way, open or proposed streets (public or private), alleys, easements, strips or gores of land adjacent thereto.

C. The "**Property**" shall mean (i) the Residential Parcel, (ii) all easements, and to the extent any exist and Seller owns them, all mineral rights, oil and gas rights, wells, well-heads, water and water rights, air rights appurtenant to the Residential Parcel, and all other rights and privileges appurtenant to the Residential Parcel and/or Improvements (collectively, "**Appurtenances**"), (iii) all buildings, structures, facilities, infrastructure and other improvements, and all additions or alterations thereto or replacements thereof, erected in, on or under the Residential Parcel and/or Appurtenances (collectively, "**Improvements**"; the Residential Parcel, Appurtenances and Improvements are collectively referred to herein as the "**Real Property**"), and (iv) any and all "**Intangible Property**" as defined in the Assignment and Bill of Sale attached hereto as Exhibit "C" (the "**Bill of Sale**").

D. Seller desires to sell the Property to Buyer and Buyer desires to purchase the Property from Seller, on the terms and conditions contained in this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals, the promises and covenants of the Parties in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which the Parties acknowledge, the Parties agree as follows:

1. Purchase and Sale. Subject to the terms and conditions of this Agreement, Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, the Property in fee simple for the Purchase Price.

2. Definitions. Capitalized terms that are not defined when first used in this Agreement have the meanings set forth below.

(a) Additional Deposit. The Additional Deposit shall be One Hundred Thousand Dollars (\$100,000.00) and shall be deposited into Escrow pursuant to Section 3.2(b).

(b) Affordable Housing Units. “**Affordable Housing Units**” shall mean and include those units that Buyer shall build to meet minimum requirements for the project per the Approval, through a partnership with the Housing Land Trust of Sonoma County, and which units shall be made available on a preferential basis to hospital employees and/or employees of Seller.

(c) Authorities. All federal, state and local governmental and quasi-governmental agencies, bodies, entities, commissions, boards and authorities that have jurisdiction over the Property, the furnishing of utilities or other services to the Property, or the subdivision, improvement, development, occupancy, sale, transfer or use of the Property.

(d) Approved or Approval. “**Approved**” or “**Approval**” means the approval of the tentative map for development of residential units on the Property, and the expiration of all applicable appeal periods for challenging or appealing such approval, without an appeal having been filed, resulting in approved residential units for the Property, referred to herein as “**Approved Lots.**”

(e) Closing or Close of Escrow. The act of settlement of the purchase and sale of the Property on the Closing Date, at which Seller conveys possession and title to Buyer by delivery of the Grant Deed and records the Grant Deed with the County Recorder, and Escrow Agent delivers the Purchase Price to Seller.

(f) Closing Date. The Closing or Close of Escrow of the purchase and sale of the Property shall occur on the earlier of either: (i) twelve (12) months after the Due Diligence Expiration Date; or (ii) fifteen (15) business days following Approval (the “**Closing Date**”). Buyer shall not have any right to extend the Closing Date beyond the twelve (12) month period referenced in subsection (i), above.

(g) Deposit. The Deposit means the Initial Deposit and Additional Deposit, including any interest earned thereon.

(h) Documents. All engineering, geotechnical, environmental, economic, soils, marketing and other studies, surveys, grading plans, maps, drawings, plans, reports, appraisals, current entitlements, final maps, and any development agreements or CC&R documents relating to the Property that are in the possession of Seller.

(i) Due Diligence Period. The period beginning on the Effective Date and ending at 5:00 p.m. Pacific Time sixty (60) days thereafter (“**Due Diligence Expiration Date**”). Should a Phase II environmental study be required, Buyer shall be granted an automatic 15-day extension on the Due Diligence Period by providing Seller with a Notice of Approval as to all feasibility matters other than the Phase II study and making the Additional Deposit into Escrow.

(j) Environmental Laws. Means all Federal, state and local environmental laws, rules, statutes, directives, binding written interpretations, binding written policies, ordinances and regulations issued by any governmental entity or Authority and in effect as of the

date of this Agreement with respect to or which otherwise pertain to or affect the Property, or any portion thereof, the use, ownership, occupancy or operation of the Property, or any portion thereof, or any owner of the Property, and as the same have been amended, modified or supplemented from time to time prior to the date of this Agreement, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. § 9601 et seq.), the Hazardous Substances Transportation Act (49 U.S.C. § 1802 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the Water Pollution Control Act (33 U.S.C. § 1251 et seq.), the Safe Drinking Water Act (42 U.S.C. § 300f et seq.), the Clean Air Act (42 U.S.C. § 7401 et seq.), the Solid Waste Disposal Act (42 U.S.C. § 6901 et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), the Emergency Planning and Community Right-to-Know Act of 1986 (42 U.S.C. § 11001 et seq.), the Radon and Indoor Air Quality Research Act (42 U.S.C. § 7401 note, et seq.), the Superfund Amendment Reauthorization Act of 1986 (42 U.S.C. § 9601 et seq.), comparable state and local laws, and any and all rules and regulations and official publication promulgated pursuant to such laws which have become effective prior to the date of this Agreement under any and all of the aforementioned laws.

(k) Escrow Agent. First American Title Company, c/o Diane Burton, escrow officer, 4750 Willow Rd., Suite 100, Pleasanton, California, 94588, (925) 201-6603.

(l) Initial Deposit. The Initial Deposit shall be One Hundred Thousand Dollars (\$100,000.00) and shall be deposited into Escrow pursuant to Section 3.2.

(m) Hazardous Materials. Means any pollutants, contaminants, hazardous or toxic substances, materials or wastes (including petroleum, petroleum by-products, radon, asbestos and asbestos containing materials, polychlorinated biphenyls ("PCBs"), PCB-containing equipment, radioactive elements, infectious agents, and urea formaldehyde), or otherwise containing any "hazardous substances", "hazardous waste", or "toxic substances" as such terms are used in or regulated by any Environmental Laws (excluding solvents, cleaning fluids and other lawful substances used in the ordinary operation and maintenance of the Property, to the extent the presence of such materials do not violate any Environmental Laws).

(n) Permitted Exceptions. Matters of record or otherwise affecting the Property subject to which Buyer agrees to take title in its sole discretion, to be determined during the Due Diligence Period pursuant to Section 4.4.

(o) Profit Participation. Following the Closing Date, Buyer expects to proceed with the development, construction, and sale of residential units on the Property. In addition to the Purchase Price to be paid at Closing to the Seller, Buyer agrees to pay to Seller a share of Net Profits as set forth on Exhibit "D." Buyer's obligation to pay Seller a share of the Net Profits as set forth on Exhibit "D" attached hereto and referred to therein as the "**Participation Payment**," shall survive the Closing hereunder.

(p) Purchase Price. The Purchase Price for the Property shall be One Hundred and Sixty-Five Thousand and 00/100 Dollars (\$165,000.00) per Approved Lot; provided, however that the Purchase Price shall in no event be less than Three Million Three Hundred Thousand Dollars (\$3,300,000) (the "**Minimum Purchase Price**"). For purposes of example

only, in the event that the Approval of the tentative map results in 20 Approved Lots, the Purchase Price shall be Three Million Three Hundred Thousand Dollars (\$3,300,000.00); in the event that the Approval of the tentative map results in 24 Approved Lots, the Purchase Price shall be Three Million Nine Hundred and Sixty Thousand Dollars (\$3,960,000.00). In the event that Buyer does not receive Approval prior to the Closing Date, such that the number of Approved Lots is still to be determined as of Closing, then, at Seller's option, which Seller shall exercise via written notice to Buyer at least ten (10) days prior to the Closing Date, either (i) the Closing Date shall be extended until the date that is ten (10) days after Buyer obtains Approval and the number of Approved Lots has been determined, or (ii) Buyer shall pay to Seller at Closing the Minimum Purchase Price and, if Buyer thereafter obtains Approval for more than twenty (20) Approved Lots, then, within ten (10) days after Buyer obtains Approval, Buyer shall pay Seller through the Escrow the remainder of the Purchase Price owed to Seller for each Approved Lot over twenty (20).

(q) Title Company. First American Title Company, 4750 Willow Rd., Suite 100, Pleasanton, California, 94588.

3. Escrow and Deposit.

3.1 Opening of Escrow. No later than three (3) calendar days after mutual execution of this Agreement by the Parties the Parties shall deliver an executed copy of this Agreement to Escrow Agent and shall open escrow ("**Escrow**"). Escrow Agent shall promptly notify Buyer and Seller in writing of the date of receipt of all of the required signatures and the opening of Escrow. The "**Effective Date**" of this Agreement shall be the date that a fully executed copy of this Agreement has been received by Escrow Agent. This Agreement shall constitute joint escrow instructions to Escrow Agent. The Parties shall execute such additional instructions not inconsistent with the Escrow Agent's general instructions; provided, however, that as between the Parties, if any conflict between the provisions of this Agreement and the provisions of Escrow Agent's general instructions exists or arises, the provisions of this Agreement shall control. The period between the opening of Escrow and the Closing Date is the "**Escrow Period**."

3.2 Deposits. The Deposit and any other cash held by Escrow Agent shall be held in a federally insured interest bearing account, and the interest on the Deposit shall be held for Buyer's benefit.

(a) Initial Deposit. Within three (3) calendar days of the Agreement Date, Buyer shall deposit into Escrow the Initial Deposit. Upon Buyer delivering its Notice of Approval pursuant to Section 4.1.1, the Initial Deposit shall be non-refundable to Buyer. If Buyer does not deliver its Notice of Approval prior to the expiration of the Due Diligence Period, then the Initial Deposit shall be returned to Buyer, as further set forth in Section 3.3. A portion of the Initial Deposit equal to One Hundred Dollars (\$100.00) (the "**Independent Consideration**") shall be paid to Seller upon the earlier of the Close of Escrow or the termination of this Agreement for any reason. The Independent Consideration shall be deemed fully earned by Seller as of the date hereof and shall not be refundable under any circumstance. The Independent Consideration has been bargained for and agreed to as consideration for Buyer's exclusive right to purchase the Property for the periods prescribed in this Agreement and

tendered to Seller in recognition of the bilateral nature of this Agreement. The Independent Consideration is in addition to and independent of all other consideration provided in this Agreement, and is not credited toward the Purchase Price at Closing.

(b) Additional Deposit. Depending on whether or not the Due Diligence Period is extended for a Phase II study, within three (3) calendar days after its delivery of the Notice of Approval, or the Preliminary Notice of Approval, pursuant to Section 4.1.1, Buyer shall deposit the Additional Deposit with the Escrow Agent, which shall be non-refundable to Buyer except if Buyer disapproves the Phase II study.

(c) Applicability of Deposit. The Deposit and any accrued interest shall be fully applicable to and credited against the Purchase Price at the Closing.

(d) Release of Deposit. Upon Buyer's delivery of the Notice of Approval (if there is no extension of the Due Diligence Period for a Phase II study) or delivery of the Phase II Notice of Approval (if the Due Diligence Period is extended for a Phase II study) pursuant to Section 4.1.1, the Initial Deposit and the Additional Deposit shall be released to Seller and shall be non-refundable to Buyer.

3.3 Buyer's Right to Terminate. In the event that Buyer determines at any time during the initial 60-day Due Diligence Period that for any reason Buyer does not wish to proceed with the purchase of the Property, then Buyer may terminate the Escrow, and the Deposit shall be returned to Buyer. If the Due Diligence Period is extended for a Phase II study, then after Buyer delivers a Preliminary Notice of Approval, Buyer may terminate this Agreement only if Buyer disapproves the Phase II Study.

3.3.1. If Buyer terminates the Agreement after Buyer delivers its Notice of Approval, or Phase II Notice of Approval, as applicable, for any reason other than Seller's material, uncured default, then such termination shall be a Buyer default and the Deposit shall be paid and released to Seller as liquidated damages pursuant to Section 10.1, and Buyer and Seller shall have no further obligations to each other except for any obligations which expressly survive termination.

3.3.2. If Buyer terminates the Agreement after Buyer has given the Notice of Approval, or Phase II Notice of Approval, as applicable, and such termination is due solely to Seller's material uncured default under this Agreement, then the entire Deposit, whether or not released to Seller, shall be immediately paid and returned to Buyer, Buyer shall have its rights and remedies set forth in Section 10.2 below, and Buyer and Seller shall have no further obligations to each other except for any obligations which expressly survive termination.

3.3.3. Under any of the provisions of Section 3.3.1 or 3.3.2, Escrow Agent shall immediately return the Deposit to the designated party without any additional instructions from Buyer and/or Seller and without any imposed conditions and Escrow Agent shall immediately return all other documents, instruments and monies to the party which deposited same. The provisions of this Section 3 constitute binding instructions and obligations upon the Escrow Agent and expressly authorize the release and return of the Deposit as provided herein.

3.3.4. If this Agreement has been terminated for any reason, then within ten (10) days of such termination, Buyer shall deliver to Seller complete copies of all reports and documents prepared by third parties retained by Buyer related to the Property or produced or acquired by Buyer during the Due Diligence Period or thereafter (collectively, the “**Work Product**”); provided, however, for the avoidance of doubt, the Work Product shall expressly exclude all materials subject to the attorney client privilege or the work product doctrine, confidential or proprietary information, financial data, or market studies prepared by or on behalf of Buyer. Upon Seller’s request, Buyer shall assign to Seller, to the extent assignable, all of Buyer’s interest in the Work Product.

4. Preliminary Matters.

4.1 Due Diligence Study / Notice of Approval. Seller shall provide to Buyer within five (5) days after the Agreement Date at no cost to Buyer, an opportunity to review at Seller’s offices originals or copies of all Documents and any other requested pertinent information relating to the Property which are in Seller’s possession (collectively, the “**Property Documents**”). Subject to the limitations on testing and entry to the Property described below, Buyer shall have the right during the Due Diligence Period to investigate title and to conduct any feasibility, economic, environmental, political, title or engineering studies, or make such other investigations, studies and tests with respect to the Property as Buyer deems necessary or appropriate to determine the feasibility of purchasing the Property. Should Buyer so desire, Buyer shall confirm and approve the exact acreage of the Residential Parcel through an ALTA survey conducted at Buyer’s sole expense during the Due Diligence Period. As of the Close of Escrow, to the extent permitted by law, Buyer shall be deemed to have knowingly, voluntarily and intentionally waived the right to the disclosures (collectively, the “**Natural Hazards Disclosures**”) set forth in: (a) California Government Code Section 8589.3 (a special flood area); (b) California Government Code Section 8589.4 (dam failure inundation area); (c) California Government Code Section 51183.5 (earthquake fault zone); (d) California Public Resources Code Section 2621.9 (seismic hazard zone); (e) California Public Resources Code Section 4136 (wildland fire area); and (f) California Public Resources Code Section 2694 (high fire severity area). Buyer acknowledges and represents that it has extensive experience acquiring and conducting due diligence for real property. This waiver by Buyer includes, to the extent permitted by law, any remedies Buyer may have for Seller’s nondisclosure of the Natural Hazards Disclosures.

4.1.1. Notice of Approval. If Buyer elects to proceed with the purchase of the Property after conducting such investigations, then at any time prior to or commensurate with the expiration of the 60-day Due Diligence Period, Buyer may, in its sole discretion, deliver its “**Notice of Approval**” to Seller and Escrow Agent. If the Due Diligence Period is extended for a Phase II study, then, as a condition of such extension, Buyer shall deliver to Seller a “**Preliminary Notice of Approval**”, pursuant to which Buyer shall approve all due diligence matters except the environmental matters that are the subject of the Phase II study, and shall deliver to Escrow the Additional Deposit in accordance with Section 3.2(b) above. If after Buyer reviews the results of the Phase II study, Buyer determines to proceed with the transaction, Buyer shall deliver to Seller a second approval notice (the “**Phase II Notice of Approval**”). If Buyer delivers its Notice of Approval, or if the Due Diligence Period is extended for a Phase II Study a Phase II Notice of Approval, such shall be Buyer’s unconditional acceptance and

approval of the Property and conditions related thereto. Buyer's failure to give the Notice of Approval prior to the original Due Diligence Expiration Date (or failure to deliver a Phase II Notice of Approval prior to the extended Due Diligence Expiration Date) will be deemed Buyer's election not to proceed with the purchase of the Property and termination of this Agreement, whereupon any Deposit previously paid into Escrow and all interest accrued thereon while in Escrow shall be immediately released to Buyer, and no Party hereto shall have any further obligation or liability to the other with respect to the transactions contemplated by this Agreement, except for obligations which expressly survive termination.

4.2 Right of Entry. During the Due Diligence Period, Buyer, its employees, agents, contractors and subcontractors shall have the right to enter upon the Property and while thereon make surveys, take measurements, perform test borings or other tests of surface and subsurface conditions, including soils and water, make engineering, architectural, environmental and other studies and inspect the Property. All investigations shall be performed in a manner as to not unreasonably disturb or interfere with the current use of the Property. Seller must be provided with 72 hours' notice of any invasive or destructive testing, and Seller shall have the right to approve any testing plan, which approval shall not be unreasonably delayed or withheld. In the event that Seller fails to provide approval of any testing plan within the 72 hour notice period, the Due Diligence Expiration Date shall be extended on a day-for-day basis for each such day that approval is not timely provided. Prior to any entry on the Property by Buyer occurring any time prior to Closing, Buyer shall procure and maintain commercial general liability insurance covering Buyer and naming Seller as an additional insured, in the amount of \$1,000,000 per occurrence/\$2,000,000 in the aggregate. Satisfactory evidence of said insurance must be provided to Seller prior to any entry on the Property by Buyer. Buyer shall (i) keep the Property free of any liens or third-party claims resulting therefrom; (ii) indemnify and defend Seller against any liability or expense for injuries to or death of persons or damage to property resulting directly or indirectly from Buyer's exercise of its rights hereunder; provided that Buyer shall have no responsibility or liability for any act or omission of Seller or its agents, employees or contractors and/or for any adverse condition or defect on or affecting the Property not caused or contributed to by Buyer or its employees, agents, contractors, or subcontractors (including those discovered during their inspections), or for the mere discovery of Hazardous Materials within, on or adjacent to the Property; and (iii) if the Closing does not occur for any reason, restore as nearly as practicable any portion of the Property affected by such entry substantially to its condition immediately before such entry. The indemnification provisions of this Section 4.2 shall survive the termination of this Agreement for four (4) years.

4.3 Creation of Residential Parcel and Seller Retained Parcel. The Parties shall meet and confer in good faith from the Effective Date forward to agree upon the precise configuration and legal description of the portion of the Seller's Real Property that Buyer shall purchase hereunder (the "**Residential Parcel**"). The parties agree that the Residential Parcel shall generally be comprised of that land that is identified in the attached **Exhibit "A,"** the exact acreage of which is to be determined but which shall be approximately 2.83 acres. The portion or portions of the Seller's Real Property that Seller shall retain after the Closing is referred to herein as the "**Seller Retained Parcel**". Buyer shall engage an engineer to survey the entire property and to draft and provide to Seller Buyer's proposed legal descriptions for the Residential Parcel and Seller Retained Parcel. If the Parties are unable to agree on a final configuration and legal description for the Residential Parcel and the Seller Retained Parcel by the end of the Due

Diligence Period, then Buyer shall have the right, in its sole discretion, to terminate this Agreement, in which case all of the Deposit shall be returned to Buyer. After the determination of the configuration and legal description of the Residential Parcel and the Seller Retained Parcel, Buyer and Seller shall (i) attach to this Agreement the legal descriptions of the Residential Parcel and the Seller Retained Parcel as **Exhibit "B-1"** and **Exhibit "B-2,"** respectively, and (ii) cooperate in good faith to obtain the City's confirmation that, as a public health care district, Seller is exempt from the California Subdivision Map Act and may transfer title to the Residential Parcel without recording any lot line adjustment or parcel map, or, if the City properly requires same, to record any lot line adjustment or parcel map that is necessary to create the Residential Parcel and the Seller Retained Parcel, each as one or more legal lots under the California Subdivision Map Act (CA Gov. Code sec. 66410, et seq.), for which legal title can be transferred.

4.4 Title Review. Within five (5) days after the Agreement Date, or as soon as it can be accomplished, the Title Company shall deliver to Buyer, with a copy to Seller and Seller's representatives, a current preliminary report covering each parcel comprising the Seller's Real Property, issued by the Title Company, together with legible copies of all documents referenced therein as exceptions to title, a plat or map of the Seller's Real Property showing the locations of all recorded easements and encumbrances, and any and all plans, surveys and specifications for the Seller's Real Property (collectively, the "**Title Report**"). As soon as possible after the parties agree on the legal description for the Residential Parcel and the Seller Retained Parcel, they shall forward same so that the Title Company can issue a preliminary title report for the Residential Parcel (the "**Residential Parcel Title Report**"). No later than ten (10) calendar days prior to the Due Diligence Expiration Date, Buyer shall deliver to Seller a "**Title Notice**" in which Buyer shall notify Seller of Buyer's objections to title to the Residential Parcel, if any (the "**Disapproved Exceptions**"). Any exception to title listed on the Residential Parcel Title Report, and not timely objected to by Buyer in the applicable Title Notice shall be a "**Permitted Exception.**" All exceptions regarding monetary liens or monetary encumbrances existing on the Residential Parcel Title Report (except to the extent caused by Buyer) shall be Disapproved Exceptions and Seller covenants and agrees to eliminate all such Disapproved Exceptions as of Closing, regardless of whether identified by Buyer in a Title Notice. If not removed prior to Closing, then all such monetary liens and/or monetary encumbrances shall be paid at Closing out of the net proceeds of the Purchase Price. Within five (5) business days of Seller's receipt of a Title Notice, Seller shall notify Buyer in writing as to which, if any, of the Disapproved Exceptions Seller will eliminate (except for all such disapproved monetary liens and encumbrances, which must be eliminated at the Close of Escrow); provided, however, that Seller shall have no obligation to remove any Disapproved Exceptions except as set forth in this Section 4.4. If Seller does not notify Buyer in writing that Seller will eliminate all such disapproved exceptions or matters within such five (5) business day period, Buyer shall have until the initial Due Diligence Expiration Date to terminate this Agreement. If Buyer does not timely terminate this Agreement following Seller's failure to elect to remove, modify or cure any such disapproved item or items, as aforesaid, Buyer shall be deemed to have approved such item or items and they shall be Permitted Exceptions. Conversely, if Buyer terminates this Agreement pursuant to this Section 4.4, Escrow Agent or Seller shall immediately return the Deposit to Buyer without any additional instructions from Seller or Buyer and without any imposed conditions and Escrow Agent shall immediately return all other documents, instruments and monies to the party which deposited same. Seller shall deliver title to the Property at Closing

subject only to the Permitted Exceptions and any other matters to which Buyer has consented in writing.

4.5 Agreement to Cooperate. Each Party shall execute, acknowledge, and deliver, after the Effective Date, including at or after Closing, such further assurances, instruments and documents as the other may reasonably request in order to fulfill the intent of this Agreement and the transactions contemplated hereby. Following a reasonable request for further assurances, instruments and/or documents from one Party to the other, the requested Party shall reasonably respond to the request within three (3) business days, and shall not unreasonably withhold compliance with the request. The obligations of this Section 4.4 shall survive Closing and delivery of the Grant Deed.

4.5.1. Assignment of DIA/License Agreement. Seller's Real Property is subject to that certain Deferred Improvement Agreement with the City, dated August 5, 2013, and recorded against Seller's Real Property on August 14, 2013, as document number 2013083220, in the Official Records of Sonoma County (the "DIA"). Buyer agrees that, at the Closing, it shall accept assignment of the DIA from Seller and thereafter shall be solely responsible, at Buyer's its sole cost and expense, for complying with all requirements of the DIA, including without limitation for the construction and installation of all improvements required thereunder on or adjacent to both the Residential Parcel and the Seller Retained Parcel. Seller agrees to cooperate with Buyer, at all time prior to the Closing hereunder, to obtain the City's consent to such assignment, which cooperation may include, if required by the City as condition of its consent to the assignment of the DIA to Buyer, Seller granting an easement to the City over the very northern portion of the Seller Retained Parcel for access to and maintenance of a storm drainage ditch thereon, but such cooperation shall otherwise be at no cost or expense to Seller. In order to (a) effectuate the assignment of the DIA at Closing and (b) grant Buyer the access it needs to the Seller Retained Parcel to complete all of the improvements thereon required under the DIA, at Closing Seller agrees to execute, acknowledge, and deliver, an Assignment of the DIA in a form substantially similar to the form attached hereto as **Exhibit "E"**, and a License Agreement in a form substantially similar to the form attached hereto as **Exhibit "F."**

4.6 Development Costs, Processing and Cooperation. Both before and after the Closing, Buyer, at Buyer's sole cost and expense, shall be responsible for procuring, processing and recording any and all entitlements, approvals and/or permits required for Buyer's planned project on the Residential Parcel, including without limitation tentative and final subdivision maps, subdivision improvement agreements, posting subdivision bonds related thereto and obtaining all building permits. The Parties acknowledge that it will be the sole responsibility of Buyer to take all steps, at Buyer's sole cost and expense, to develop the Property for residential development, and Seller shall have no liability or responsibility whatsoever. To the extent Seller has already executed subdivision improvement agreements; Seller shall assign those subdivision improvement agreements to Buyer. To the extent Seller has already procured bonds for work that Buyer is required to do under the terms of this Agreement, Buyer shall replace those bonds at the earliest opportunity following Closing, but in no event more than 45 days after Closing.

4.7 Buyer's Post-Closing Obligations.

4.7.1. Buyer shall pay to Seller the Participation Payments outlined in **Exhibit "D."** This obligation shall survive Closing and shall not merge with the Grant Deed.

4.7.2. Buyer shall construct, or shall cause to be constructed, the Affordable Housing Units pursuant to any Approval obtained. This obligation shall survive Closing and shall not merge with the Grant Deed.

5. Conditions Precedent to Closing.

5.1 Buyer Closing Conditions. Buyer's obligation to complete the Closing shall be conditioned upon the satisfaction (or Buyer's written waiver thereof) of each of the conditions precedent set forth in this Section 5.1 (the "**Buyer Closing Conditions**"). If these conditions are not satisfied (or waived by Buyer), then without limiting any other remedies Buyer may have hereunder, and notwithstanding any other provision of this Agreement that may be construed to the contrary, Buyer shall have the right to terminate this Agreement in which case the Deposit shall be paid and released to Seller unless the failure of the closing condition was due to Seller's material uncured default hereunder. Notwithstanding the foregoing, Buyer shall not have the right to waive the condition in Section 5.1(d). Buyer's conditions precedent are as follows:

(a) Title. Title Company shall be irrevocably and unconditionally committed to issue to Buyer at the Closing the Title Policy (defined in Section 7.1) of title insurance in the amount of the Purchase Price, showing title to the Residential Parcel vested in Buyer, and containing no exceptions to title or exclusions from coverage other than the Permitted Exceptions.

(b) Representations. Each of Seller's representations and warranties as set forth in this Agreement shall be true as of the date of Closing.

(c) Seller's Obligations. Seller shall have materially performed all of its covenants and obligations as set forth in this Agreement required to be performed prior to or at the Closing.

(d) Legal Parcel. The Property shall be constituted of one or more separate legal parcels capable of transfer under the Subdivision Map Act or pursuant to Seller's exemption therefrom. Notwithstanding anything to the contrary contained in this Agreement, this condition is not waivable by either Seller or Buyer. The Parties agree that this condition is in compliance with the Subdivision Map Act as interpreted by *Black Hills Investments, Inc. v. Albertson's, Inc.* (2007) 146 Cal.App.4th 883.

(e) Seller's Delivery of Documentation. Seller shall have executed, acknowledged, and delivered to Escrow Holder all documents that Seller is required to deliver pursuant to Section 7.2.1.

5.2 Seller Closing Conditions. Seller's obligation to complete the Closing shall be conditioned upon the satisfaction (or Seller's written waiver thereof) of each of the

conditions precedent set forth in this Section 5.2 (the “**Seller Closing Conditions**”). If these conditions are not satisfied (or waived by Seller), then without limiting any other remedies Seller may have hereunder, and notwithstanding any other provision of this Agreement, Seller shall have the right to terminate this Agreement and in such event Seller shall be entitled to recover the Deposit. Notwithstanding the foregoing, Seller shall not have the right to waive the condition in Section 5.2(c). The Seller’s conditions precedent are as follows:

(a) Representations. Each of Buyer’s representations and warranties as set forth in this Agreement shall be true as of the date of Closing.

(b) Buyer’s Obligations. Buyer shall have performed all of its covenants and obligations as set forth in this Agreement required to be performed prior to or at the Closing.

(c) Legal Parcel. The Property shall be constituted of one or more separate legal parcels capable of transfer under the Subdivision Map Act. Notwithstanding anything to the contrary contained in this Agreement, this condition is not waivable by either Seller or Buyer. The Parties agree that this condition is in compliance with the Subdivision Map Act as interpreted by *Black Hills Investments, Inc. v. Albertson’s, Inc.* (2007) 146 Cal.App.4th 883.

(d) Buyer’s Delivery of Documentation. Buyer shall have executed, acknowledged, and delivered to Escrow Holder all documents that Buyer is required to deliver pursuant to Section 7.2.2.

(e) Purchase Price. Buyer shall have delivered the balance of the Purchase Price to Escrow Holder pursuant to Section 7.1.

6. Closing Date.

6.1 Timing. The Closing shall take place on or before the Closing Date. Closing shall occur at the offices of Escrow Agent during normal business hours or at such other location as Buyer and Seller may mutually agree.

7. Closing.

7.1 Payment of Purchase Price Balance. No later than one (1) business day prior to the Closing Date, Buyer shall deposit with Escrow Agent the Purchase Price, less the Deposit already in Escrow or released to Seller, as well as all other funds required to satisfy Buyer’s obligations to pay for closing costs and pro-rations as required under this Agreement.

7.2 Delivery of Documentation.

7.2.1. Seller’s Delivery. No later than one (1) business day prior to the Closing, Seller shall execute and deliver to Escrow Agent, (i) the License Agreement in a form substantially similar to the form attached as Exhibit “F,” the Assignment of DIA in a form substantially similar to the form attached as Exhibit “E,” Seller’s Grant Deed conveying to Buyer fee simple title to the Property in the form attached hereto as Exhibit “G” (the “**Grant Deed**”) (ii) two (2) executed originals of the Assignment and Bill of Sale, (iii) an affidavit pursuant to Section 1445(b)(2) of the Code stating that Seller is not a “foreign person” within the

meaning of Section 1445(f)(3) of the Code and a California 593-C Certificate (collectively, the “**Non-Foreign Certificates**”); (iv) evidence that Seller is exempt from the withholding obligations imposed by California Revenue and Taxation Code Sections 18805, 18815, and 26131; and (v) such other documents or instruments of transfer or conveyance as Escrow Agent may reasonably request or as may be otherwise necessary to evidence and effect the sale, assignment, transfer, conveyance and delivery of the Property to Buyer.

7.2.2. Buyer’s Delivery. No later than one (1) business day prior to the Closing, Buyer shall execute and deliver to Escrow Agent, (i) two (2) executed originals of the Bill of Sale, the Assignment of the DIA, and the License Agreement; (ii) such other amounts required by Escrow Agent to satisfy Buyer’s obligations under Sections 7.3 and 7.4; and (iii) such documents or instruments as Escrow Agent may reasonably request or as may be otherwise necessary to evidence and effect the sale, assignment, transfer, conveyance and delivery of the Property.

7.3 Prorations. All real estate taxes, and all other public or governmental charges and public or private assessments against the Property (including any metropolitan district, sanitary commission, benefit charges, liens or encumbrances for sewer, water, drainage or other public improvements whether completed or commenced on or prior to the date hereof or subsequent thereto), shall be adjusted and prorated between the Parties as of the date of the Closing and shall thereafter be assumed and paid by Buyer, whether or not assessments have been levied as of the date of Closing. For monthly prorations, adjustments shall be made on the basis of a 30-day month; for annual prorations (such as taxes), adjustments shall be made on the basis of a 365-day year. Any tax proration based on an estimate shall be subsequently readjusted upon receipt of a tax bill. Seller shall be responsible for payment of any applicable roll-back property taxes or builder’s speculative tax, if any. The obligation to adjust shall survive Closing and shall not be merged with the Grant Deed.

7.4 Closing Costs. Seller shall pay the cost of an ALTA standard owner’s title policy, and Buyer shall pay the incremental cost of an ALTA extended policy, if Buyer elects to obtain such a policy, as well as the cost of any survey required thereof and any endorsements requested by Buyer. All closing costs and Escrow costs shall be apportioned between the Buyer and Seller as is standard in the County.

7.5 Escrow Agents Actions. Upon the Closing Date, when Escrow Agent holds the items required to be deposited by Seller and Buyer as described above and Title Company is prepared and committed to issue and deliver to Buyer the applicable Title Policy, Escrow Agent is instructed and authorized to:

- 1) record (a) the Grant Deed and then (b) the Assignment of the DIA with the Sonoma County Recorder and instruct the County Recorder to deliver the recorded Grant Deed and recorded Assignment of the DIA to Buyer;
- 2) pay any City and County transfer taxes on behalf of the responsible party;

- 3) pay any closing costs and pro-rated taxes and assessments that are the responsibility of Seller;
- 4) pay any closing costs and pro-rated taxes and assessments that are the responsibility of the Buyer;
- 5) disburse to Seller the Seller proceeds, less Seller's cash charges as prorated in accordance with Section 7.3 and Section 7.4;
- 6) disburse from funds deposited by Buyer amounts toward payment of all other items chargeable to the account of Buyer under this Agreement, and disburse the balance of such funds, if any, to Buyer;
- 7) deliver to Buyer the Title Policy and an original executed Bill of Sale and Non-Foreign Certificate; and
- 9) deliver to Seller a copy of the recorded Grant Deed and recorded Assignment of the DIA, and an original of the Bill of Sale and License Agreement.

7.6 Escrow Cancellation Charges. If the Closing does not occur because of the default of a party, the defaulting party shall bear all escrow cancellation charges. If the Closing does not occur for any reason other than the default of a party, then Buyer and Seller shall each pay half of any escrow cancellation charges, if so charged by Escrow Agent. As used herein, "**escrow cancellation charges**" means all fees, charges, costs, and expenses incurred by Escrow Agent or Third Parties engaged by Escrow Agent, as well as all expenses related to the services of the Title Company in connection with the issuance of the preliminary report and other title matters.

7.7 Title and Possession. Upon Closing, Seller shall convey fee simple title to the Property to Buyer, subject only to the Permitted Exceptions, and Seller shall deliver to Buyer exclusive possession of the Property.

7.8 Designation of Reporting Person. In order to assure compliance with the requirements of Section 6045 of the Internal Revenue Code of 1986, as amended (for purposes of this Section 7.8, the "**Code**"), and any related reporting requirements of the Code, Seller and Buyer hereby designate Escrow Agent as the person to be responsible for all information reporting under Section 6045(e) of the Code (the "**Reporting Person**"). In connection with the foregoing appointment, Seller and Buyer hereby agree: (a) to provide to the Reporting Person all information and certifications regarding such party, as reasonably requested by the Reporting Person or otherwise required to be provided by a party to the transaction described herein under Section 6045 of the Code; and (b) to provide to the Reporting Person such party's taxpayer identification number and a statement (on Internal Revenue Service Form W-9 or an acceptable substitute form, or on any other form the applicable current or future Code sections and regulations might require and/or any form requested by the Reporting Person), signed under penalties of perjury, stating that the taxpayer identification number supplied by such party to the Reporting Person is correct. Each party hereto agrees to retain this Agreement for not less than

six (6) years from the end of the calendar year in which the Closing occurred, and to produce it to the Internal Revenue Service upon a valid request therefore.

8. Condemnation / Destruction.

8.1 Condemnation. If after the Effective Date and prior to Closing all or any part of the Property is taken or threatened to be taken by eminent domain or condemnation, Buyer may elect either (a) to terminate this Agreement, as to the entire Property, in which event the entire Deposit, whether released or not, shall be returned to Buyer, and this Agreement shall be null and void and of no further force or effect; or (b) to consummate Closing as herein provided, in which event Seller shall pay or assign to Buyer all condemnation awards or payments in respect of the Property. If this Agreement is terminated in full pursuant to this Section 8.1, neither Party shall have any further rights, duties, obligations or liabilities, at law or in equity, arising out of or relating to this Agreement except for those that specifically survive termination of this Agreement pursuant to other sections hereof, and Buyer shall recover the Deposit. The provisions of this Section 8.1 shall survive termination of this Agreement.

8.2 Damage/Destruction. If after the Effective Date and prior to Closing, all or any part of the Property is materially damaged or destroyed or found to be materially defective and such damage, destruction, defect arose after the Due Diligence Date, Buyer may elect either: (a) to terminate this Agreement, as to the entire Property, in which event the entire Deposit, whether released or not, shall be immediately paid and returned to Buyer, and this Agreement shall be null and void and of no further force or effect; or (b) to consummate Closing as herein provided, in which event Seller shall pay or assign to Buyer all insurance payments, awards or proceeds with respect to the Property. If this Agreement is terminated in full pursuant to this Section 8.2, neither Party shall have any further rights, duties, obligations or liabilities, at law or in equity, arising out of or relating to this Agreement except for those that specifically survive termination of this Agreement pursuant to other sections hereof, and Buyer shall recover the Deposit.

9. Seller's Covenants.

9.1 Maintain Property. Until the Closing of Escrow, Seller shall keep, preserve and maintain the condition of the Property in as good a condition as it exists on the Agreement Date.

9.2 Taxes. Seller shall pay all assessments, levies or taxes for which Seller is responsible and which are due on account of the Property pursuant to Section 7.3.

9.3 No Amendments. Seller shall not amend or waive any right under any document, including the DIA, nor enter into any lease or other agreement of any type affecting the Property that would survive the Closing Date without Buyer's prior written consent, except that Seller may take all steps reasonably necessary to protect the existing permits and entitlements for the Property.

10. Default / Indemnity.

10.1 Buyer Default. LIQUIDATED DAMAGES: BUYER AND SELLER AGREE THAT IF, AFTER BUYER GIVES ITS NOTICE OF APPROVAL AND BUYER DEFAULTS ON ITS OBLIGATION TO COMPLETE THE CLOSING PURSUANT TO THIS AGREEMENT, OR OTHERWISE IS IN MATERIAL DEFAULT OF THIS AGREEMENT, THE DAMAGES TO SELLER WOULD BE DIFFICULT AND IMPRACTICAL TO DETERMINE. ACCORDINGLY, BUYER AND SELLER HAVE AGREED TO FIX AS LIQUIDATED DAMAGES THE AMOUNT OF THE DEPOSIT, AND SELLER MAY RETAIN SUCH AMOUNT WITHOUT RESTRICTION AS LIQUIDATED DAMAGES, AND WHICH SHALL CONSTITUTE SELLER'S SOLE AND EXCLUSIVE REMEDY FOR SUCH DEFAULT. SELLER'S RETENTION OF SUCH AMOUNT AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY UNDER CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT INSTEAD, IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER PURSUANT TO SECTIONS 1671, 1676 AND 1677 OF THE CALIFORNIA CIVIL CODE. SELLER AGREES THAT THESE LIQUIDATED DAMAGES SHALL BE IN LIEU OF ANY OTHER MONETARY RELIEF OR OTHER REMEDY, INCLUDING WITHOUT LIMITATION SPECIFIC PERFORMANCE, TO WHICH SELLER OTHERWISE MIGHT BE ENTITLED UNDER THIS AGREEMENT, AT LAW OR IN EQUITY. THE LIMITATIONS CONTAINED IN THIS SECTION SHALL NOT APPLY TO ANY HOLD HARMLESS, DEFENSE OR INDEMNITY OBLIGATIONS CONTAINED IN THIS AGREEMENT, NOR TO ANY CLAIM FOR RECOVERY OF COSTS OR ATTORNEY'S FEES UNDER SECTION 15.12. BUYER AND SELLER SPECIFICALLY ACKNOWLEDGE THEIR AGREEMENT TO THE FOREGOING LIQUIDATED DAMAGES PROVISION BY INITIALING THIS PARAGRAPH IN THE APPROPRIATE SPACES PROVIDED BELOW:

Buyer's Initials: _____

Seller's Initials: _____

10.2 Seller Default. IF SELLER DEFAULTS ON ITS OBLIGATIONS HEREUNDER, BUYER'S REMEDIES SHALL BE LIMITED TO EITHER: (A) WAIVING SUCH DEFAULT AND PROCEEDING WITH THE CLOSE OF ESCROW WITH NO REDUCTION IN THE PURCHASE PRICE; OR (B) TERMINATING THIS AGREEMENT AND RECOVERING THE DEPOSIT AS ITS SOLE AND EXCLUSIVE REMEDY. THE LIMITATIONS CONTAINED IN THIS SECTION SHALL NOT APPLY TO ANY HOLD HARMLESS, DEFENSE OR INDEMNITY OBLIGATIONS CONTAINED IN THIS AGREEMENT, NOR TO ANY CLAIM FOR RECOVERY OF COSTS OR ATTORNEY'S FEES UNDER SECTION 15.12.

Buyer's Initials: _____

Seller's Initials: _____

BY INITIALING IN THE SPACES PROVIDED ABOVE, SELLER AND BUYER EXPRESSLY ACKNOWLEDGE THAT THEY HAVE READ, UNDERSTOOD AND AGREED TO THE FOREGOING, THAT THEY HAVE BEEN ADVISED BY LEGAL COUNSEL OF THEIR CHOICE OF THE LEGAL EFFECT OF THE FOREGOING, AND THAT THEY HAVE AGREED THAT THE TERMS OF THE FOREGOING ARE EQUITABLE AND FAIR. BOTH PARTIES ACKNOWLEDGE THAT NEITHER PARTY

SHALL HAVE THE RIGHT TO DEMAND OR RECEIVE CONSEQUENTIAL, SPECIAL OR EXPECTATION DAMAGES.

10.3 Cure Period. Notwithstanding the provisions of Section 10.1 and Section 10.2 above, no default by either Party hereto shall result in a termination or limitation of any rights of such Party hereunder unless and until the other Party shall have notified the defaulting Party in writing of said default, and (i) the defaulting Party shall have failed to cure said default within ten (10) days after the receipt of said written notice where the default is capable of being cured within ten (10) days, or (ii) if such party immediately with due diligence, commences to cure, correct or remedy such default and thereafter diligently and continuously pursues such cure, correction or remedy to completion, where such default cannot be cured within ten (10) days. Notwithstanding the foregoing, under no circumstance shall any cure period last longer than thirty (30) days. This cure period does not apply to the Close of Escrow, the payment of any Deposit, or the delivery of a Notice of Approval.

11. Notices. All notices required hereunder shall be in writing, and shall be delivered by personal delivery, overnight mail, commercial courier, electronic mail, or by mailing such notice by first class mail, certified, return receipt requested, postage and fees prepaid, addressed as follows:

To Buyer: Civic Property Group, Inc.
Attn: David B. Sanson
1500 Willow Pass Court
Concord, CA 94520
Telephone: (925) 685-0110
E-mail: dsanson@denovahomes.com

With copy to: Dana Tsubota
DeNova Homes, Inc.
1500 Willow Pass Court
Concord, CA 94520
Telephone: (925) 685-0110
E-mail: dtsubota@denovahomes.com

To Seller: Sonoma Valley Health Care District
347 Andrieux Street
Sonoma, CA 95476
Attn.: Kelly Mather
Telephone: (707) 935-5000
E-mail: kmather@svh.com

With copy to: Archer Norris
2033 North Main Street, Suite 800
Walnut Creek, CA 94596
Attn.: Michael Peterson
E-mail: mpeterson@archernorris.com

To Escrow: First American Title Company
c/o Diane Burton
4750 Willow Rd., Suite 100
Pleasanton, California 94588
Telephone: (925) 201-6603
E-mail: dburton@firstam.com

or to such other address as either Party may designate by written notice to the other. All notices shall be deemed delivered upon actual receipt or refusal of delivery.

12. Brokers. Buyer and Seller hereby represent and warrant that they have not retained any real estate broker, agent or finder in connection with this transaction other than Buyer's retention of Builder's Land Group, Inc.; Buyer shall be responsible for all commissions due to Lee Cambra and Peter Hellman under separate agreement with Builder's Land Group, Inc. Buyer hereby agrees to indemnify, defend and hold Seller free and harmless from and against any and all claims for any real estate brokerage commission or finder's commission or fee owed by Buyer to any broker, agent, finder or third party retained by Buyer. Seller hereby agrees to indemnify, defend and hold Buyer free and harmless from and against any and all claims for any real estate brokerage commission or finder's commission or fee owed by Seller to any broker, agent, finder or third party retained by Seller.

13. Representations and Warranties.

13.1 Mutual Representations. To induce each other to enter into this Agreement, each Party hereby represents and warrants to the other, that (i) it has been duly authorized and empowered to enter into this Agreement and to perform fully its obligations hereunder, (ii) such obligations constitute the valid and binding obligations of such Party, enforceable in accordance with their terms, and (iii) that no further consents of any other person, entity, public body or court are required in connection with the execution of this Agreement and the performance of all obligations hereunder.

13.2 Seller's Warranties and Representations. Seller makes the following representations and warranties as of the Effective Date and shall be deemed to be remade as of the Closing Date. To the extent a representation or warranty is made to "Seller's knowledge" such is made to the actual knowledge (but not constructive), without duty of inquiry of Kelly Mather ("Seller's Representative"). In the event of any breach of any representation or warranty by Seller herein, then Kelly Mather shall not be personally liable for such breach and recourse may not be had against her personally. Seller has not made, and, except as required under applicable law, shall have no duty to make any special inquiry or investigation of any of the matters referred to in this Section 13.2 for purposes of making the representations and warranties stated below. Except as expressly set forth in this Agreement and the Exhibits hereto, Seller makes no representation concerning the Property and Buyer agrees that any representation made by Seller or any of its agents prior to date of this Agreement is not binding upon Seller, nor may Buyer rely thereto, except to the extent such representation is expressly set forth in this Agreement.

(a) Condemnation, Rezoning or Reclassification. Seller has not received written notice of (A) condemnation proceeding or other litigation relating to or otherwise affecting Seller or the Property, or (B) reclassification of any or all of the Property for local zoning purposes, or reassessment or reclassification of any or all of the Property for state or local real property taxation purposes.

(b) Litigation. Seller has not received written notice of any litigation, arbitration or proceeding pending before any court or administrative agency that relates to or affects the Property.

(c) No Breach. To Seller's knowledge, the execution and delivery of this Agreement by Seller, the execution and delivery of every other document and instrument delivered pursuant hereto by or on behalf of Seller, and the consummation of the transactions contemplated hereby will not (A) constitute or result in the breach of or default under any agreement to which Seller is a party or which affects the Property; (B) constitute or result in a violation of any order, decree, or injunction with respect to which Seller and/or the Property is bound; or (C) cause or entitle any party to have a right to accelerate or declare a default under any agreement to which Seller is a party or which affects the Property.

(d) No Defaults. Seller has not received written notice of any default under any contract, agreement, lease, instrument, encumbrance, or transaction to which Seller is a party relating to the Property.

(e) Hazardous Materials. Other than as may have occurred during the construction of the parking lot on the Seller Retained Parcel, Seller has not engaged in any activity on the Property involving the transportation, release, or disposal of any Hazardous Materials.

(f) Non-Foreign Entity. Seller is not a "foreign person" or "foreign corporation" as those terms are defined in the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder. Seller is a California health care district, duly formed and operating under the laws and Constitution of the State of California.

(g) Seller's Authority. Seller has the legal power, right and authority to enter into this Agreement and the instruments referenced herein, and to consummate the transaction contemplated hereby.

(h) Actions. All requisite action (corporate, trust, partnership or otherwise) has been taken by Seller in connection with the entering into this Agreement, the instruments referenced herein, and the consummation of the transaction contemplated hereby. No consent of any other partner, shareholder, trustee, trustor, beneficiary, creditor, investor, judicial or administrative body, governmental authority or other party is required.

(i) Signatory. To Seller's knowledge, the individuals executing this Agreement and the instruments referenced herein on behalf of Seller and the officers of Seller, if any, have the legal power, right, and actual authority to bind Seller to the terms and conditions hereof and thereof.

(j) Enforceability. This Agreement and all documents required hereby to be executed by Seller are and shall be valid, legally binding obligations of and enforceable against Seller in accordance with their terms.

13.3 Buyer's Warranties and Representations. Buyer represents and warrants to Seller as follows:

(a) Buyer's Authority. Buyer has the legal power, right and authority to enter into this Agreement and the instruments referenced herein, and to consummate the transaction contemplated hereby.

(b) Actions. All requisite action (corporate, trust, partnership or otherwise) has been taken by Buyer in connection with the entering into this Agreement, the instruments referenced herein, and the consummation of the transaction contemplated hereby. No consent of any other partner, shareholder, trustee, trustor, beneficiary, creditor, investor, judicial or administrative body, governmental authority or other party is required.

(c) Signatory. To Buyer's knowledge, the individuals executing this Agreement and the instruments referenced herein on behalf of Buyer and the officers of Buyer, if any, have the legal power, right, and actual authority to bind Buyer to the terms and conditions hereof and thereof.

(d) Enforceability. This Agreement and all documents required hereby to be executed by Buyer are and shall be valid, legally binding obligations of and enforceable against Buyer in accordance with their terms.

(e) Conflicting Documents. Neither the execution and delivery of this Agreement and the documents and instruments referenced herein, nor the occurrence of the obligations set forth herein, nor the consummation of the transaction contemplated herein, nor compliance with the terms of this Agreement and the documents and instruments referenced herein conflict with or result in the material breach of any terms, conditions or provisions of, or constitute a default under any bond, note, or other evidence of indebtedness or any contract, indenture, mortgage, deed of trust, loan, partnership agreement, lease or other agreement or instrument to which Buyer is a party.

13.4 Survival. The representations and warranties of the Parties set forth herein shall be true as of the Effective Date and the date of the Closing, and shall survive the Closing and delivery of the Grant Deed and shall not be merged with the Grant Deed for a period of twelve (12) months after Closing.

14. Property Sold in AS-IS Condition.

14.1 No Reliance On Seller; No Other Representations By Seller. Buyer acknowledges that Buyer is purchasing the Property solely in reliance on Buyer's own investigation and Seller's express representations and warranties set forth herein and that, except as otherwise expressly stated in this Agreement and as provided in the Property Documents, no representations or warranties of any kind, express or implied, have been made with respect to the Property by Seller or any of Seller's officers, members, owners, managers, employees, agents

and representatives (collectively, “**Seller’s Agents**”) as to the physical condition, quality, quantity, or state of repair of the Property and that, other than as set forth in this Agreement, Seller specifically negates and disclaims, any representations, warranties, promises, covenants, agreements or guaranties of any kind or character whatsoever whether express or implied, oral or written, past, present or future, of, concerning or with respect to any matters with respect to the Property.

14.2 Buyer to Investigate. Buyer agrees that before the Closing Date, Buyer will conduct a full and complete investigation of all matters which, in Buyer’s judgment, affect the suitability of the Property for Buyer’s purposes, including but not limited to any of the existing entitlements, architectural drawings, plans, specifications, surveys, building and occupancy permits, any licenses, contracts, warranties and guarantees relating to the Property, and all applicable laws, ordinances, and governmental regulations (including but not limited to those relative to building, zoning, and land use) affecting the development use, occupancy, or enjoyment of the Property. If Buyer gives its Notice of Approval, or if applicable, a Phase II Notice of Approval, and thereafter closes Escrow and acquires the Property, Buyer will have done so based solely on Buyer’s own investigation and determination that the Property is suitable for Buyer’s purposes.

14.3 AS IS. Buyer agrees the Property will be purchased by, conveyed to and accepted by Buyer in its condition at the Closing “**AS IS, WHERE IS, WITH ALL FAULTS**” and no patent or latent defect in the condition of the Property, whether or not known or discovered, shall give rise to any claim or cause of action against Seller except as otherwise expressly provided herein. Any documents provided to Buyer by Seller are furnished as a courtesy to Buyer and without warranty of any kind or recourse to Seller.

14.4 Release of Claims. As a material part of the consideration due Seller under this Agreement, except for the express representations, warranties and other obligations of Seller set forth in this Agreement and in any document executed and delivered by Seller to Buyer at Closing (collectively, the “**Seller Reps**”), as of the Close of Escrow, Buyer, on behalf of itself and its affiliates, and their respective officers, directors and employees (collectively, including Buyer, “**Releasors**”) hereby releases Seller, and its members, managers, officers, directors, employees and any agents who are affiliates of Seller (but specifically excluding any non-affiliate contractor, subcontractor, consultant, or other service provider) (collectively with Seller, the “**Releasees**”) from any and all claims, demands and causes of action against the Releasees for any loss, liability, damage, cost and expense (including attorneys’ fees) incurred by the Releasors with respect to the Property or any matter with respect thereto (collectively, the “**Claims**”); provided, nothing in this Section shall operate to relieve Seller or any other Releasee from any of the following: (a) the Seller Reps; (b) a failure by Seller to perform any of its obligations under this Agreement or the License Agreement, (c) the failure to disclose material information regarding a material matter of which Seller had knowledge prior to the Closing and was required to disclose to Buyer pursuant to this Agreement, (d) any claims for death or personal injury arising from or based on the negligent acts or omissions of Seller or such Releasee occurring prior to the Closing, (e) or any fraud, willful misconduct or misrepresentation by such Releasee.

**BUYER ACKNOWLEDGES THAT, WITH RESPECT TO THE FOREGOING
RELEASE OF CLAIMS, IT HAS BEEN ADVISED BY ITS LEGAL COUNSEL**

AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH, IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

BUYER BEING AWARE OF SAID CODE SECTION, HEREBY EXPRESSLY WAIVES ANY RIGHT IT MAY HAVE THEREUNDER IN CONNECTION WITH THE FOREGOING RELEASE OF CLAIMS. IN CONNECTION ONLY WITH THE FOREGOING RELEASE OF CLAIMS, BUYER ACKNOWLEDGES THAT IT IS AWARE THAT IT, OR ANY OF THE RELEASORS, MAY HEREAFTER DISCOVER FACTS IN ADDITION TO OR DIFFERENT FROM THOSE WHICH IT NOW KNOWS OR BELIEVES TO BE TRUE WITH RESPECT TO THE SUBJECT MATTER OF THE FOREGOING RELEASE OF CLAIMS, BUT THAT IT IS BUYER’S INTENTION TO HEREBY FULLY, FINALLY AND FOREVER SETTLE AND RELEASE EACH AND ALL OF THE RELEASED CLAIMS DESCRIBED HEREIN, AND TO BIND ALL OF THE RELEASORS TO THIS RELEASE. IN FURTHERANCE OF THIS INTENTION, THE RELEASE SET FORTH IN THIS SECTION 14.4 SHALL BE AND REMAIN IN EFFECT AS FULL AND COMPLETE GENERAL RELEASES NOTWITHSTANDING THE DISCOVERY OR EXISTENCE OF ANY SUCH UNKNOWN, ADDITIONAL OR DIFFERENT CLAIMS OR FACTS. BUYER HEREBY SPECIFICALLY ACKNOWLEDGES THAT BUYER HAS CAREFULLY REVIEWED THIS SECTION, AND DISCUSSED ITS IMPORT WITH LEGAL COUNSEL, IS AWARE OF ITS CONSEQUENCES, AND THAT THE PROVISIONS OF THIS SECTION ARE A MATERIAL PART OF THIS AGREEMENT.

Buyer’s Initials _____

14.5 Indemnity. Effective as of the Closing, Buyer hereby agrees to indemnify, defend and hold harmless the Seller of, from, and against any and all claims to the extent relating to, arising out of, or resulting from Buyer’s residential development on the Property, including, without limitation, for: (i) any Claims for construction defects resulting from the design, engineering or construction of improvements and/or the activities of the Buyer, or any Claims asserted by Buyer’s home purchasers for misrepresentations or other acts of Buyer or the negligent omissions of Buyer, (ii) any Claims related to grading and filling of the Property, subsidence of the Property or the construction of any improvements on the Property by Buyer, or (iii) any Claims resulting from the discharge, migration or presence of any Hazardous Material from, on or under the Property after the Closing.

14.6 Survival. The rights, benefits, acknowledgments, waivers, releases and indemnification obligations and other provisions of Sections 14.1-14.5 shall survive the Closing and shall be binding upon Buyer, the other Releasors and their successors and assigns until such

time as any and all Claims or other actions or proceedings against Seller and all of the other Releasees are absolutely barred by all applicable statutes of limitation.

14.7 Buyer to Pay All Development Costs. Both before and after the Closing, Buyer shall be obligated to pay for all work done in connection with preparing the Property for the uses intended by Buyer, including without limitation all remaining fees, maps, improvements, charges, costs, studies, reports, mitigation, approvals, plans, surveys, permits and use permits and any expenses whatsoever necessary or desirable in connection with Buyer's acquiring, developing, using and/or operating the Property, shall be obtained and paid for by, and shall be the sole responsibility of, Buyer. Buyer agrees that it will pursue all entitlements, approvals and permits for a residential development on the Property, generally as shown in the design materials presented to the Seller prior to the Effective Date of this Agreement (the "Project"), but subject to modifications and requirements imposed by the City and will not propose or agree to any change to the Project that would impose any burden on, or require any ingress or egress over or access to, the Seller Retained Parcel without the Seller's prior written consent, which the Seller shall not unreasonably withhold, condition or delay.

14.8 Conditions of Authorities. In proceeding with the Closing on the Property, Buyer accepts all terms and conditions of any governmental Approvals obtained as of the date of this Agreement and as of the Closing Date. Seller agrees that Seller shall not permit any changes to any of the terms and conditions of any governmental Approvals after the date of this Agreement unless Buyer consents to such change which consent Buyer may withhold in its sole and absolute discretion; provided, however, that Seller may protect the existing Approvals for the Property.

15. General.

15.1 Entire Agreement. This Agreement constitutes the final and entire Agreement between the Parties and they shall not be bound by any terms, covenants, conditions, representations or warranties not expressly contained herein. This Agreement may not be amended except by a written instrument executed by both Parties.

15.2 Partial Invalidity. If any one or more of the provisions contained in this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

15.3 Time of the Essence. Time is of the essence of this Agreement and the performance of each and every one of the terms and conditions hereof.

15.4 Successors and Assigns. Subject to provisions below, this Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective legal representatives, successors and assigns. Buyer and Seller shall not assign or otherwise transfer such rights hereunder, or delegate such duties hereunder, without the prior written consent of the other party, which approval shall not be unreasonably withheld, conditioned or delayed; provided, however, that Buyer may assign its rights and delegate its duties hereunder without

Seller's prior written consent if such assignment is to any entity which is controlled by or is a subsidiary of Buyer, or any entity which controls, is under common control with or is controlled by Buyer. Any such assignment by Buyer hereunder shall not relieve Buyer of any rights or obligations hereunder.

15.5 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

15.6 Headings. The headings of the Sections, subsections, paragraphs and subparagraphs hereof are provided for convenience of reference only, and shall not be considered in construing their contents.

15.7 Recitals Incorporated. The Recitals set forth in this Agreement are incorporated as material terms and provisions of the Agreements and are not mere recitations.

15.8 Time Periods. Any and all references in this Agreement to time periods which are specified by reference to a certain number of days refer to calendar days, unless "business days" is otherwise expressly provided. Therefore, if (a) the last date by which a Closing is permitted to occur hereunder, or (b) any date by which a Party is required to provide the other Party with notice hereunder, occurs on a Saturday or a Sunday or a banking holiday in the jurisdiction where the Property is located, then and in any of such events, such applicable date shall be deemed to occur, for all purposes of this Agreement, on that calendar day which is the next succeeding day, which is not a Saturday, Sunday or banking holiday.

15.9 No Partnership. Nothing in this Agreement shall be deemed in any way to create between the Parties any relationship of partnership, joint venture or association, and the Parties disclaim the existence thereof.

15.10 Waivers. No Party shall be deemed to have waived the exercise of any right which it holds hereunder unless such waiver is made expressly and in writing (and no delay or omission by any Party hereto in exercising any such right shall be deemed a waiver of its future exercise). No such waiver made as to any instance involving the exercise of any such right shall be deemed a waiver as to any other such instance, or any other such right.

15.11 Choice of Law. This Agreement shall be given effect and construed by application of California law, and venue for any action shall be in the County.

15.12 Attorney's Fees. In the event of any legal action or arbitration proceeding between the Parties regarding this Agreement, the enforcement or interpretation of this Agreement or the Property, the prevailing Party shall be entitled to payment by the non-prevailing Party of its reasonable attorneys' fees, costs, and litigation or arbitration expenses as determined in the course of the proceeding.

15.13 Confidentiality. During the Agreement negotiations or until the Agreement between Seller and Buyer has been terminated, Seller and Buyer will not disclose any information about this transaction to third parties, except to the extent required by law or in connection with an action related to this Agreement and/or as necessary to perform due diligence

with respect to the Property or their respective obligations under the Agreement and except that either party may disclose information subject to the confidentiality obligations stated herein to its employees, agents, consultants, attorneys, investors, prospective investors, lenders, prospective lenders, parent company or affiliates, pursuant to a Public Records Act Request, or as required for approval hereof by Seller's Board of Directors.

15.14 Representation by Counsel. Notwithstanding any rule of construction to the contrary, any ambiguity or uncertainty shall not be construed against either Seller or Buyer based upon authorship of any of the provisions hereof. Seller and Buyer each hereby warrant, represent and certify to the other as follows: (a) that the contents of this Agreement have been completely and carefully read by the representing party and counsel for the representing party; (b) that the representing party has been separately represented by counsel and the representing party is satisfied with such representation; (c) that the representing party's counsel has advised the representing party of, and the representing party fully understands, the legal consequences of this Agreement; and (d) that no other person (whether a party to this Agreement or not) has made any threats, promises or representations of any kind whatsoever to induce the execution hereof, other than the performance of the terms and provisions hereof.

15.15 Exhibits. The following exhibits are attached to this Agreement and incorporated herein and a material part of this Agreement.

- A. Approximate Depiction of Residential Parcel to be Transferred
- B1. Plat and Legal for Residential Parcel
- B2. Plat and Legal for Seller Retained Parcel
- C. Assignment and Bill of Sale
- D. Profit Participation Agreement
- E. Assignment of DIA
- F. License Agreement
- G. Grant Deed

[remainder of page left blank intentionally]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the Effective Date.

SELLER:

SONOMA VALLEY HEALTH CARE DISTRICT,
a California health care district

By: _____

Dated: _____

BUYER:

CIVIC PROPERTY GROUP, INC.,
a California corporation

By: _____
Name:
Title:

Dated: _____

The undersigned joins in the execution of the foregoing Agreement for the sole purpose of agreeing to hold and apply the Deposit subject to and in accordance with the terms of the foregoing Agreement and to otherwise comply with all other terms applicable to Escrow Agent provided herein.

ESCROW AGENT:

First American Title Company

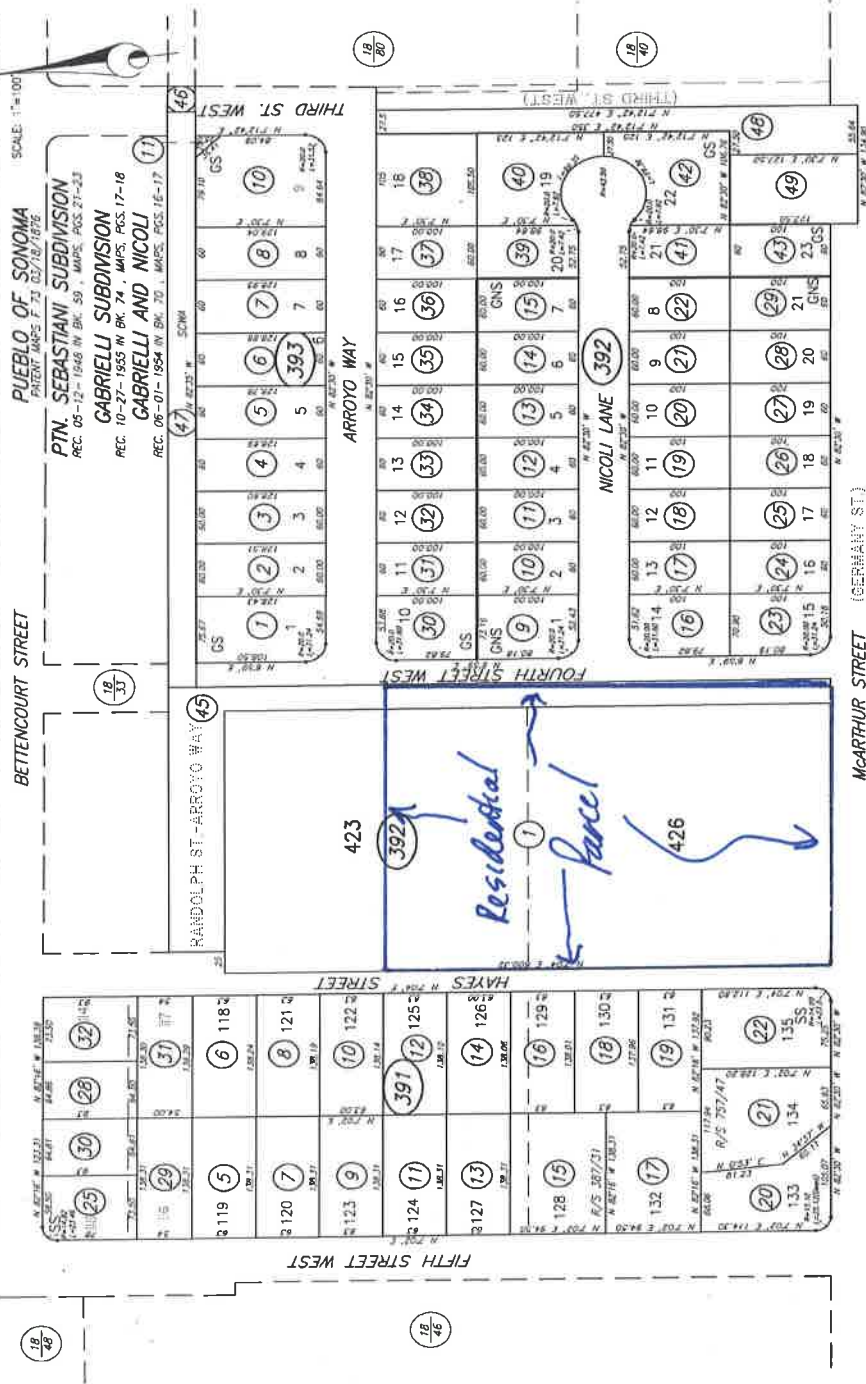
By: _____
Diane Burton, Escrow Officer

EXHIBIT A

Approximate depiction of Residential Parcel

[see attached]

COUNTY ASSESSOR'S PARCEL MAP
TAX RATE AREA
6-012
18-39



NOTE: Assessor's records do not necessarily constitute legal title. To verify legal parcel status, check with the appropriate city or county community development or planning division.

NOTE: This map was prepared for Assessment purposes only. It is not intended to be used as a legal document. No liability is assumed for the accuracy of the data obtained from this map. The Assessor is not responsible for any errors or omissions on this map. (U.S. recorded survey maps recorded death, prior assessment maps, etc.)

REVISOR
12-23-74-47(302)
01-22-75-11(303)
05-18-76-14(304)
06-19-77-14-Corr.-BC

Assessor's Map Bk 018, Pg. 39
Sonoma County, Calif. (RCD)

KEY 6-4-13 BC

EXHIBIT B-1

LEGAL DESCRIPTION FOR RESIDENTIAL PARCEL

[to be inserted]

EXHIBIT B-2

LEGAL DESCRIPTION FOR SELLER RETAINED PARCEL

[to be inserted]

EXHIBIT C

ASSIGNMENT AND BILL OF SALE

This ASSIGNMENT AND BILL OF SALE (this "**Bill of Sale**") is made as of _____, 201_ by and between SONOMA VALLEY HEALTH CARE DISTRICT, a California health care district ("**Assignor**") in favor of CIVIC PROPERTY GROUP, INC., a California corporation ("**Assignee**"), pursuant to that certain Purchase and Sale Agreement and Joint Escrow Instructions, by and between Assignor and Assignee, dated November __, 2017 (the "**Purchase Agreement**"). All capitalized terms used but not defined herein shall have the meaning ascribed to such term in the Purchase Agreement. This Bill of Sale is subject to the terms and provisions of the Purchase Agreement and in the event of any inconsistency between the Purchase Agreement and this Bill of Sale, the terms and provisions of the Purchase Agreement shall control.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby sells, conveys, delivers, transfers and assigns to Assignee, without warranty of any kind and only to the extent assignable, all of Assignor's right, title and interest in, to and under, and Assignee assumes all rights, duties and obligations under, any and all of the following items (collectively, the "**Intangible Property**"), only to the extent that they are related to that certain real property located in the City of Sonoma, County of Sonoma, State of California, which is more particularly described in Exhibit A attached hereto and incorporated herein by this reference (the "**Real Property**"),:

- (a) all governmental zoning, use, occupancy, and operating permits, and all other governmental permits, licenses, approvals, applications, subdivision maps, entitlements, certificates, environmental impact reports and mitigation monitoring programs, school fee mitigation agreements, building permits, architectural and engineering plans and specifications and any such related approvals, development allocations, and development rights relating to the Real Property;
- (b) all utility and other permits relating to the Real Property;
- (c) all fee credits and license tax credits; all prepaid expenses, fees, and deposits applicable to the Real Property, and the right to any refunds thereunder or rebates thereof, including without limitation all refunds of utility deposits;
- (d) all plans, specifications, drawings and prints for buildings, structures and fixtures located on the Real Property; including, without limitation, all construction and architectural drawings, plans and specifications for the homes to be constructed on the Real Property, and any studies or reports related to the Real Property;
- (e) all tax and assessment protest actions and claims to seek reductions in the valuation of the Real Property for property tax purposes, and rights to prosecute same, for any period after the Closing Date, including without limitation all of Assignor's right, title and interest in and to all tax and assessment refunds or rebates now or hereafter payable for any period after the Closing Date; provided, however, Assignor shall not be responsible therefore or entitled to any refunds resulting therefrom and Assignor agrees to cooperate with Assignee by executing such

documents and providing to Assignee or the appropriate governing body or agency such items as Assignee or such governing body or agency may reasonably request, so as to facilitate Assignee's prosecution of tax and assessment protest actions and claims, provided such cooperation entails no material cost or expense to Assignor;

(f) Assignor's rights to any assignable warranties, guaranties and indemnities received by Assignor from third parties affecting the Property conveyed at the Closing, and Assignor's rights and/or remedies under any contract it or its predecessors in interest may have with any design professionals, construction contractors, construction subcontractors, other contractors or consultants involved in the improvement of the Property, or otherwise in connection with the ownership, operation or development of the Property including, without limitation, for claims, damage or losses directly related to the Property and the right to use and rely upon any work product prepared pursuant to such contracts; and

The obligations of Assignor contained herein shall survive the consummation of the purchase and sale of the Real Property and the execution and delivery of the deed and this Bill of Sale and shall not be merged thereby.

The provisions of this Bill of Sale shall be binding upon and shall inure to the benefit of the successors and assigns of Assignor and Assignee, respectively.

ASSIGNOR:

SONOMA VALLEY HEALTH CARE DISTRICT,
a California health care district

By: _____

Dated: _____

ASSIGNEE:

CIVIC PROPERTY GROUP, INC.,
a California corporation

By: _____
Name: David B. Sanson
Title: President

Dated: _____

Exhibit 1 of Assignment and Bill of Sale
Legal Description

EXHIBIT "D"

PROFIT SHARING PARTICIPATION PAYMENTS

1.1 **General.** In addition to the Purchase Price, Civic Property Group, Inc. as "Buyer" shall pay to Sonoma Valley Health Care as "Seller," a share of the Net Profit (as hereinafter defined) generated from the Sale or other disposition of Homes (the "**Participation Payment**"). Net Profit and the Participation Payment due to Seller shall be calculated for the Homes sold and otherwise computed in accordance with this Exhibit D.

1.2 **Definitions.** As used in this Exhibit D, the following terms shall have the meanings set forth below:

1.2.1 "**Affiliate**" shall mean (x) any person or entity of which at least ten percent (50%) of the stock, partnership interest, membership interest or other equity interest is directly or indirectly beneficially owned by Buyer or any parent, partner, member, shareholder, or other equity owner of or in Buyer (whether directly or indirectly and whether through one or more tiers of ownership) or (y) a person or entity that directly or indirectly, through one or more intermediaries or through beneficial ownership, controls, is controlled by, or is under common control with, Affiliate. For purpose of the definition of "Affiliate," the term "control" (including the term "controlling," "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of securities, by contract or otherwise.

1.2.2 "**Gross Revenues from Land and Housing**" shall mean all income or revenue received by or payable to Buyer (or Buyer's Affiliate in the event Buyer transfers all or any portion of the Property to such Affiliate) in connection with the Buyer's (or such Affiliate's) development, construction, marketing and sale of the single family homes (and lots, if applicable) that are referenced in the Purchase Agreement as being a part of Buyer's proposed development of single-family homes on the Property (the "SFD Homes Project"), including, without limitation, the total gross amount payable to Buyer (or Buyer's Affiliate in the event Buyer transfers all or any portion of the Property to such Affiliate) in any form of consideration, by any purchaser or other transferee that is not an Affiliate (as defined below) for each such single family home or lot that is sold or conveyed by Buyer (or Buyer's Affiliate in the event Buyer transfers or conveys all or any portion of the Property to such Affiliate), including, without limitation, all gross amounts payable for land, lots, buildings, structures, garages, carports, appliances, fences, decks, landscaping, built-ins, fixtures, common areas, accessories, amenities, upgrades, options and

other related items, without discount, credit or deduction of any kind or nature whatsoever for any costs, expenses, fees, rebates, liabilities, or other items (including without limitation escrow fees, real estate commissions, tax prorations, transfer fees, recording costs, title insurance premiums, insurance prorations, or other closing costs, warranties, guaranties, repairs, maintenance or contingent liabilities, seller financing, deposit loans, subsidized interest write-downs, subsidized homeowners dues or maintenance fees, promotional sales devices, rebates, credits or other seller assisted or finance sales programs or incentives of any nature whatsoever); provided however that any amount provided for in the home sale documents by Buyer (or Buyer's Affiliate in the event Buyer transfers or conveys all or any portion of the Property to such Affiliate) as concessions or incentives shall be deducted from Gross Revenues from Land and Housing.

- 1.2.3 ***"Project Costs for Land and Housing"*** shall mean the actual costs to develop, build, market and sell the for-sale single family homes that are referenced in the Purchase Agreement as being a part of Buyer's Proposed Development (all hard and soft costs) including, but not limited to, land acquisition costs (allocated to the land upon which such for-sale single family homes are to be developed), land closing costs including any land brokerage commissions, legal and due diligence costs, consultant costs, engineering and architectural costs, site improvement/development costs, land impact fees/building permit costs, indirect construction costs for field expenses and maintenance, common area and landscaping costs, direct construction costs, option/upgrade costs, property taxes, the cost of obtaining insurance policies, bonding/HOA/DRE costs, sales and marketing costs in the amount 2% of Gross Revenues from Land and Housing, model upgrade/maintenance costs, costs of sale of the homes including customary closing costs, commissions, broker coop costs, warranty reserve (equal to 1.25% of total Gross Revenues for Land and Housing), Buyer's General & Administrative cost (equal to Five Percent (5.0%) of Gross Revenues from Land and Housing), Buyer's investor's due diligence costs, any fee payable to Buyer's investor in connection with such investor's contribution of capital if any, third party loan financing fees, contingency (not to exceed the amount therefor required by Buyer's lender), interest cost for any third party loan(s) obtained, and preferred return of 12.5% per annum, compounded monthly, earned on all invested capital by Buyer and/or Buyer's equity partner(s). For the avoidance of doubt, there are no actual and/or verifiable project related costs excluded from this calculation (except for any such project related costs that may exceed any of the caps referred to above and excluding the Excluded Costs referred to below). Anything herein to the contrary notwithstanding, Project Costs for Land and Housing shall not include any of the following (collectively, the "Excluded Costs"): (1) except to the extent expressly provided above, marketing costs for any project other than the Property, and general overhead costs of Buyer's (and its Affiliates') internal

marketing executives and staff as opposed to any sales commissions paid to such marketing executives and staff in connection with the sale of homes and/or lots within the SFD Homes Project; (2) except to the extent expressly provided above, overhead for Buyer's (and any of its Affiliate's) corporate office, and overhead for Buyer's (and any of its Affiliate's) executives and employees, provided however, Project Costs for Land and Housing can include the reasonable cost of Buyer's (or any of its Affiliate's) superintendents and laborers (in each case to the extent allocated to the for-sale single family houses contemplated to be developed on the Property, if any of such items benefit more than just the for-sale single family houses to be developed on the Property); (3) Project Costs for Land and Housing shall include an amount equal to three percent (3.0%) of Buyer's Gross Revenues from Land and Housing (as defined above) for general and administrative costs; (4) amounts for project warranty reserve established by Buyer that exceed 1.25% of Gross Revenues from Land and Housing generated from the closing of the for-sale single family houses contemplated to be developed on the Property; (5) if and to the extent that Buyer contracts with or otherwise retains any Affiliate to perform any portion of the development activities for the Property, any sums paid to such Affiliate shall be at rates not higher than the standard prevailing rate paid in the locality of the Property for similar work, services, equipment and materials in developments similar to the residential development project contemplated by Buyer for the Property; and (6) no portion of any principal repayments on any loans shall be included as part of the Project Costs for Land and Housing, to the extent that such principal repayments are used to fund things which are actually included within the definition, and will be an actual component of Buyer's Project Costs for Land and Housing.

1.2.4 ***"Participation Payment Period"*** shall mean and refer to the period of time beginning with the Effective Date and continuing until the date ninety (90) days after the closing of the Sale of all homes to be constructed on the Property and lots within the Property.

1.3 Participation Payment.

1.3.1 **Calculation of Participation Payment.** In addition to the payment of the Purchase Price provided for above, Seller shall be entitled to the payment from Buyer of fifty percent (50%) of the positive difference, if any, between Gross Revenues from Land and Housing less Project Costs for Land and Housing, after Buyer first achieves from such positive a minimum net margin of twelve and five-tenths percent (12.5%) of Buyer's Gross Sales from Land and Housing (the "Profit Participation"). The foregoing amount must be achieved by Buyer both before and after payment to Seller of its Profit Participation, if any. While Buyer must achieve the foregoing financial thresholds before Seller is entitled to receive any profit participation under this Section 1.3, it is the intention of

this Section 1.3 the amount first received by Buyer satisfies each the financial threshold both before and after payment to Seller of its Profit Participation, if any.

1.3.2 **Timing of Participation Payments.**

1.3.2.1 **Annual Payment.** Thirty (30) days after the last day of the first year following the sale of the first Home and thirty (30) days after the last day of each year thereafter during the Participation Payment Period, Buyer shall furnish to Seller a report of all of the costs and expenses incurred (whether or not yet paid) by Buyer that are deductible for the purpose of determining Project Costs for Land and Housing hereunder, together with a report of all Gross Revenues from Land and Housing received in connection with the Property. Such report shall be accompanied with a payment by Buyer to Seller in the amount of any Profit Participation owing pursuant to this Section 1.3 above.

1.3.2.2 **Final Payment.** Upon the close of escrow for the sale of the final single family home within the Property, Buyer shall furnish to Seller a report of all of the costs and expenses incurred (whether or not yet paid) by Buyer that are deductible for the purpose of determining Project Costs for Land and Housing hereunder, together with a report of all Gross Revenues from Land and Housing received in connection with the Property. Such report shall be provided within ninety (90) days after the close of escrow for the final home within the Property, and shall be accompanied with a payment by Buyer to Seller in the amount of any Profit Participation owing pursuant to this Section 1.3 above.

1.3.3 **Financial Records and Statements of Buyer.** Buyer shall keep and maintain, or cause to be kept and maintained, accurate financial books and records with respect to the development of the Property and showing all sums on which the determination of the Participation Payment is based. Such books and records shall be available for inspection and copying (at Seller's cost) during reasonable business hours upon reasonable prior notice by Seller or its agents. These financial books and records shall include all supporting documentation relative to sales, and shall be maintained for a period of one (1) years after Seller has been furnished the last escrow closing statement and the final accounting of the amounts due hereunder.

1.3.4 **Audits.** Seller may question the computation or amount of Seller's Land and Housing Profit Participation by causing the books and records of Buyer relating to Buyer's project on the Property to be audited or examined. No such audit or examination may occur at any time after the date one (1) year following the last sale of a home and receipt by Seller of

the respective reports described in Section 1.3 above. In the event any examination or audit reveals that any additional sum is owing from Buyer to Seller, Buyer shall pay to Seller such additional sum within fifteen (15) days following receipt of the audit results or report together with interest from the date of such audit at the rate of ten percent (10%) per annum. In the event the examination or audit reveals that Buyer distributed more than was owing to Seller, then Seller shall refund to Buyer the amount of such overpayment within fifteen (15) days following receipt of the audit results or report. The fees and expenses of such audit shall be paid by Seller, unless it is determined that Buyer understated Seller's Land and Housing Participation amount by more than five percent (5%), in which event the fees and expenses of such audit shall be paid by Buyer. If, after Seller has conducted, or caused to be conducted, an examination or audit of Buyer's books and records as stated in this Section it is determined that either of Seller's Profit Participation amounts has been understated by Buyer, and Buyer disputes the conclusion or findings of the audit, then, Buyer may submit such dispute to final and binding arbitration before JAMS, or its successor by giving written notice of such dispute and submission to Seller within thirty (30) days after Seller provides Buyer with Seller's determination. Buyer may commence the arbitration process called for in this Section by filing a written demand for arbitration with JAMS, with a copy to Seller, within such thirty (30) day period. The arbitration will be conducted in accordance with the provisions of JAMS' Streamlined Arbitration Rules and Procedures in effect at the time of filing of the demand for arbitration. The parties will cooperate with JAMS and with one another in selecting an arbitrator from JAMS' panel of neutrals, and in scheduling the arbitration proceedings. The parties covenant that they will participate in the arbitration in good faith. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The provisions of this Section 1.3 may be enforced by any Court of competent jurisdiction.

EXHIBIT E

FORM OF ASSIGNMENT OF DIA

RECORDING REQUESTED BY:

First American Title Company

AND WHEN RECORDED MAIL DOCUMENT TO:

Space Above This Line for Recorder's Use Only

OFFICIAL BUSINESS: Exempt from Recording Fees Pursuant to California Government Code §6103

A.P.N.:

ASSIGNMENT AND ASSUMPTION OF DEFERRED IMPROVEMENT AGREEMENT

This ASSIGNMENT AND ASSUMPTION OF DEFERRED IMPROVEMENT AGREEMENT ("Assignment"), dated as of _____, 2018, is entered into by and among SONOMA VALLEY HEALTH CARE DISTRICT, a California health care district ("Assignor"), CIVIC PROPERTY GROUP, INC., a California corporation ("Assignee"), and the CITY OF SONOMA ("City"), who agree as follows:

Assignor (as "Owner") and the City are parties to that certain Deferred Improvement Agreement dated August 5, 2013, recorded in the Official Records of the County of Sonoma ("Official Records") as document number 2013083220 (the "DIA"), related to certain real property identified in the DIA as the "subject property" (the "Subject Property").

Assignor and Assignee represent, and the City acknowledges, that prior to the date of this Assignment, Assignee purchased fee title to approximately 2.8 acres of the Subject Property from Assignor and Assignee has agreed to assume full responsibility for all of the obligations of the Owner under the DIA.

Assignor hereby assigns to Assignee all of its right, title and interest in and to the DIA, and Assignee hereby accepts such assignment and agrees to assume the duties and obligations of the "Owner" under the DIA, whenever arising.

Assignee acknowledges and agrees, by its acceptance hereof; that the DIA is conveyed "as is, where is" and in its present condition with all faults, and that Assignor and/or City has not made, does not make and specifically disclaims any representations, warranties, promises,

covenants, agreements or guaranties of any kind or character whatsoever, whether express or implied, oral or written, past, present or future, of, as to, concerning or with respect to the nature, quality or condition of the DIA or any performance thereunder.

City consents to the foregoing assignment and assumption of the DIA and releases Assignor from any duties, obligations or liabilities under the DIA arising after the date hereof.

This Assignment shall be binding upon and inure to the benefit of the successors and assignees of all the respective parties hereto.

This Assignment shall be governed by, interpreted under, and construed and enforceable in accordance with, the laws of the State of California.

This Assignment may be executed in counterparts, each of which shall be deemed to be an original, but which together shall constitute a single document.

[Signatures on following pages]

IN WITNESS WHEREOF, the parties hereto have executed this Assignment as of the date set forth above.

ASSIGNOR:

SONOMA VALLEY HEALTH CARE DISTRICT,
a California health care district

By: _____
Name: _____
Title: _____

[Signatures continue on following pages]

ASSIGNEE:

CIVIC PROPERTY GROUP, INC.,
a California corporation

By: _____
Name: _____
Title: _____

[Signatures continue on following pages]

CITY:

CITY OF SONOMA

By: _____

Name: _____

Title: _____

[acknowledgments to be attached]

EXHIBIT F

FORM OF LICENSE AGREEMENT

LICENSE AGREEMENT

This License Agreement (the “**Agreement**”) is entered into _____, 2018, by and between the Sonoma Valley Health Care District, a political subdivision of the State of California and a public district (“**Licensor**”), and Civic Property Group, Inc., a California corporation (“**Licensee**”).

RECITALS

A. Licensor (as Seller) and Licensee (as Buyer) are parties to that certain Purchase and Sale Agreement and Joint Escrow Instructions, dated November __, 2017 (the “**Purchase Agreement**”). All capitalized terms in this Agreement, unless defined herein, have the meaning set forth in the Purchase Agreement.

B. On _____, 2018, Licensee purchased from Licensor a portion of Seller’s Real Property (the “**Licensee’s Property**”), with Licensor retaining ownership of the Seller Retained Parcel, a portion of which constitutes the Licensed Premises hereunder. The legal descriptions of the Licensee’s Property, and the Licensed Premises and Seller Retained Parcel are attached as **Exhibit “1”** and **Exhibit “2”**, respectively, to this Agreement.

C. The Purchase Agreement provides that, at the Closing, Licensor shall grant to Licensee a license over the Licensed Premises, granting to Licensee the right to conduct certain activities on the Licensed Premises related to Licensee’s development of the Licensee’s Property.

D. Accordingly, the parties now hereby agree as follows:

AGREEMENT

1. License for Development Activities on the Remainder Property. Effective as of the Closing, Licensor hereby grants to Licensee a license (the “**License**”) over the Licensed Premises, for the purposes of (i) Licensee and its employees, affiliates, agents, consultants, contractors, subcontractors, material suppliers and representatives (collectively, the “**Licensee Parties**”) to install and complete all of the improvements required to be installed and made on, in and under the Licensed Premises pursuant to the DIA (the “**Licensee’s Activities**”). Neither Licensee nor the Licensee Parties may use the Licensed Premises for any other purpose or business, or use any other portion of the Seller Retained Parcel for any purpose, without obtaining Licensor’s prior written consent, which Licensor may withhold, delay, or condition in its sole discretion. The License granted hereunder, subject to Termination for Cause (as defined in Section 4 below), shall continue until Licensee has completed the construction and installation of all improvements in, on or under the Seller Retained Parcel required under the DIA and the City has inspected, approved, and, if necessary, accepted dedication of same, at which point the License shall terminate.

2. Licensees' Obligations Under the License. In exercising its rights under the License, the Licensee Parties must use reasonable care and may not unreasonably increase the burden of the Licensee Parties' activities on the Licensed Premises beyond what is allowed under this License. The Licensee Parties agree to keep the Licensed Premises free and clear of any and all mechanics', materialmen's and other liens for or arising out of or in connection with the Licensee Parties' activities on the Licensed Premises and, within ten (10) days of recordation, to promptly cause the release of any such filings on the Licensed Premises caused by the Licensee Parties. If any such lien is filed against the Licensed Premises and is not removed or bonded for by Licensee within ten (10) days, Licensor may pay such lien and shall be immediately reimbursed by Licensee plus interest at the maximum rate permitted by law until paid. Licensees covenant that the Licensees Parties: (a) shall conduct all activities on the Licensed Premises in accordance with (i) all applicable construction industry standards, all SWPPP requirements and procedures, and all of the plans and specifications applicable thereto, and (ii) all regulations, ordinances, permits, approvals, or requirements of any governmental authority; (b) shall keep the Licensed Premises free of debris and litter in a manner consistent with a professionally-managed residential land asset; (iii) shall promptly and properly dispose of any garbage, waste and/or debris generated thereon during its activities; (iv) shall not store, deposit or use any hazardous materials on the Licensed Premises other than as is necessary to complete its activities and, in such event, shall comply with all applicable laws and regulations with respect to any use of such materials on the Licensed Premises and shall remove all of the same from the Licensed Premises upon expiration or termination of the License; and (v) shall conduct all of Licensee Parties' activities on the Licensed Premises in a manner and at such times so as to minimize any disruption of or interference with Licensor's and Licensor's employees' and invitees' ingress and egress from, and access to and use of, the parking lot on the Seller Retained Parcel.

3. No Legal Title. No legal title, easement or leasehold interest in the Licensed Premises is created or vested in the Licensee Parties by the grant of this License.

4. Termination. Licensor may terminate the License immediately if any of the Licensee Parties breaches any of its obligations under this License and Licensee does not cure such breach within thirty (30) days after written notice of such breach from Licensor (a "**Termination for Cause**"), except that any breach of this License with respect to any disruption of or interference with Licensor's and Licensor's employees' and invitees' ingress and egress from, and access to and use of, the parking lot on the Seller Retained Parcel must be cured within twenty four (24) hours. Other than a Termination for Cause, Licensor agrees that it shall not terminate this License at any time before the expiration date set forth in Section 1 above.

5. Licensee's Obligations Upon Termination. No later than ten (10) business days after any Termination for Cause or after the License terminates under Section 1 above, as applicable, the Licensee Parties shall do all of the following: (a) remove all stockpiled soils, debris, all hazardous materials caused to be present on, in or under the Licensed Premises, and all of their personal property from the License Premises; (b) promptly repair any damage to the Licensed Premises or the Seller Retained Parcel caused by any of the Licensee Parties; and (c) unconditionally surrender possession of the Licensed Premises to Licensor in a lien-free and safe condition.

6. Indemnity. Effective as of the commencement of the License, Licensee hereby agrees to indemnify, defend and hold harmless Licensor and its owners, shareholders, members, officers, partners, employees, attorneys, agents, invitees, contractors, subcontractors, representatives and affiliates (for purposes of this Section 6, collectively "Licensor") in connection with the defense, prosecution, satisfaction, settlement or compromise, including the reasonable cost and expense of litigation (including reasonable attorneys' fees and accountants fees, travel expense, judgments, court costs, and related litigation expenses and such other actual and reasonable costs in connection with the defense, prosecution, satisfaction, settlement or compromise) of any claims, demands, controversies, actions, causes of action, obligations, expenses, fees, charges, damages, fines, penalties, liens and liabilities of any nature whatsoever, whether at law or in equity, to the extent caused by the Licensee Parties' activities on the Licensed Premises or the Seller Retained Parcel under the License (except to the extent caused or contributed to by any negligent act or omission or willful misconduct or omission of Licensor). The terms of this Section 6 and the Parties' rights and obligations hereunder shall survive the termination of this License.

7. Insurance. On or before the commencement of the License, and as a condition to the grant of the License, Licensee shall provide Licensor with written proof of the following insurance, and shall at all times during the term of this License maintain same: (a) worker's compensation insurance as required by law; (b) commercial general liability insurance written on an occurrence basis, with a combined single limit of at least Two Million Dollars (\$2,000,000) consisting of both bodily injury and property damage coverage; and (c) automobile liability insurance, including liability for all owned, hired and non-owned vehicles, with minimum limits of One Million Dollars (\$1,000,000) for bodily injury per person, One Million Dollars (\$1,000,000) property damage and One Million Dollars (\$1,000,000) combined single limit per occurrence. Licensee shall name Licensor as an additional insured under the commercial general liability policy and the automobile liability policy.

8. General Terms.

(a) This instrument constitutes the entire agreement between the parties relating to the License and this Agreement. Any prior agreements, promises, negotiations or representations regarding the License or this Agreement not expressly set forth in this Agreement are of no force and effect; provided, however, that nothing in this Agreement shall amend, alter or modify the Purchase Agreement or the parties' respective rights and obligations thereunder. Any amendment to this Agreement will be of no force and effect unless it is in writing and signed by all parties.

(b) This Agreement shall bind and inure to the benefit of the parties to this Agreement and their employees, agents, representatives, heirs, personal representatives, successors and assigns, except as otherwise provided in this Agreement.

(c) This Agreement shall be construed and governed in accordance with the laws of the State of California. All of the parties to this Agreement have participated fully in the negotiation and preparation hereof, and accordingly, this Agreement shall not be more strictly construed against any one of the parties hereto. In construing this Agreement, the singular shall

be deemed to include the plural, the plural shall be deemed to include the singular, and the use of any gender shall include every other gender, and all captions and Section headings shall be disregarded.

(d) If any interpretation of a provision of this Agreement is determined by appropriate judicial authority to be illegal or otherwise invalid, such provision shall be given its nearest legal meaning or construed as deleted as such authority determines and the remainder of this Agreement shall be construed to be in full force and effect.

(e) This Agreement may be executed in any number of counterparts, each of which, when executed, shall be deemed to be an original, all of which shall be deemed to be one and the same instrument. Facsimile transmission signatures or signatures transmitted via email/pdf shall be deemed original signatures if followed by hard copy delivery.

(f) If any legal action or proceeding arising out of or relating to this Agreement is brought by either party to this Agreement, the prevailing party shall be entitled to receive from the other party, in addition to any other relief that may be granted, the reasonable attorneys' fees, costs and expenses incurred in the action or proceeding by the prevailing party.

Neither this Agreement nor any memorandum thereof shall be recorded in the County Recorder's office.

Executed on the date first indicated above.

LICENSOR:

SONOMA VALLEY HEALTH CARE DISTRICT,
a California health care district

By: _____
Its: _____

LICENSEE:

CIVIC PROPERTY GROUP, INC.,
a California corporation

By: _____
Its: _____

EXHIBIT 1 TO LICENSE AGREEMENT

Legal Description of Licensee's Property

[to be inserted]

EXHIBIT 2 TO LICENSE AGREEMENT

Legal Description of Seller Retained Parcel and Depiction of Licensed Premises

[to be inserted]

EXHIBIT "G"

To Purchase and Sale Agreement

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

APN: 057-030-005 and 057-050-022

THE UNDERSIGNED GRANTOR(S) DECLARE(S):

DOCUMENTARY TRANSFER TAX IS \$ _____

- _____ Computed on full value of property conveyed, or
- _____ Computed on full value less liens and encumbrances remaining at time of sale.
- _____ Unincorporated area _____ City of _____

GRANT DEED

THIS GRANT DEED is made as of this _____ day of _____, 201_ by SONOMA VALLEY HEALTH CARE DISTRICT, a California health care district ("**Grantor**") to CIVIC PROPERTY GROUP, INC., a California corporation ("**Grantee**").

W I T N E S S E T H :

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Grantor hereby GRANTS to Grantee that certain real property located in the City of Sonoma, County of Sonoma, State of California, particularly described on Exhibit 1 attached hereto and incorporated herein by this reference;

Subject to:

1. Non-delinquent taxes and assessments;
2. All other covenants, conditions, and restrictions, reservations, rights, rights of way, easements, encumbrances, liens, and title matters of record.

IN WITNESS WHEREOF, Grantor has executed this Grant Deed as of the day and year first set forth above.

SONOMA VALLEY HEALTH CARE DISTRICT,
a California health care district

By: _____

Dated: _____

Exhibit 1 to Grant Deed

Legal Description

APPRAISAL OF

853 4TH Street
Sonoma, California

Redwood Empire Appraisal

Real Estate Appraising & Consulting



October 4, 2017

Kelly Mather
President and CEO
Sonoma Valley Hospital
347 Andrieux Street
Sonoma, California 95476
Phone- 707-935-5005
Email- kmather@svh.com

Dear Ms. Mather:

At your request and authorization, Redwood Empire Appraisal completed an Appraisal Report and has provided an opinion of market value of a 2.81-acre portion of the vacant property located at 853 4th Street West, in the City of Sonoma, Sonoma County, California.

The purpose of this appraisal is to provide an opinion of the current Market Value of the Fee Simple interest in the property in its "As-Is" condition. This appraisal is intended to assist in negotiating a sale of the vacant site, and the report is completed for the sole use and benefit of the owner, Sonoma Valley Health Care District.

In the course of our investigation, we personally inspected the appraised property including the site and general environment in which it is located. Based on my investigation and analysis, it is the opinion of the appraiser that the current "As Is" Market Value of 853 4th Street West, in Sonoma, as of September 6, 2017, is:

THREE MILLION THREE HUNDRED THOUSAND DOLLARS
\$3,300,000

The report that follows contains a summary of my investigation and analysis, and the conclusions contained herein are subject to the attached Limiting Conditions, Hypothetical Condition, and Extraordinary Assumption. This report is made in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP).

All copies, records and field notes of this appraisal report are retained in the files of Redwood Empire Appraisal. These records are considered confidential and the undersigned appraiser and our firm will not permit access to them without your authorization.

Respectfully submitted,

A handwritten signature in blue ink that reads "William Groverman". The signature is written in a cursive style.

William Groverman
Certified General Appraiser #AG025683
File # 11886

TABLE OF CONTENTS

TITLE PAGE
LETTER OF TRANSMITTAL

TABLE OF CONTENTS **1**
SUMMARY OF SALIENT FACTS AND CONCLUSIONS **2**
STATEMENT OF LIMITING CONDITIONS **4**
INTRODUCTION..... **7**
 APPRAISAL ASSIGNMENT 7
 PURPOSE OF THE APPRAISAL 7
 INTENDED USE AND USERS OF THE APPRAISAL 7
 EFFECTIVE DATE OF THE APPRAISAL 7
 PRIOR SERVICES PERFORMED 7
 SCOPE OF WORK 7
 COMPETENCY OF THE APPRAISER 8
 OWNERSHIP & HISTORY OF THE PROPERTY 8
 DEFINITIONS OF APPRAISAL TERMS 10
REGIONAL & NEIGHBORHOOD DESCRIPTION **11**
DESCRIPTION OF APPRAISED PROPERTY **18**
 SITUS ADDRESS 18
 REAL ESTATE TAXES 18
 ZONING AND GENERAL PLAN DESIGNATION 18
 GROWTH MANAGEMENT 19
 URBAN GROWTH BOUNDARY (UGB) 19
 PRELIMINARY TITLE REPORT 19
 ACCESS 20
 UTILITIES 20
 BUILDING IMPROVEMENTS 20
 LEASES 20
 SITE IMPROVEMENTS 20
 TOXIC & HAZARDOUS WASTE 20
 SEISMIC ZONE 21
 FLOOD ZONE 21
 LATITUDE & LONGITUDE 21
 CENSUS TRACT NUMBER 21
HIGHEST & BEST USE ANALYSIS **24**
 HIGHEST AND BEST USE "AS VACANT" 24
VALUATION **26**
 SALES COMPARISON APPROACH 28
SUMMARY & CONCLUSIONS **38**
 EXPOSURE TIME & MARKETING PERIOD 38
CERTIFICATION **39**
ADDENDA **40**
 ZONING & ALLOWABLE USES 41
 CENTRAL – WEST PLANNING AREA 44
 QUALIFICATIONS OF THE APPRAISER 55

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Situs Address:	853 4 th Street West, in Sonoma, California 95476.
Location:	The appraised property is located on the north side of W. MacArthur Street between 4 th Street West and Hayes Street, in the City of Sonoma, Sonoma County, California.
Assessor's Parcel No.:	Portion of Sonoma County Assessor's parcel number 018-392-001.
Property Size:	122,404 square feet or 2.81 acres. Source: parcel map provided by client.
Property Owners:	Title to the property is held by Sonoma Valley Health Care District.
Client:	Sonoma Valley Health Care.
Intended Use/User:	This appraisal is intended to assist in negotiating a sale of the property, and the report is completed for the sole use and benefit of Sonoma Valley Health Care District.
Access:	Legal access to the appraised property is from 4 th Street West, W. MacArthur Street, and Hayes Street.
Building Improvements:	There are no building improvements on the appraised property.
Utilities:	Public utilities are developed to the subject site.
Latitude & Longitude:	38°17'12.01N, 122°28'1.20W
Census Tract:	1502.04
Flood Hazard Zone:	Zone X- Area of Minimal Flood Hazard.
Earthquake Hazard:	The appraised property is situated outside the boundaries of the Alquist-Priolo earthquake hazard zone.
Zoning:	Residential - Sonoma (R-S).
General Plan Designation:	Sonoma Residential
Present Use:	Vacant land.
Highest & Best Use "As Vacant":	Residential subdivision of 22 lots.
Date of Inspection:	September 6, 2017.

Effective Date of Appraisal: September 6, 2017.

Date of Appraisal Report: October 4, 2017.

Rights Appraised: Fee Simple Interest.

Hypothetical Conditions: A lot split and/or lot-line adjustment has been completed that would create the subject 2.81-acre lot.

Extraordinary Assumption: 22-single-family lots can be developed on the property.

Report Type: The attached is considered an "Appraisal Report" and has been prepared under the guidelines set forth by the Uniform Standards of Professional Appraisal Practice. The content and format of this report are sufficient for the intended use (s) of the appraisal and specific client requirement (s).

Value Indication: Current "As Is" Market Value - \$3,300,000.

STATEMENT OF LIMITING CONDITIONS

The certification of the Appraiser appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the Appraiser in the report. These conditions are inherent in the analysis and conclusions contained in this report.

1. The contents and conclusions presented in this report have been prepared for the exclusive use of Sonoma Valley Hospital. No other release or duplication is permitted without written authorization of Redwood Empire Appraisal.
2. This appraisal is based upon knowledge available at the time of valuation. If additional information is made available, the estimates of value could be affected and the appraiser reserves the right to revise his valuation.
3. Information, estimates, and opinions furnished to the Appraiser, and contained in the report, were obtained from sources considered to be reliable and believed to be true and correct. However, no responsibility is assumed by the Appraiser for the accuracy of such items furnished.
4. Maps, plats, and exhibits included herein are for illustration only, and are to assist as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose. The acreage shown on the assessor map is assumed correct.
5. Appraiser assumes there are no code violations of any jurisdiction - Neighborhood, City, County, State, Federal, Special Districts, etc. unless noted in the report. Examples might be -- C.C. & R.'s, zoning, setbacks, uses, permits, contaminants, etc..
6. Information in this report has been carefully checked and is believed to be correct. In the event that any inaccuracies or inconsistencies occur, the client is to notify the appraiser immediately so that he may review his final value conclusion and make any corrections necessary.
7. No responsibility for economic or physical factors is assumed which may affect the opinions herein stated, which may be present or occur at some date after the date of value.
8. Recognizing that the demand for real estate is a function of the availability of mortgage funds, it is assumed that the interest rate ranges and economic conditions on the date of valuation will remain reasonably constant unless otherwise stated.
9. The Appraiser assumes the ownership interest to be FEE SIMPLE unless noted otherwise in the report.
10. All existing liens and encumbrances have been disregarded and the property appraised as though free and clear and the title to be good and marketable, unless specifically stated otherwise in the report.
11. The Appraiser is not an expert in interpreting exceptions to title. The client is requested to obtain and read the TITLE REPORT and seek professional assistance in understanding the exceptions to title.
12. The Appraiser assumes no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor does the Appraiser render any opinion as to the title, which is assumed good and

marketable. The property is appraised as though under responsible ownership and management. Legal, adequate access for the existing or herein stated use is assumed unless specified otherwise in the report.

13. The Appraiser knows of no conditions of the property, subsoil, or structures, which should render it more or less valuable. The Appraiser assumes no responsibility for any hidden or unapparent conditions, or for such inspections or studies, which might be required to discover such conditions or factors.

14. No personal property or tenant fixtures have been considered in the value estimate within the report unless separately stated.

15. The liability of Redwood Empire Appraisal, its owners and staff, herein after referred to as Redwood Empire Appraisal, is limited to the client only and to the amount of the fee actually paid for services rendered, as liquidated damages, if any related or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all Assumptions and Limiting Conditions of the assignment and related discussions. Redwood Empire Appraisal is in no way to be responsible for any cost incurred to discover or correct any deficiencies of any type present in the property, physically, financially, and/or legally.

16. The client also agrees that in the event of a lawsuit brought by a lender, partner or part owner in any form of ownership or tenancy or by any other party, the client will hold Redwood Empire Appraisal completely harmless from and against any liability, loss, cost or expense incurred or suffered the client in such action, regardless of its outcome.

17. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to the property value, the identity of the Appraiser, professional designations, reference to any professional appraisal organization, or the firm with which the Appraiser is connected), shall be used for any purposes by anyone but the client specified in the report, the borrower if appraisal fee paid by same, the mortgagee or its successors and assigns, mortgage insurers, consultants, professional appraisal organizations, any state or federally approved financial institution, any department, agency, or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the Appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the Appraiser. Reproducing portions or the entirety of the appraisal is subject to the COPYRIGHT laws of the USA.

18. Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of the professional appraisal organization with which the Appraiser is affiliated.

19. ENVIRONMENTAL DISCLAIMER -- The value estimated in this report is based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions. The Appraiser is not an expert in the identification of hazardous substances or detrimental environmental conditions. The Appraiser's routine inspection of and inquiries about the subject property did not develop any information that indicated any apparent significant hazardous substances or detrimental environmental conditions which would affect the property negatively. It is possible that tests and inspections made by a qualified hazardous substance and environmental expert would reveal the existence of hazardous materials and environmental conditions on or around the property that would negatively affect its value.

20. No soils report for Phase I toxic contamination study was provided at the time of the appraisal. It is assumed the site is NOT contaminated and our inspection revealed no obvious signs of contamination or toxic hazard.

21. The Appraiser is not required to give testimony or appear in court because of having made the appraisal, with reference to the subject property of this report, unless arrangements have been previously made therefore. The report is a work product of the Appraiser. If the date of value differs from the date of report, the Appraiser assumed the property condition to be similar to that as viewed, unless stated otherwise.

22. The pages of this report have been numbered consecutively and the footer shows the property or client identification. The loss or removal of any portion of this report invalidates the entire report. The value conclusions expressed in this report are dependent on the assumptions as stated above. Variation from the assumptions could produce a different value conclusion.

INTRODUCTION

APPRAISAL ASSIGNMENT

Redwood Empire Appraisal has been requested by Ms. Kelly Mather, President and CEO of Sonoma Valley Hospital to complete an Appraisal Report and provide an opinion as to the current "As Is" Market Value of a vacant 2.81-acre residentially zoned lot located at 853 4th Street West, in the City of Sonoma, California. The appraised property is a 2.81-acre portion of Sonoma County Assessor's parcel 018-392-001, which is 3.79 acres in size.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to provide our opinion as to the market value, as defined in this report, of the Fee Simple Interest in the appraised property.

INTENDED USE AND USERS OF THE APPRAISAL

This appraisal is intended to assist in negotiating a sale of the property, and the report is completed for the sole use and benefit of the Sonoma Valley Health Care District. No other person or entity may use this report without the written authorization of Redwood Empire Appraisal.

EFFECTIVE DATE OF THE APPRAISAL

The effective date of the appraisal establishes the context for the value opinion, while the date of the report indicates whether the perspective of the appraiser on the market and property as of the effective date of the appraisal was prospective, current, or retrospective.¹ The current Market Value of the subject property was estimated as of September 6, 2017, the date the property was last inspected by Mr. Groverman.

PRIOR SERVICES PERFORMED

Redwood Empire Appraisal has not performed or provided any other services regarding the subject property within the prior three years, as an appraiser or in any other capacity.

SCOPE OF WORK

In making this appraisal, the appraisers have inspected the subject property and its environs. The appraiser investigated the social, economic, political, and physical aspects of the subject, the neighborhood and surrounding area in order to arrive at an opinion of Highest and Best Use for the subject property. In this assignment, we have considered the current zoning and the existing general plan, together with the reasonableness of a zoning or general plan change.

Having thus ascertained the Highest and Best Use, we have then collected primary and secondary data relative to the subject. Physical information was collected and obtained from the appropriate governmental agencies and sources, a physical site inspection, the property owner or their representative. The physical inspection included the specific gathering of any items, which may affect value, either positively or negatively.

The appraiser searched the market for sales and listing of reasonably similar properties that have either sold or are available for sale. Data includes sales of vacant land and improved properties. Sources used in our search include, but are not limited to: Multiple Listing Service (MLS); Win2Data; brokers; realtors; public county records; other appraisers and the appraiser's own files. It is assumed that the information obtained from these

¹ *Uniform Standards of Professional Appraisal Practice, 2016-17 Edition, Standards Rule 2-2(b)(vi), p. U-25*

sources is correct; however, when possible all market data was verified through at least two data sources utilized and cited, unless indicated to the contrary in the body of this report. This data will then be analyzed and adjustments made for the sales differences to the subject property. Where the sale is inferior to the subject, a plus adjustment is made. If the sale is superior to the subject, a minus adjustment is warranted. Through this process of adjustments to the sales, we arrive at an indicated value for the subject property from each comparable. This data is reconciled into a final opinion of value, which is conveyed to the client in a written report that sets forth the data, analysis, and conclusions.

All data considered material to the appraisal was reported. The valuation process involved utilizing all techniques and procedures considered appropriate to the assignment. In the case of the subject, the most reliable method of appraising the subject property is the Direct Sales Comparison Approach. The Cost Approach was not used in our analysis as there are no building improvements or proposed construction plans for the property, and the Income Approach is not applicable, as residential subdivision land is not purchased for its income generating potential.

COMPETENCY OF THE APPRAISER

William Groverman has been specifically educated in the appraisal of the property type under analysis in this report, with over 25 years of appraisal experience. In Accordance with the Competency Rule of the Uniform Standards of Professional Appraisal Practice (USPAP), the appraisers certify that they have the education, experience and knowledge sufficient to appraise the property being valued in this report. No one other than the appraisers signing the report provided significant real property appraisal assistance in completing this report unless otherwise indicated. Mr. William H. Groverman is currently certified by the State of California as a Certified General Real Estate Appraiser, Certificate Number AG025683.

OWNERSHIP & HISTORY OF THE PROPERTY

Title to the appraised property is held by the Sonoma Valley Health Care District. On August 30, 2011, Sonoma Valley Health Care District (District) entered into a land lease and option to purchase Parcels 018-392-001 and -045 from North Valley Bank (NVB). The lease indicated the property is to be used by the District for parking, as a construction staging area for the temporary storage and staging of construction materials and equipment used in connection with construction activities by or on behalf of the District. Base monthly rent for the land lease was \$13,153.28.

As a consideration for granting the purchase option, the District paid a non-refundable sum of \$250,000 to NVB, this amount was later applied to the purchase price when the District exercised their option. Reported purchase price for the property was \$1,731,582, but this price did not include the \$250,000 purchase option payment and \$268,418 discount, which was calculated as the reduction in principal that would have occurred as of the closing date assuming a beginning principal balance of \$2,250,000 as of the option commencement date, an interest rate of 5% per annum applied to the outstanding balance, monthly payments in the amount of the base rent, and an amortization to a "zero" principal balance over 25-year period. Total purchase price for parcels 018-392-001 and -045 was \$2,250,000.

Sonoma Valley Health Care District issued a public request for proposals to purchase the subject property. Two proposals were submitted, a draft term sheet of both proposals was provided to the appraiser and are summarized below.

- 1.) Caymus Capital/Caymus Builders – Caymus submitted an offer to purchase the subject property at the price of \$3,000,000. Only contingency was review of a title report. There were two alternative

closing dates (1.) 45 days after execution of purchase agreement, with possible extension if a lot line adjustment or parcel map is needed to create the property as a legal parcel, or (2) after approval of a tentative subdivision map for development of the property.

- 2.) Denova Homes – Denova submitted an offer to purchase at the price of \$165,000/approved lot (\$3,300,000 for 20 lots; \$3,960,000 for 24 lots). Denova agreed to profit participation, 50% of net profits after Denova earns a 12.5% net profit on all costs of the project. Closing date will be the earlier of (1) twelve months after feasibility approval, or fifteen business days after final approval of tentative map. Buyer shall not have the right to extend the closing date beyond the 12-month period.

No other listings, options, sales, or transfers of the property are known to the appraisers over the past three years.

DEFINITIONS OF APPRAISAL TERMS

Market Value:

FIRREA Definition: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date, and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Office of the Comptroller of the Currency, [OCC] 1 under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [g], 01/01/04 edition)

USPAP Definition: a type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal.

(Uniform Standards of Professional Appraisal Practice [USPAP], 2016-2017 Edition, p. 3)

Fee Simple Interest - "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat." *(The Dictionary of Real Estate Appraisal, Third Edition, pg. 140).*

Hypothetical Condition - "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Comment: Hypothetical conditions are contrary to facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis." *(Uniform Standards of Professional Practice, 2016-2017 Edition, pg. U-3).*"

A lot split or lot-line adjustment has been completed that would create the subject 2.81-acre lot.

Extraordinary Assumption - "refers to an assumption directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis *(USPAP, 2016-2017 ed.)*"

22-single-family lots can be developed on the property.

REGIONAL & NEIGHBORHOOD DESCRIPTION

The appraised property is located in Sonoma County, which is one of the original 27 counties in the state and is the northernmost of the nine greater San Francisco Bay Area counties. Bordered on the north and east by Mendocino, Lake, and Napa counties and to the west and south by the Pacific Ocean, Marin County, and San Pablo Bay, its area encompasses 1,598 square miles. Sonoma County extends 50± miles from north to south and has a width of about 35± miles.

Geographically, Sonoma County is divided almost equally into mountainous regions, rolling hills and valley land. Three narrow valleys, separated by mountains, run generally in a north-to-south direction, which creates numerous microclimates within the county. Elevations in the county range from sea level to 4,262 feet at the top of Mount St. Helena, where Sonoma, Napa and Lake Counties converge.

Sonoma County's climate is characterized by dry, pleasant summer months followed by a rainy season from November through April. Mean temperatures throughout the county vary significantly during the summer, ranging from the cool weather of the coastal area to the warmer climate of the inland valleys. Rainfall averages about 50 inches along the coast and about 30 inches in the valleys.

Between 1950 and 1980, Sonoma County's population tripled, with almost half the growth occurring during the 1970's. Between April 1980 and April 1990, the county's population increased by 88,541 people or 29.5%. This is equivalent to a compounded annual increase of 2.62% per year. Fueled by job growth and attractive quality of life, the population of Sonoma County steadily increased. Between 2000 and 2010, the population decrease by 9,407 people, or 1.9%. Today there are 502,146 Sonoma County residents, the majority of new residents live within the boundaries of Sonoma County's nine cities. City of Santa Rosa has led this growth in total population, adding 4,398 residents, or 2.7%, over sixteen years to attain its current population of 167,834 people.

SONOMA COUNTY: POPULATION TRENDS

	2000	2010	% Change	2016	% Change
Sonoma County	493,285	483,878	-1.9%	502,146	3.8%
Cloverdale	8,636	8,618	-0.2%	8,801	2.1%
Cotati	7,476	7,265	-2.8%	7,455	2.6%
Healdsburg	11,931	11,254	-5.7%	11,827	5.1%
Petaluma	58,401	57,941	-0.8%	60,530	4.5%
Rohnert Park	43,398	40,818	-5.9%	42,622	4.4%
Santa Rosa	163,436	167,834	2.7%	175,155	4.4%
Sebastopol	7,943	7,392	-6.9%	7,678	3.9%
Sonoma	10,078	10,652	5.7%	11,054	3.8%
Windsor	26,955	26,765	-0.7%	27,555	3.0%

Over the last 20 years, Sonoma County has become increasingly integrated into the overall Bay Area economy. Over the next 20 years, the county's job prospects will continue to expand. Many companies are headquartered in Sonoma County because of the high quality of life afforded, but conduct their businesses on a state, national, and international level. According to the *North Bay Business Journal 2016 Book of Lists*, the largest companies in Sonoma County included Kaiser Permanente, Graton Resort & Casino, St.

Joseph Health System, Keysight Technologies, Sutter Santa Rosa Regional Hospital, Amy's Kitchen, Medtronic, Jackson Family Wines, Hansel Auto Group, AT&T, and River Rock Casino.

Sonoma County is marching to a quicker beat as its pivotal winemaking, tourism, and food and beverage manufacturing industries pick up the tempo. After moving in lockstep with mid-sized California metro areas Santa Barbara, Sacramento, Santa Cruz and Salinas for much of the past year, job and wage growth has edged higher in recent months and is outpacing the state and national averages.

According to a report by the U.S. Department of Housing and Urban Development, Sonoma County is in its seventh year of job growth, the longest period of employment gain since a nine-year economic recovery from 1992-2001. Sonoma County has some of the lowest unemployment and highest hotel occupancy rates in the state, the jobless rate in July 2017 was 3.9%. The downside of the economic growth is that employers are having trouble finding qualified workers and the high cost of housing is making it hard for employers to attract workers to the County.

A surge in tourist visits to SON's wine country is propelling job growth in travel and tourism in line with that of Santa Barbara and Santa Cruz. Local goods producers are also doing more of the heavy lifting. Expansion by artisanal food producers, craft breweries, and winemakers is driving growth in manufacturing employment. The jobless rate is among the lowest of California's mid-sized metro areas and has fallen even as more workers join the labor force.

SON's large constellation of organic and specialty food makers will sustain above-average gains in manufacturing employment. Partnerships between wineries, restaurants, and local food and beverage makers have raised the profile of the county's artisanal food products, helping firms gain shelf space in food stores nationwide. Thanks to abundant industrial space and relatively low business costs for the North Bay region, small and medium-sized producers are scaling up in the county itself, helping to lift total goods-producing employment to its highest level since 2005. For example, Miyoko's Creamery, a producer of vegan dairy products, will shift operations to a new plant in Petaluma as it expands its product line to Whole Foods stores. As consumers grow increasingly healthconscious and as higher disposable incomes allow for more discretionary food purchases, more firms will follow suit. However, the new positions will do little to move the needle on personal income since jobs in food manufacturing are generally lower paying than existing positions in medical device and electronics manufacturing.

Sonoma County will press harder on the accelerator this year and next as disposable incomes rise locally and nationally, boosting sales of higher-end wines and specialty food products. Longer term, SON's prestige in winemaking and status as a premier destination for wine-related tourism will enable the county to keep pace with the U.S. and other mid-sized California metro areas in job and income growth.

Sonoma County residential real estate market ranks as the seventh-fastest growing county in California at a 10-year growth rate of 5.5%. However, its population only ranks 17th in size, Santa Rosa, Petaluma, and Rohnert Park are its three most populated cities. With a median age of 32 years, homes in Sonoma County tend to be relatively old.

In housing, steep drops in home and apartment construction started in 2007 and continuing through last year, though 2016 showed improvement for single-family homes. The drop in new construction has led to tight markets for renters and home buyers, and that mirrors the Bay Area.

County home prices have more than doubled since home values hit bottom in early 2009. In July 2017, the county's median single-family home sales price hit a new record of \$644,000. Meanwhile, rents have risen dramatically. According to a HUD report, since 2010 rent have increased an average of 6.6% a year, compared to 3.7% nationally. The average county apartment rent in the year's first quarter is \$1,623. In comparison, two other reports this spring put the average asking rent for a two-bedroom apartment in the county at between \$2,100 and \$2,300.

The HUD report forecasts a need for 1,375 houses and condominiums and 1,700 rental units in the County "to achieve a balanced market" in the next three years. Currently under construction are 200 rental units and another 230 units to be for sale. Some of the current demand for housing might be met by 13,000 "vacant units" the largest portion are various types of vacation and short-term rental homes.

County home buyers purchased 501 single-family houses in June 2017, the largest number for any month since July 2015. However, the results appear to analysts to be a brief correction from a slow winter and spring rather than a sign of a housing market on the upswing. The county's housing market continues to be characterized by rising prices, declining sales and tight inventory.

Sonoma County Crop Report was recently released and it reported a value for agricultural crops in Sonoma County for 2016 at \$898,125,200, which represents a 17% increase from the 2015 value of \$766,271,000. This report reflects only gross production values and does not represent or reflect net profit or loss experienced by individual growers or by the industry, or the costs associated with production and marketing.

Crop values are affected by market and weather conditions. In 2016, the drought conditions of the previous four years had lessened. Over six inches of rain in December 2015 combined with another 14 inches of rain in January and March 2016 significantly helped crop yields. Winegrapes, Sonoma County's primary crop, saw an increase in both tons crushed and price per ton, leading to an overall winegrape value increase of nearly \$140 million, or 24% from 2015.

The 2016 apple yield increased significantly over 2015 which had been the worst apple crop in recent history. Prices for processing apple held steady which is attributed to the continued consumer demand for organic apple products. Organic apple production accounts for 85% of Sonoma County apple acres. Overall, apple values increased 46% from 2015.

The value of livestock and poultry production decreased a modest 6% as cattle prices dropped slightly from 2015. The value of livestock and poultry products which includes eggs, milk and wool was down by nearly 3% from 2015, which is attributed to depressed egg prices throughout 2016. This decrease in egg prices was slightly offset by an increase in the value of milk products. These milk values are driven by the premium prices received for organic market and manufacturing milk as 80% of Sonoma County dairies are now organic.

Ranking and value of Sonoma County's 2016 crops are as follows;

SONOMA COUNTY'S 2016 CROP REPORT SUMMARY

Crop	2016 Rank	2016 Dollar Value	2015 Rank	2014 Rank	2013 Rank	2012 Rank	2011 Rank
Wine Grapes	1	\$586,517,700	1	1	1	1	1
Market Milk	2	\$146,475,400	2	2	2	2	2
Miscellaneous Poultry	3	\$40,823,200	3	3	3	3	3
Misc. Livestock & Poultry Products	4	\$31,298,600	4	4	4	4	4
Cattle and Calves	5	\$20,561,900	5	5	7	6	6
Nursery - Ornamentals	6	\$14,321,700	8	9	8	8	7
Misc. Nursery Products	7	\$13,001,700	6	7	5	5	8
Vegetables	8	\$9,961,300	7	6	6	7	5
Sheep and Lambs	9	\$8,480,600	9	8	9	9	9
Rye & Oat Silage	10	\$4,016,500	12	12	15	16	15
Nursery - Cut Flowers	11	\$3,894,400	10	10	10	13	12
Apples - Late Varieties	12	\$3,871,800	13	11	12	10	10
Apples - Gravenstein	13	\$1,245,300	15	15	14	15	13
Nursery - Bedding Plants	14	\$1,245,300	11	14	11	11	11
Rye & Oat Hay			14	13	13	14	14

In 2014, the School of Business and Economics at Sonoma State University (SSU) completed a study of the economic impact of equestrian activities in Sonoma County. This report is an update and extension of the 2004 Sonoma County Equine Industry study conducted by SSU.

Based on data from Sonoma County equine veterinarians, approximately 26,217 equine animals lived in Sonoma County in 2013. Equines are defined as horses, mules, donkeys, and other equine-related animals. The focus of the study was on horses. The commercial interactions of Sonoma County's horse owners, riders, and businesses generates in excess of 613 million in business revenues, supports over 7,700 jobs, and contributes almost \$12 million in local tax revenue annually from approximately \$464 million in annual spending by horse owners and riders. Those figures put equestrian services in the top three among agricultural industries in Sonoma County, with grapes and dairy, depending on how they are measured.

The largest concentration of owners and their equine animals are in Santa Rosa, Sebastopol, and Petaluma. Equine owners participate in a variety of activities that complement and create demand for many of the county's equine businesses. Activities range from trail and pleasure riding to lessons and horse training, leading to costs of ownership and business revenues. Quarter Horses and Warmbloods are the dominant types of horses owned in Sonoma County, but Morgans, Mustangs, Gaited, and miniature horses are abundant. Owners tend to each own between one and two horses, and do not foresee a significant rise in buying and selling activities in the next five years.

Commercial transportation is varied in Sonoma County. Three primary highways traverse the county; the major freeway is State Highway 101, which links Sonoma from Marin and San Francisco counties in the south to Mendocino in the north. State Highway 12 runs from Lodi to the east through the cities of Fairfield, Napa, and Sonoma before curving in a northwesterly direction through Santa Rosa toward its termination in the City of Sebastopol. Traffic congestion is an increasing problem along Highway 101 between Santa Rosa and Novato, the northern most city in Marin County. With daily traffic counts of over 100,000 cars per day and two lanes provided in each direction, the freeway is operating at over 100% of its capacity. Widening of

Highway 101 between Rohnert Park and Santa Rosa started in May 2001. Construction of this \$17.5 million project added one lane in each direction between Wilfred Avenue and State Highway 12. Future improvements include additional lanes from Rohnert Park Expressway to Santa Rosa Avenue and from Steele Lane in Santa Rosa to Windsor River Road in Windsor. Eventually, the widening of Highway 101 will include the stretch of highway from the city of Novato in northern Marin County to Windsor, which is located several miles north of Santa Rosa in Sonoma County.

Over the past decade, there have been several failed attempts in Sonoma and Marin County to raise funds to make improvements to the heavily congested State Highway 101. In November of 2004, more than two-thirds of the county voters approved Measure M, a 20-year, quarter cent sales tax hike to pay for congestion relief. Of the \$470 million projected to be raised by Sonoma County over the next 20 years, \$188 million, or 40 percent, will go toward California State Highway 101 improvements, another \$188 million will go to local street and road repairs, and the remaining \$89 million, or 19 percent, is for bus and rails service and bicycle paths.

Marin County also passed Measure A, a half-cent sales tax that will raise \$331.6 million over 20 years, will put 55 percent of the money toward that county's ailing bus service, 26.5 percent for local road repairs, bike paths and sidewalks, 11 percent for safe routes to schools and 7.5 percent to close the car pool lane gap on Highway 101 between Greenbrae and San Rafael.

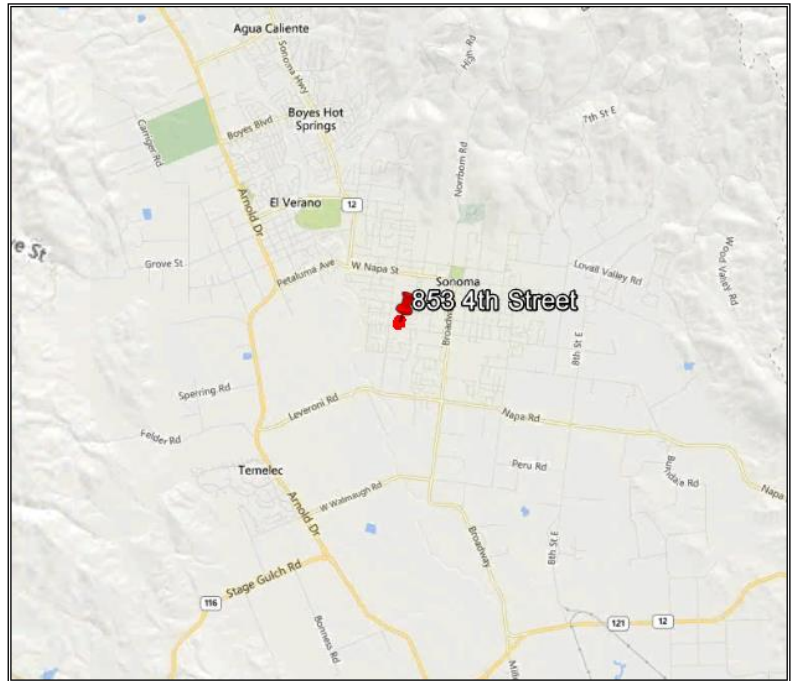
Alternative commercial transportation within the county includes the California Northern Railroad and Charles M. Schulz-Sonoma County Airport. The rail spur provides freight rail transportation into the area with main lines into the Cities of Petaluma, Sonoma, Santa Rosa and other communities located to the north such as Cloverdale. Sonoma Marin Area Rail Transit, a public agency charged with getting commuter rail up and running from Cloverdale to San Rafael is seeking funding to have the service in place in 5 to 10 years. The commuter service would include daily service of up to 16 trains north and south bound, with the bulk of the service during rush hours. There will be 12 to 15 stations along the route, including San Rafael, Marin Civic Center, north and south Novato, Petaluma, Cotati, Rohnert Park, Santa Rosa, Windsor, Healdsburg, Geyserville and Cloverdale.

Charles M. Schulz-Sonoma County Airport is located in northwest Santa Rosa. Alaska Airlines, United Airlines, American Airlines, and Allegiant currently provide flights out of Charles M. Schulz-Sonoma County Airport. A record of 40,383 passengers flew on the four airlines in June 2016. Traffic was up from 33,092 airline passengers carried in May and 15.5 percent above the 34,955 the previous June, according to monthly numbers released Tuesday. A few charters also serve the airport. Allegiant, which began flying twice weekly to Las Vegas in May 2016, will cease operations at the end of July due to uneven passenger traffic. Sun Country Airlines is set to start seasonal flights to Minneapolis – St. Paul in August.

NEIGHBORHOOD DESCRIPTION

The appraised property is located in the City of Sonoma, which is situated about 46 miles northeast of San Francisco on State Highway 12 in Sonoma County. It is centered around its historic town plaza, a remnant of the town's Spanish colonial past. Sonoma today is a center of the wine industry for the famed Sonoma Valley Appellation. Just an hour north of San Francisco and a 15-minute scenic vineyard drive from Napa Valley, Sonoma Valley is located in the southern part of Sonoma County between the Mayacamas and the Sonoma Mountain ranges. The southern end of the valley opens toward the San Pablo Bay, the northern end stretches through 17 miles of vineyards, farms, small towns, and open space.

Located in the heart of one of the world's premier wine producing regions, Sonoma is developed around the central plaza, or town square, with over 11,054 people living within four square miles of the City of Sonoma limits. Modern culture and businesses thrive here among the landmark adobe and historic buildings, an eclectic blend of the past with the present. Sonoma is the largest town in the valley. Here numerous cultural events, shows, and celebrations are held in the central Plaza year-round, for the enjoyment of visitors and locals alike. City of Sonoma serves as the economic hub for the rural Sonoma Valley, which has a population of about 39,000±.



Over 56% of the City of Sonoma's employed population works in the service sector, which includes education, health care, tourism, and legal services. The second largest sector is retail trade, followed by manufacturing. The City of Sonoma supports a large percentage of employees in the service sector compared to the county and most other cities. This shows reliance on consumer spending to support economic activity.

Sonoma is an incorporated General Law City within Sonoma Valley and governed by a five-member City Council. The remainder of Sonoma Valley comprises an unincorporated area that includes the communities of Boyes Hot Springs, Eldridge, El Verano, Fetters Hot Springs, Agua Caliente, Glen Ellen, Kenwood, Oakmont, Schellville, and Vineburg. They are governed by the Sonoma County Board of Supervisors and represented by the District 1 Supervisor.

At the southern entrance to the valley are the farms, vineyards, and wetlands of Schellville. Past the vineyards the land stretches out into the wetlands, the sloughs, and the local creek flowing into the San Francisco Bay. Founded in 1888, Schellville was once home to several hay, grain, hay, and other crops. Today most of these fields are covered with vineyards. At the southeastern end of the valley, east of Schellville, is Vineburg. If you are coming from Napa Valley one of the main routes between the two valleys takes you through the Vineburg area. The "downtown" includes a deli and a post office at the midpoint of a main drive along a light industrial area bordered by majestic and fragrant eucalyptus trees. Rural Vineburg is home to several vineyards, wineries, cows, horses, small farms and local families.

West of the Sonoma city limits is the district of El Verano. During the first few decades of the 1900s, city folk flocked by train to El Verano to enjoy the swimming, fishing, and resorts. The tiny downtown area includes a post office and the original saloon from the boom town days.

In the 1895's, natural hot mineral water springs were discovered just north of the Sonoma city limits which sparked the Valley's hot springs resort heyday during the late 1800s through the 1930s. Today Boyes Hot Springs includes several fine hotels and restaurants and is home to a few thousand local families. Like Boyes Hot Springs, Fetters Hot Springs and Agua Caliente developed in the early 20th century in response to the local hot springs resort boom. Many of the original vacation cottages and some hotel buildings from the era survive today. With dozens of restaurants and family businesses, over two thousand people live in the area today.

On the western edge of the Valley, north of El Verano and south of Glen Ellen is the Eldridge District. Home to the Sonoma Developmental Center for the developmentally disabled, Eldridge features beautiful grounds and scenery. From Arnold Drive, turn left at the stop sign into the central SDC campus for a closer look at one of the most architecturally beautiful buildings in Sonoma: the original Gothic Victorian main building, completed in 1894. It is currently closed to the public.

North of Eldridge is Glen Ellen, featuring the Jack London State Historic Park. The hamlet has a market, a post office, art shops, bed & breakfasts, several bars and restaurants, and a creek. Right next door is Sonoma Mountain and a network of country roads. Area wineries are only minutes away, and the dog park on Highway 12 is only a few miles south of the village. At the north end of the Valley is the area of Kenwood. It is home to many wineries, beautiful wine country vistas, and Sugarloaf State Park. Kenwood's restored train depot in the central Kenwood area has a display of historical images.

The appraised property is located in a residential neighborhood of the City of Sonoma, about 6/10^{ths} of a mile southwest of Sonoma Plaza. Major city services and employment centers are within a short commute, several services are within walking distance. Adjacent north of the subject property is an 80-space paved parking lot that will be retained by Sonoma Valley Health Care District. To the east of the subject property are detached single-family homes that were built in the 1950s, to the west are a few vacant lots and single-family homes that were constructed in the late 1980s, and land uses to the south across MacArthur Street include the Sonoma Hills Retirement Center and single-family dwellings.

DESCRIPTION OF APPRAISED PROPERTY

SITUS ADDRESS

The situs address of the appraised property is 853 4th Street West, Sonoma, California, 95476.

LEGAL DESCRIPTION

The appraised property is a portion of Assessor's Parcel Number 018-392-001, Sonoma County, California.

ACREAGE

According to the plat map provided by the client, the appraised property is a 2.81-acre portion of Parcel 018-392-001, which is 3.79 acres in size.

REAL ESTATE TAXES

According to the Sonoma County Assessor's office, Sonoma Valley Health Care District is a non-taxable entity, real estate taxes are not paid on the property.

ZONING AND GENERAL PLAN DESIGNATION

The appraised property has a General Plan designation of Sonoma Residential. This designation, which usually applies to properties at least 3 acres in size, has three purposes: 1) to ensure a variety of unit types and lot sizes in new development, 2) to provide sufficient flexibility in site planning and design to allow individual developments to respond to site and neighborhood conditions, and 3) to ensure a range of housing prices and living opportunities for middle-income households. Through this designation housing units of different price ranges are mingled rather than segregated. A 20% inclusionary requirement applies to new development and half of the inclusionary units must be affordable to low income households. Home occupations are allowed, but retail and office uses are not. Density is 3 to 8 residential units per acre. Intensity – 35-foot height limit (two stories) and maximum 40% lot cover for residential development. Minimum Lot Size: 5,000 SqFt. and Floor Area Ratio: 0.35.

The appraised property is zoned R-S (Residential – Sonoma). The R-S zoning district is typically applied to parcels of three acres or more in size, and is intended to provide areas suitable for a broad range of housing types, including housing affordable to low and moderate-income households. The R-S zoning district is intended to promote creativity in project design, variety in lot sizes and unit types, and development that will fit in with surrounding neighborhoods. The minimum density for new residential construction is three dwelling units per acre and the maximum density is eight dwelling units per acre. Subject to use permit review, limited neighborhood-serving commercial uses may be allowed, in accordance with SMC 19.14.030, Neighborhood commercial development. The R-S zoning district is consistent with the Sonoma Residential land use designation of the General Plan.

The appraised property is located in the Central-West Planning Area. The general objective for this area, as expressed in SMC 19.26.020, is to ensure that new infill developments respect their immediate context. Single-family areas should remain single-family with regular setbacks and development in multifamily areas, while having greater flexibility in site design and massing, should clearly respond to conditions on adjacent parcels. Otherwise, the mini-neighborhoods within the planning area risk losing their distinctiveness. In the development or redevelopment of properties on the edge of the planning area, particularly adjacent to the West Napa Street corridor, uses should be laid out to minimize potential conflicts with adjacent commercial development, while maximizing appropriate connections. In order to preserve the city's largest stock of

affordable senior housing, the regular maintenance of the mobile home parks' grounds and of the individual coaches should be encouraged.

GROWTH MANAGEMENT

City of Sonoma has a growth management ordinance, which limits residential construction in Sonoma. The ordinance was adopted in 1980 following fiscal and economic analysis of nine growth scenarios using a computer model developed by the Association of Bay Area Governments. The City annually distributes allocations for determining which projects of five or more units will be eligible to proceed through the planning review process. The ordinance establishes a "development year," running from September 1st to August 31st, with the distribution of allocations occurring in September of each year. Growth Management allocations correspond to residential units that may ultimately be built, after a project receives planning approvals. While in prior years the annual distribution began with a base of 88 allocations, an amendment to the ordinance adopted by the City Council in 2008 reduced the annual base to 65 allocations, plus any carry over of unused allocations from the previous development year.

The starting point for the 2017-18 development year is 124 units, as 59 unused allocations were carried over from the previous year. There were two units of small development over the last twelve months and 30 allocations are set aside for infill development. With these deductions, a net allocation pool of 92 is available. As discussed above, these allocations are first assigned (at a maximum of 20 per year) to prospective developments that have received some, but not all their allocations.

In August 2016, a request was made to the City of Sonoma for a 32-residential allocation on the Sonoma Valley Health Care District site (APNs 018-392-001 and -045), which is 4.59± acres in size. On September 18, 2017, the City Council approved the request for the 32 units.

URBAN GROWTH BOUNDARY (UGB)

The people of the City of Sonoma approved an Urban Growth Boundary (UGB) in 2000 to protect the unique small-town character of the city and the agricultural and open space character of the surrounding areas. The UGB, which is set to expire in 2020, is a line beyond which urban development will not be allowed, except for public parks and public schools, only uses consistent with the General Plan "agricultural" land use designation (as it existed on February 25, 2000 and the definition of "open space lands" set forth in California Government Code Section 65560 (b) as of February 25, 2000 are allowed beyond the UGB. The UGB is established by the policies implementing Goal CD-1; its location is shown on this General Plan's Land Use Plan.

Sonoma's UGB reflects a commitment to focus future growth within the city in order to prevent urban sprawl into agriculturally and environmentally sensitive areas surrounding the city. The UGB protects the health, safety, welfare, and quality of life of the residents of Sonoma by concentrating future residential, commercial, and industrial growth in areas already served by urban services. The policies implementing the UGB allow sufficient flexibility within its limits to respond to the City's changing needs over time. The UGB complements General Plan policies promoting additional housing opportunities, emphasizing infill development, and supporting a thriving downtown center.

PRELIMINARY TITLE REPORT

The appraised property is a portion of a larger parcel, a preliminary title report of the property is not available. The value indicated in this appraisal report assumes there are no unusual easements, encroachments, or conditions exist that would affect the subject's value or utility. It is advised that the users of this appraisal

should review a preliminary title report to satisfy themselves as to the significance and importance of the information provided therein.

ACCESS

The appraised property has about 300 feet of frontage on MacArthur Street and 408 feet of frontage on Hayes Street and 4th Street West. MacArthur Street creates the southern boundary of the property, it is two-lanes wide and is improved with concrete curbs, gutters, and sidewalks. Hayes Street creates the western property boundary and 4th Street West creates the eastern boundary. Both 4th and Hayes Street fronting the subject site are one-lane, these streets will need to be widened and concrete curb, gutters, sidewalks, and storm drains installed when the subject site is developed.

UTILITIES

Public water and sewer service is provided to the subject site by the City of Sonoma. Electrical and telephone service are available to the property, overhead utility lines are located on the south side of W. MacArthur Street and the east side of 4th Street.

BUILDING IMPROVEMENTS

There are no building improvements located on the appraised property.

LEASES

There are no leases encumbering the appraised property.

SITE IMPROVEMENTS

The subject property is a gentle sloping, rectangular shape (300' by 408') site that is slightly above street grade. Curbs, gutters, sidewalks, and storm drains are installed along both sides of MacArthur Street, the City of Sonoma may require these improvements to be installed, along with street widening of Hayes and 4th Streets that front the subject site. Cost for street widening and road improvements is unknown.

TOXIC & HAZARDOUS WASTE

The value indicated in this report is predicated on the assumption that the subject property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions. The appraiser is not an expert in the identification of hazardous substances or detrimental environmental conditions. The appraiser's routine inspection of and inquiries about the subject property did not develop any information that indicated any apparent significant hazardous substances or detrimental environmental conditions which would affect the property negatively. It is possible that tests and inspections made by a qualified hazardous substance and environmental expert would reveal the existence of hazardous materials and environmental conditions on or around the property that would negatively affect its value.

WETLANDS / BIOTA

Federal and State governments have enacted laws and regulations designed to preserve habitat for sensitive plant and animal species. A policy of "no-net-loss" of wetlands and other sensitive habitat has been established. The appraiser is not qualified to detect the presence of wetlands that would be regulated by any local, state or federal government agency with jurisdiction in these matters, or of plant species that are listed, or proposed to be listed, on any local, state or federal register as "endangered" or "sensitive". The presence of any of these on the subject property might result in constraints to the development of the property to its highest and best use. The client is urged to retain an expert in this field.

SEISMIC ZONE

According to a map prepared by the State of California Division of Mines and Geology, in compliance with the Alquist-Priolo Special Studies Zone Act, the potentially active Healdsburg – Rodgers Creek fault and Tolay Fault run generally in a north-to-south direction, bisecting the middle of Sonoma County. According to the County of Sonoma Permit & Resource Management Department, the appraised property is not located within an Alquist-Priolo seismic hazard zone. In the event of an earthquake, the appraised property could be subject to severe earth shaking, and associated damage. This is an active seismic area with liquefaction zones that experience substantial shaking during earthquakes; building codes and seismic safety standards are enforced.

FLOOD ZONE

According to the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM), Panel #06097C0937E, Dated December 2, 2008, the appraised property is located in Zone X, an “Area of Minimal Flood Hazard”.

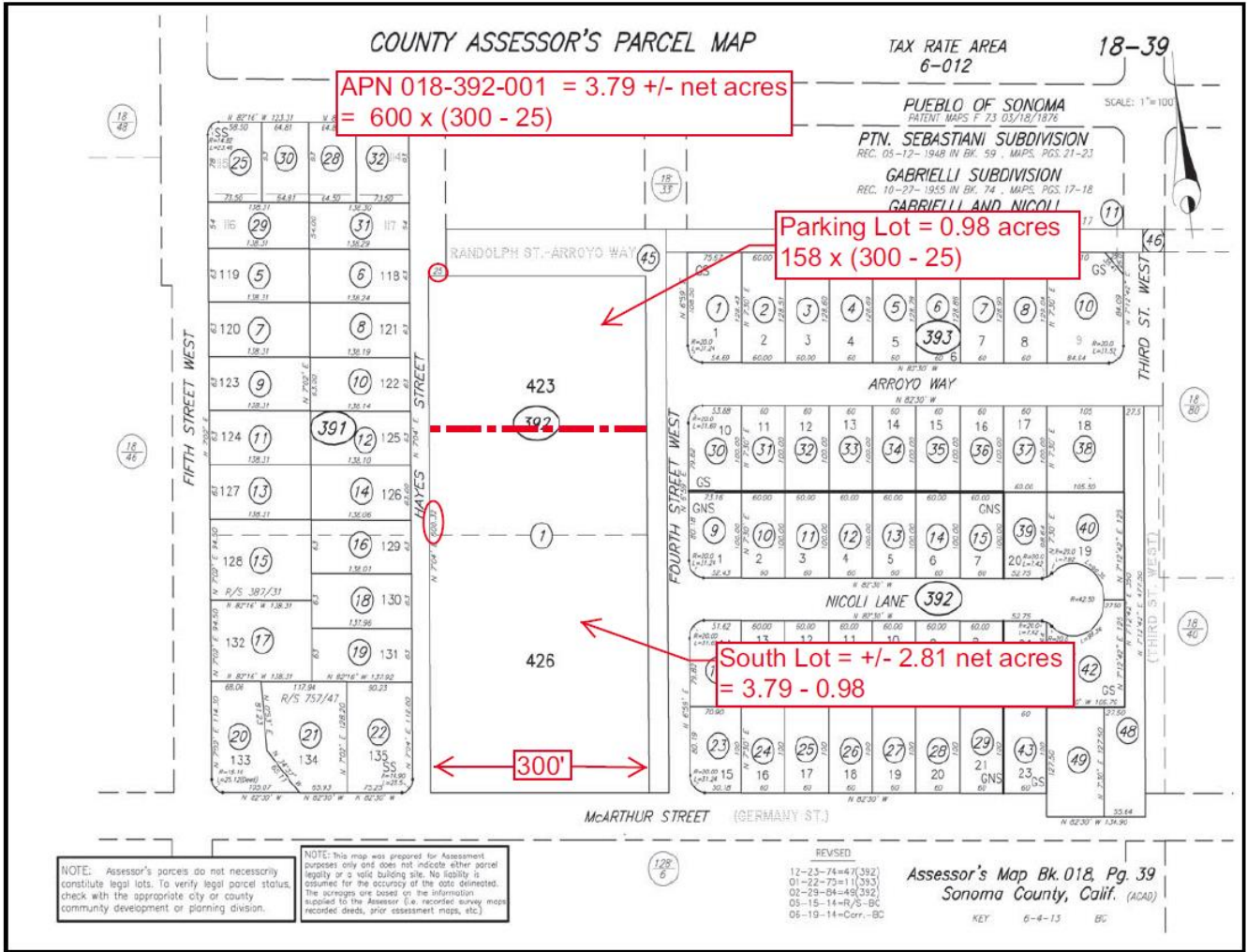
LATITUDE & LONGITUDE

38°17'12.01N, 122°28'1.20W

CENSUS TRACT NUMBER

Census Tract Number 1502.04

PLAT MAP OF APPRAISED PROPERTY



The appraised property is the "South Lot".

AERIAL VIEW OF APPRAISED PROPERTY



Google earth

© 2017 Google

Approximate boundary of appraised property.

HIGHEST & BEST USE ANALYSIS

Highest and Best Use is defined as "The reasonable probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value." (*The Appraisal of Real Estate, 10th Edition, AIREA, 1992*).

In estimating Highest and Best Use, the appraiser goes through four stages of analysis:

1. **PERMISSIBLE USE (LEGALLY)** -- What uses are permitted by zoning and deed restrictions on the subject.
2. **POSSIBLE USE (PHYSICALLY)** -- To what uses it is physically possible to use the subject.
3. **FEASIBLE USE (ECONOMICALLY)** -- Which possible and permissible uses will produce net return to the owner of the subject.
4. **MAXIMALLY PRODUCTIVE** -- Among the feasible uses, which one will produce the highest net return, or the highest present worth.

The determination of the highest and best use of the subject is based on the zoning requirements, site size and configuration, surrounding uses, and economic conditions, which relate to the subject site. This analysis typically involves both an analysis of the site as if it was vacant and an analysis of the site with its current improvements. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may be determined to be different from the existing use. The existing use will continue, however, unless and until the value in its highest and best use minus the cost of change, whether conversion or demolition, exceeds the value of the property in its existing use.

HIGHEST AND BEST USE "AS VACANT"

LEGALLY PERMISSIBLE USES – We begin our highest and best use analysis by identifying the legally permissible uses. Any potential use of the subject property must comply with all legal limitations, which include zoning, general plan, and deed restrictions. The appraised property is zoned R-S (Residential – Sonoma). The R-S zoning district is typically applied to parcels of three acres or more in size, and is intended to provide areas suitable for a broad range of housing types, including housing affordable to low and moderate-income households. The R-S zoning district is intended to promote creativity in project design, variety in lot sizes and unit types, and development that will fit in with surrounding neighborhoods. The minimum density for new residential construction is 3 dwelling units per acre and the maximum density is 8 dwelling units per acre.

The appraised property has a General Plan designation of Sonoma Residential, which is consistent with the subject's zoning. Density is 3 to 8 residential units per acre. Intensity – 35-foot height limit (two stories) and maximum 40% lot cover for residential development. Minimum Lot Size: 5,000 SqFt. and Floor Area Ratio: 0.35. Based solely on its density, the appraised property has the potential to be developed with 22 single-family lots.

The appraised property is located in the Central-West Planning Area. The general objective for this area is to ensure that new infill developments respect their immediate context. Single-family areas should remain

single-family with regular setbacks and development in multifamily areas, while having greater flexibility in site design and massing, should clearly respond to conditions on adjacent parcels.

In August 2016, a request was made to the City of Sonoma for a 32-residential allocation on the Sonoma Valley Health Care District site (APNs 018-392-001 and -045), which are 4.59± acres in size. On September 18, 2017, the City Council approved the request for a total of 32 units.

The appraiser is not aware of or has any knowledge of any deed restrictions that would limit potential uses to which the subject can be put.

PHYSICALLY POSSIBLE – The second step in our analysis is to determine which of the legally permissible uses are physically possible on the subject’s site. The appraised property is a regular shape, in-fill parcel that is primarily level throughout. It has frontage on three streets, which provide convenient access. Public water, sewer, electrical, and telephone service are available to the site and are located in MacArthur Street. Given the subject’s size, shape and usable terrain, the legally permissible use of the appraised property as residential building sites appears to be physically possible.

ECONOMICALLY FEASIBLE – The third step in our analysis is to identify which legally permissible uses that are also physically possible, would be economically feasible. Financially feasible uses are those uses that will yield some return to the land. Since all of the legally permissible uses that are physically possible will bring some return to the land, they are all seen to be economically feasible.

MAXIMALLY PRODUCTIVE - The final step in our analysis is to identify which legally permissible use that is also physically possible and economically feasible will bring the highest net return to the land. Those uses that most conform to the surrounding area will most likely produce the highest net return to the land.

Sonoma County has seen substantial appreciation in residential properties since the market recovery began about six years ago. So far, 2017 has seen significant home appreciation virtually throughout the county. A big factor is its much greater affordability when compared to Marin and San Francisco. The median home sale price for Sonoma County through June 2017 was \$620,000, comparable to the median price in Marin and San Francisco of \$1,260,000 and \$1,400,000, respectively.

Between 2011 and 2017 YTD, the median home price in the City of Sonoma increased from \$419,000 to \$816,250. Median sale price in the City of Sonoma from January 2017 through August 2017 for 2-bedroom homes was \$630,000, 3-bedroom homes was \$850,000, and 4-bedroom homes was \$1,232,500. During this period, there were a total of 258 home sales in the City.

The surrounding land uses are predominately single-family dwellings, a residential subdivision of 22 single-family lots would be the maximally productive use of the appraised property.

CONCLUSION - The Highest and Best Use “As Vacant”, of the appraised property is a 22-lot single-family development.

VALUATION

The estimation of market value is a procedure in which the scope of the appraisal problem is defined, data is collected and analyzed, appraisal techniques are applied, value indicators are derived through one or more of the traditional approaches to value and the various value indicators are reconciled into a final value estimate. The major approaches to real property valuation include the *Cost Approach*, the *Sales Comparison Approach*, and the *Income Approach*.

COST APPROACH

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of, or replacement for, the existing structure; deducting accrued depreciation from the reproduction or replacement cost; and adding the estimated land value plus an entrepreneurial profit. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised (*The Dictionary of Real Estate, Third Edition, pg. 81*).

The first step in the Cost Approach is to estimate the land value for the subject property. The estimate is made by an analysis of comparable land sales. The second step is to estimate the replacement or reproduction costs of all improvements. Improvement costs are then depreciated to reflect value loss from physical, functional and external causes. The depreciated improvement costs are then added to the land value to produce a value indicator by this approach.

SALES COMPARISON APPROACH

A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when comparable sales data is available (*The Dictionary of Real Estate, Third Edition, pg. 318*).

The Direct Sales Comparison Approach to value uses sales of comparable properties, adjusted for differences, to indicate a value for the subject property. Valuation is often accomplished using a physical unit of comparison such as a price per acre, or an economic unit of comparison, such as a gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sales and then the units of comparison are applied to yield a value indicator for the subject.

INCOME APPROACH

A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate. (*The Dictionary of Real Estate, Third Edition, pg. 178*).

In the Income Capitalization Approach, the present value of the future benefits of property ownership is measured. A property's income streams and its resale value upon reversion may be capitalized into a present, lump-sum value.

RECONCILIATION

Reconciliation is the last phase in the development of a value opinion in which two or more value indications derived from market data are resolved into a final value opinion, which may be either a final range of value or a single point estimate.²

The reconciliation process represents a weighing of the indicators derived above as to the indicator's reliability and applicability to the appraisal problem at hand. A final value conclusion is then estimated based on the available data and the appraiser's experience in appraising the type of property under analysis.

APPROACHES UTILIZED

The valuation process involved utilizing all techniques and procedures considered appropriate to the assignment. In the case of the subject, the most reliable method of appraising the subject property is the Direct Sales Comparison Approach. The Cost Approach was not used in our analysis as there are no building improvements on the property, and the Income Approach is not applicable, as residentially zoned subdivision land is not purchased for its income generating potential.

² *The Dictionary of Real Estate Appraisal, Fifth Edition, p. 79*

SALES COMPARISON APPROACH

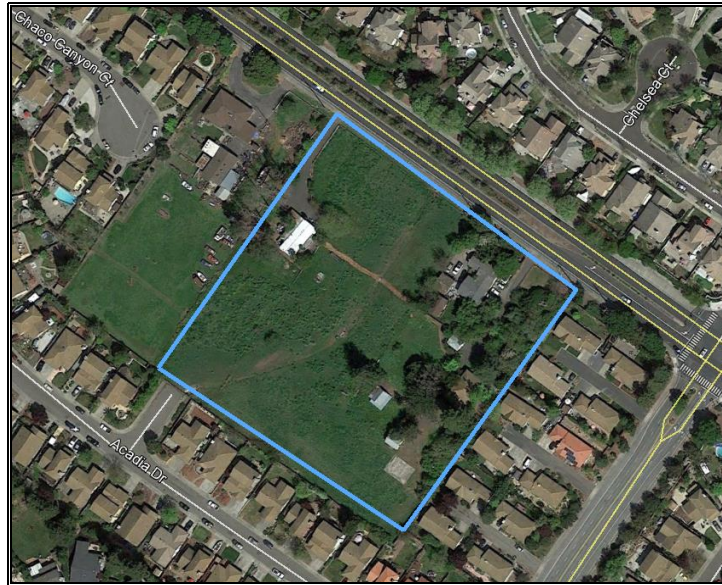
In the case of the subject property, only the Sales Comparison Approach was considered applicable due the subject's highest and best use as a residential subdivision of 22 single-family lots. The appraiser has determined, due to the nature of the property and availability of market data, that this approach to value will yield a credible opinion of value of the specific use of the intended user. The physical description, industry analysis and valuation methods presented are based on relevant market evidence and logic to the degree necessary for the intended use of this report.

In estimating the market value by the Sales Comparison Approach, the appraiser compared the subject property to similar properties that have recently sold, are under contract, or listed for sale. A major premise of this approach is that the market value of residential subdivision land is directly related to the prices of comparable, competitive properties. The comparative analysis focuses on similarities and differences among properties and transactions that affect value. These may include differences for such factors as terms of financing, market conditions, and physical characteristics.

The appraiser conducted a search for sales of residential subdivision land within Sonoma County that are similar to the subject. Due to the lack of low-density residential subdivision land sales we expanded our search to include properties in the City of Napa and northern Marin County. After the most relevant sales were discovered, comparison is facilitated by the calculation based on a price per potential lot. A summary of the sales used for comparison to the appraised property is located on the following pages.

SALE COMPARABLE #1

Property Address: 511 Sonoma Mountain Parkway, Petaluma.
Seller: Avila R L Trust.
Buyer: Ryder Avila LLC
Assessor's Parcel No.: Sonoma County Assessor's parcel 149-413-023.
Size: 4.89 acres or 213,008 square feet.
Zoning: R6 (Residential 6) 2 to 8 units/acre.
Project Size: 21 units.
Sale Price: \$2,500,000.
Sale Price Acre / Unit: \$511,247 per acre / \$119,048 per unit.
Financing: Cash to seller.
Recording Date / Deed No.: July 6, 2015 / 59578
Improvements: Old single-family residence that contributed no value.
Access: Legal access is from Sonoma Mountain Parkway.
Confirmed With: John Scharer, listing & selling agent.
Confirmed By: Bill Groverman
Exposure Time: Private sale.
Comments: This is the Avila Ranch Subdivision located on the east side of Petaluma, having frontage on Sonoma Mountain Parkway, with secondary access to Acadia Drive. Buyer obtained approval for 21 single-family lots ranging in size from 6,000 to 8,300 square feet. There are five different single and two-story floor plans with homes ranging in size from 2,053 to 2,846 square feet. Average sale price for the homes in this development was \$886,000.



SALE COMPARABLE #2

Property Address: 2075 W. Pueblo Avenue & 2122 W. Park Avenue, Napa.
Seller: Ruiz, Delores / Santiago, William.
Buyer: North San Ramon Development LLC
Assessor's Parcel No.: Napa County Assessor's parcels 042-160-025, -026, -044 (ptn.), -045.
Size: 4.09 acres, or 178,160 SqFt.
Zoning: RI 7 (Single-Family Infill, min. lot size 7,000 SqFt.).
Project Size: 19 units.
Sale Price: \$1,975,000.
Sale Price Acre / Unit: \$482,885 per acre / \$103,947 per unit.
Financing: Cash to seller.
Recording Date / Deed No.: July 15, 2016 / 17254 & 17260
Improvements: Two single-family residences and outbuildings (no value).
Access: Legal access to this property is from W. Pueblo Avenue, W. Park Avenue, and Morlan Drive.
Confirmed With: Randy Gulante, listing & selling agent.
Confirmed By: Bill Groverman
Exposure Time: 444 days.
Comments: This is the sale of three properties that are located west of State Highway 29, about 1.5 miles northwest of downtown Napa. 2075 W. Pueblo Avenue was listed for sale in October 2013 at the price of \$950,000, it went contingent in December 2014. When listed, this property was in the County and needed annexation into the City. Buyer was also able to acquire 2122 W. Park Avenue and a 0.35-acre vacant portion of 2114 W. Park Avenue via a lot line adjustment. Both properties are improved with single-family residences, which are in poor condition and will be razed. Buyer obtained approval for 19 residential lots. When the site is developed, City will require curbs, gutters, and sidewalks along Pueblo and Park Avenue. Selling agent indicated the developer will also be responsible for installing a storm drain, cost for the drain was estimated at \$400,000.



SALE COMPARABLE #3

Property Address: 5 Pheasant Lane, Napa.
Seller: Munoz Family Trust.
Buyer: North San Ramon Development LLC
Assessor's Parcel No.: Napa County Assessor's parcels 038-160-020.
Size: 2.74 acres, or 119,354 SqFt.
Zoning: RS 10 Single-Family
Project Size: 8 units.
List Price: \$1,800,000.
Sale Price: \$1,900,000.
Sale Price Acre / Unit: \$693,431 per acre / \$237,500 per unit.
Financing: Cash to seller.
Recording Date / Deed No.: February 23, 2016 / 4438
Improvements: Single-family residence and barns (no value).
Access: Legal access directly from Pheasant Lane.
Confirmed With: Burt Polson, listing & selling agent.
Confirmed By: Bill Groverman
Exposure Time: 121 days.

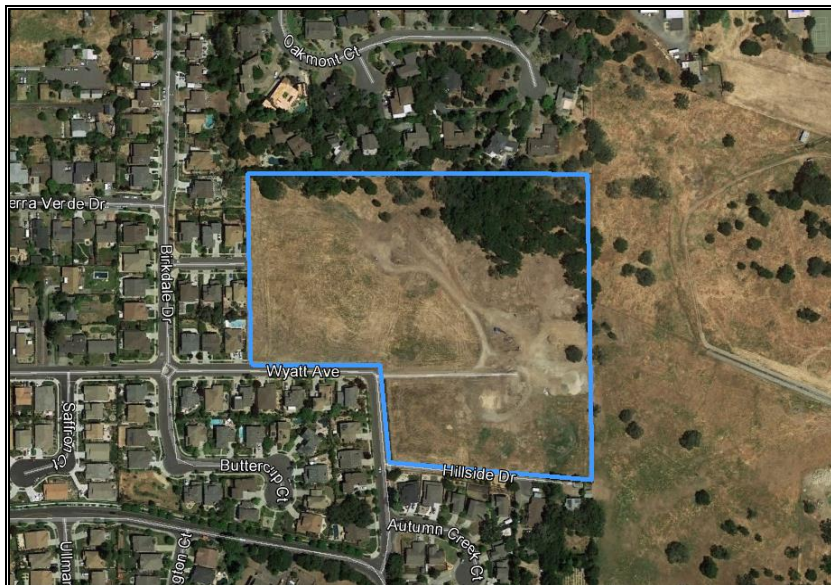
Comments: This in-fill residential site is located on the north end of the City of Napa, about 2.5 miles north of downtown Napa. The parcel has potential of being subdivided into eight sites, buyer intends to develop with residences of about 2,300 square feet in size that are projected to sell for just over \$1 million on average. Given the need for an internal cul-de-sac, average finished lot size is estimated at 12,000 square feet. There were reportedly seven offers for the property, which sold at \$100,000 over list price. Improvements on the property include a residence and barns, which will be razed.



SALE COMPARABLE #4

Property Address: 1060 Wyatt Avenue, Napa.
Seller: Andersen Family Trust.
Buyer: Davidson Homes
Assessor's Parcel No.: Napa County Assessor's parcels 046-083-028 and 046-122-024.
Size: 15.14 acres, or 659,498 SqFt.
Zoning: RS 5 (Single Family Residential, min lot size 5,000 sq ft).
RS 7 (Single Family Residential, min lot size 7,000 sq ft).
Project Size: 37 units.
List Price: \$6,900,000
Sale Price: \$7,025,000.
Sale Price Per Acre / Unit: \$464,003 per acre / \$189,865 per unit.
Financing: Cash to seller.
Recording Date / Deed No.: January 20, 2017 / 1478
Improvements: Two residences (no value).
Access: Legal access is available from Wyatt Avenue.
Confirmed With: Randy Gularte, listing & selling agent.
Confirmed By: Bill Groverman
Exposure Time: 820 days.

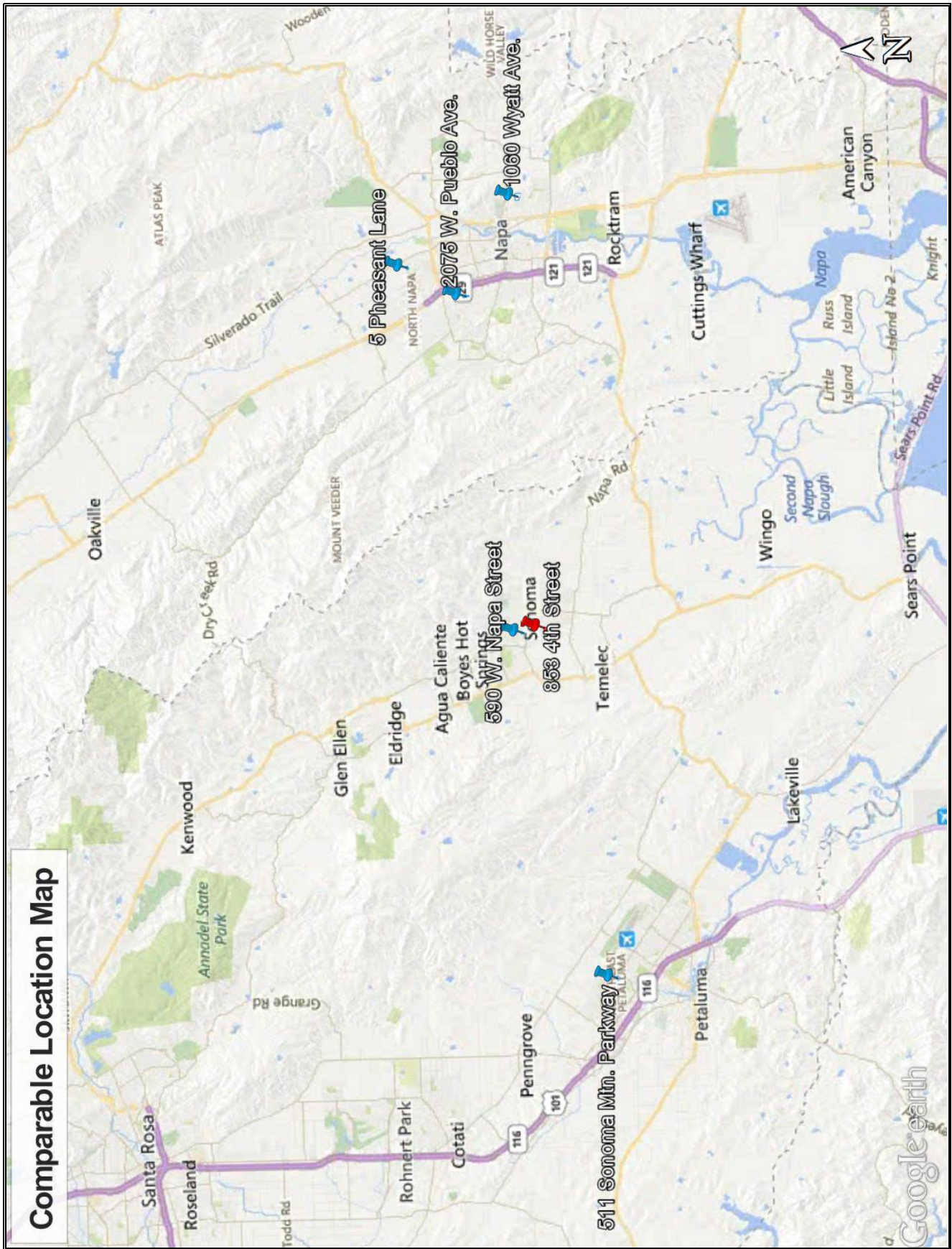
Comments: This property is located on the eastern edge of the City, about 1.2 miles southeast of downtown Napa. The property is located northeast of the Peppergrass and Wyatt Avenue intersection and is bordered to the east by open space lands. It consists of two upsloping parcels that provide distant views of the western foothills. Prior to being listed for sale the property was annexed into the City of Napa. Listing agent indicated there were 13 offers for this property, it was in contract for about 18 months prior to close. About 3 acres of the site is wooded and is protected by a conservation easement. Listing agent indicated the zoning density allowed development of 63 homes, but approvals were obtained for 37 single-family residences, which will range from about 2,400 to 3,500 square feet in size and will sell between \$950,000 and \$1,300,000. Listing agent indicated due to the site containing a high amount of rock, development costs are estimated to increase about \$15K per site.



SALE COMPARABLE #5

Property Address: 590 W. Napa Street, Sonoma.
Seller: Paul Norrbom
Buyer: Meadow Creek Group LLC
Assessor's Parcel No.: Ptn. Sonoma County Assessor's parcel 127-221-005.
Size: 1.52 acres, or 66,211 SqFt.
Zoning: Mixed Use.
Project Size: 30 units.
Sale Price: \$2,000,000.
Sale Price Acre / Unit: \$1,315,789 per acre / \$66,667 per unit.
Financing: Cash to seller.
Recording Date / Deed No.: August 31, 2017 / 68810
Improvements: None.
Access: Legal access directly from W. Spain Street.
Confirmed With: Paul Norrbom, selling.
Confirmed By: Bill Groverman
Exposure Time: Private sale. Seller indicated the property was in contract for 18 months.
Comments: This in-fill site was created via a lot-split, the property is located on the south side of W. Spain Street, about 5 blocks west of Sonoma Plaza. The buyer acquired a 1.52-acre portion of a 2.04-acre parcel, the portion retained by the seller has frontage and direct access off W. Napa Street. According to a planner with City of Sonoma, the buyer is in process of obtaining approval to construct a 30-unit apartment community. Thirty residential units have already been allocated to this site.





Comparable Location Map

COMPARABLE SUMMARY

NO.	LOCATION / APN	SALE DATE	SALE PRICE	SIZE- (ACRES)		PROJECT UNITS	DENSITY UNITS/ACRE	AVG. UNIT		MARKET CONDITIONS	ADJUSTED \$/UNIT
				SIZE- (SQFT)	\$/ACRE			SIZE (SQFT)	\$/UNIT		
1	511 Sonoma Mountain Parkway City of Petaluma APN 149-413-023	6-Jul-15	\$2,500,000	4.89 213,008	\$511,247	21	4.3	10,143	\$119,048	\$24,512	\$143,560
2	W. Pueblo & W. Park Avenue City of Napa APN 042-160-025, -026, -044(ptn.) , -045	15-Jul-16	\$1,975,000 \$2,375,000 (Adj. Price)	4.09 178,160	\$482,885 \$580,685	19	4.6	9,377	\$103,947 \$125,000	\$10,782 \$10,782	\$114,729 \$135,782
3	5 Pheasant Lane City of Napa APN 038-160-020	23-Feb-16	\$1,900,000	2.74 119,354	\$693,431	8	2.9	14,919	\$237,500	\$33,636	\$271,136
4	1060 Wyatt Avenue City of Napa APN 046-083-028 & 046-122-024	20-Jan-17	\$7,025,000	15.14 659,498	\$464,003	37	2.4	17,824	\$189,865	\$10,548	\$200,413
5	590 W. Napa Street City of Sonoma APN 127-221-005 (ptn.)	31-Aug-17	\$2,000,000	1.52 66,211	\$1,315,789	30	19.7	2,207	\$66,667	\$95	\$66,761
S	853 4th Street, Sonoma	Offer	\$3,000,000 Caymus	2.81 122,404	\$1,067,616	22	7.8	5,564	\$136,364		
		Offer	\$3,630,000 Denova	2.81 122,404	\$1,291,815	22	7.8	5,564	\$165,000		

There is limited market data of low density residential subdivision sales in Sonoma County, the lack of sales can be attributed to several factors. All of the cities in Sonoma County have Urban Growth Boundaries, which are designed to keep a greenbelt and discourage sprawl. However, limiting the expansion of cities in the County restrict development to in-fill projects. Additionally, a majority of the in-fill sites are zoned for medium to high-density and mixed-use developments.

Five properties in Sonoma and Napa County were discovered, analyzed, and utilized for comparison to the subject property. Comparable #5 and the appraised property are located in the City of Sonoma. Comparable #1 is located in the City of Petaluma and Comparables #2, #3, and #4 are located in the City of Napa, which are considered similar locations as the subject.

The comparables used for comparison to the subject are residential developments that range in size from 8 to 37-units with unadjusted sale prices ranging between \$66,667 and \$237,500 per unit. An adjustment for market conditions is necessary, as the comparables sold under different conditions than those applicable to the appraised property on the effective date of value. Although the adjustment for market conditions is often referred to as a "time" adjustment, time is not the cause of the adjustment. Market conditions, which shift over time, create the need for this adjustment. The best method of measuring changes in market conditions is a paired sales analysis; however, due to the lack of sales in the subject market area, there is insufficient data to complete this analysis.

Sonoma County has seen substantial appreciation in single-family residential properties since the market recovery began about 6 years ago. So far, 2017 has seen significant home appreciation virtually throughout the county. A big factor is its much greater affordability when compared to Marin and San Francisco. The median home sale price for Sonoma County through June 2017 was \$620,000. Between 2011 and 2017 YTD, the median home price in the City of Sonoma increased from \$419,000 to \$816,250, a 94.8% increase. Median home price increased about 7% over the past year.

While prices have increased in Sonoma County, home sales have declined for three of the past four years, a drop generally attributed to a lack of available homes for sale. The limited inventory has made it difficult for buyers as well as sellers, who are unwilling to sell due to the limited inventory of properties to move into.

Brokers have indicated it will be difficult to predict when prices will stop rising. Further jump in both prices and mortgage interest rates would reduce the number of local residents with means to buy a home in the county. However, Sonoma County continues to attract a significant number of buyers from the rest of the Bay Area, where median home prices are considerably higher. Those out-of-county buyers continue to put upward pressure on prices.

The comparables used in our analysis sold between July 2015 and August 2017. Based on interviews with local real estate agents and brokers, the limited inventory and high demand for detached single-family homes in the North Bay, and our analysis of the market data, we have adjusted the sales upward 9.0% annually to our effective date of value. After adjusting for market conditions, the sales indicate a range in value between \$66,761 and \$271,136 per unit.

Sale Comparable #1 has an adjusted price of \$143,560 per unit. This in-fill site is located on the east side of Petaluma, which is a desirable market area due to its proximity to the Bay Area. This development consists of 21 detached single-family homes that sold at an average price of \$886,000.

Sale Comparable #2 consists of two properties and a portion of a third property, total units within this project is 19 residential lots. Buyer will be responsible for installing a storm drain, which added an estimated \$400,000 to their development costs. This comparable indicates a price of \$135,782 per lot, adjusted for market conditions and additional development costs.

Sale Comparable #3 is an in-fill development of 8 single-family lots. Listing agent indicated there was seven offers for this 2.74-acre parcel, which sold at 5.5% over list price. Average finished lot size is estimated at 12,000 square feet, buyer plans to build 2,300 square foot home, projected sale price is just over \$1.0 million.

Sale Comparable #4 is located on the eastern edge of the City of Napa, the site backs up to open space. Based on zoning, this property had the potential of being developed with 63 homes, but the developer only obtained approval for 37 single-family homes ranging in size from 2,400 to 3,500 square feet. Due to the site containing a high amount of rock, development costs are estimated to increase about \$15,000 per site, but this was known before going into contract.

Sale Comparable #5 is the most recent sale and is also located within the Sonoma city limits; however, this is a high-density residential development, 19.7 units per acre. The buyer plans to improve the site with a thirty-unit apartment community.

The subject property is 2.81 acres in size, and based on its R-S zoning, it is assumed a residential subdivision of 22 single-family lots could be developed. The subject site has extensive frontage along 4th Street West, MacArthur Street, and Hayes Street. MacArthur Street is two-lanes wide with concrete curbs, gutters, and sidewalks already installed. Overhead utilities are located on the south side of MacArthur Street. The portions of the subject site fronting 4th Street and Hayes Street is only one-lane wide with no street improvements. The Central – West Planning Area indicates that Hayes and 4th Street, between Bettencourt Street and MacArthur Street, will ultimately be improved to full width as adjoining properties develop. Cost of widening the streets and completing off-site improvements has not been projected and could be quite substantial, these unknown costs will impact the price a developer would be willing to pay for the subject property.

Sonoma Valley Health Care District issued a public request for proposals to purchase the subject property, both Caymus Builders and Denova Homes presented offers. Caymus offering price was \$3,000,000, or \$136,364, assuming 22 lots, and Denova Homes offered \$165,000 per lot. The Caymus and Denova offers are within the range of the comparables and appear reasonable considering the unknown off-site and street development costs. Based on the subject's desirable location, the present high demand and limited supply of single-family homes in the Sonoma market, and considering the uncertain off-site and street development costs, a value of \$150,000 per lot has been selected for the subject property. An Extraordinary Assumption has been made that 22 lots can be developed, which results in a value of the appraised property, as of September 6, 2017 of \$3,300,000 (22 lots x \$150,000/lot = \$3,300,000).

SUMMARY & CONCLUSIONS

The Direct Sales Comparison Approach reflects analyses of the best available recent sales, with physical characteristics similar to the subject. These sales are considered to reflect valid, accurate illustrations of market conditions and, consequently, represent a relevant indicator of the market value of the subject property.

Based on my investigation and analysis, it is the opinion of the appraiser that the current "As Is" Market Value of 853 4th Street West, as of September 6, 2017, is:

THREE MILLION THREE HUNDRED THOUSAND DOLLARS
\$3,300,000

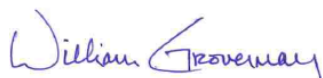
EXPOSURE TIME & MARKETING PERIOD

In order to determine the exposure time of the subject property, the appraiser reviewed the sales utilized in this report for their exposure periods. The sales analyzed indicated exposure times from buyer direct to as high as several years. In addition to the sales data presented above, the appraiser interviewed real estate brokers specializing in subdivision properties as to the current marketing periods. Brokers are reporting more market activity, a direct result of the improving economy and high demand for residential properties in the North Bay. Based on the current market conditions, the sales data described above, brokers surveyed, and the condition of the property, the subject property is estimated to sell at the previously stated market value within a six to twelve month exposure time and marketing period, given an asking price reasonably congruent with the final opinion of value.

CERTIFICATION

The appraiser certifies and agrees that:

- the statements of fact contained in this report are true and correct.
- the reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analysis, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- Redwood Empire Appraisal has not performed or provided any other services regarding the subject property within the prior three years, as an appraiser or in any other capacity.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report. To the best of the appraiser's knowledge and belief, all statements and information in this report are true and correct, and the appraiser has not knowingly withheld any significant information.
- no one provided significant real property appraisal assistance to the person signing this certification.
- I hereby certify that I have the training and experience to competently perform this appraisal.
- The appraiser, William Groverman, holds the Certified General Appraiser Certificate from the State of California, license number AG025683, until December 17, 2018.



William Groverman
California Certificate AG025683

ADDENDA

SUBJECT PROPERTY PHOTOGRAPHS



View of appraised property from the 4th Street and MacArthur Street intersection.



Looking south along 4th Street.



Looking east along MacArthur Street from the intersection with Hayes Street.



Looking from 4th Street in a westerly direction at the northern end of the appraised property.



Looking north along Hayes Street from the intersection with MacArthur Street.

4. R-S (Residential – Sonoma) District. The R-S zoning district is typically applied to parcels of three acres or more in size, and is intended to provide areas suitable for a broad range of housing types, including housing affordable to low and moderate income households. The R-S zoning district is intended to promote creativity in project design, variety in lot sizes and unit types, and development that will fit in with surrounding neighborhoods. The minimum density for new residential construction is three dwelling units per acre and the maximum density is eight dwelling units per acre. Subject to use permit review, limited neighborhood-serving commercial uses may be allowed, in accordance with SMC [19.14.030](#), Neighborhood commercial development. The R-S zoning district is consistent with the Sonoma Residential land use designation of the General Plan.

19.10.050 Allowable land uses and permit requirements.

A. Purpose. This section determines which land uses are allowed in each zoning district established by SMC [19.10.020](#), Zoning districts established, and the land use permit required to establish each use.

B. Allowed Land Uses. The uses of land allowed by this development code in each zoning district are identified in Tables 2-1, 2-2, 2-3 and 2-4, along with the type of planning permit required for each use. These tables provide for land uses that are:

1. Permitted subject to compliance with all applicable provisions of this development code, subject to first obtaining a zoning clearance (SMC [19.54.020](#)), and any building permit or other administrative permit required by the municipal code. These are shown as “P” uses in the tables;
2. Allowed subject to the approval of a use permit (SMC [19.54.040](#)), and shown as “UP” uses in the tables.

Note: where the last column in the tables (“Specific Use Standards”) includes a section number, the regulations in the referenced section apply to the use; however, provisions in other sections of this development code may also apply.

C. Uses Not Listed. Land uses that are not listed in the tables or are not shown in a particular zoning district are not allowed, except as otherwise provided by SMC [19.02.020](#)(D), Rules of interpretation – Allowable Uses of Land), or SMC [19.03.030](#), Exemptions from Land Use Permit Requirements.

D. Standards for Parcels with Multiple Zoning Districts. Where an existing parcel is zoned in two or more zoning districts, each portion of the parcel in a separate district shall be developed/used in compliance with the requirements of the applicable district. (Ord. 07-2003 § 1, 2003; Ord. 2003-02 § 3, 2003).

Allowed Uses and Permit Requirements Permit Required by District for Residential Districts (1) (2)

P Use permitted
 UP Use permit required
 L License required
 - Use not allowed

Land Use (1)	R-HS	R-R	R-L	R-S	R-M	R-H	R-O	R-P	Specific Use Regulations
<i>AGRICULTURE, RESOURCE AND OPEN SPACE USES</i>									
Animal Keeping	P	P	UP	-	-	-	-	-	Chapter 8.08 SMC
Crop Production and Horticulture	P	P	UP	-	-	-	-	-	
Produce Stands for On-Site Production	P	P	UP	-	-	-	-	-	SMC 19.50.070
<i>MANUFACTURING AND PROCESSING USES</i>									
Existing Uses	-	-	-	-	-	-	-	-	SMC 19.82.020
<i>RECREATION, EDUCATION AND PUBLIC ASSEMBLY USES</i>									
Equestrian Facilities	UP	UP	-	-	-	-	-	-	
Parks and Playgrounds	P	P	P	P	P	P	P	-	
Religious Facilities	-	-	UP	UP	UP	UP	-	-	
Schools – Public and Private	-	-	UP	UP	UP	UP	-	-	
<i>RESIDENTIAL USES (2)</i>									
Duplex	-	-	UP	P	P	UP	UP	-	
Emergency Shelters	-	-	-	-	UP	UP	UP	-	SMC 19.50.033
Home Occupation	P	P	P	P	P	P	P	P	SMC 19.50.040
Live/Work Facilities	-	-	-	-	UP	-	-	-	
Mobile Home Park	-	-	-	-	-	-	-	UP	
Multifamily Dwelling (Four or Fewer Units)	-	-	-	UP	P	P	P	-	
Multifamily Dwelling (Five or More Units)	-	-	-	UP	UP	UP	P	-	
Residential Accessory Structures	P	P	P	P	P	P	P	P	
Residential Care Homes, Six or Fewer Clients	-	-	P	P	P	-	-	-	
Residential Care Homes, Seven or More Clients	-	-	-	-	UP	-	-	-	
Single-Family Dwellings	P	P	P	P	P	UP	-	-	SMC 19.50.035
Accessory Dwelling Units	P	P	P	P	P	P	P	P	SMC 19.50.090
Accessory Dwelling Units, Junior	P	P	P	P	P	P	P	P	SMC 19.50.090
Supportive Housing (3)	-	-	P/UP	P/UP	P/UP	P/UP	-	-	
Transitional Housing (3)	-	-	P/UP	P/UP	P/UP	P/UP	-	-	

Allowed Uses and Permit Requirements Permit Required by District

for Residential Districts (1) (2)

P Use permitted
 UP Use permit required
 L License required
 - Use not allowed

Land Use (1) R-HS R-R R-L R-S R-M R-H R-O R-P Specific Use Regulations

RETAIL TRADE AND SERVICES

Art, Antique, Collectible and Gift Sales	-	-	-	UP	-	-	-	-	-	
Artisan Shops	-	-	-	UP	-	-	-	-	-	
Bed and Breakfast Inns (B&Bs)	UP	UP	UP	-	-	-	-	-	-	SMC 19.50.030
Child Day Care Center	-	UP	UP	UP	UP	UP	UP	UP	-	
Child Day Care: Small Family Day Care Home	-	UP	UP	UP	UP	UP	UP	-	-	
Child Day Care: Large Family Day Care Home	-	-	UP	UP	UP	UP	UP	UP	-	
General Retail	-	-	-	UP	-	-	-	-	-	
Governmental and Public Facilities	-	UP	UP	UP	UP	UP	UP	UP	-	
Libraries and Museums	-	-	-	UP	-	-	-	-	-	
Medical Services – Extended Care	-	-	-	UP	UP	-	-	-	-	
Offices, Professional and Administrative	-	-	-	UP	-	-	-	-	-	
Personal Services	-	-	-	UP	-	-	-	-	-	
Restaurant	-	-	-	UP	-	-	-	-	-	
Senior Residential Care Facilities	-	-	-	-	UP	-	-	-	-	
Telecommunications Facilities, Commercial	See Chapter 5.32 SMC, Telecommunications Facility and Antenna Criteria									

SPECIAL PURPOSE USES

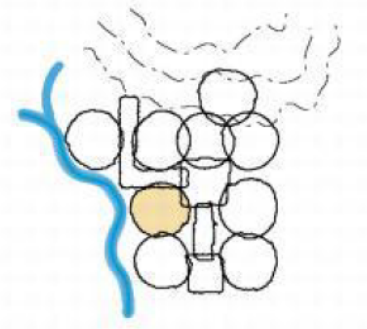
Public Utility Facilities	-	-	-	-	-	-	-	-	-	
Public Utility Equipment	P	P	P	P	P	P	P	P	P	

Notes:

1. See SMC [19.10.050](#)(C) regarding uses not listed. See Division VIII for definitions of the listed land uses.
2. New residential developments subject to the city’s growth management ordinance (Chapter [19.94](#) SMC).
3. Supportive and transitional housing shall be subject to those restrictions that apply to other residential dwellings of the same type in the same zone.

(Ord. 01-2017 § 1 (Exh. A), 2017; Ord. 02-2014 § 2(A), 2014; Ord. 06-2010 § 1, 2010).

**Chapter 19.26
CENTRAL-WEST PLANNING AREA**



Sections:

19.26.010 Existing conditions, desired future, potential changes.

19.26.020 Project planning and design.

19.26.010 Existing conditions, desired future, potential changes.

A. Existing Conditions. The Central-West planning area is large, at 297 acres, and contains a variety of housing types, including low density single-family, mobile home parks, duplexes and fourplexes, as well as large-scale multifamily developments. Sonoma Creek, on the west, represents the area's most distinct boundary. The West Napa/Sonoma Highway commercial corridor lies to the north, the Downtown district and Broadway to the east, and rural development within the Southwest planning area to the south. The development of this area is recent in terms of the city's overall history, with the oldest tracts dating back to the 1950s. Within single-family areas, front setbacks tend to be quite consistent (20 feet, usually), less so in the multifamily sections. Most of the streets are developed with monolithic sidewalks rather than planter strips. The major streets within the Central-West area form a grid, continued by some local streets and ignored by others.

Existing land uses include:

1. Low density single-family homes;
2. Two mobile home parks;
3. Multifamily development, including duplexes, triplexes and fourplexes, condominiums, and apartments;
4. Two congregate care facilities;
5. A neighborhood park (Hertenstein Park);
6. Sassari Elementary School;
7. A hospital; and

8. A small shopping center.

B. Desired Future. The general objective for this area, as expressed in SMC [19.26.020](#), is to ensure that new infill developments respect their immediate context. Single-family areas should remain single-family with regular setbacks and development in multifamily areas, while having greater flexibility in site design and massing, should clearly respond to conditions on adjacent parcels. Otherwise, the mini-neighborhoods within the planning area risk losing their distinctiveness. In the development or redevelopment of properties on the edge of the planning area, particularly adjacent to the West Napa Street corridor, uses should be laid out to minimize potential conflicts with adjacent commercial development, while maximizing appropriate connections. In order to preserve the city's largest stock of affordable senior housing, the regular maintenance of the mobile home parks' grounds and of the individual coaches should be encouraged.

C. Potential Changes. The need for street improvements within the area is limited mainly to traffic calming and pedestrian safety improvements, such as safety improvements to the bike path crossing on West MacArthur Street. Hayes Street, between Bettencourt Street and West MacArthur Street, will ultimately be improved to a full width as adjoining properties develop. In the long term, intersection improvements may be needed at Fifth Street West/Andrieux Street and Fifth Street West/West MacArthur Street. Although a significant environmental feature, Sonoma Creek is largely inaccessible within the planning area, but a bike/pedestrian connection has been developed along it between Oregon Street and Napa Road. The Fryer Creek bike/walking path should be extended, if possible, to connect with Second Street West. Throughout the planning area, gaps in the sidewalks and in street tree plantings need to be filled. (Ord. 2003-02 § 3, 2003).



19.26.020 Project planning and design.

A. Site Planning Standards.

1. Residential Density. The following residential densities and minimum lot sizes apply to new subdivisions within different zoning districts in the Central-West planning area.

**Table 3-14
Lot Size and Residential Density Requirements**

Zoning District	Number of Dwellings Per Parcel¹	Minimum Lot Size
R-L (Residential – Low Density)	2 per acre minimum; 5 per acre maximum	7,500 sq. ft.
R-S (Residential – Sonoma)	3 per acre minimum; 8 per acre maximum	5,000 sq. ft.
R-P (Residential – Mobile Home Park)	7 per acre maximum	10 acres
R-M (Residential – Medium Density)	7 per acre minimum; 11 per acre maximum	4,500 sq. ft.
R-H (Residential – High Density)	15 per acre maximum	3,500 sq. ft.
C (Commercial)	20 per acre maximum	10,000 sq. ft.
Notes: 1. Densities do not include density bonus. See Chapter 19.44 SMC.		

**Table 3-15
Central-West Area: Infill and Additions**

Development Feature	Requirements by Zoning District <i>Setbacks, Site Coverage, Open Space and Height</i>						
		R-P	R-L	R-S	R-M	R-H	C
Setbacks	<i>Minimum setbacks required for primary structures. See SMC 19.40.110 for setback measurement, allowed projections into setbacks, exceptions, and design guidelines for setbacks.</i>						
<i>Front/Street-side¹</i>	20 ft.	20 ft.	20 ft.	One-story: 15 ft. Two-story: 20 ft.	15 ft.	One-story: 15 ft. Two-story: 20 ft.	

<i>Side: One-story</i>	10 ft.	5 ft. minimum, 15 ft. combined		5 ft. minimum, 12 ft. combined		None required, except when abutting a residential zone, in which case the corresponding setback in the residential zone shall apply.
<i>Side: Two-story</i>	20 ft.	2 ft. for every 5 ft. (or fraction thereof) of height above 15 ft., ² in addition to the normal requirement for one-story structures.		2 ft. for every 5 ft. (or fraction thereof) of height above 15 ft., ² in addition to the normal requirement for one-story structures.		
<i>Rear</i>	20 ft.	20 ft.	20 ft.	One-story: 15 ft. Two-story: 20 ft.	One-story: 12 ft. Two-story: 15 ft.	
<i>Garage: Front</i>	N.A.	5 ft. from the front of the primary structure	20 ft. from the front of the primary structure	20 ft. from the front of the primary structure	20 ft. from the front of the primary structure	N.A.
F.A.R./ Coverage	<i>Floor Area Ratio: Maximum building area as a ratio of site area, excluding porches, cellars, attics, detached garages, and underground parking. Coverage: Maximum site coverage as percentage of site area, excluding porches and detached garages.</i>					
<i>F.A.R.</i>	0.30	0.35	0.35	0.45	0.70	0.80
<i>Coverage</i>	35%	40%	40%	50%	60%	60%
Open Space	<i>See SMC 19.40.070 for design requirements.</i>					

<i>Commercial</i>	N.A.	N.A.	N.A.	N.A.	N.A.	7 – 11% of site
<i>Residential: Common</i>	N.A.	N.A.	N.A.	300 sq. ft. per unit	300 sq. ft. per unit	300 sq. ft. per unit, any combination of shared or private
<i>Residential: Private</i>	N.A.	N.A.	N.A.	75 – 225 sq. ft. per unit	75 – 225 sq. ft. per unit	
Height	<i>Ridge height measured from finished grade. See SMC 19.40.040 for applicability and exceptions.</i>					
<i>Primary Structure</i>	30 ft.					
Notes:						
1. Front porches may extend up to 10 feet into front setback (or street-side setback for wrap-around porches). 2. Measured at building wall, not ridge.						

**Table 3-16
Central-West Area: Subdivisions of 5+ Lots**

Development Feature	Requirements by Zoning District			
	Setbacks, Site Coverage, Open Space and Height			
	R-L	R-S	R-M	R-H
Setbacks	<i>Minimum setbacks required for primary structures. See SMC 19.40.110 for setback measurement, allowed projections into setbacks, exceptions, and design guidelines for setbacks.</i>			

<i>Front/Street-side¹</i>	A variety of setbacks, compatible with neighborhood conditions, shall normally be required at the discretion of the planning commission. An average setback of 25 feet shall be maintained.		One-story: 15 ft. Two-story: 20 ft.	15 ft.
<i>Side: One-story</i>	5 ft. minimum, 15 ft. combined	As approved by the planning commission, except that in no case shall a setback of less than 3 ft. be allowed.	5 ft. minimum, 12 ft. combined	
<i>Side: Two-story</i>	2 ft. for every 5 ft. (or fraction thereof) of height above 15 ft., ² in addition to the normal requirement for one-story structures.		2 ft. for every 5 ft. (or fraction thereof) of height above 15 ft., ² in addition to the normal requirement for one-story structures.	
<i>Rear</i>	20 ft.	20 ft.	One-story: 15 ft. Two-story: 20 ft.	15 ft.
<i>Garage: Front</i>	5 ft. from the front of the primary structure	20 ft. from the front of the primary structure	Parking areas (including carports and garages) should normally be located along the sides and to the rear of a property and should be minimized or avoided in front of buildings.	
F.A.R./ Coverage	<i>Floor Area Ratio: Maximum building area as a ratio of site area, excluding porches, cellars, attics, detached garages, and underground parking. Coverage: Maximum site coverage as percentage of site area, excluding porches and detached garages.</i>			
<i>F.A.R.</i>	0.35	0.35	0.45	0.70
<i>Coverage</i>	40%	40%	50%	60%
Open Space	<i>See SMC 19.40.070 for design requirements.</i>			
<i>Commercial</i>	N.A.	N.A.	N.A.	N.A.
<i>Residential: Common</i>	N.A.	N.A.	300 sq. ft. per unit	300 sq. ft. per unit

<i>Residential: Private</i>	N.A.	N.A.	75 – 225 sq. ft. per unit	75 – 225 sq. ft. per unit
Height	<i>Ridge height measured from finished grade. See SMC 19.40.040 for applicability and exceptions.</i>			
<i>Primary Structure</i>	30 ft.			
Notes: 1. Front porches may extend up to 10 feet into front setback (or street-side setback for wrap-around porches). 2. Measured at building wall, not ridge.				

2. Setbacks, Site Coverage, and Open Space. Proposed development shall be designed and constructed in compliance with the requirements set forth in Tables 3-15 and 3-16, preceding.

3. Driveways and Parking. Parking areas for multifamily projects shall not be located in a front setback, but shall be provided at the rear or along the side of the site. Multifamily parking areas shall be screened from adjacent residential zoning districts and land uses. See Chapter [19.48](#) SMC, Parking and Loading Standards. Driveways along collector streets (West Spain Street, Fifth Street West, and Verano Avenue) shall be minimized when possible, by combining driveways, using alleys, or designing development so that access is provided from local streets.

4. Natural Features. Significant environmental amenities, including Sonoma Creek, Fryer Creek, the west fork of Fryer Creek, related riparian areas, and mature oak trees, shall be preserved by being incorporated into site plan design and layout. Appropriate enhancement or protective measures shall be included in plans where determined necessary by the planning commission. See landscaping standards and design guidelines (SMC [19.40.060](#)), and the tree preservation ordinance for specific tree preservation requirements and guidelines. Environmental features of lesser significance should be incorporated into project site plans when appropriate if justified by the quality of the feature and its relation to the site.

5. Screening and Buffering. Multifamily developments shall require screening and buffering of parking and driveway areas, and noise and light sources (SMC [19.40.030](#)). See Chapter [19.46](#) SMC, Fences, Hedges and Walls, and landscape standards and guidelines (SMC [19.40.060](#)). A masonry wall may be required of any new development whose rear yard abuts a commercially zoned property.

B. Building Design.

1. Height and Profile. Proposed structures shall not exceed a maximum height of 30 feet. For structures in excess of 15 feet, side and rear setbacks shall be increased by two feet for each additional five feet in height. See the following design guidelines, and SMC [19.40.040](#) for height measurement and exceptions.

2. Building Types – Guidelines for Residential Structures. Proposed dwellings should be placed on their sites so that the most narrow dimension of the structure is parallel to the most narrow dimension of the parcel, and so that the primary entrance to the dwelling faces the public street, or is accessible from a porch or other entry element which faces the street.

C. Street and Block Layout. It is intended that streets within the Central-West planning area will be maintained at their existing width and alignment. (Ord. 03-2004 § 3, 2004; Ord. 2003-02 § 3, 2003).

Central-West Area: Summary of Guidelines and Recommendations

Circulation Improvements:

- Implement safety improvements at the Fifth Street West crossing to Sassarini Elementary School.
- In conjunction with new development, widen Hayes Street and Fourth Street West to full sections.
- Limit and, when possible, avoid commercial traffic and commercial driveway entrances on Studley Street.
- Extend the Fryer Creek bike path to connect with Second Street West.
- Provide pedestrian and bicycle links to commercial centers, such as the Safeway shopping center.

Development Guidelines:

- Significant historic structures should be preserved, restored and re-used.
- Development adjacent to commercial areas on West Napa Street should include appropriate buffering.

Natural Features:

- Building setbacks along the Fryer Creek Channel and the west fork of Fryer Creek should be maintained in order to preserve riparian vegetation and prevent flood losses.



QUALIFICATIONS OF THE APPRAISER

William Groverman

William Groverman is a fourth generation Sonoma County resident who has been providing real estate appraisal services in Sonoma and Marin Counties since June 1992. As a partner in Redwood Empire Appraisal, Mr. Groverman has appraised properties, on a fee basis, for a broad spectrum of clients, including federal, state and local government agencies, major local and national banks, numerous attorneys, accountants and individual landowners. Mr. Groverman's expertise is in appraising commercial, industrial and multi-family properties in Sonoma County, and agricultural properties in Marin and Sonoma Counties.

Appraisal experience includes:

- Agricultural Properties (rangeland, dairies and vineyards).
- Valuation Of Agricultural Conservation Easements.
- Office, Commercial and Retail Buildings.
- Light Industrial, Flex and Warehouse Buildings.
- Industrial, Commercial and Residential Land.
- Multi-Family and Apartment Buildings.
- Residential Properties.
- Agricultural Land Leases.
- Certified Expert Witness - Sonoma County.

FORMAL EDUCATION

Graduated from California Polytechnic State University in 1992.

Bachelor Science -- Agriculture Business Management, Concentration -- Marketing

PROFESSIONAL EDUCATION – Appraisal Courses Completed To Date.

- Appraisal Principles, Appraisal Institute.
- Appraisal Procedures, Appraisal Institute.
- Basic Income Capitalization, Appraisal Institute.
- Advanced Income Capitalization, Appraisal Institute.
- Standards of Professional Practice, Part A & Part B, Appraisal Institute.
- Highest & Best Use and Market Analysis, Appraisal Institute.
- Wetlands Valuation Seminar, Appraisal Institute.
- Vineyard Valuation II, Appraisal Institute.
- Conservation Easement Seminar, ASFMRA.
- Highest & Best Use, ASFMRA.
- Eminent Domain, ASFMRA.
- Uniform Appraisal Standards for Federal Land Acquisition, ASFMRA.

WORK EXPERIENCE

- General Partner, Redwood Empire Appraisal (October 2000 to present).
- Associate Appraiser, Redwood Empire Appraisal (October 1998 to October 2000).
- Associate Appraiser, Harvey Freetly & Associates (June 1992 to October 1998).

OTHER

- Candidate Member American Society of Farm Managers & Rural Appraisers.
- Member of the Sonoma County Farm Bureau.
- Member of the Petaluma Rotary Club.
- Member and Past Board of Director – Petaluma Chamber of Commerce.

LICENSE

Mr. Groverman is currently licensed by the State of California as a Certified General Appraiser, Certificate Number #AG025683.

6.

REVIEW AND DISCUSSION OF SVH EMERGENCY RESPONSE PLAN AND IMPLEMENTATION

**HICS INCIDENT ACTION PLAN (IAP) QUICK START
COMBINED HICS 201—202—203—204—215A**

1. Incident Name Sonoma County Fires	2. Operational Period (# 1) DATE: FROM: Oct. 9, 2017 TO: Oct. 16, 2017 TIME: FROM: 0300 TO: 1030
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3. Situation Summary HICS 201

During the late evening of October 8, multiple wildfires broke out in Napa and Sonoma County. At approximately 0200 on Oct. 9, the Nursing Supervisor notified the Administrator on call. Administrator arrived on campus at 0230 and did a walkthrough of the facility with the Nursing Supervisor noting poor air quality. Facilities was called in to address. Administrator opened the Incident Command at 0300, notifying the CEO of the situation and activating the telephone tree. Leaders began arriving at 0400 and disaster roles were assigned. All staff working were asked to sign in at the personnel pool. During this time communication was established with Sonoma County EOC and REDCOM and was ongoing throughout the operational period. Access to Nixle and briefings were streamed in from the County EOC. Updates provided to Department of Health Services. Daily assessment of departments and staffing needs throughout the operational period. Daily Situational Reports, Resource Requests submitted to County EOC as directed/needed. Hospital prepared to evacuate for mandatory evacuation. Ongoing concern regarding air quality, monitored continuously and multiple measures taken to alleviate. Multiple requests for supplies made from outside agencies and community members. All requests evaluated and resources provided without depleting hospital supply. Daily evaluation of objectives and adjusted as needed.

10/9 Day 1- Outpatient surgery cancelled due to air quality. Surgical Team placed on call for the duration of the operational period. Several staff members were unable to report to work. Decision made to close several outpatient departments and medical offices. Contact made with Home Care regarding staff and patient needs. Business office closed. Preparations made in the event of mandatory evacuation including evaluation of non-ambulatory patients, calls made to outside facilities regarding possible placement. Multiple measures taken to improve air quality including shutting down of air handlers, keeping all exit doors locked requiring all persons entering through the ER. All patients on 3rd floor transferred to 2nd floor related to air quality. Updates received from County EOC and Sheriff's department regarding evacuation areas. Sonoma Development Center evacuated and placed in Veterans Building, request for supplies made and given. Multiple requests from public regarding masks, accommodated without depleting hospital supply. Patients presenting to ER for prescription refills, pharmacy able to fill for 2 day supply. Change in assigned disaster roles to alleviate fatigue.

10/10 Day 2 – Elective surgeries cancelled. All Outpatient Services Closed. Inventory of disaster supplies done including water and food. Some staff unable to report to work. Problems noted with Internet Access and vendor contacted for update. Increase in incoming phone calls, phones became spotty. In contact with EMS system regarding ER patient transfers. Air quality remains a problem and air scrubbers brought in from outside agencies. Staff provided masks, additional N95 masks ordered.

10/11 Day 3- All Outpatient Services remain closed. Meeting held with Medical Staff leaders, decision made to transfer medically challenging patients. Five patients transferred to Sonoma West, one to UCSF and 6 ER patients transferred to various facilities. (See patient transfer form). City of Sonoma EOC gave report and stated that the city was on advisory evacuation. Discussion with County EOC, recommendation for evacuation given. City states "hospital is fine, no concern for evacuation." Decision



HICS INCIDENT ACTION PLAN (IAP) QUICK START COMBINED HICS 201—202—203—204—215A

made not to evacuate. Received reports that that police were using bullhorns to announce evacuation. Call placed to city EOC, “advisory evacuation only.” Updates provided to IC throughout the night.

10/12 Day 4 – Essential Services only, Outpatient Services to remain closed through Friday. Continued concerns regarding air quality, Fire Med asked to come in and measure carbon monoxide/oxygen values, within normal limits. Air scrubbers distributed throughout the hospital.

10/13 Day 5- Air quality remains an issue. Contact made with County EOC regarding additional scrubbers, unable to provide more.

10/14 Day 6- Fire moving, communication with County EOC regarding evacuation status, remains advisory. Nursing Supervisor in communication with IC throughout the night regarding fire movement and evacuation status. Hospital prepared to evacuate if needed. Communication with CDPH regarding incident command center, evacuation plan if needed. Nursing Supervisor spoke to Sutter Health Command Center, they offered help if needed. Sutter Health relayed that FEMA authorized 100 ambulances for mass evacuation through AMR. Santa Rosa Memorial Hospital and Queen of the Valley Hospitals called in with bed availability and offered assistance.

10/15 Day 7- Calm night/day, no issues reported. Measures taken to improve air quality including turning on and off of air handlers as needed, redistribution of air scrubbers. Report given to IC.

10/16 Day 8- 0900 Administrative Team Debriefing to review event- successes and opportunities. 1000- Review of event with Leadership Team, Drs. Lauder, and Sebastian. Opportunities given for team input. 1030- Incident Command officially closed by K. Mather CEO, IC.

10/17- 0830 Received call from CDPH, an anonymous complaint was made regarding air quality in OB. Fire Med called to test Carbon Monoxide/Oxygen values- within normal limits. Air scrubbers distributed throughout the hospital, will continue to monitor. Report given to CNO and CEO.

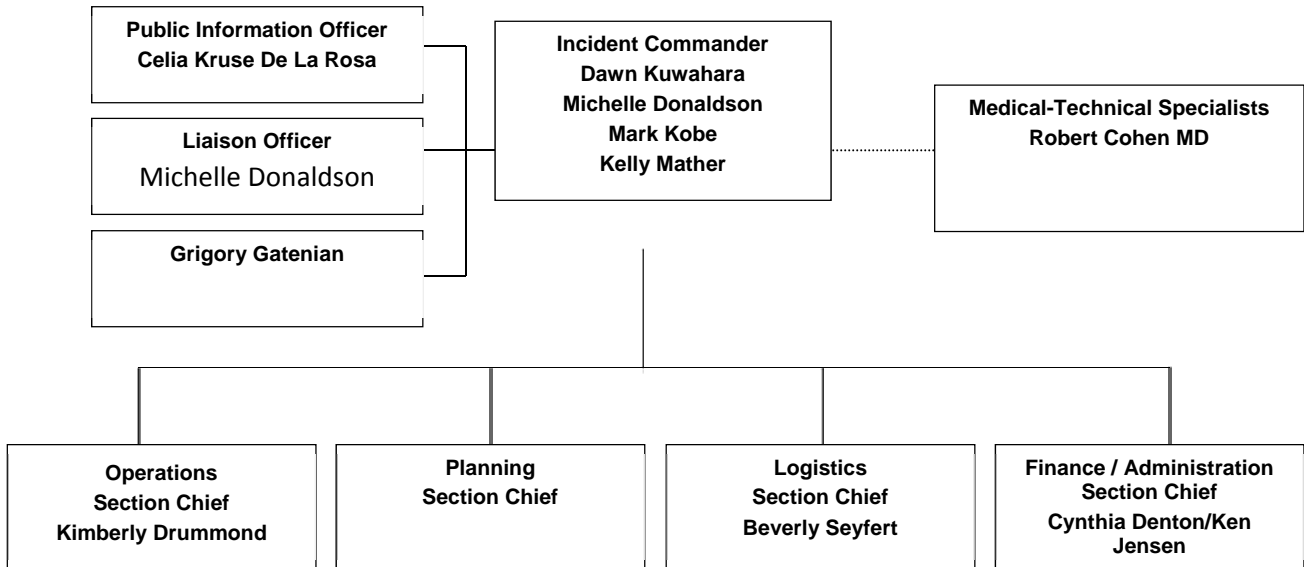


HICS INCIDENT ACTION PLAN (IAP) QUICK START

COMBINED HICS 201—202—203—204—215A

4. Current Hospital Incident Management Team (fill in additional positions as appropriate)

— HICS 201, 203 —



5. Health and Safety Briefing Identify potential incident health and safety hazards and develop necessary measures (remove hazard, provide personal protective equipment, warn people of the hazard) to protect responders from those hazards. — HICS 202, 215A —

The primary hazard was air quality in the hospital. This was addressed by temporary and periodic air handlers shut down to prevent bringing smoke into the hospital. All employee and visitors were offered N95 masks. To improve air quality, 20+ air scrubbers with HEPA filters and carbon pre-filters were deployed throughout the facility with a focus in patient care areas. The air quality was monitored 24/7 during the fires and the air scrubbers were re-deployed where most needed. The Fire Department measured carbon monoxide levels x 2 and it measured within normal limits. There were no utilities failure during the disaster. Due to periodic HVAC shutdowns the medical imaging equipment was provided portable A/C units to prevent overheating.



HICS INCIDENT ACTION PLAN (IAP) QUICK START
COMBINED HICS 201—202—203—204—215A

6. Incident Objectives				— HICS 202, 204 —
6a. OBJECTIVES	6b. STRATEGIES / TACTICS	6c. RESOURCES REQUIRED	6d. ASSIGNED TO	
<p>Maintain Emergency Operations</p>	<p>Strategies: 1-Communication to staff and community 2-Situation assessment and monitoring 3-Building ICS structure for collaboration with local facilities and safety of patients/staff 4-Operational considerations 5-System recovery</p> <p>Tactic: 1-notification through use of email, nursing supervisor rounding and social media 2-every 30 minute call with EOC, continuous live stream of news, social media outlets 3-ICS preparedness team continually identifies hospital threats and takes steps to ensure continued safety 4-Organized and directs essential activities given by the IC, staging manager coordinator for preparedness evacuation 5-publically notify and close IC with formal debriefing of staff, governmental agencies and surrounding hospitals</p>	<p>Emergency Disaster Operations Policy and Procedure HICS forms Social Media connections live stream communications 24 hour EOC staffing</p>	<p>Incident Management Team</p>	



HICS INCIDENT ACTION PLAN (IAP) QUICK START
COMBINED HICS 201—202—203—204—215A

Be Prepared for Mandatory Evacuation	Prepare Packets with patient information, find transfer acceptance	REDCOM/Ambulance Transfer, Accepting Facility	Nursing, Incident Management Team
Ensure Patient Safety	Protect patients from excessive smoke in environment.	Egress containment Placement of portable air scrubbers throughout facility Transfer of high acuity patients in anticipation of evacuation	Nursing Facilities/Safety Officer REDCOM Ambulance, Incident Management Team
Ensure Staff Safety	Monitor Staff Fatigue and Stress Protect staff from excessive smoke in environment	Cots set up for rest periods, provide nourishment Air Scrubbers, egress controls	Department Leaders Facilities/Safety Officer Incident Management Team
Ensure Facility Integrity	Routine Inspections of Facilities including Radiology Equipment, Monitor Air Quality	Cooling Units for Radiology Equipment, Air Scrubbers, Set up additional phone line	Safety Officer
Maintain Internal and External Communication	Contact other PIO's, external phone calls routed to PIO, test satellite phones	Runners, walkie talkie, access to computer/workstation, IS assistance, flip charts, pens.	PIO

7. Prepared by	PRINT NAME: Dawn Kuwahara	SIGNATURE: _____
	DATE/TIME: Oct. 24, 2017 0900	FACILITY SONOMA VALLEY HOSPITAL



HICS INCIDENT ACTION PLAN (IAP) QUICK START COMBINED HICS 201—202—203—204—215A

- PURPOSE:** The Incident Action Plan (IAP) Quick Start is a short form combining HICS Forms 201, 202, 203, 204 and 215A. It can be used in place of the full forms to document initial actions taken or during a short incident. Incident management can expand to the full forms as needed.
- ORIGINATION:** Prepared by the Incident Commander or Planning Section Chief.
- COPIES TO:** Duplicated and distributed to Command and General staff positions activated. All completed original forms must be given to the Documentation Unit Leader.
- NOTES:** If additional pages are needed for any form page, use a blank HICS IAP Quick Start and repaginate as needed. Additions may be made to the form to meet the organization's needs.

NUMBER	TITLE	INSTRUCTIONS
1	Incident Name	Enter the name assigned to the incident.
2	Operational Period	Enter the start date (m/d/y) and time (24-hour clock) and end date and time for the operational period to which the form applies.
3	Situation Summary	Enter brief situation summary.
4	Current Hospital Incident Management Team	Enter the names of the individuals assigned to each position on the Hospital Incident Management Team (HIMT) chart. Modify the chart as necessary, and add any lines/spaces needed for Command staff assistants, agency representatives, and the organization of each of the General staff sections.
5	Health and Safety Briefing	Summary of health and safety issues and instructions.
6	Incident Objectives	
	6a. Objectives	Enter each objective separately. Adjust objectives for each operational period as needed.
	6b. Strategies / Tactics	For each objective, document the strategy/tactic to accomplish that objective.
	6c. Resources Required	For each strategy/tactic, document the resources required to accomplish that objective.
	6d. Assigned to	For each strategy/tactic, document the Branch or Unit assigned to that strategy/tactic.
7	Prepared by	Enter the name and signature of the person preparing the form. Enter date (m/d/y), time prepared (24-hour clock), and facility.

Healing At Home

Disaster Response October 2017

Situation: During the night of 10/9/17, multiple wildfires broke out in Sonoma and Napa counties. These fires caused extensive property damage, loss of homes, businesses, and lives, and necessitated both mandatory and voluntary evacuations. Many staff had to evacuate the area; one staff person lost her home to the fire and two patients lost their homes. The disaster response commenced in the early hours of 10/9/17 and continued through 10/16/17. The recovery phase began 10/16/17.

Response:

- On Monday 10/9/17 at 5:30 a.m. Healing At Home was informed of the disaster by phone calls from the SVH Incident Command Center.
- Manager opened office, assessed the situation, and notified the SVH Incident Command Center of daily department staffing.
- All staff were called, starting with those scheduled to work that day. Staff safety and evacuation plans were determined.
- Home health management was in phone contact with the hospital command center on a daily basis with verbal reports of department status and staffing. As home health staffing permitted, clinicians were sent to SVH to help in the hospital.
- Priority patient list accessed and it was determined that all home health patients should be called to assess their safety and evacuation needs because this was such a widespread and continually changing dangerous situation.
- Phone calls were made by home health clinicians to all patients on service (N=84). Documentation was kept of each patient's condition and evacuation status.
- Support staff came into work and assisted with operations and with accessing EMR and emergency information.
- Priority patient visits were made by 2 RNs and 1 PT during the week of 10/9/17-10/13/17.
- Healing At Home office lost internet connection on day 2 of the disaster. This adversely affected the ability to access the medical records, set up visit schedules, and communicate with field staff. Office phone service was also affected with intermittent outages. Personal cell phones were used for communication.
- On day 2, the Lead RN used the Admin laptop to access the home health EMR at the hospital and printed out all staff schedules from the system.
- On day 3, SVH IS set up a temporary office with internet and moved selected office computers to this site at the Women's Center. Essential management and support staff were able to effectively work out of this office.
- Throughout the week and into the weekend, available staff continued to make phone contact with home health patients and/or their families to determine their safety, evacuation whereabouts, and plans for return. An RN took all patient calls and triaged them, priority visits were made according to the patient's needs.
- Phone service was minimal with one line rolled from the Broadway office to the temporary office. This line was reserved for patient calls and staff used personal phones to communicate. There were multiple reports of callers getting "all circuits busy" messages.
- On Monday 10/16/17, the Lead PT and OT called all rehab patients to follow-up on their status and plan future visits to continue with the plans of care.

Healing At Home

- Community RCFE's were contacted regarding plans to bring their residents back to the local facilities.
- During the week of 10/16/17, the agency continued to operate out of the temporary office. By Tuesday 10/17/17, all staff had returned to work.
- On Friday 10/20/17, Team meeting was held at the Healing At Home offices to debrief. Mary Flett PhD, EAP psychologist attended to provide support in the healing process.

Preparation:

- Hazard Vulnerability Analysis (HVA) is done annually in conjunction with the SVH Emergency Preparedness Committee. In 2016, due to the drought, wildfire was listed in the top 5 hazards on the HVA. In 2017, the top 5 disasters addressed in the HVA did not include wildfire. However, the Mitigation, Preparedness, Response, and Recovery for Earthquake (Top hazard identified in the 2017 HVA) in the critical components of Communication, Resources and Assets, Safety and Security, Staff Responsibilities, Utilities Management, and Clinical/Support activities are also applicable to the Wildfire disaster.
- All staff have phone lists of agency staff, including both office extensions and personal phone numbers. Management staff have staff cell phone numbers programmed into their personal cell phones. All staff are comfortable communicating via cell phone and text. HIPAA rules are strictly followed.
- At orientation and annually, staff are educated in the disaster plan and have access to the agency disaster policy and procedure.
- At the admission visit to home health, all patients are evaluated for safety including need for evacuation. Patients who are identified as needing evacuation are marked as Priority 1 in the EMR.
- Healing At Home provides current patient information including priority patients to the Red Book for the SVH nursing supervisors.
- Healing At Home participates in biannual disaster drills at SVH.

After Action Analysis and Plan:

Successes:

- All 84 patients received wellness calls or drive by checks. If no answer, patients' contacts were called. Calls were documented, initially on paper, then transferred into communication notes in the patients' medical record.
- All staff were accounted for, most had to evacuate the area but essential patient visits were made by a small group of clinicians.
- Several nurses who were evacuated assisted in the phone calls to patients and the Lead Nurse took patient calls and triaged them while evacuated.
- Healing At Home Quality Management Coordinator led the Disaster Response and effectively prioritized and delegated.
- SVH IS assisted by locating space with internet access and moving key computers to this space in order to enable home health to continue to operate.
- Some clinicians who did not have home health duties reported to the SVH Command Center and were deployed to help in the hospital setting.

Healing At Home

- On off-duty days, several clinicians volunteered in community evacuation shelters.
- Debriefing and emotional support provided in staff meeting. EAP psychologist facilitated the discussion.

Opportunities:

- All staff need education in consistent use of the Priority Evacuation designation in the EMR. Managers would benefit from practice accessing the priority lists.
- All agency managers' cell phones should be programmed with groups of current staff contact information to facilitate text blasts and faster and more effective communication.
- SVH supervisors need re-education on the contents and expected use of the Red Book in the event of a disaster.
- Review of agency Emergency Preparedness program revealed the necessity to have daily printed patient and visit schedule information available in case of loss of power and internet connectivity.
- Verbal communications from home health to the SVH Incident Command Center did not always get passed on to the next Incident Commander. There was an inaccurate perception that home health was not communicating with SVH.
- Since internet access is so vital to the agency's operations, a plan to move the computers should have been in place prior to the disaster.
- The agency's Emergency Preparedness Policy and Procedure needs review and updating. There is no plan for the event of temporary closure of the agency in the event of a disaster. In addition, the Policy needs to be compliant with the new Medicare Conditions of Participation effective November 2017.

8.

**ADMINISTRATIVE REPORT
NOVEMBER 2017**



To: SVHCD Board of Directors
From: Kelly Mather
Date: 10/26/17
Subject: Administrative Report

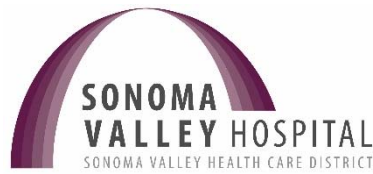
Summary

The recent fire emergency was a major focus in October. We started the month with a board retreat and good conversations about our future and how the hospital is poised for change. I'm incredibly grateful to work with our amazing staff and physicians who showed their dedication to the hospital and our community.

Strategic Update from FY 2018 Strategic Plan:

Strategic Priorities	Update
Highest levels of health care safety, quality and value	<ul style="list-style-type: none"> ➤ Our Skilled Nursing Facility has 5 stars again ➤ Performance Improvement Fair was delayed and is now set for November ➤ We are re-doing part of orientation to highlight the culture of health and safety ➤ We have some opportunities to improve our communication during a disaster
Be the preferred hospital for patients, physicians, employers and health plans	<ul style="list-style-type: none"> ➤ 3D Mammography construction will be completed in January ➤ The campaign for the Outpatient Diagnostic Center is underway, we will start with replacing the CT Scanner for upgraded technology ➤ Relay Health is now operational and increases understanding of patient eligibility for services and their financial responsibility ➤ Canopy Health is working on increasing lives with open enrollment this Fall, more hospitals have joined this network ➤ Annual Employee health screenings and Skills fair are underway
Implement new and enhanced revenue strategies as measured by increased direct margins in each service unit	<ul style="list-style-type: none"> ➤ Great discussions with UCSF about potential collaborations ➤ The Breast Surgeon (Dr. Alexandridis) is now here and will start seeing patients ➤ We started digital advertising for Bariatrics ➤ Several hospitals are now interested in Patients Data Base (the cost accounting program we started for small hospitals) ➤ The Women's Place strategy is underway with a go live in January ➤ Ophthalmology is increasing in volume due to Dr. Saidel's presence in Sonoma
Continue to improve financial stability as measured by operating margin	<ul style="list-style-type: none"> ➤ The South Lot Purchase Agreement is complete ➤ Time share leases were increased to ensure we cover more cost ➤ Home Care is reducing expenses due to volumes and a lack of an increase with Kaiser ➤ Due to the first four months of low inpatient volumes, expense reductions are underway
Lead progress toward being a healthier community as measured by community benefit	<ul style="list-style-type: none"> ➤ Wellness University is underway this Fall ➤ Project Pink was on for the month of October offering free mammograms ➤ Jane Hirsch, Dave Pier and I have been meeting wit ➤ GirlTalk with Dr. LaFollette was rescheduled and is sold out ➤ We participated in the Bi- National Health Fair ➤ We donated 100 flu shots to St. Leo's

			National
Patient Experience	Current Performance	FY 2018 Goal	Benchmark
Would Recommend Hospital	66th percentile	> 60th percentile	50th percentile
Inpatient Overall Rating	53rd percentile	>60th percentile	50th percentile
Home Health	91%	> 90%	> 80%
Outpatient Services	4.8	Rate My Hospital	4.5
Emergency	4.6	Rate My Hospital	4.5
Quality & Safety	YTD Performance	FY 2018 Goal	Benchmark
Hospital Acquired Infections	5 of 6 <benchmark	5 of 6 <benchmark	6 of 6 < benchmark
30 Day All- Cause Readmissions	9.40%	< 10 %	< 18.5%
Serious Safety Events	0	0	0
Overall Surgical Site Infection Rate	0.43%	0.50%	n/a
Hand Hygiene	98%	>90%	>80%
Falls	2.5	< 2.3	2.3
Pressure Ulcers	0	<3.7	3.7
Injuries to Staff	2	< 10	17
Adverse Drug Events with Harm	0	0	0
C Section rate	11.3%	<20%	< 20%
Wound Care time to heal	22 days	< 30 days	< 31 days
Repeat Analysis in Radiology	3.25%	< 5%	< 5%
Reportable HIPAA Privacy Events	0	0	0
SNF Star Rating	5	4	3
Hospital Star Rating	3	4	3
Our People	YTD Performance	FY 2018 Goal	Benchmark
Press Ganey Engagement Survey	74th percentile	75th percentile	50th percentile
Wellness Ambassadors	232	250	> 200
Turnover	5.3%	< 10%	< 15%
Financial Stability	YTD Performance	FY 2018 Goal	Benchmark
EBDA	-1.1%	2.89%	3%
FTE's/AOB	4.19	4.3	5.3
Days Cash on Hand	9.2	20	30
Days in Accounts Receivable	47	49	50
Length of Stay	3.5	3.85	4.03
Cost per Medicare Beneficiary	\$18,430	<\$20,000	\$20,473
Funds raised by SVHF	\$1,496,937	\$1,483,950	\$1 million
Strategic Growth	YTD Performance	FY 2018 Goal	Benchmark
Inpatient Discharges	257/1028	1193	1225
Outpatient Units of Service	16525/66,010	70,432	65,687
Emergency Visits	2735/10,940	11,022	11,019
Surgeries	513/2052	1,800	1,680
Births	23/92	132	120
Home Health Visits	2372/9488	11,053	11,400
Community Benefit Hours	432/1728	1200	1200



Healing Here at Home

ROLLING 12 MONTH RESULTS

MEASUREMENT	Goal FY 2018	Jul 2017	Aug 2017	Sep 2017	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017	May 2017	Jun 2017
FY YTD Turnover	<10%	.9	3.1	5.3	3.6	4.2	4.8	5.6	6.3	7.2	7.7	8.4	9
Leave of Absences	<12	10	10	11									
EBDA	>3%	.1	-.9	-1.1	5.2	4.4	1.5	2.2	2	3	3	3.1	3.6
Operating Revenue	>5m	5.0	4.8	4.6	4.7	4.5	3.7	4.5	4.3	5.3	4.9	5.3	5.2
Expense Management	<5m	5.1	5.3	5.2	4.9	5.0	4.7	5.0	4.8	5.4	5.3	5.6	5.2
Net Income	>50k	-197	-164	-230	336	-270	-599	-107	307	304	-24	16	180
Days Cash on Hand	>20	16	10	9	11	10	25	20	27	16	11	19	20
A/R Days	<50	45	43	47	50	53	51	50	46	44	47	44	45
Total FTE's	<320	318	314	316	316	319	309	316	322	322	313	319	321
FTEs/AOB	<4.0	4.23	3.75	4.19	4.11	4.35	4.03	3.74	3.54	3.93	4.22	3.73	4.14
Inpatient Discharges	>90	76	94	87	99	95	100	119	97	119	89	100	87
Outpatient Revenue	>\$13m	14.1	15.5	14.3	13.3	13.1	12.9	13.5	12.2	15.1	13.1	15.5	15.4
Surgeries	>150	162	164	187	126	161	126	148	127	189	171	173	197
Home Health	>950	870	713	789	880	938	919	877	922	849	934	966	940
Births	>11	6	10	5	9	8	9	11	12	12	11	7	15
SNF days	>550	528	500	479	512	446	500	592	607	572	512	559	458
MRI	>120	102	134	128	140	118	130	115	107	137	121	116	109
Cardiology (Echos)	>50	62	93	73	60	51	51	55	69	89	70	70	79
Laboratory	>12	11.9	12.2	11.6	12.6	12.1	12.0	12.5	11.5	13.9	12.1	13.6	11.8
Radiology	>850	881	966	870	898	870	934	1012	981	1159	963	1142	1137
Rehab	>2700	2362	2872	2502	2575	2286	2117	2530	2161	3020	2748	2983	2802
CT	>300	326	390	354	367	306	340	341	323	398	385	407	376
ER	>900	920	894	921	852	850	942	1000	851	941	921	1069	964
Mammography	>200	223	235	201	434	435	399	171	215	246	191	214	219
Ultrasound	>300	287	326	265	288	290	271	253	284	334	213	279	312
Occupational Health	>600	642	705	552	797	636	601	484	568	611	631	607	659
Wound Care	>200	226	263	287	226	199	225	228	238	348	239	203	307

9.

FINANCIAL REPORT
MONTH END SEPT. 30,2017



To: SVH Finance Committee
From: Ken Jensen, CFO
Date: October 24, 2017
Subject: Financial Report for the Month Ending September 30, 2017

The actual loss of (\$647,046) from operations for September was (\$375,213) unfavorable to the budgeted loss of (\$271,833). After accounting for all other activity; the September net loss was (\$230,029) vs. the budgeted net income of \$136,654 with a monthly EBIDA of -1.1% vs. a budgeted 6.0%.

Gross patient revenue for September was \$22,264,120, (\$1,461,156) less than expected. Inpatient gross revenue was under budget by (\$948,376). Inpatient days were under budget by (75) days and inpatient surgeries were under budgeted expectations by (7) cases. Outpatient revenue was over budget by \$146,322. Outpatient visits were under budgeted expectations by (377) visits, and outpatient surgeries were over budget by 60 cases. The Emergency Room gross revenue is under budget by (\$269,483); with ER visits close to budgeted expectations at 921 visits. SNF gross charges were under budgeted expectations by (\$346,231) and SNF patient days were under budget by (147) days. Home Health was under budget by (\$43,388) with visits under budget by (195) visits.

Gross revenue from surgical implants in September is \$587,853, with \$335,310 from inpatient surgeries and \$252,543 from outpatient surgeries, and total implant costs were (\$143,753). The net, before any revenue deductions, is \$440,100.

Deductions from revenue were favorable to budgeted expectations by \$907,201. The favorable variance is primarily due to the unfavorable variance in gross revenue of (\$1,461,156).

After accounting for all other operating revenue, the **total operating revenue** was unfavorable to budget by (\$531,844).

Operating Expenses of \$5,205,788 were favorable to budget by \$156,631. Salaries and wages and agency fees are under budget by \$46,868. Salaries and wages are under budget by \$94,138 and agency fees are over budget by (\$47,270). Employee benefits are under budget by \$49,155. Utilities cost are over budget by (\$18,883), PG&E is normally higher in warmer months but our budget is spread evenly over 12 months. There were no matching fees posted in September.

After accounting for all income and expenses, but not including Restricted Contributions and GO bond activity, the net loss for September was (\$381,519) vs. a budgeted net loss of (\$22,670). The total net loss for September after all activity was (\$230,029) vs. a budgeted net income of \$136,654.

EBIDA for the month of September was -1.1% vs. the budgeted 6.0%.

Patient Volumes – September

	ACTUAL	BUDGET	VARIANCE	PRIOR YEAR
Acute Discharges	87	102	-15	95
Newborn Discharges	6	14	-8	14
Acute Patient Days	325	400	-75	407
SNF Patient Days	479	626	-147	624
Home Care Visits	789	984	-195	1,042
OP Gross Revenue	\$14,364	\$14,512	(\$148)	\$13,512
Surgical Cases	187	134	53	118

Gross Revenue Overall Payer Mix – September

	ACTUAL	BUDGET	VARIANCE	YTD ACTUAL	YTD BUDGET	VARIANCE
Medicare	46.7%	45.6%	1.1%	44.6%	45.6%	-1.0%
Medicare Mgd Care	8.8%	10.0%	-1.2%	10.9%	10.0%	0.9%
Medi-Cal	18.5%	17.6%	0.9%	18.8%	17.9%	0.9%
Self Pay	1.7%	1.2%	0.5%	1.4%	1.2%	0.2%
Commercial	20.5%	20.5%	0.0%	19.8%	20.3%	-0.5%
Workers Comp	1.9%	3.0%	-1.1%	2.3%	3.0%	-0.7%
Capitated	1.9%	2.1%	-0.2%	2.2%	2.0%	0.2%
Total	100.0%	100.0%		100.0%	100.0%	

Cash Activity for September:

For the month of September the cash collection goal was \$3,218,963 and the Hospital collected \$3,556,817 or over the goal by \$337,854. The year-to-date cash collection goal was \$11,181,129 and the Hospital has collected \$11,272,056 or over goal by 90,927. Days of cash on hand are 9.2 days at September 30, 2017. Accounts Receivable increased from August, from 42.7 days to 46.5 days in September. Accounts Payable increased by \$158,323 from August and Accounts Payable days are at 48.0.

ATTACHMENTS:

- Attachment A is the Payer Mix Analysis which includes the projected collection percentage by payer.
- Attachment B is the Operating Indicators Report
- Attachment C is the Balance Sheet
- Attachment D (two pages) is the Statement of Revenue and Expense. The first page breaks out the hospital operations and page two includes all other activity.
- Attachment E is the Variance Analysis. The line number tie to the Statement of Revenue and Expense line numbers and explains any significant variances.
- Attachment F are the graphs for Revenue and Accounts Payable.
- Attachment G is the Statistical Analysis
- Attachment H is the Cash Forecast



Sonoma Valley Hospital
Payer Mix for the month of September 30, 2017

ATTACHMENT A

September-17

YTD

Gross Revenue:	Actual	Budget	Variance	% Variance
Medicare	10,396,388	10,802,918	-406,530	-3.8%
Medicare Managed Care	1,964,762	2,368,564	-403,802	-17.0%
Medi-Cal	4,120,401	4,180,183	-59,782	-1.4%
Self Pay	385,994	288,643	97,351	33.7%
Commercial & Other Government	4,565,004	4,877,725	-312,721	-6.4%
Worker's Comp.	415,954	716,987	-301,033	-42.0%
Capitated	415,617	490,256	-74,639	-15.2%
Total	22,264,120	23,725,276	(1,461,156)	

	Actual	Budget	Variance	% Variance
Medicare	29,553,189	31,453,268	-1,900,079	-6.0%
Medicare Managed Care	7,240,061	6,911,258	328,803	4.8%
Medi-Cal	12,415,173	12,351,922	63,251	0.5%
Self Pay	943,942	859,262	84,680	9.9%
Commercial & Other Government	13,138,757	14,115,398	-976,641	-6.9%
Worker's Comp.	1,491,715	2,048,527	-556,812	-27.2%
Capitated	1,430,472	1,402,212	28,260	2.0%
Total	66,213,309	69,141,847	(2,928,538)	

Net Revenue:	Actual	Budget	Variance	% Variance
Medicare	1,634,408	1,690,657	-56,249	-3.3%
Medicare Managed Care	259,349	304,124	-44,775	-14.7%
Medi-Cal	580,565	610,725	-30,160	-4.9%
Self Pay	186,937	130,091	56,846	43.7%
Commercial & Other Government	1,560,680	1,693,148	-132,468	-7.8%
Worker's Comp.	86,976	185,341	-98,365	-53.1%
Capitated	17,872	15,884	1,988	12.5%
Prior Period Adj/IGT	62,500	313,272	-250,772	*
Total	4,389,287	4,943,242	(553,955)	-11.2%

	Actual	Budget	Variance	% Variance
Medicare	4,456,641	4,821,941	-365,300	-7.6%
Medicare Managed Care	1,030,211	887,338	142,873	16.1%
Medi-Cal	1,882,003	1,755,000	127,003	7.2%
Self Pay	492,813	387,279	105,534	27.3%
Commercial & Other Government	4,101,617	5,041,033	-939,416	-18.6%
Worker's Comp.	306,509	529,489	-222,980	-42.1%
Capitated	51,446	45,454	5,992	13.2%
Prior Period Adj/IGT	1,569,162	939,816	629,346	*
Total	13,890,402	14,407,350	(516,948)	-3.6%

Percent of Net Revenue:	Actual	Budget	Variance	% Variance
Medicare	37.2%	34.2%	3.0%	8.8%
Medicare Managed Care	5.9%	6.2%	-0.3%	-4.8%
Medi-Cal	14.7%	18.7%	-4.0%	-21.4%
Self Pay	4.3%	2.6%	1.7%	65.4%
Commercial & Other Government	35.5%	34.3%	1.2%	3.5%
Worker's Comp.	2.0%	3.7%	-1.7%	-45.9%
Capitated	0.4%	0.3%	0.1%	33.3%
Total	100.0%	100.0%	0.0%	0.0%

	Actual	Budget	Variance	% Variance
Medicare	32.1%	33.5%	-1.5%	-4.5%
Medicare Managed Care	7.4%	6.2%	1.2%	19.4%
Medi-Cal	24.8%	18.7%	6.1%	32.6%
Self Pay	3.5%	2.6%	0.9%	34.6%
Commercial & Other Government	29.6%	35.0%	-5.4%	-15.4%
Worker's Comp.	2.2%	3.7%	-1.5%	-40.5%
Capitated	0.4%	0.3%	0.1%	33.3%
Total	100.0%	100.0%	-0.1%	-0.1%

Projected Collection Percentage:	Actual	Budget	Variance	% Variance
Medicare	15.7%	15.7%	0.0%	0.0%
Medicare Managed Care	13.2%	12.8%	0.4%	3.1%
Medi-Cal	15.6%	22.1%	-6.5%	-29.4%
Self Pay	48.4%	45.1%	3.3%	7.3%
Commercial & Other Government	34.2%	34.7%	-0.5%	-1.4%
Worker's Comp.	20.9%	25.8%	-4.9%	-19.0%
Capitated	4.3%	3.2%	1.1%	34.4%

	Actual	Budget	Variance	% Variance
Medicare	15.1%	15.3%	-0.2%	-1.3%
Medicare Managed Care	14.2%	12.8%	1.4%	10.9%
Medi-Cal	27.8%	21.8%	6.0%	27.5%
Self Pay	52.2%	45.1%	7.1%	15.7%
Commercial & Other Government	31.2%	35.7%	-4.5%	-12.6%
Worker's Comp.	20.5%	25.8%	-5.3%	-20.5%
Capitated	3.6%	3.2%	0.4%	12.5%

**SONOMA VALLEY HOSPITAL
OPERATING INDICATORS
For the Period Ended September 30, 2017**

ATTACHMENT B

	<u>CURRENT MONTH</u>				<u>YEAR-TO-DATE</u>			<u>YTD</u>
	<u>Actual 09/30/17</u>	<u>Budget 09/30/17</u>	<u>Favorable (Unfavorable) Variance</u>		<u>Actual 09/30/17</u>	<u>Budget 09/30/17</u>	<u>Favorable (Unfavorable) Variance</u>	<u>Prior Year 09/30/16</u>
Inpatient Utilization								
Discharges								
1	74	85	(11)	Acute	213	266	(53)	262
2	13	17	(4)	ICU	44	47	(3)	41
3	87	102	(15)	Total Discharges	257	313	(56)	303
4	6	14	(8)	Newborn	23	43	(20)	44
5	93	116	(23)	Total Discharges inc. Newborns	280	356	(76)	347
Patient Days:								
6	231	296	(65)	Acute	632	919	(287)	937
7	94	104	(10)	ICU	258	293	(35)	293
8	325	400	(75)	Total Patient Days	890	1,212	(322)	1,230
9	8	29	(21)	Newborn	30	87	(57)	80
10	333	429	(96)	Total Patient Days inc. Newborns	920	1,299	(379)	1,310
Average Length of Stay:								
11	3.1	3.5	(0.4)	Acute	3.0	3.5	(0.5)	3.6
12	7.2	6.2	1.1	ICU	5.9	6.2	(0.3)	7.1
13	3.7	3.9	(0.2)	Avg. Length of Stay	3.5	3.9	(0.4)	4.1
14	1.3	2.0	(0.7)	Newborn ALOS	1.3	2.0	0.7	1.8
Average Daily Census:								
15	7.7	9.9	(2.2)	Acute	6.9	10.0	(3.1)	10.2
16	3.1	3.5	(0.3)	ICU	2.8	3.2	(0.4)	3.2
17	10.8	13.3	(2.5)	Avg. Daily Census	9.7	13.2	(3.5)	13.4
18	0.3	1.0	(0.7)	Newborn	0.33	0.95	(0.6)	0.87
Long Term Care:								
19	479	626	(147)	SNF Patient Days	1,507	1,797	(290)	1,795
20	31	28	3	SNF Discharges	80	79	1	85
21	16.0	20.9	(4.9)	Average Daily Census	16.4	19.5	(3.2)	19.5
Other Utilization Statistics								
Emergency Room Statistics								
22	921	897	24	Total ER Visits	2,735	2,755	(20)	2,755
Outpatient Statistics:								
23	4,291	4,668	(377)	Total Outpatients Visits	13,520	14,390	(870)	13,936
24	33	40	(7)	IP Surgeries	84	104	(20)	119
25	154	94	60	OP Surgeries	429	281	148	239
26	75	37	38	Special Procedures	204	100	104	169
27	789	984	(195)	Home Health Visits	2,372	2,837	(465)	2,892
28	333	334	(2)	Adjusted Discharges	1,010	995	16	974
29	2,266	2,646	(380)	Adjusted Patient Days (Inc. SNF)	7,189	7,635	(446)	7,610
30	75.5	88.2	(12.7)	Adj. Avg. Daily Census (Inc. SNF)	78.1	83.0	(4.9)	82.7
31	1.5385	1.4000	0.139	Case Mix Index -Medicare	1.5866	1.4000	0.187	1.7972
32	1.4792	1.4000	0.079	Case Mix Index - All payers	1.4858	1.4000	0.086	1.5651
Labor Statistics								
33	289	289	0.2	FTE's - Worked	280	289	8.7	282
34	316	331	14.4	FTE's - Paid	316	330	14.1	320
35	44.15	43.05	(1.09)	Average Hourly Rate	42.46	41.92	(0.54)	39.73
36	23.9	21.4	(2.5)	Manhours / Adj. Pat Day	23.0	22.7	(0.4)	22.1
37	162.5	169.1	6.6	Manhours / Adj. Discharge	164.0	174.0	10.0	172.4
38	22.5%	22.1%	-0.4%	Benefits % of Salaries	22.9%	22.1%	-0.8%	23.3%
Non-Labor Statistics								
39	12.2%	10.9%	-1.3%	Supply Expense % Net Revenue	11.3%	10.7%	-0.6%	11.7%
40	1,656	1,651	(5)	Supply Exp. / Adj. Discharge	1,603	1,596	(7)	1,755
41	16,140	16,526	385	Total Expense / Adj. Discharge	16,504	16,536	33	16,471
Other Indicators								
42	9.2			Days Cash - Operating Funds				
43	46.5	50.0	(3.5)	Days in Net AR	44.7	50.0	(5.3)	51.8
44	110%			Collections % of Net Revenue	101%			111.0%
45	48.0	55.0	(7.0)	Days in Accounts Payable	48.0	55.0	(7.0)	17.2
46	20.3%	21.4%	-1.1%	% Net revenue to Gross revenue	21.6%	21.4%	0.2%	22.3%
47	22.6%			% Net AR to Gross AR	22.6%			25.0%

Sonoma Valley Health Care District
Balance Sheet
As of September 30, 2017

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		<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
Assets				
Current Assets:				
1	Cash	\$ 1,535,825	\$ 1,777,750	\$ 947,230
2	Trustee Funds	2,104,929	2,101,958	1,690,214
3	Net Patient Receivables	8,570,235	8,350,040	8,599,231
4	Allow Uncollect Accts	(1,342,952)	(1,403,714)	(1,054,458)
5	Net A/R	7,227,283	6,946,326	7,544,773
6	Other Accts/Notes Rec	7,114,147	7,216,072	6,978,947
7	3rd Party Receivables, Net	2,798,090	2,405,550	2,498,653
8	Inventory	838,755	828,383	797,076
9	Prepaid Expenses	857,849	911,504	906,026
10	Total Current Assets	\$ 22,476,878	\$ 22,187,543	\$ 21,362,919
12	Property, Plant & Equip, Net	\$ 52,641,781	\$ 52,804,941	\$ 53,566,209
13	Specific Funds	1,143,122	409,292	486,088
14	Other Assets	-	-	144,537
15	Total Assets	\$ 76,261,781	\$ 75,401,776	\$ 75,559,753
 Liabilities & Fund Balances				
Current Liabilities:				
16	Accounts Payable	\$ 3,700,568	\$ 3,542,245	\$ 4,053,256
17	Accrued Compensation	4,045,441	4,157,868	3,656,295
18	Interest Payable	211,552	105,776	220,532
19	Accrued Expenses	1,987,798	1,907,463	1,290,486
20	Advances From 3rd Parties	437,041	441,664	171,054
21	Deferred Tax Revenue	5,106,150	5,673,500	4,472,178
22	Current Maturities-LTD	1,274,224	1,269,309	1,045,015
23	Line of Credit - Union Bank	6,973,734	6,973,734	5,923,734
24	Other Liabilities	1,501,386	1,386	1,345,923
25	Total Current Liabilities	\$ 25,237,894	\$ 24,072,945	\$ 22,178,473
26	Long Term Debt, net current portion	\$ 35,475,785	\$ 35,550,700	\$ 37,573,388
27	Fund Balances:			
28	Unrestricted	\$ 11,643,951	\$ 11,880,563	\$ 12,735,598
29	Restricted	3,904,151	3,897,568	3,072,295
30	Total Fund Balances	\$ 15,548,102	\$ 15,778,131	\$ 15,807,892
31	Total Liabilities & Fund Balances	\$ 76,261,781	\$ 75,401,776	\$ 75,559,753

**Sonoma Valley Health Care District
Statement of Revenue and Expenses
Comparative Results
For the Period Ended September 30, 2017**

	Month					Year-To-Date				YTD	
	This Year		Variance			This Year		Variance			Prior Year
	Actual	Budget	\$	%		Actual	Budget	\$	%		
Volume Information											
1	87	102	(15)	-15%	Acute Discharges	257	313	(56)	-18%	303	
2	479	626	(147)	-23%	SNF Days	1,507	1,797	(290)	-16%	1,795	
3	789	984	(195)	-20%	Home Care Visits	2,372	2,837	(465)	-16%	2,892	
4	14,364	14,512	(148)	-1%	Gross O/P Revenue (000's)	\$ 44,063	\$ 41,869	2,194	5%	\$ 39,453	
Financial Results											
Gross Patient Revenue											
5	\$ 6,051,733	\$ 7,000,109	(948,376)	-14%	Inpatient	\$ 16,330,125	\$ 20,727,407	(4,397,282)	-21%	\$ 19,842,663	
6	8,043,012	7,896,690	146,322	2%	Outpatient	24,612,670	21,953,671	2,658,999	12%	19,956,484	
7	6,028,673	6,298,156	(269,483)	-4%	Emergency	18,640,229	18,981,884	(341,655)	-2%	18,604,561	
8	1,846,227	2,192,458	(346,231)	-16%	SNF	5,781,395	6,504,021	(722,626)	-11%	6,256,344	
9	294,475	337,863	(43,388)	-13%	Home Care	848,890	974,864	(125,974)	-13%	1,002,364	
10	\$ 22,264,120	\$ 23,725,276	(1,461,156)	-6%	Total Gross Patient Revenue	\$ 66,213,309	\$ 69,141,847	(2,928,538)	-4%	\$ 65,662,416	
Deductions from Revenue											
11	\$ (17,786,333)	\$ (18,972,699)	1,186,366	6%	Contractual Discounts	\$ (53,450,500)	\$ (55,306,492)	1,855,992	3%	\$ (52,613,192)	
12	(150,000)	(100,000)	(50,000)	-50%	Bad Debt	(403,000)	(300,000)	(103,000)	-34%	(350,000)	
13	(1,000)	(22,607)	21,607	96%	Charity Care Provision	(38,569)	(67,821)	29,252	43%	(103,430)	
14	62,500	313,272	(250,772)	-80%	Prior Period Adj/Government Program Revenue	1,569,162	939,816	629,346	*	1,622,597	
15	\$ (17,874,833)	\$ (18,782,034)	907,201	-5%	Total Deductions from Revenue	\$ (52,322,907)	\$ (54,734,497)	2,411,590	-4%	\$ (51,444,025)	
Net Patient Service Revenue											
16	\$ 4,389,287	\$ 4,943,242	(553,955)	-11%	Risk contract revenue	\$ 390,154	\$ 385,563	4,591	1%	\$ 378,319	
17	\$ 128,530	\$ 128,521	9	0%	Net Hospital Revenue	\$ 14,280,556	\$ 14,792,913	(512,357)	-3%	\$ 14,596,710	
18	\$ 4,517,817	\$ 5,071,763	(553,946)	-11%	Other Op Rev & Electronic Health Records	\$ 65,433	\$ 56,469	8,964	16%	\$ 80,408	
19	\$ 40,925	\$ 18,823	22,102	*	Total Operating Revenue	\$ 14,345,989	\$ 14,849,382	(503,393)	-3%	\$ 14,677,118	
20	\$ 4,558,742	\$ 5,090,586	(531,844)	-10%	Operating Expenses						
21	\$ 2,386,540	\$ 2,433,408	46,868	2%	Salary and Wages and Agency Fees	\$ 7,034,285	\$ 7,255,339	221,054	3%	\$ 6,672,461	
22	859,671	908,826	49,155	5%	Employee Benefits	2,650,930	2,710,139	59,209	2%	2,616,028	
23	\$ 3,246,211	\$ 3,342,234	96,023	3%	Total People Cost	\$ 9,685,215	\$ 9,965,478	280,263	3%	\$ 9,288,489	
24	\$ 413,471	\$ 409,331	(4,140)	-1%	Med and Prof Fees (excl Agency)	\$ 1,184,160	\$ 1,228,646	44,486	4%	\$ 1,149,288	
25	550,903	551,786	883	0%	Supplies	1,619,645	1,587,668	(31,977)	-2%	1,710,279	
26	375,961	376,290	329	0%	Purchased Services	1,110,154	1,129,232	19,078	2%	927,070	
27	285,218	282,312	(2,906)	-1%	Depreciation	855,496	846,936	(8,560)	-1%	833,283	
28	120,505	101,622	(18,883)	-19%	Utilities	351,961	304,866	(47,095)	-15%	329,398	
29	31,819	27,614	(4,205)	-15%	Insurance	95,457	82,842	(12,615)	-15%	87,876	
30	45,777	45,234	(543)	-1%	Interest	139,864	137,467	(2,397)	-2%	99,651	
31	135,923	139,563	3,640	3%	Other	360,071	417,676	57,605	14%	415,640	
32	-	86,433	86,433	*	Matching Fees (Government Programs)	775,755	259,299	(516,456)	*	747,361	
33	\$ 5,205,788	\$ 5,362,419	156,631	3%	Operating expenses	\$ 16,177,778	\$ 15,960,110	(217,668)	-1%	\$ 15,588,335	
34	\$ (647,046)	\$ (271,833)	(375,213)	-138%	Operating Margin	\$ (1,831,789)	\$ (1,110,728)	(721,061)	-65%	\$ (911,217)	

**Sonoma Valley Health Care District
Statement of Revenue and Expenses
Comparative Results
For the Period Ended September 30, 2017**

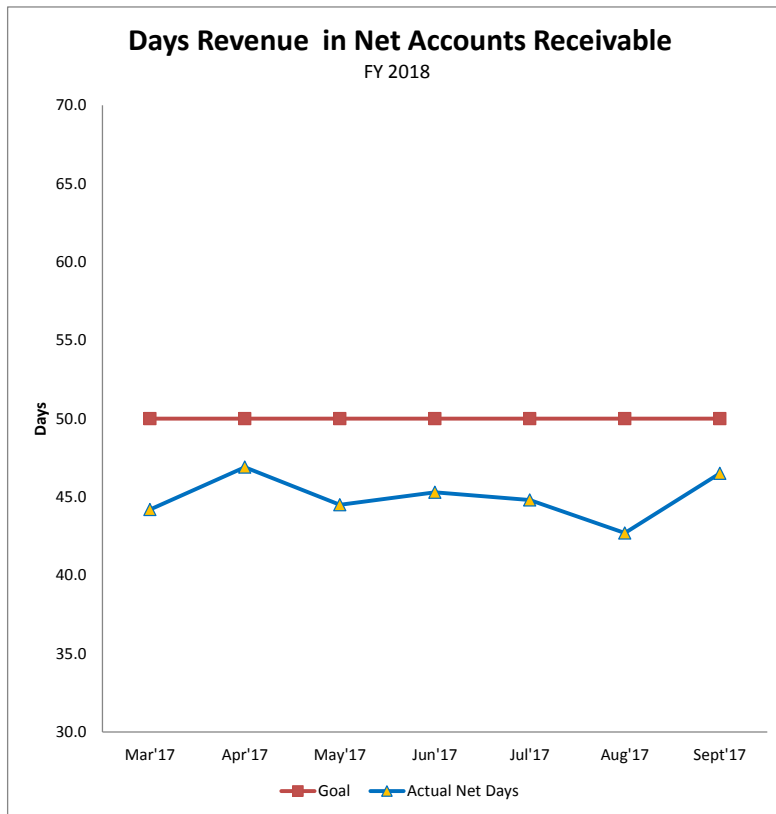
	Month					Year-To-Date				YTD
	This Year		Variance			This Year		Variance		
	Actual	Budget	\$	%		Actual	Budget	\$	%	
					Non Operating Rev and Expense					
35	\$ 5,626	\$ (12,821)	18,447	-144%		Miscellaneous Revenue/(Expenses)				
36	-	-	-	0%		Donations				
37	(56,766)	(54,683)	(2,083)	4%		Physician Practice Support-Prima				
38	316,667	316,667	-	0%		Parcel Tax Assessment Rev				
39	\$ 265,527	\$ 249,163	16,364	7%		Total Non-Operating Rev/Exp				
40	\$ (381,519)	\$ (22,670)	(358,849)	1583%		Net Income / (Loss) prior to Restricted Contributions				
41	\$ 6,583	\$ 14,417	(7,834)	-54%		Capital Campaign Contribution				
42	\$ -	\$ -	-	0%		Restricted Foundation Contributions				
43	\$ (374,936)	\$ (8,253)	(366,683)	4443%		Net Income / (Loss) w/ Restricted Contributions				
44	250,683	250,683	-	0%		GO Bond Tax Assessment Rev				
45	(105,776)	(105,776)	-	0%		GO Bond Interest				
46	\$ (230,029)	\$ 136,654	(366,683)	-268%		Net Income/(Loss) w GO Bond Activity				
	\$ (50,524)	\$ 304,876				EBIDA - Not including Restricted Contributions				
	-1.1%	6.0%								
	\$ (96,301)	\$ 259,642				EBDA - Not including Restricted Contributions				
	-2.1%	5.1%								

Sonoma Valley Health Care District
Statement of Revenue and Expenses Variance Analysis
For the Period Ended September 30, 2017

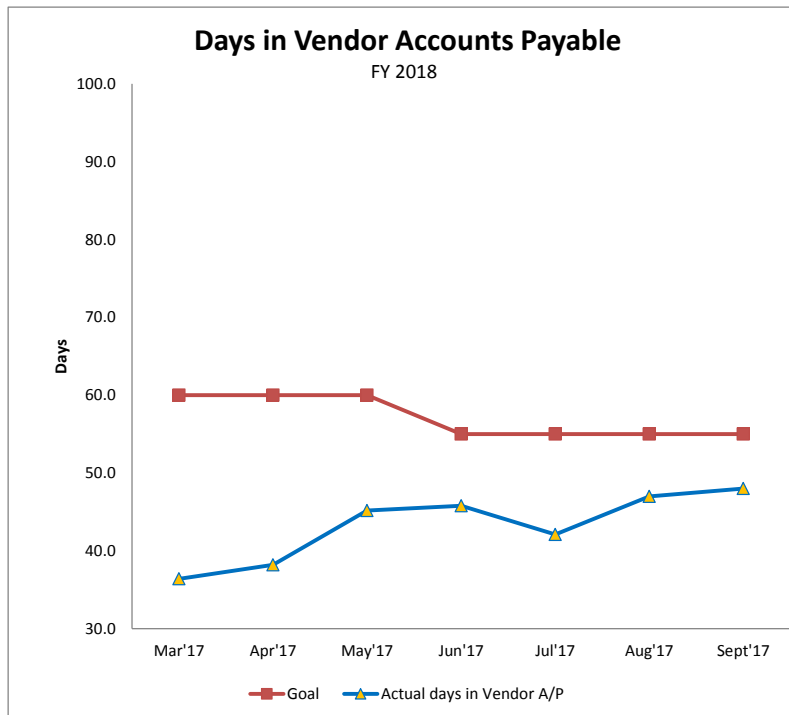
	YTD	MONTH	
Description	Variance	Variance	
Volume Information			
1 Acute Discharges	(56)	(15)	
2 SNF Days	(290)	(147)	
3 Home Care Visits	(465)	(195)	
4 Gross O/P Revenue (000's)	2,194	(148)	
Financial Results			
Gross Patient Revenue			
5 Inpatient	(4,397,282)	(948,376)	Inpatient days were below budgeted expectations by (75) days and IP surgeries were below budget by (7) cases.
6 Outpatient	2,658,999	146,322	Outpatient visits are 4,291 vs. budgeted expectations of 4,668 visits and outpatient surgeries are 154 vs. budgeted expectations 94.
7 Emergency	(341,655)	(269,483)	ER visits are 921 vs. budgeted visits of 897.
8 SNF	(722,626)	(346,231)	SNF patient days are 479 vs. budgeted expected days of 626.
9 Home Care	(125,974)	(43,388)	HHA visits are 789 vs. budgeted expectations of 984.
10 Total Gross Patient Revenue	(2,928,538)	(1,461,156)	
Deductions from Revenue			
11 Contractual Discounts	1,855,992	1,186,366	
12 Bad Debt	(103,000)	(50,000)	
13 Charity Care Provision	29,252	21,607	
14 Prior Period Adj/Government Program Revenue	629,346	(250,772)	Accrual of the net Prime Grant of \$62,500 vs. budgeted revenue from government programs \$313,272.
15 Total Deductions from Revenue	2,411,590	907,201	
16 Net Patient Service Revenue	(516,948)	(553,955)	
17 Risk contract revenue	4,591	9	
18 Net Hospital Revenue	(512,357)	(553,946)	
19 Other Op Rev & Electronic Health Records	8,964	22,102	The hospital received an E.H.R. incentive payment of \$30,110 in September.
20 Total Operating Revenue	(503,393)	(531,844)	
Operating Expenses			
21 Salary and Wages and Agency Fees	221,054	46,868	Salaries and Wages are under budget by \$94,138 and the Agency fees are over budget by (\$47,270).
22 Employee Benefits	59,209	49,155	
23 Total People Cost	280,263	96,023	
24 Med and Prof Fees (excl Agency)	44,486	(4,140)	
25 Supplies	(31,977)	883	
26 Purchased Services	19,078	329	
27 Depreciation	(8,560)	(2,906)	
28 Utilities	(47,095)	(18,883)	Utilities cost tend to be higher during warmer months, the budget is spread evenly over 12 months.
29 Insurance	(12,615)	(4,205)	
30 Interest	(2,397)	(543)	
31 Other	57,605	3,640	
32 Matching Fees (Government Programs)	(516,456)	86,433	No matching fees posted in September. The budgeted matching fees are spread evenly over 12 months.
33 Operating expenses	(217,668)	156,631	
34 Operating Margin	(721,061)	(375,213)	
Non Operating Rev and Expense			
35 Miscellaneous Revenue	65,170	18,447	
36 Donations	8,478	-	
37 Physician Practice Support-Prima	(6,249)	(2,083)	
38 Parcel Tax Assessment Rev	-	-	
39 Total Non-Operating Rev/Exp	67,399	16,364	
40 Net Income / (Loss) prior to Restricted Contributions	(653,662)	(358,849)	

Sonoma Valley Health Care District
Statement of Revenue and Expenses Variance Analysis
For the Period Ended September 30, 2017

	YTD	MONTH
Description	Variance	Variance
41 Capital Campaign Contribution	(30,501)	(7,834)
42 Restricted Foundation Contributions	12,267	-
43 Net Income / (Loss) w/ Restricted Contributions	(671,896)	(366,683)
44 GO Bond Tax Assessment Rev	-	-
45 GO Bond Interest	-	-
46 Net Income/(Loss) w GO Bond Activity	(671,896)	(366,683)



Days in A/R	Mar'17	Apr'17	May'17	Jun'17	Jul'17	Aug'17	Sept'17
Actual days in A/R	44.2	46.9	44.5	45.3	44.8	42.7	46.5
Goal	50.0	50.0	50.0	50.0	50.0	50.0	50.0



Days in A/P	Mar'17	Apr'17	May'17	Jun'17	Jul'17	Aug'17	Sept'17
Actual days in Vendor A/P	36.4	38.2	45.2	45.8	42.1	47.0	48.0
Goal	60.0	60.0	60.0	55.0	55.0	55.0	55.0

Sonoma Valley Hospital
 Statistical Analysis
 FY 2018

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	ACTUAL		ACTUAL												
	Sep-17	Sep-17	Aug-17	Jul-17	Jun-17	May-17	Apr-17	Mar-17	Feb-17	Jan-17	Dec-16	Nov-16	Oct-16	Sep-16	Aug-16
Statistics															
Acute															
Acute Patient Days	325	400	325	240	346	388	368	415	415	465	355	396	402	407	437
Acute Discharges (w/o Newborns)	87	102	94	76	87	100	89	119	97	119	100	95	99	95	105
SNF Days	479	626	500	528	458	559	512	572	607	592	500	446	512	624	608
HHA Visits	789	984	713	870	940	966	934	849	922	877	919	938	880	1,042	890
Emergency Room Visits	921	897	894	920	964	1,069	921	941	851	1,000	942	850	852	897	918
Gross Outpatient Revenue (000's)	\$14,364	\$14,512	\$15,524	\$14,175	\$15,454	\$15,523	\$13,168	\$15,098	\$12,189	\$13,500	\$12,935	\$13,147	\$13,347	\$13,512	\$13,336
Equivalent Patient Days	2,266	2,646	2,591	2,332	2,328	2,654	2,227	2,537	2,553	2,618	2,382	2,202	2,380	2,707	2,581
Births	5	14	10	6	15	7	11	12	12	11	9	8	9	14	17
Surgical Cases - Inpatient	33	40	22	29	36	30	47	40	26	38	28	38	42	37	39
Surgical Cases - Outpatient	154	94	142	133	161	143	124	149	101	110	98	123	84	81	85
Total Surgical Cases	187	134	164	162	197	173	171	189	127	148	126	161	126	118	124
Total Special Procedures	75	37	77	52	66	58	44	36	41	28	40	32	29	49	63
Medicare Case Mix Index	1.54	1.40	1.57	1.65	1.66	1.69	1.64	1.45	1.52	1.47	1.59	1.79	1.59	1.97	1.58
Income Statement															
Net Revenue (000's)	\$4,518	\$5,072	4,775	4,988	5,188	5,330	4,924	5,283	4,266	\$4,528	\$3,588	\$4,452	\$4,727	\$4,406	\$4,919
Operating Expenses (000's)	\$5,206	\$5,362	\$5,380	\$5,592	\$5,250	\$5,678	\$5,308	\$5,395	\$4,803	\$5,026	\$4,713	\$5,047	\$4,912	\$4,807	\$5,310
Net Income (000's)	(\$230)	\$137	\$ (165)	\$ (198)	\$ 690	\$ 16	\$ (24)	\$ 304	\$ 308	\$ (108)	\$ (600)	\$ (65)	\$ 337	\$ (6)	\$ (23)
Productivity															
Total Operating Expense Per Equivalent Patient Day	\$2,297	\$2,027	\$2,076	\$2,398	\$2,255	\$2,139	\$2,383	\$2,127	\$1,881	\$1,920	\$1,979	\$2,292	\$2,064	\$1,776	\$2,057
Productive FTEs	289	289	279	271	278	291	285	294	294	280	253	289	280	283	286
Non-Productive FTE's	27	42	35	47	43	28	28	28	28	36	56	30	36	36	35
Total FTEs	316	331	314	318	321	319	313	322	322	316	309	319	316	319	321
FTEs per Adjusted Occupied Bed	4.19	3.75	3.75	4.23	4.14	3.73	4.22	3.93	3.54	3.74	4.03	4.35	4.11	3.54	3.86
Balance Sheet															
Days of Expense In General Operating Cash	9.2		11	16	20	19	11	16	27	20	25	10	11	6	15
Net Days of Revenue in AR	47	50	43	45	45	44	47	44	46	50	51	53	50	50	50

Sonoma Valley Hospital
Cash Forecast
FY 2018

	Actual July	Actual Aug	Actual Sept	Forecast Oct	Forecast Nov	Forecast Dec	Forecast Jan	Forecast Feb	Forecast Mar	Forecast Apr	Forecast May	Forecast Jun	TOTAL
Hospital Operating Sources													
1 Patient Payments Collected	4,502,585	4,253,229	4,093,599	4,268,066	4,132,257	4,168,703	4,476,616	4,409,693	4,706,455	4,322,606	4,357,338	4,351,807	52,042,955
2 Capitation Revenue	133,404	128,220	128,530	128,521	128,521	128,521	128,521	128,521	128,521	128,521	128,521	128,518	1,546,839
3 Napa State	39,561	4,166	35,361	20,762	20,762	20,762	20,762	20,762	20,762	20,762	20,762	20,762	265,946
4 Other Operating Revenue	10,971	25,415	37,380	18,823	18,823	18,823	18,823	18,823	18,823	18,823	18,823	18,827	243,176
5 Other Non-Operating Revenue	26,914	38,081	68,232										133,228
6 Unrestricted Contributions		8,478	150										8,628
7 Line of Credit													-
Sub-Total Hospital Sources	4,713,435	4,457,589	4,363,253	4,436,172	4,300,363	4,336,809	4,644,722	4,577,799	4,874,561	4,490,712	4,525,444	4,519,914	54,240,773
Hospital Uses of Cash													
8 Operating Expenses	5,146,037	5,273,336	5,040,006	5,178,659	5,101,589	5,130,853	5,338,157	5,253,569	5,505,480	5,297,652	5,370,033	5,303,034	62,938,405
9 Less Depreciation				(282,312)	(282,312)	(282,312)	(282,312)	(282,312)	(282,312)	(282,312)	(282,312)	(282,301)	(2,540,797)
10 Add Capital Lease Payments	52,503	186,389	69,999	100,872	101,283	166,323	102,110	102,526	102,944	103,364	103,786	169,180	1,361,279
11 Additional Liabilities										500,000			500,000
12 Capital Expenditures	15,965	56,034	1,755										73,754
Total Hospital Uses	5,214,505	5,515,759	5,111,761	4,997,219	4,920,560	5,014,864	5,157,955	5,073,783	5,326,112	5,618,704	5,191,507	5,189,913	62,332,642
Net Hospital Sources/Uses of Cash	(501,070)	(1,058,171)	(748,508)	(561,047)	(620,197)	(678,055)	(513,233)	(495,984)	(451,551)	(1,127,992)	(666,063)	(669,999)	(8,091,869)
Non-Hospital Sources													
13 Restricted Cash/Capital Donations		527,977	(727,205)	179,874	(676,795)	14,417	268,828	18,828	18,828	18,828	18,828	18,828	(318,764)
14 Parcel Tax Revenue	152,275		1,500,000			500,000				1,800,000			3,952,275
15 Payment - South Lot				(25,205)		(25,205)			(24,658)			(24,932)	(100,000)
16 Other:													-
17 IGT				849,238	532,424				860,000				2,241,662
18 IGT - AB915 (Net)								900,000					900,000
19 PRIME					1,350,000						150,000		1,500,000
Sub-Total Non-Hospital Sources	152,275	527,977	772,795	1,003,907	1,205,629	489,212	268,828	918,828	854,170	1,818,828	168,828	(6,104)	8,175,173
Non-Hospital Uses of Cash													
20 Matching Fees		509,543	266,212	675,000						75,000			1,525,755
Sub-Total Non-Hospital Uses of Cash	-	509,543	266,212	675,000	-	-	-	-	-	75,000	-	-	1,525,755
Net Non-Hospital Sources/Uses of Cash	152,275	18,434	506,583	328,907	1,205,629	489,212	268,828	918,828	854,170	1,743,828	168,828	(6,104)	6,649,418
Net Sources/Uses	(348,795)	(1,039,737)	(241,925)	(232,140)	585,432	(188,843)	(244,405)	422,844	402,619	615,836	(497,235)	(676,103)	
Cash and Equivalents at beginning of period	3,166,281	2,817,486	1,777,750	1,535,825	1,303,685	1,889,117	1,700,274	1,455,869	1,878,713	2,281,332	2,897,168	2,399,933	
Cash and Equivalents at end of period	2,817,486	1,777,750	1,535,825	1,303,685	1,889,117	1,700,274	1,455,869	1,878,713	2,281,332	2,897,168	2,399,933	1,723,830	

10.
COMMITTEE
REPORTS

Orientation Manual

- District Mission, Vision and Values Statements

The Mission of the Sonoma Valley Health Care District is to maintain, improve and restore the health of everyone in our community.

OUR VISION: 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

OUR VALUES: C.R.E.A.T.I.N.G *Compassion: We show consideration of the feelings of others at all times. Respect: We honor and acknowledge the value of the people, places and resources in providing care. Excellence: We strive to exceed the expectations of the people we serve.*

Accountability: We are reliable, self-responsible owners of the outcomes of our organization.

Teamwork: We are productive and participative staff members who energize others.

Innovation: We seek new and creative solutions to deliver quality healthcare. Nurturing: We cultivate, develop and educate those with whom we work to achieve their highest potential.

Guidance: We direct and lead our community members through their healthcare journey and in health improvement.

- District History <http://www.svh.com/healthcare-district-information/hospital-history/>
- Conflict of Interest Code
<http://www.svh.com/healthcare-district-information/board-of-directors/#policies>
- Brown Act, Q&A (attachment A)
The Brown Act is contained in California Government Codes 54950-54963
- FY Operating Budget
<http://www.svh.com/wp-content/uploads/2012/03/Budget-FY2018-APPROVED.pdf>
- Annual Report
<http://www.svh.com/annual-reports/>
- District 3-Year Rolling Strategic Plan
<http://www.svh.com/strategic-planning/>
- Board and Board Committee Meeting Calendar
<http://www.svh.com/healthcare-district-information/calendar/>
- District web site address
<http://www.svh.com/>

Resource Manual

- District By-Laws
<http://www.svh.com/wp-content/uploads/2011/08/SVH-Board-Bylaws-12-01-1141.pdf>
- Board Members
<http://www.svh.com/healthcare-district-information/board-of-directors/>
- Approved Board Policies

- <http://www.svh.com/healthcare-district-information/board-of-directors/#policies>
- Board Committee Charters
 - Audit Committee
<http://www.svh.com/healthcare-district-information/audit-committee/>
 - Finance Committee
<http://www.svh.com/healthcare-district-information/finance-committee/>
 - Governance Committee
<http://www.svh.com/healthcare-district-information/governance-committee/>
 - Quality Committee
<http://www.svh.com/healthcare-district-information/quality-committee/>
 - District Relationships and Affiliations
<http://www.svh.com/healthcare-district-information/>
 - Hospital Organization Chart (attached as pdf)
 - Hospital Medical Staff Overview
<http://www.svh.com/healthcare-district-information/medical-executive-committee/>
 - Sonoma Valley Hospital Foundation
<http://www.svh.com/foundation/>
 - Health Care District Health & Safety Code, Section 32000-32492 (From Association of Health Care District Web Site, ACHD.org)
http://www.achd.org/wp-content/uploads/sites/6/2013/02/HCD_Law_20131.pdf

Attachment A

Brown Act Questions and Answers

Standing Board Committees

If a third Board member (not a member of the committee) attends a Standing Board Committee meeting (a public meeting that has been agendized) under what circumstances, if any, can that Board member make a comment at the meeting?

Ans: A third Board member may attend, but cannot comment at the meeting unless the meeting has been agendized as a Committee of the Whole Board.

Note: In the event that a regular Board member on a Standing Board Committee is absent from the meeting, an alternate Board member may be temporarily appointed to the Committee for the meeting by the Chair of the Board or by the Chair of the Committee and may participate as a regular member of the committee for that meeting.

CEO – Board Communication

May the CEO provide information to all of the Board members (via letter or e-mail) without disclosing that information publicly?

Ans: Yes, but the information must then be available to any member of the public who request the information. E-mails are public records. The communication must be one way, CEO to Board members. One on one follow up questions on the subject from a Board member to the CEO would also not be a violation.

When the CEO responds to a specific question from a Board member, may the question and the response be directed to all Board members (presuming that the question does not relate to HIPPA or personnel privacy issues)

Ans: Yes, same restrictions as above

May a Board member send information to the CEO and request that the information be distributed to all Board members?

Ans: Yes, same restrictions as above

What limitations are there, if any on the information that the Board Chair communicates to the other four Board members in the Chair's role as the Board contact person with the CEO.

Ans: None, same restrictions as above

Agendas

Agendas for Board meetings and Board Committee meetings are published 72 hours in advance of the meeting. At the time the agendas are issued, information about the items on the agenda are included in a "packet" of information and distributed with the agendas.

Can additional information for an item on the agenda, that becomes available after the “packets” are distributed, be distributed during the 72 hour period prior to the meeting or must this information be held and distributed at the meeting?

Ans: Yes, providing that all of the subsequent information is available to the public and all of the Board members at the meeting

Closed Sessions

On p. 37 of the Open & Public IV Guide to the Brown Act, under Hospital Peer Review and Trade Secrets, it states: Two specific kinds of closed sessions are allowed for district hospitals

"To hear reports of hospital medical audit or quality assurance committees, or for related deliberations",

"To hold closed sessions to discuss reports involving trade secrets"

The first appears to be a clear definition, but the second is not as clear. What constitutes a trade secret? Would it include the recruitment of a new doctor? Would it include a discussion of the cost/revenue relationship for a service provided or to be provided at the Hospital? What guidelines would be appropriate for determining if the subject would be considered a trade secret?

Are there any other circumstances where the law allows subjects to be discussed in closed session?

Ans: The District by-laws stipulate in Section 4 Committees:

Closed Board meetings may be held for purposes of considering the appointment, employment, evaluation of performance, discipline, dismissal or to hear complaints or charges concerning a Hospital employee or member of the Medical Staff; in consideration of pending litigation; or in matters of negotiations concerning real property, labor contracts, or discussion of trade secrets. Closed meetings shall be announced, conducted, and reported in accordance with the Brown Act, and the public may not participate. Standing committees may hold closed meetings if their charter or Board delegation includes issues allowing closed meetings.

Trade secrets may include new services, programs or facilities for the district, but they may not include “existing services” unless these services are being expanded. Trade secrets **do not** include new or existing services, programs or facilities of competitors.

No actions may be taken in closed sessions, except for the following: Labor and real estate negotiations anticipate that the board can give direction to their negotiators. In litigation sessions it is understood that the board can give direction to its lawyers or management in litigation related matters.

No action can be taken in trade secret sessions.

Board Training and Team Building

Is there a way that the Board could meet (for teambuilding/discussion reasons etc.) without having to announce/ agendize it?

Ans: No

General

Can more than two board members meet with representatives (like congressmen) in an informational session without public notice?

Ans: No

CEO Compensation

Can a discussion of CEO performance be conducted in closed session?

Ans: Board discussion of performance and compensation adjustments can take place in closed session if BOTH a "Personnel: performance evaluation (CEO)" and "Labor Negotiations, CEO Contract, Board Chair District Negotiator" are put on a closed session agenda. Any follow up action on a compensation adjustment or incentive performance award must be placed on a public meeting agenda and voted upon in public.

With regard to the Brown Act and any other disclosure requirements, what must be made public about the CEO's compensation?

Ans:, At the public meeting the item must be described on the agenda, e.g., "Consideration of CEO Compensation Adjustment and Performance Incentive Award" to meet the notice requirements. In addition it is best to have a written memo before the Board (perhaps from the Chair (a public document available to the public) spelling out the proposed compensation adjustment and incentive award numbers. A motion would then be made and seconded to approve the compensation incentive and performance award as presented.

Employee benefits that are unchanged are not required to be disclosed at the meeting. There is no affirmative mandate to disclose or reveal any information that is not subject to board consideration or vote as set forth on the agenda.

However, the CEO contract and salary information is all public record and must be disclosed if requested by a member of the public.



Date: June 6, 2013
To: Board of Directors
From: Kevin Carruth, Governance Committee Chair
Peter Hohorst, Governance Committee Member
Re: **Board Legislative and Regulatory Policy Positions #P-2013.06.06-5**

Recommendations:

1. The Board authorizes the CEO to fully and actively:
 - a. Support any federal or state legislation or regulation which:
 - i. Decreases the District's/Hospital's operating costs;
 - ii. Provides greater flexibility to the operation of the District/Hospital;
 - iii. Authorizes the District to use alternative capital project delivery methodologies, including but not limited to Design-build (including SB 785-Wolk), Construction Manager at Risk, Job Order Contracting (JOC), etc.
 - b. Oppose any federal or state legislation or regulation which:
 - i. Increases the District's/Hospital's operating costs;
 - ii. Reduces flexibility of the operation of the District/Hospital.
2. The Board directs that the CEO shall report to the Board at the Regular monthly Board meeting on any actions taken since the last Regular Board meeting along with copies of all letters, emails sent in support or opposition.
3. Board members shall coordinate all legislative or regulatory actions in advance with the CEO within the constraints of this policy.

Reasons for Recommendation and Background:

While it is important for the Board to establish its positions on legislation and regulations so the CEO can take appropriate action, it is also to the District's advantage to provide broad general policy direction to the CEO. This will avoid having every piece of legislation the District/Hospital wants to support or oppose from requiring review and action by the Governance Committee and the Board.

This is not intended as the definitive list, rather as the start of what will surely become a larger list over time as various legislative and regulatory issues arise. There will also be legislation or regulations that are contrary to these approved positions that the CEO or a Board member may feel is not properly addressed by this policy, i.e., when this policy

may not meet the needs of the District/Hospital. In a circumstance where legislation or regulation is not addressed by this policy, is partially addressed, and/or when it falls into both support and oppose categories the CEO referred it to the Governance Committee for review and/or action pursuant to the GC Charter.

It is envisioned that during discussion of this item by the Board this list could be amended to include more or less items.

Financial Impact:

None.

Board Committee:

Unanimous support of the Governance Committee.

Attachments

1. SB 785
2. SB 785 Most recent Senate Analysis



**Board Member and Board Chairperson
Legal Duties, Roles and Responsibilities
And
Limits on Power and Authority #P-2013.08.01**

Board Responsibilities

Legal Duties

The Board has three legal duties:

A duty of obedience to the charitable purpose of the organization, a duty that should be demonstrable in all the Board's decisions.

A duty of loyalty, to act based on best interests of the organization and the wider community it serves, not the narrow interests of an individual or stakeholder group

A duty of care, to be diligent in carrying out the work of the Board by preparing for meetings, attending faithfully, participating in discussions, asking questions, making sound and independent business judgments, and seeking independent opinions when necessary.

Roles

The role of the Board is to govern, not manage, the organization. Board work involves three main roles with respect to five primary responsibilities:

Policy Formulation

Specify and convey Board expectations, directives and constraints
Approve and periodically review major policies affecting the District, Hospital and the operation of the Board.

Decision Making

Choose among alternatives regarding matters requiring Board attention and input.

Oversight

Monitor and assess key organizational process and outcomes.

Responsibilities

The Board has five primary responsibilities:

Strategic Direction

Formulate the District's ends, its vision, and key goals, and ensure that management strategies are aligned;

Review and approve the District's Mission, Vision, Values and Annual Strategic Plan and updates;

Review and approve major transactions and significant new programs and services; and

Monitor organizational performance against goals.

Executive Performance

Ensure high levels of executive performance;
Select, support, advise, and set policy for the CEO; and
Establish and approve annual performance expectations and criteria, evaluate, and determine annual compensation including benefits and bonus, and determine retention or termination of the CEO.

Quality

Ensure the Hospital provides high quality patient care and patient experiences;
Review recommendations from the Medical Staff and approve the credentialing of physicians and other medical professionals; and
Establish quality goals, review the Hospital's means and methods of measuring quality patient care and patient experiences and the results, and take corrective action when necessary.

Finances

Ensure the District's financial health;
Establish the financial goals, develop the financial indicators, monitor financial performance, and take corrective action when necessary;
Approve the annual budget in alignment with the Strategic Plan and key financial objectives; and
Ensure the necessary financial controls are in place.

Board Effectiveness and Efficiency

Ensure the Board is effective and efficient, focused on its roles and responsibilities.

Board Chairperson Responsibilities**Leadership**

Guide and direct the governance process, centering the work of the Board on its legal duties, roles, and responsibilities, and forward facing issues.

Annual Work Plan and Board Calendar

Establish an annual Board work plan and a Board calendar for the calendar year. The Board calendar shall include all Regular and Special Board meetings, Hospital and Foundation events usually attended by the Board members, and all other annual activities.

Agendas

Establish agendas for Board meetings, in collaboration with the CEO. Focus the discussion/action portion of the agendas on forward facing issues dealing via policy formulation, decision making and oversight. Place all non-action items, other than the consent calendar, at the end of the agenda. Move issues of interest to the public to the top of the meeting agenda.

Meeting Management

Preside over Board meetings in a manner that encourages participation and information sharing while moving the Board toward timely closure and prudent decision-making. Focus the discussion on forward facing issues dealing via policy formulation, decision making and oversight. Facilitate while not dominating discussions to lead to Board action. Start ~~and end~~ meetings on time. Attend each meeting in its entirety. Move issues of interest to the public to the top of the meeting agenda.

Committee Direction

Work with committee chairpersons to align the work of Board committees annual work plans with the Board's annual work plan, District's Strategic Plan, including its vision and goals.

CEO Relationship

Serve as the Board's central point of official communication with the CEO. Develop a positive, collaborative relationship with the CEO, including acting as a sounding board for the CEO on emerging issues and alternative courses of action; and stay up-to-date about the organization and determines when an issue needs to be brought to the attention of the full Board or a committee.

CEO Performance Appraisal

Lead the processes of CEO goal-setting, performance evaluation and compensation review, consistent with Board policy.

Board Conduct

Set a high standard for Board conduct by modeling, articulating and upholding rules of conduct set out in board bylaws and policies. Intervene when necessary in instances involving breaches of conflict-of-interest, confidentiality and other Board policies.

Board Learning and Development

Lead the development of the Board's knowledge and capabilities by playing a central role in orientation of new Board members, mentoring and ensuring continuing education for the entire Board.

Succession Planning

Participate in the recruitment of new Board and Board committee members.

Self-evaluation

Provide for an effective, objective Board self-evaluation process and supports implementation of recommendations for improvement; and Seek feedback on his or her performance as Chairperson.

Board Member Responsibilities

Citizenship

1. Attend 90 percent of Regularly Scheduled Board meetings each calendar year.
2. Attend 70 percent of Special Board meetings each calendar year.
3. Attend 80 percent of Regularly Scheduled meetings of Board committees on which they serve.
4. Attend the annual Board retreat(s) and Board training conference(s).
5. Shall make every effort to attend to attend SVH activities and functions.
6. Fulfill their fiduciary duty of loyalty, putting the interests of the District ahead of their own.
7. Maintain confidentiality regarding all matters that demand it, including but not limited to Closed Sessions.
8. Do nothing that would discredit the organization.

Performance

1. Arrive at Board and committee meetings on time and do not leave early.
2. Serve as a member of at least one Board committee.

3. Carefully review Board and committee agenda packages and come to the Board and committee meetings prepared.
4. Actively participate (by sharing ideas, opinions, observations, perspectives, expertise and experience) in Board and committee meeting deliberations and discussions.
5. Listen to and respect the opinions and perspectives of the other members and do not dominate the discussion.
6. Be willing to express a dissenting opinion and vote no when the need arises.
7. Fully support the Board's policies and decisions once they have been implemented.
8. Serve as advocates of the District and the Hospital in their dealing with other organizations, groups, and individuals.

Limits on Power and Authority

The Board acts only collectively, never individually. Individual Board members have absolutely no power: Board authority derives from the Board as a whole. The Board Chair, Board Officers, and Board Committee Chairs, have limited individual powers only as specifically established in the District Bylaws, Board Policy, Board Resolutions or other specific Board action.

When the Board Chair and/or members have reason to believe, in settings other than Board meetings, that others may believe they are speaking on behalf of or representing the Board, when in fact they are not, they should advise that person or group that they are in fact speaking as an individual and are not representing the Board. While the Board Chair and/or members cannot control how others perceive them or their comments, this point is important, and Board members should error on the side of caution.