



**SONOMA VALLEY HEALTH CARE DISTRICT**

**BOARD OF DIRECTORS  
REGULAR MEETING AGENDA  
SEPTEMBER 6, 2018**

**REGULAR SESSION 6:00 P.M.**

**COMMUNITY MEETING ROOM  
177 FIRST STREET WEST, SONOMA**

**ALTERNATE LOCATION: 39 OLD COVE RD DUXBURY, MASS 02332**

<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 <a href="mailto:sfynn@svh.com">sfynn@svh.com</a> (707) 935.5004 at least 48 hours prior to the meeting.</p>	<b>RECOMMENDATION</b>	
<b>AGENDA ITEM</b>		
<p><b>MISSION STATEMENT</b> <i>The mission of SVHCD is to maintain, improve, and restore the health of everyone in our community.</i></p>		
<p><b>1. CALL TO ORDER</b></p>	<i>Rymer</i>	
<p><b>2. PUBLIC COMMENT</b> <i>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.</i></p>	<i>Rymer</i>	
<p><b>3. CONSENT CALENDAR</b>  A. Board Minutes 8.2.18 &amp; 8.15.18  B. Finance Committee Minutes 6.26.18 &amp; 7.18.18  C. Quality Committee Minutes 7.25.18  D. Governance Committee Minutes 6.26.18  E. Executed Policies and Procedures  F. Medical Staff Credentialing Report  <i>Pages 3-19</i></p>	<i>Rymer</i>	Action
<p><b>4. CHIEF OF STAFF ANNUAL REPORT</b></p>	<i>Sebastian</i>	Inform
<p><b>5. VINTAGE HOUSE</b></p>	<i>P. Essert</i>	Inform
<p><b>6. HOME CARE TRANSFER AGREEMENT &amp; OTHER AGREEMENTS</b> <i>Pages 20- 138</i></p>	<i>Rymer</i>	Inform/Action
<p><b>7. SOURCES &amp; USES FOR MAJOR CAPITAL EXPENDITURES</b> <i>Pages 139-141</i></p>	<i>Mather</i>	Inform
<p><b>8. RESOLUTION #341 SETTING THE GO BOND RATE</b> <i>Pages 142- 149</i></p>	<i>Jensen</i>	Inform/Action
<p><b>9. RESOLUTION #342 AUTHORIZATING THE ISSUANCE OF A TAX &amp; REVENUE ANTICIPATION NOTE</b> <i>Pages 150-158</i></p>	<i>Jensen</i>	Inform/Action

<b>10. ADMINISTRATIVE REPORT SEPTEMBER 2018</b> <i>Pages 159-162</i>	<i>Mather</i>	Inform
<b>11. CMO UPDATE</b>	<i>Kidd</i>	Inform
<b>12. FY19 THREE MONTH BUDGET (OCT-DEC)</b> <i>Pages 163-173</i>	<i>Jensen</i>	Inform/Action
<b>13. FINANCIAL REPORT MONTH END JULY 31,2018</b> <i>Pages 174-187</i>	<i>Jensen</i>	Inform
<b>14. COMMITTEE REPORTS</b>	<i>Board Members</i>	Inform
<b>15. BOARD COMMENTS</b>	<i>Rymer</i>	
<b>16. ADJOURN</b>	<i>Rymer</i>	

Note: To view this meeting you may visit <http://sonomatv.org/> or YouTube.com.

3.

## CONSENT CALENDAR



**SONOMA VALLEY HEALTH CARE DISTRICT  
BOARD OF DIRECTORS' MEETING  
MINUTES**

THURSDAY, AUGUST 2, 2018

REGULAR SESSION 6:00 P.M.

COMMUNITY MEETING ROOM  
177 First Street West, Sonoma, CA

	<b>RECOMMENDATION</b>	
<p><b>MISSION STATEMENT</b> <i>The mission of SVHCD is to maintain, improve and restore the health of everyone in our community.</i></p>		
<p><b>1. CALL TO ORDER</b> The meeting was called to order at 6:00pm.</p>	<i>Rymer</i>	
<p><b>2. PUBLIC COMMENT</b></p> <p>Rachel Hairston quoted measure E and then gave a definition of the word ensure. She said that the measure passed and many of the yes voters were single family homes. They voted yes because they were told and they were ensured that they would be birthing their babies in this valley. She then gave the definition of fraud. She spoke on the oath she took when entering the military (to protect against all enemies both foreign and domestic) and the oath that physicians take upon licensure regarding doing no harm. She said that this month alone two women delivered their children back to back in the ER. She expressed a desire to see statistics on how many women have presented in labor and delivery and delivered their babies last minute because they could not get somewhere else. She said that is not a statistic that has been provided.</p> <p>Anita Torres supports keeping the hospital open and all of the facilities within it. She spoke about the financial impact closing services would have on her livelihood. She also spoke of the great care given in the Birthplace to her family members.</p>	<i>Rymer</i>	
<p><b>3. CONSENT CALENDAR:</b></p> <ul style="list-style-type: none"> <li>A. Board Minutes 07.05.18</li> <li>B. Finance Committee Minutes 04.24.18</li> <li>C. Quality Committee Minutes 06.27.18</li> <li>D. Governance Committee Minutes 03.27.18</li> <li>E. Executed Policies and Procedures</li> <li>F. Medical Staff Credentialing Report</li> </ul>	<i>Rymer</i>	
<p>Policies reviewed: Standby Time HR8610-136 Call In Pay HR8610-139 Call Off Pay HR8610-138 Pediatric Patient in Surgery, Care of the PC7420-111</p>		<p><b>MOTION:</b> by Boerum to approve, 2<sup>nd</sup> by Hirsch. All in favor.</p>
<p><b>4. COUNTY SUPERVISOR UPDATE</b></p>	<i>Gorin</i>	

<p>Ms. Gorin acknowledged the current fiscal challenges facing the hospital and expressed her support.</p> <p>She said that currently one of the focuses of the county is assessing the gaps in services and creating services to the underserved in our communities.</p> <p>Ms. Gorin has been engaging in conversations with the state about the use of the Sonoma Development Center facility and land. She spoke about the long term care challenges that facilities face who have taken on the displaced patients. One of the concerns is that there is a lack of essential community services for psychiatric care in the valley. The county did receive funding for a crisis stabilization center in Santa Rosa. Because this stabilization center is for acute short term care the county is looking to create a PHF (Psychiatric Health Facility) to provide long term care.</p> <p>The county is also working on a reorganization plan of services. She spoke about the county’s health initiative regarding emergency preparedness. There is still no funding relief despite declaring an emergency disaster. There is an intense focus on the emergency alert services and making sure all members of the community receive them. There will be medical health response drills in September. This will test our emergency alert systems. She spoke about the continued challenges with grief and anxiety in response to the fires. Kaiser has given the county one million dollars for support services that are available to everyone.</p> <p>Another issue facing the county is the absence of the mobile support team. Ms. Gorin has been advocating for these services to be expanding into the Sonoma Valley as well as the River area.</p> <p>Mr. Gorin spoke about Access Sonoma. This will be wrap around services, assessing the whole person and their needs. The hope is to identify the most vulnerable and provide services to them.</p> <p>Another issue in the county is mental health services. She said that because the jails tend to be the main provider of mental health services, funding has gone into converting jail cells into mental health holding units. This is obviously not a cost effective or productive use of money and facilities.</p>		
<p><b>5. QUARTERLY GROWTH REPORT</b></p>	<p><i>Donaldson</i></p>	
<p>Ms. Donaldson presented the quarterly growth report which covered strategic changes, an Emergency Department analysis, service unit reviews, growth and success opportunities and the hospitals position going into fiscal year 2019.</p> <p>The six major initiatives for the next fiscal year are optimizing service units, UCSF, SVCHC, new procedures, physician clinics, and expansion of services.</p>		
<p><b>6. RESOLUTION #340 REFINANCING OF THE LOAN FOR THE SOUTH LOT</b></p>	<p><i>Boerum</i></p>	<p>Inform/Action</p>

<p>Mr. Boerum spoke about the need for a retroactive resolution for the previously signed refinancing of the south lot loan. Correction of Ms. Mather's title and that she has authority to sign on behalf of Board.</p>		<p><b>MOTION:</b> by Boerum to approve the retroactive resolution, 2<sup>nd</sup> Hirsch by. All in favor.</p>
<p><b>7. ADMINISTRATIVE REPORT AUGUST 2018</b></p>	<p><i>Mather</i></p>	<p>Inform</p>
<p>Ms. Mather spoke about the difficulty in closing service but that it is a forced decision for the financial health of the hospital. She spoke about the planned consolidation of inpatient services, and how that will move the hospital towards being the only five star hospital in the bay area. The hospital is evaluating a new health information exchange to replace the current non effective one. A Cardiology center is planned to bring the physicians into the hospital and provide support for further and inpatient services. The Sonoma Family Practice went live and they passed their survey with 100% score. The hope is that this will become our first rural health center. An analysis of Occupational Health was done and it was found beneficial. Tele-neurology is beginning in the near future. The next dashboard will be revised to include more focus on quality measures that are standard at most hospitals.</p>		
<p><b>8. CMO UPDATE</b></p>	<p><i>Kidd</i></p>	<p>Inform</p>
<p>Dr. Kidd gave a brief introduction of herself. She will be both CMO of SVH and Medical Director for the affiliation with UCSF. She will also continue her practice as a colorectal surgeon. She said that one of the duties she is charged with is the oversight of the quality department and how it relates to our affiliation with UCSF. She will also be overseeing the medical directors, reviewing contracts, and participating in various committees.</p>		
<p><b>9. FINACIAL REPORT MONTH END JUNE 30, 2018</b></p>	<p><i>Jensen</i></p>	
<p>The payer mix showed Medicare/MediCare Advantage at 60%, MediCal was at 18% and commercial was 17%. The month of June the hospital experienced a positive operating margin of \$314,222. This was better than budget by \$738,201. The positive margin was due to receiving higher than budgeted governmental supplemental payments and that the hospital's operating expenses were better than budget by \$364,463. After accounting for all other activity; June's net income was \$859,009 vs. the budgeted loss of (\$11,110) with a monthly EBIDA of 16.7% vs. a budgeted 3.1%. Accounts Receivable days were at 41.7 days. Days of cash on hand was 10 and Accounts Payable days were 49.8 days. After accounting for all income and expenses, but not including Restricted Contributions and GO bond activity, the net income for June was \$543,310 vs. a budgeted net loss of (\$174,845). The total net income for June was \$859,009 vs. a budgeted net loss of (\$11,110).</p>		
<p><b>10. COMMITTEE REPORTS</b></p>	<p><i>Board Members</i></p>	
<p>Ms. Hirsch reported that the Quality Committee charter has been revised. She recommended that Danielle Jones, Director of Quality present a Quality report to the Board.</p>		

<p>Ms. Nevins reported that the Finance committee will possibly have an additional special meeting.</p>		
<p><b>11. Ad Hoc Sub Cttee for the SNF</b></p>	<p><i>Board Members</i></p>	
<p>Mr. Rymer recommended the Board commission a special task force to create a plan for the Skilled Nursing Facility. The mission/objective is to identify and recommend opportunities to improve the financial performance of the hospital's Skilled Nursing Facility to the point that it will be a sustainable positive contributor to overhead or recommend closure of the unit in a reasonable amount of time. The task force is asked to provide, at least an interim report, to the Board by the October. Proposed committee membership is; Chair Jane Hirsch, Leslie Lovejoy Director of Case Management, Dr. Streeter, Dr. Kidd, Susan Porth from the Finance Committee, Susan Idell from the Quality Committee, Maggie Haywood community member. There will be additional staff members invited to attend specific meetings to provide data to the task force. Mr. Rymer noted that a consultant was contacted to advise on the SNF and will be asked to submit a proposal and be support to the committee.</p> <p><b>PUBLIC COMMENT:</b>  Melissa Evans, Manager of SNF – Ms. Evans said that she has worked at SVH for 18yrs, been director of the SNF for 16yrs. She said that her experience in the SNF would be beneficial to the task force. She said that she volunteered along with Dr. Verducci, Medical Director and Lauren Denning, SNF certified assessment coordinator who is responsible for calculating reimbursements for SNF, but was informed today that they were not chosen to be on the task force. She spoke about the complexity of SNF payment structures that includes Resource Utilization Groups (RUG Scores) that are based primarily by the number of minutes of therapy given to patients. She said that to be knowledgeable about SNF reimbursement it takes years, even then Medicare changes the payment structure at frequent intervals. She said that therapy and therapy staff are the driving force behind reimbursements. Her belief is that hiring and retaining therapy staff (similar to three years ago, when the SNF was profitable) would keep the SNF a viable unit and trusted resource to our community. She spoke of days of care provided annually. She said that the contribution to other depts. in supporting their DRG's is immeasurable. She would like to be reconsidered for the task force as well as the medical director and the assessment coordinator. She said that the combined 75 years of SNF experience and knowledge between them could benefit the task force greatly.</p> <p>Dr. Mary Flynn Clinical Phycologist for SNF's in the area. She said we have very few SNF beds in the community and closing it would reduce availability to our very vulnerable elders even more. She suggested adding a behavioral health professional to the task force. She said behavioral health professional are underrepresented but provided an important role in the care and transition back into the community to SNF patients.</p> <p>Lauren Denning, RN in the SNF at SVH 10yrs (26yrs SNF experience in total) She stated that she has extensive knowledge of RUG scores. She said that she has firsthand knowledge of what the RUG scores are</p>		<p><b>MOTION:</b> by Boerum to create the task force with the additional staff member. 2<sup>nd</sup> by Hohorst. All in favor.</p>

<p>presently and what they have been in the past. She said despite meeting with therapy on a regular basis we are not providing the care that we used to, this results in the RUG scores being lower. She spoke to her process of keeping track of therapy times, work flow and how she stays abreast of changes in reimbursements. Her hopes that those on the task force understand the entire revenue process. She expressed her support of the hospital but that she just wished that there would have been more team work prior to the recommendation of closure. Dr. Subash Mischra thanked the Board for setting up the task force. He asked the Board to take into consideration the comments made by the SNF staff and invite them to the task force.</p> <p>Pete Sybettey (check the last minutes for the correct spelling of his name) stated that he has sent a letter to both the Board and the CEO requesting an open forum for the community and all stakeholders to be heard. He asked where this will take place and who will do it? He said that he felt it is important that Board and CEO hear the voice of the community. His hope is that looking at how to keep operating is looked at rather than closure. Mr. Rymer responded that there will be further meetings for the community to be heard. Ms. Mather said that one of the reasons the initial SNF meeting was rescheduled was because the room could not accommodate the anticipated crowd. But in the future there will be a time for everyone to give their input on top of the extra people that will be brought in to the task force.</p> <p>Karen Neff, RN in the SNF said that the SNF closure would be a terrible loss to the community. She felt that task force should include people that are passionate about the SNF.</p> <p>Lucy Weiger (via email) “since Medicare is an important payer we urge you to task the committee with careful consideration of the impact of Medicare's proposed 2019 payment changes to determine if this could increase SNF reimbursement: Medicare is proposing changes to the case-mix classification system used under the SNF Prospective Payment System (PPS), the SNF Value-Based Purchasing Program (VBP), and the SNF Quality Reporting Program (QRP). Second, given that your mission is to maintain, improve and restore the health of everyone in the community it would seem that the Board has some responsibility to help assure that the community has adequate resources for long term as well as acute and other care. We would request that the committee be asked to consider the total long term care resources and needs of our community and how any change to the Hospital's SNF would impact this.”</p> <p><b>BOARD COMMENTS;</b></p> <p>Mr. Boerum asked that two additional persons be invited to the task force. Ms. Lauren Denning and Ms. Melissa Evans because they can bring direct operating experience to the task force and it is important that the staff and community feel as if all relevant points of view and information will be included in the decision making.</p> <p>Ms. Mather supported adding one staff member to the task force.</p> <p>Mr. Hohorst supported adding Ms. Evans to the task force.</p> <p>Mr. Rymer said the importance of the task force is to objectively look at the situation in an unbiased way. He is amenable to the addition.</p>		
<p><b>12. ADJOURN</b></p>	<p><i>Rymer</i></p>	
<p>Meeting adjourned at 7:52 pm</p>		





**SONOMA VALLEY HEALTH CARE DISTRICT  
BOARD OF DIRECTORS' MEETING  
MINUTES  
WEDNESDAY, AUGUST 15, 2018  
REGULAR SESSION 5:00 P.M.  
COMMUNITY MEETING ROOM  
177 FIRST ST WEST SONOMA CA 95476**

	<b>RECOMMENDATION</b>	
<b>MISSION STATEMENT</b> <i>The mission of SVHCD is to maintain, improve and restore the health of everyone in our community.</i>		
<b>1. CALL TO ORDER</b> The meeting was called to order at 5:05pm.	<i>Rymer</i>	
<b>2. PUBLIC COMMENT</b>	<i>Rymer</i>	
None		
<b>3. HOME CARE TRANSFER</b>	<i>Mather</i>	Inform
<p>Ms. Mather spoke about the potential transfer of ownership of Healing at Home, SVH's skilled home health service to Hospice By The Bay, a well known and respected nonprofit.</p> <p>Ms. Lovejoy spoke to the extensive effort to bring Healing at Home into a positive margin, with no success. Outreach was done to various skilled home health agencies to take on Healing at Home. A letter of intent has been written with Hospice By The Bay and due diligence is underway to share information.</p> <p>The Healing at Home Director and clinical manager gave background and supporting information.</p> <p>Kitty Whitaker, CEO of Hospice By the Bay gave background information about Hospice by the Bay as well as future goals.</p> <p>Mr. Michael Peterson, SVH hospital attorney reviewed the transfer agreement and an overview of how the transfer would occur.</p> <p><b>PUBLIC COMMENT:</b></p> <p>Public comments included concerns about the Healing at Home staff and jobs as well as communication to the community and patients regarding the transfer. A letter was also read that requested for the transfer to not occur and for the SNF not to be closed.</p> <p>Mr. Rymer stated that a final decision would be brought to the board for a vote at the September Board meeting.</p>		
<b>6. BOARD COMMENTS</b>	<i>Board Members</i>	Inform
None		
<b>13. ADJOURN</b>	<i>Rymer</i>	
Meeting adjourned at 6:09 pm		

Note: To view this meeting you may visit <http://sonomatv.org/> or YouTube.com.



**SVHCD  
FINANCE COMMITTEE MEETING  
MINUTES  
TUESDAY, JUNE 26, 2018  
Schantz Conference Room**

<b>Present</b>	<b>Excused</b>	<b>Staff</b>	<b>Public</b>
Sharon Nevins Joshua Rymer Susan Porth Dr. Subhash Mishra via telephone	John Perez Keith Hughes	Kelly Mather Ken Jensen Sarah Dungan	Peter Hohorst

<b>AGENDA ITEM</b>	<b>DISCUSSION</b>	<b>ACTIONS</b>	<b>FOLLOW-UP</b>
<b>MISSION &amp; VISION STATEMENT</b> <i>The mission of SVHCD is to maintain, improve and restore the health of everyone in our community.</i>			
<b>1. CALL TO ORDER/ANNOUNCEMENTS</b>	<i>Nevins</i>		
	Called to order 5:01 pm		
<b>2. PUBLIC COMMENT SECTION</b>	<i>Nevins</i>		
	None		
<b>3. CONSENT CALENDAR</b> FC Minutes 04.24.18	<i>Nevins</i>	Action	
		<b>MOTION:</b> by Rymer, 2 <sup>nd</sup> by Hohorst to approve. All in favor.	
<b>4. MID-YEAR ACCOUNTS RECEIVABLE AUDIT UPDATE</b>	<i>Dungan</i>	Inform	
	Ms. Dungan reported that the review of collections by the auditors of collections was reasonable at 86%. If self-pay is taken out total collections are at 95%. There are no major adjustments.		
<b>6. FY 2019 BUDGET UPDATE</b>	<i>Jensen</i>	Inform	
	Mr. Jensen said that the Board approved a three-month budget. At the special July 25 <sup>th</sup> Board meeting the nine month budget will be presented. It		

	was agreed to make that Board meeting a special joint meeting with Finance.		
<b>7. ADMINISTRATIVE REPORT</b>	<i>Mather</i>	Inform	
	<p>Ms. Mather spoke about the upcoming restructuring. The restructure will be to move us to a micro hospital platform, an ER, outpatient focused facility. Mr. Hughes suggested to having an outside consultant review the restructure. A committee discussion regarding the pros and cons of hiring a consultant ensued. Ms. Mather said that the plan had been reviewed by UCSF's CEO and he felt it was a great plan.</p> <p>Mr. Perez asked if there are plans to grow other services during the restructure. Ms. Mather responded by reviewing the strategic plan that involves growing service lines. She anticipates this will result in a financial gain over the next year. Ms. Mather reviewed the services lines that have been recently implemented and are in the growth stages. (The Women's Place, Cardiology Center, Bariatrics, and recent update with Urology) There are new strategies with UCSF starting (including tele-neurology) and the Sonoma Family Practice clinic goes live July 1<sup>st</sup>.</p>		
<b>8. FINANCIAL REPORT FOR MONTH ENDING APRIL 30, 2018 AND MAY 31, 2018</b>	<i>Jensen</i>	Inform	
	<p>Mr. Jensen reviewed the April payer mix with Medicare 60.7% with Medi-Cal and commercial dropping. Patient cash was \$1.1 million over the goal. Accounts Receivable was at 42.9 days, Accounts Payable was at 40.6 days and cash was at 6.8 days.</p> <p>Gross revenue was above budget due to outpatient services. The net result is \$4.4 million total operating revenue vs budget of \$4.8 million. Expenses were better than expected by \$274,000. The operating margin was a (\$651,000) loss vs a</p>		

	<p>budgeted (\$447,000) Net income was (\$220,000) vs a (\$34,000) budgeted loss.</p> <p>May financials were an improvement over April. The payer mix included Medicare 57.6% vs. a budgeted 54.9%, Medi-Cal was a bit above budget at 18.2% and commercial continued to be under expectations. Cash was over goal by \$496,000. Accounts Receivable was at 46.8 days and Accounts Payable was at 40 days.</p> <p>Gross revenue improved primarily due to increased inpatient acuties and outpatient surgeries. Expenses, salaries and benefits were all better than budgeted. The operating margin was a (\$305,000) loss vs a budgeted loss of (\$485,000). The total net income for May after all activity was (\$369,158) vs a budgeted net loss of (\$72,948).</p>		
<b>9. SOUTH LOT SALE MODIFICATION &amp; LOAN APPROVAL</b>	<i>Jensen</i>	Inform/Action	
	<p>Mr. Jensen gave a brief history of the lease option on the South Lot that was exercised in August 2016. A private citizen lent SVH the \$2 million to purchase the property with a debt to be paid back June 30, 2018. Due to the Hopsital's financial situation, DeNova has agreed to fund the private loan amount. The interest rate will change from 5% to 6.5%. The agreement with DeNova will be modified to remove the profit participation.</p>	<b>MOTION:</b> by Rymer to ratify the replacement of the existing loan and the new terms DeNova agreement, 2 <sup>nd</sup> by Porth to approve. All in favor	
<b>9. ADJOURN</b>	<i>Nevins</i>		
	<i>Meeting adjourned at 5:55 pm</i>		



**SVHCD  
FINANCE COMMITTEE MEETING  
MINUTES  
WEDNESDAY JULY 18, 2018  
Schantz Conference Room**

<b>Present</b>	<b>Excused</b>	<b>Staff</b>	<b>Public</b>
Sharon Nevins Dr. Subhash Mishra John Perez Keith Hughes Susan Porth	Joshua Rymer	Kelly Mather Ken Jensen Sarah Dungan Celia Kruse De La Rosa	

<b>AGENDA ITEM</b>	<b>DISCUSSION</b>	<b>ACTIONS</b>	<b>FOLLOW-UP</b>
<b>MISSION &amp; VISION STATEMENT</b> <i>The mission of SVHCD is to maintain, improve and restore the health of everyone in our community.</i>			
<b>1. CALL TO ORDER/ANNOUNCEMENTS</b>	<i>Nevins</i>		
	Called to order 5:00 pm		
<b>2. PUBLIC COMMENT SECTION</b>	<i>Nevins</i>		
	None		
<b>3. NINE MONTH BUDGET REVIEW</b>	<i>Jensen</i>		
	Prior to the budget discussion Ms. Mather reviewed the OB and SNF service line analysis. An extensive analysis of the OB service included the trended patient volumes, service line direct margins, reimbursement and other identified associated costs with the service line. Based on the loss for FY2018 (through April) of (\$564,437) it is the Hospital Administrations recommendation to discontinue the OB service line by September 30, 2018.		

	<p>Ms. Mather then reviewed the SNF analysis. This analysis included reimbursement, costs of services and recent trends in patient days and volumes. Based on financial projections for the coming year and the inclusion of the full costs of the SNF services the Hospital Administration is making a recommendation for the closure of the SNF service line by September 30, 2018. A discussion about if it is possible to increase the RUG scores enough to offset the losses. Because of variables there is no assurance that RUG scores could be improved and if that improvement would result in more reimbursement.</p> <p>Ms. Mather reported that Home Health will be transferred to Hospice by the Bay. She anticipated this to happen in the near future.</p> <p>Mr. Jensen reviewed the nine month budget for October 2018 to June 2019. The net operating margin loss for the nine months budgeted (\$3,333,028). After accounting for non-operating income, the loss drops to (\$1,064,799). Including all other activity the net income is \$1,167,916 with an EBDA of 3.5%.</p>		
<b>9. ADJOURN</b>	<i>Nevins</i>		
	<i>Meeting adjourned at 5:56pm</i>		

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**SONOMA VALLEY HEALTH CARE DISTRICT  
QUALITY COMMITTEE**  
**July 25, 5:00 PM**  
**MINUTES**  
**Schantz Conference Room**

Members Present	Members Present cont.	Excused	Public/Staff
Jane Hirsch Peter Hohorst Carol Snyder Howard Eisenstark, MD Michael Mainardi, MD	Cathy Webber Susan Idell Michael Brown, MD	Kelsey Woodward Ingrid Sheets	Danielle Jones Leslie Lovejoy Mark Kobe Sabrina Kidd, MD Brian Wolfe, Heartland Hospice

AGENDA ITEM	DISCUSSION	ACTION
<b>1. CALL TO ORDER/ANNOUNCEMENTS</b>	<i>Hirsch</i> <i>Ms. Hirsch introduced Dr. Kidd, SVH's new CMO.</i>	
	Meeting called to order at 5:00 pm	
<b>2. PUBLIC COMMENT</b>	<i>Hirsch</i>	
	Mr. Brian Wolfe from Heartland Hospice introduced himself.	
<b>3. CONSENT CALENDAR</b>	<i>Hirsch</i>	Action
<ul style="list-style-type: none"> <li>QC Minutes, 06.27.18</li> </ul>		<b>MOTION:</b> by Mainardi to approve, 2 <sup>nd</sup> by Hohorst. All in favor.
<b>4. PATIENT CARE SERVICES DASHBOARD</b>	<i>Kobe</i>	Inform
	Medication scanning rates are showing improvements, although Acute and ED are still below goal. A new upgrade on June 1 <sup>st</sup> put into place an avoidance of the ability to scan a patient label rather than the patient's armband. The change in vendor for HCAHPs was reviewed. Press Ganey is again the vendor.	
<b>5. HOME HEALTH HCAHPS UPDATE</b>	<i>Jones</i>	Inform

AGENDA ITEM	DISCUSSION	ACTION
	Ms. Jones reviewed this follow up item from last meeting regarding the error in collecting data by Quality data.	
<b>6. RISK MANAGEMENT &amp; PATIENT SAFETY REPORT FY18</b>	<i>Jones</i>	Inform/Action
	Ms. Jones reviewed the fiscal year 2018 report. This was the first time reporting to CHPSO which went well. The focus was feedback, loop closure and PI emphasis on good catches.	<b>MOTION:</b> by Eisenstark to approve, 2 <sup>nd</sup> by Mainardi. All in favor.
<b>7. POLICIES AND PROCEDURES</b>	<i>Jones</i>	Inform/Action
	The following policies were reviewed: Standby Time HR8610-136 Call In Pay HR8610-138 Pediatric Patient in Surgery, Care of the PC7420-111	<b>MOTION:</b> by Idell to approve 2 <sup>nd</sup> by Eisenstark. All in favor
<b>8. REPORT OF CLOSED SESSION</b>		Action
	Credentialing report was reviewed and approved.	<b>MOTION:</b> by Eisenstark to approve, 2 <sup>nd</sup> by Idell. All in favor.
<b>9. ADJOURN</b>	<i>Hirsch</i>	
	Meeting adjourned at 5:40	





**SONOMA VALLEY HEALTH CARE DISTRICT  
GOVERNANCE COMMITTEE MEETING  
MINUTES  
TUESDAY, June 26, 2018  
8:30 AM**

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

	RECOMMENDATION	
<b>MISSION STATEMENT</b> <i>The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.</i>		
<b>1. CALL TO ORDER/ANNOUNCEMENTS</b>	<i>Hohorst</i>	
Called to order at 8:30 am		
<b>2. PUBLIC COMMENT SECTION</b>	<i>Hohorst</i>	
No public comment		
<b>3. CONSENT CALENDAR</b> • GC Minutes For 03.17.18	<i>Hohorst</i>	Action
		<b>MOTION:</b> by Boerum to approve. All in favor.
<b>4. REVIEW OF COMMUNITY FUNDING POLICY #P-2014.02.06-1</b>	<i>Hohorst</i>	Inform/Action
		<b>MOTION:</b> by Boerum to approve. All in favor.
<b>5. REVIEW OF RESIDENCY REQUIREMENTS POLICY #P204.01.09</b>	<i>Hohorst</i>	Inform/Action
		<b>MOTION:</b> by Boerum to approve. All in favor.
<b>6. REVIEW OF ETHICS TRAINING FOR LOCAL OFFICIALS POLICY #P2012.07.30</b>	<i>Hohorst</i>	
		<b>MOTION:</b> by Boerum to approve. All in favor
<b>7. REVISION TO MEDICAL STAFF BYLAWS</b>	<i>Hohorst</i>	
		<b>MOTION:</b> by Hohorst to approve. All in favor
<b>8. REVISION TO JPA BYLAWS</b>	<i>Hohorst</i>	

		<b>MOTION:</b> by Hohorst to approve. All in favor.
<b>9. ADJOURN</b>		
Meeting adjourned at 9:00 am		



**Policy and Procedures – Summary of Changes**  
The Board of Directors Meeting, September 6th, 2018

**Review and Approval Requirements**

The SVH departmental/organizational policies and/or procedures on the attached list have been reviewed and approved by the appropriate organizational leaders for meeting all of the following criteria. All of these policies and procedures are:

- Consistent with the Mission, Vision and Values of the Sonoma Valley Health Care District
- Consistent with all Board Policy, Hospital Policy and Hospital Procedures
- Meet all applicable law, regulation, and related accreditation standards
- Consistent with prevailing standards of care
- Consistent with evidence-based practice

We recommend their acceptance by the Sonoma Valley Health Care District Board.

**ORGANIZATIONAL**

**REVISIONS:**

Standby Time HR8610-136

This is a Hospital policy identifying certain positions that need to be on standby, ready to report to work within 30 minutes of call when services are needed, and how that time is compensated. Updated language and definitions for clearer explanations of how standby, call-back, call-in, and call-off pay works. Added standby pay rate schedule to the policy as an attachment and updated job titles to current titles, where appropriate. Removed specific exceptions to general policy and added reference to individual department policy, where appropriate. Changes Ensure clear understanding and expectations of employees when placed on standby, when called back, when called in on an unscheduled work day, and when called off due to lack of work.

Call In Pay HR8610-139

To be retired. Information is covered in the updated “standby Time HR8610-136” policy.

Call Off Pay HR8610-138

To be retired. Information is covered in the updated “standby Time HR8610-136” policy.

**DEPARTMENTAL**

**REVISIONS:**

Pediatric Patient in Surgery, Care of the PC7420-111

Due to the specialty nature of pediatric surgery, we will no longer do surgical cases in children under the age of 6. In addition, we will only do urgent/emergent surgeries on children between the ages of 6-10 if it is required before transferring them to a specialty pediatric hospital/care center. Parents are not allowed in the O.R. unless special circumstances agreed upon by both surgeon and anesthesiologist. Why: Because of the infrequency and specialty nature of pediatric surgery and anesthesia, these patients will be better served by clinicians trained and prepared to care for pediatric patients.

6.

HOME CARE TRANSFER  
AGREEMENT & OTHER  
AGREEMENTS



**ARCHERNORRIS**  
A PROFESSIONAL LAW CORPORATION

## MEMORANDUM

**TO:** Kelly Mather  
**FROM:** Karl Foster  
**DATE:** August 31, 2018  
**FILE NO:** S0392-001  
**RE:** Home Health Transfer

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In connection with the transfer of Healing at Home (the “**Health Agency**”) from Sonoma Valley Health Care District (“**District**”) to Hospice By The Bay (“**Hospice**”), we have reviewed the following documents and have determined that they are in acceptable form for the contemplated transfer of the Health Agency to Hospice.

1) **Asset Transfer Agreement:** This is the main agreement for the deal, and (1) governs the process for closing the deal and the transfers of assets, the office lease, and employees at the closing, (2) provides for an “Interim Period” during which Hospice will operate the business under the District’s license/provider numbers and payor contracts, while Hospice pursues a new license/provider number and payor contracts for the business, and (3) contains the conditions that must be satisfied for the Interim Period to expire and Hospice complete its takeover of the business. During the Interim Period, Hospice operates the business for the District, but at Hospice’s risk, except that the District has agreed to supplement the revenues of the business to the extent that payors do not pay fair market value for services under the existing agreements with the District

2) **Bill of Sale and Assignment:** The Bill of Sale is the formal document pursuant to which the District transfers the personal property, leases, intangible property and contracts to Hospice.

3) **Management and Operations Service Agreement (“MOTA”):** The MOTA allows Hospice to manage the Health Agency for the District on an interim basis while Hospice is pursuing its California Department of Public Health license for the Health Agency.

4) **Interim Lease:** The Interim Lease provides for a lease of the Health Agency premises to the District during the Interim Period, which permits the District to take all actions with respect to the Health Agency premises necessary or appropriate to act as the licensed operator in accordance with the requirements of the Department of Public Health of the State of California.

5) **Interim Service Agreement:** The Interim Licensed Service Agreement permits the Health Agency's Administrator of Patient Care Services to be contracted by Hospice for those certain licensed services described on Appendix A thereto.

6) **Non-Competition Agreement:** The Non-Competition Agreement restricts the District from providing home health services within Contra Costa, Lake, Mendocino, Napa, San Francisco, San Mateo, Solano, or Sonoma Counties for a period of two (2) years.

**ASSET TRANSFER AGREEMENT**

**by and among**

**SONOMA VALLEY HEALTH CARE DISTRICT, A POLITICAL SUBDIVISION OF  
THE STATE OF CALIFORNIA  
(Transferor)**

**\*\*\*\*\***

**HOSPICE BY THE BAY, A CALIFORNIA NONPROFIT CORPORATION  
(Transferee)**

\_\_\_\_\_, 2018

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## EXHIBITS

A	Definitions
B	Assets
	Annexes to Exhibit B:
	Annex A(v) Acquired Assets – Assigned Licenses and Certifications
	Annex A(vi) Acquired Assets – Intellectual Property
	Annex A(vii) Acquired Assets – Assigned Contracts
	Annex B(v) Excluded Assets – Contracts
	Annex B(vii) Excluded Assets – Other
C	Liabilities

## SCHEDULES

### General Schedules

4(b)	Allocations
5	Proration Items
6(f)	Cross-Over Receivables

### Transferor's Disclosure Schedules

7(c)	No Conflicts; Consents and Approvals
7(f)	Licenses and Certifications
7(m)	Financial Statements
7(q)	Employee Information
7(s)	Insurance

## ASSET TRANSFER AGREEMENT

This Asset Transfer Agreement (this “*Agreement*”) is made and entered into as of \_\_\_\_\_, 2018 (the “*Signing Date*”), by and among Hospice By The Bay, a California nonprofit public benefit corporation, or any designated Affiliate (as defined in Exhibit A) (“*Transferee*”), and Sonoma Valley Health Care District, a political subdivision of the State of California (“*Transferor*”). Transferor and Transferee are each also sometimes referred to in this Agreement individually as a “*Party*” and collectively as the “*Parties.*”

### R E C I T A L S

**WHEREAS**, Transferee and certain of its Affiliates (as defined in Exhibit A) are in the business of furnishing home health, hospice, and palliative care services in the State of California;

**WHEREAS**, Transferor is a health care district and, among other things, is engaged in the business of furnishing home health services by and through a licensed and certified home health agency commonly known as "Healing at Home" and located at 1151 Broadway #101, Sonoma, California 95476 (the “*Acquired Agency*”);

**WHEREAS**, Transferee and Transferor wish to enter into this Agreement to set forth the definitive terms and conditions upon which Transferee will acquire from Transferor and Transferor will transfer to Transferee the Acquired Agency and Acquired Assets (as defined in Exhibit A).

**NOW, THEREFORE**, in consideration of the mutual promises, covenants, agreements, undertakings, obligations, and conditions hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties, intending to be legally bound, agree as follows:

**1. DEFINITIONS.** As used in this Agreement, capitalized terms and variations thereof have the meanings ascribed in Exhibit A (unless otherwise specifically defined or the context clearly requires otherwise). Other terms may be defined elsewhere in this Agreement and have the meanings so ascribed.

**2. ACQUIRED ASSETS.** Upon the terms and subject to the conditions in this Agreement, on the Closing Date, Transferor shall transfer, assign, and deliver to Transferee, free and clear of Liens, and Transferee shall accept, assume, and receive from Transferor, all right, title, and interest in and to the Acquired Assets. Transferor will hold in trust for the benefit of Transferee any Acquired Assets that cannot be transferred on the Closing Date until such time as the transfer is completed to Transferee’s satisfaction.

**3. ASSUMED LIABILITIES.** Upon the terms and subject to the conditions in this Agreement, Transferee will assume and be obligated to pay, perform, and discharge when due only the Assumed Liabilities as they exist on the Closing Date. Except for the Assumed Liabilities, (a) Transferee will not assume or otherwise be obligated to pay, perform, or discharge any Liabilities of Transferor or the Acquired Agency; and (b) Transferor will be solely

responsible for the timely payment and satisfaction of all Liabilities of Transferor and the Acquired Agency, including, but not limited to, any debt.

#### **4. CLOSING DATE; ALLOCATIONS.**

(a) **Closing Date.** Subject to **Section 14**, the satisfaction or waiver of the conditions in **Section 10**, and compliance with the other provisions of this Agreement, the Closing will take place on the Closing Date with the Parties executing the Transaction Documents prior thereto and the same being held in escrow by counsel pending the Parties' release at Closing, following which documents will be transmitted to the respective Parties via email delivery, with an original of the Bill of Sale to be transmitted to Transferee via overnight delivery at its address set forth in **Section 15**. The Closing will be effective for Tax, accounting, and other purposes at the Effective Time.

(b) **Consideration Allocation.** The Assumed Liabilities and other relevant items or adjustments will be allocated among the Acquired Assets in compliance with Applicable Laws and consistent with Accounting Principles. To the extent required for reporting purposes, the Parties agree that the allocation of the relevant items will be agreed upon and set forth on **Schedule 4(b)** prior to the Closing Date, will be controlling for Tax purposes, and will be utilized by each Party in preparing IRS Form 8594, if required.

(c) **Payment of Expenses for Transfer of Acquired Assets.** Each Party will bear its own legal, accounting, administrative, and other fees and costs incurred in connection with the preparation of the Transaction Documents. Transferor will be responsible for and will pay applicable transfer, documentary, sales, use, stamp, recordation, registration, and all other Taxes, filing fees, and expenses associated with the transfer of the Acquired Assets and Acquired Agency as described in this Agreement, including, without limitation, (i) income taxes, if any, assessed against Transferor as a result of such transfer; and (ii) any filing fees or expenses incurred or required due to actions taken before the Closing Date.

(d) **Negotiated Value.** The Parties agree that the consideration given by Transferee to Transferor hereunder reflects the agreed fair market value of the Acquired Assets and the Acquired Agency as a result of arms' length negotiations. The Parties further agree that no consideration or anything else of value given or received under this Agreement or any other agreement between the Parties is or will be paid for the value of any patient referrals (direct or indirect) to or from Transferee, Transferor, or any of their respective Affiliates.

**5. PRORATION ITEMS.** At least seven (7) days before the Closing Date, Transferor will deliver **Schedule 5** to Transferee setting forth Transferor's best good faith estimate of the Proration Items that will exist as of the Closing Date. At the Closing, Transferee will pay and reimburse Transferor for the Proration Items.

#### **6. INTERIM PERIOD STRUCTURE AND DOCUMENTATION.**

(a) **Interim Period Structure.** In order to facilitate a transition of operational and financial responsibility from Transferor to Transferee during the Interim Period in a manner that will ensure the continued operation of the Acquired Agency after the Closing Date in compliance with Applicable Laws, effective as of the Closing Date, Transferor and

Transferee will enter into a management and operations Asset Transfer Agreement (“*MOTA*”) as well as a leaseback of the Acquired Agency, including a sublease of the real property upon which Transferor conducts its home health business, documenting the terms and conditions under which Transferee will manage the Acquired Agency for Transferor during the Interim Period (“*Interim Lease*”).

(b) **Interim Period Collections.** As more particularly described in the MOTA, during each Reconciliation Period, Transferee will collect the Pre-Closing Receivables and Cross-Over Receivables and, subject to Transferee’s prior receipt of true, complete, and correct documentation from Transferor, Transferee will timely file, submit, or obtain all such reports, billings, and documents required to be filed, submitted, or obtained on the Pre-Closing Receivables and Cross-Over Receivables. In so doing, Transferee will not settle, extend, or otherwise materially change the payment terms of the Pre-Closing Receivables without Transferor’s consent, which will not be unreasonably delayed or withheld. Notwithstanding the foregoing, Transferee does not guarantee the collection of the Pre-Closing Receivables or Cross-Over Receivables and will not be obligated to incur any costs or expenses different or in addition to those that reasonably could be expected to be incurred in the ordinary course of business in filing, submitting, and obtaining the reports, billings, and documents of the Acquired Agency for services furnished on and after the Closing Date. Transferee agrees to use diligent collection efforts consistent with its standard business practices to collect the Pre-Closing Receivables and Cross-Over Receivables.

(c) **Interim Period Billings.** As more particularly described in the MOTA, during the Interim Period, in order to facilitate billing and collecting for home health services furnished by the Acquired Agency to Payor Program patients in compliance with Applicable Laws, Transferor will provide to and allow Transferee to use its Medi-Cal Provider Number, Medicare Provider Number, submitter identification numbers, National Provider Identifiers and any other numbers, codes, or passwords necessary to allow Transferee to bill for services rendered at the Acquired Agency from and after the Closing Date. Transferor authorizes Transferee to open mail addressed to Transferor, or the Acquired Agency, and delivered to the offices of the Acquired Agency or otherwise received by Transferee. On a weekly basis, Transferor will deliver to Transferee a copy of all remittance advices for services rendered during the stated period. Based on the remittance advices submitted, once a month, Transferee will prepare and submit to Transferor a settlement statement for payment for services rendered during the stated period. If Transferor has any questions regarding the settlement statement submitted, Transferor will notify Transferee of the same within five (5) days of receipt. As soon as possible thereafter, Transferee and Transferor will meet and confer to resolve any issues regarding the settlement statement in question. Absent any need to meet and confer, Transferor will remit to Transferee the sums due pursuant to the submitted settlement statement within fifteen (15) days of receipt thereof.

(d) **Reconciliation.** As more particularly provided in the MOTA, on the first weekday after the end of each Reconciliation Period, Transferee will perform a reconciliation of the collections on the Pre-Closing Receivables and Cross-Over Receivables and any Payment Adjustments during such Reconciliation Period. The reconciliations under this **Section 6** will be performed on the basis of specific dates of service. Transferee will follow the allocation methodologies and the payment mechanisms described in this **Section 6** and as otherwise

described in the MOTA in performing all the reconciliations. During each Reconciliation Period, Transferee will maintain a Reconciliation Statement. Transferee will have twenty (20) days after the last day of each Reconciliation Period to deliver the Reconciliation Statement to Transferor. Transferor will then have fifteen (15) days after its receipt of the Reconciliation Statement to provide a Dispute Notice, if any, to Transferee.

(e) **Allocation**. As more particularly described in the MOTA, during each Reconciliation Period, whether collections on the Pre-Closing Receivables or other Accounts Receivable are received by Transferee or Transferor, (i) Transferor will be allocated and entitled to collections on the Pre-Closing Receivables and Transferor Cross-Over Receivables, in each case, other than Outlier Reconciliation Payments and net of all Payment Adjustments (regardless whether the Payment Adjustments, without duplication, are attributable to Accounts Receivable collected during such Reconciliation Period or any prior period of Transferor); and (ii) Transferee will be allocated and entitled to collections on Accounts Receivable arising or generated on or after the Closing Date, Transferee Cross-Over Receivables, and Outlier Payments, in each case, without any claim from Transferor. Further, collections on Accounts Receivable that are paid on an episodic basis similar to Medicare Payments will be allocated consistently with the allocation methodologies in the preceding sentence. Further, in addition to any other Payment Adjustments, the Parties agree that: (x) if any documentation (including, without limitation, the practitioner face-to-face documentation) required by Applicable Laws for Medicare reimbursed home health services, relating to Accounts Receivable allocated to Transferor in accordance with this **Section 6**, is not timely received by Transferee, either as part of the Acquired Assets in connection with the Closing or subsequently during the Final Reconciliation Period, then any Payment Adjustments resulting therefrom will be allocated entirely against Transferor in favor of Transferee as part of the reconciliation process under this **Section 6**; and (y) if Transferee receives such documentation in a timely manner but nevertheless fails to submit it, then any Payment Adjustments resulting therefrom will be allocated entirely against Transferee in favor of Transferor as part of the reconciliation process under this **Section 6**.

(f) **Cross-Over Receivables**. Transferor represents and warrants that a true, complete, and correct list of the estimated Cross-Over Receivables as of the close of business not less than three (3) days before the Closing Date (including the patient medical record number, start of care date, discharge date (if known), and estimated reimbursement amount) will be set forth on **Schedule 6(f)**, which Transferor will deliver, or cause to be delivered, to Transferee at least three (3) days before the Closing Date. No later than the fourteenth (14th) day after the Closing Date, Transferor will deliver to Transferee a true, complete, and correct list of the final Cross-Over Receivables as of the close of business on the last weekday before the Closing Date.

(g) **Payment of Proration Items and Pre-Closing Receivables**. As more particularly described in the MOTA, subject to **Section 6(h)**, the amounts owed by one Party to another under **Section 5** and this **Section 6** will be paid within fifteen (15) days following Transferee's delivery of a Reconciliation Statement under **Section 6(c)**; *provided, however*, that Transferee will not be required to pay any amount owed to Transferor unless and until the aggregate amount owed by Transferee to Transferor (taking into account applicable Payment Adjustments) exceeds the amount owed by Transferor to Transferee. If Transferor receives collections on Accounts Receivable to which Transferee is entitled under this **Section 6**,

Transferor will promptly pay over the collections to Transferee without deduction or set-off (after taking into account applicable Payment Adjustments). If Transferee or Transferor has not, for any reason, before the end of each Reconciliation Period been issued a final payment by a Payor Program equal to the full amount of any particular episodic claim, then the reconciliation and payment provisions of this **Section 6** (other than those allocating any applicable Payment Adjustments against Transferor or Transferee and any applicable Outlier Reconciliation Payments to Transferee) will not apply for purposes of such claim.

(h) **Uncollected Pre-Closing Receivables.** As more particularly described in the MOTA, if the final payments on any Pre-Closing Receivables have not been received before the end of the Final Reconciliation Period, such amount will be excluded from the reconciliation process under this **Section 6**. Any Pre-Closing Receivables that remain uncollected at the end of the Final Reconciliation Period will belong to Transferor, who may, in its discretion, elect to assign the same to a collection agency.

(i) **Dispute Resolution.** If Transferor timely delivers a Dispute Notice to Transferee, then the dispute will be resolved in accordance with the dispute resolution procedures set forth in **Section 20**.

## **7. REPRESENTATIONS AND WARRANTIES BY TRANSFEROR.**

To induce Transferee to enter into and perform this Agreement, Transferor represents and warrants to Transferee that the following statements in this **Section 7** are true, complete, and correct on the Signing Date and will be true, complete, and correct on the Closing Date, except as the same may be expressly modified in the due diligence materials delivered by Transferor to Transferee in connection with the Transaction:

(a) **Organization and Good Standing.** Transferor is a political subdivision of the State of California, with all requisite power and authority to own and operate its properties and assets and to carry on its businesses. Transferor is in good standing in the jurisdiction in which it owns or leases real property or conducts business.

(b) **Authorization, Execution and Delivery of Agreement.** Subject to approval pursuant to **Section 10(b)(i)**, Transferor has all requisite power and authority to enter into and perform its obligations under this Agreement and the other Transaction Documents to which it is a party. This Agreement has been duly executed and delivered by Transferor on the Signing Date, and the other Transaction Documents will be duly executed and delivered by Transferor on the Closing Date, and each of the Transaction Documents, once approved in accordance with **Section 10(b)(i)**, executed, and delivered, will constitute the valid and binding obligation of Transferor enforceable against it in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, and other similar state or federal debt relief laws in effect from time to time and to general principles of equity.

(c) **No Conflicts; Consents and Approvals.** Subject to the provisions of **Section 10(b)(i)**, the execution and delivery of this Agreement, on the Signing Date, and the other Transaction Documents, on the Closing Date, and the performance by Transferor of its obligations under the Transaction Documents will not violate or conflict with, constitute a

default or breach (either alone or with the giving of notice or the passage of time or both) under, or accelerate or permit the acceleration of the performance required by, any of the terms or provisions of: (i) any Contract; (ii) any judgment, award, order, writ, injunction, arbitration decision, or decree to which Transferor is a party or by which Transferor or any of its properties, assets, or businesses is bound; or (iii) Applicable Laws. Except as set forth on **Schedule 7(c)**, no Consent or filing with or notice to any Governmental Authority, Accreditation Body, or other Person is required for Transferor to enter into and to perform its obligations under this Agreement and the other Transaction Documents.

(d) **Absence of Adverse Changes.** Since June 30, 2017:

(i) Transferor has not sold, leased, or otherwise disposed of, or made any Contract (other than this Agreement) for the transfer, sale, lease, or disposition of, any of the Acquired Assets;

(ii) There has been no increase in the compensation payable to any employees or independent contractors of Transferor, except in the ordinary course of business and consistent with past practices;

(iii) There has been no threatened employee strike, work stoppage, or labor dispute involving Transferor and the Acquired Agency;

(iv) There has been no change in Transferor's accounting methods or practices with respect to the Acquired Agency; and

(v) There has not been a Material Adverse Effect.

(e) **Title to Assets.** Transferor has good and marketable title in and to the Equipment and all of its other properties and assets comprising the Acquired Assets, in all cases, free and clear of Liens. Transferor will convey good and marketable title in and to the Equipment and all of its other properties and assets comprising the Acquired Assets, in all cases, free and clear of Liens, on the Closing Date. There are no material assets, properties, rights, or written or unwritten contracts, agreements, commitments, leases, or mortgages that are necessary to the ongoing operations of the Acquired Agency following the Closing that will not be included in the Acquired Assets delivered to Transferee at the Closing.

(f) **Licenses and Certifications.** All Licenses and Certifications have been obtained by Transferor to operate the Acquired Agency, are in good standing, and are listed on **Schedule 7(f)**. There is no pending or, to the Knowledge of Transferor, threatened action by any Governmental Authority, Accreditation Body, or other Person to take adverse action relating to any of the Licenses and Certifications.

(g) **Assets Necessary to Conduct Business; Working Operating Condition.** The Acquired Assets constitute all the tangible and intangible rights, assets, and properties necessary to conduct the business and operations of the Acquired Agency as conducted during the periods covered by the Financial Statements. The Equipment will be transferred to Transferee, free and clear of liens or encumbrances, but otherwise "as-is" without warranty.

(h) **Assigned Licenses and Certifications.** **Annex A(v)** attached to **Exhibit B** sets forth a true, complete, and correct list of the Assigned Licenses and Certifications held by Transferor for the operation of the Acquired Agency that are assignable or otherwise transferable (whether or not any Consent is necessary) to Transferee under Applicable Laws. **Annex A(v)** to **Exhibit B** also sets forth any Licenses and Certifications held by Transferor that are not assignable or otherwise transferable (whether or not any Consent is necessary) to Transferee in the Transaction.

(i) **Third-Party Reimbursements.** Transferor has always been in material compliance with (i) all applicable provider participation and other requirements under Applicable Laws to operate the Acquired Agency as a CDPH licensed and Medicare certified home health agency; and (ii) Applicable Laws relating to payment or reimbursement under Payor Programs and requirements of Accreditation Bodies. With respect to the operation of the Acquired Agency, other than routine overpayments in the ordinary course of business, Transferor has never received payment or reimbursement from any Payor Program materially in excess of the amounts allowed by Applicable Laws.

(j) **Contracts; Consents to Assignment.** True, complete, and correct copies of the original copies of the Contracts have been delivered to Transferee. Each of the Contracts is a valid and binding agreement of Transferor. Neither Transferor nor, to Transferor's Knowledge, any other party to any of the Contracts is in default under the terms of a Contract to which they are a party, nor has any event occurred that (with the passage of time or the giving of notice or both) would constitute a default by Transferor or, to Transferor's Knowledge, the other party. Transferor has no material written or unwritten contracts, agreements, commitments, leases, or mortgages other than the Contracts.

(k) **Conformity with Law and Accreditation Standards.** Transferor has not materially violated, and Transferor has always been in material compliance with, Applicable Laws and the requirements of Accreditation Bodies. Transferor has not received any written or unwritten notice or other communication to the effect that, or otherwise been advised that, Transferor has not been in material compliance with Applicable Laws and the requirements of Accreditation Bodies. To Transferor's Knowledge, Transferor is not and has never been under investigation for material violation of, or failure to materially comply with, Applicable Laws.

(l) **Timely Filing.** Transferor has, in all material respects, timely filed, submitted, or obtained in the ordinary course of business all reports, billings, and documents required to be filed, submitted, or obtained for home health services furnished by it before the Closing Date under any Payor Programs. In connection with its operation of the Acquired Agency, Transferor has never furnished any services, which are paid or reimbursed by a Payor Program, other than CDPH licensed and Medicare and Medicaid certified home health services. All the reports, billings, and documents that have been filed, submitted, or obtained by Transferor were materially true, complete, and correct when filed, submitted, or obtained. With respect to reports, billings, and documents not yet due by the Closing Date for home health services furnished before the Closing Date, Transferor and the Acquired Agency possess or, to the extent not reasonably available before the Closing, will possess, materially true, complete, and correct notes, records, and other documents and information necessary for Transferee and



Transferor to timely file and receive reimbursement on those reports, billings, and documents on and after the Closing Date, all of which will be included in the Acquired Assets.

(m) **Financial Statements.** The Financial Statements are attached as **Schedule 7(m).** The Financial Statements accurately reflect and fairly present in accordance with the Accounting Principles the financial condition and results of operations of Transferor with respect to the Acquired Agency and the Acquired Assets as of the dates and for the periods indicated in the Financial Statements in accordance with the Accounting Principles and Applicable Laws. The Financial Statements make full provision for all established, deferred, and contingent Liabilities of Transferor with respect to the Acquired Agency.

(n) **Undisclosed Liabilities.** Transferor has no Liabilities with respect to the Acquired Agency that are of a type or nature required to be disclosed in the Financial Statements, except for (i) Liabilities reflected and fully reserved against in the Financial Statements, and (ii) Liabilities incurred in the ordinary course of business since the date of the most recent balance sheet of Transferor and disclosed in the Financial Statements that are individually or in the aggregate greater than Five Thousand Dollars (\$5,000.00) or otherwise material to Transferor or Transferee.

(o) **Litigation.** To Transferor's Knowledge, there is no action, suit, claim, inquiry, qui tam action, appeal, arbitration, proceeding, or investigation (whether or not purportedly on behalf of or against Transferor) filed, pending, or threatened against or affecting the Acquired Assets or the Acquired Agency by or before any Governmental Authority or any Accreditation Body or relating in any way to a violation or threatened violation of Applicable Laws or requirements of Accreditation Bodies, or that if resolved in a manner adverse to the Acquired Agency, would (or reasonably could be expected to): (i) result in the imposition of penalties, fines, sanctions, or other Damages; (ii) restrict the ability of the Acquired Agency to conduct its business following the Closing Date as currently conducted; (iii) exclude Transferor, or the Acquired Agency from licensure by CDPH, participation in any Federal Health Care Program, or accreditation by any Accreditation Body; or (iv) result in a Material Adverse Effect. The Acquired Agency is not bound by or subject to any judgment, award, order, writ, injunction, arbitration decision, or decree.

(p) **Taxes.** Any and all Taxes due in connection with the operation of the Acquired Agency have been paid by Transferor, or will be timely paid by Transferor, in accordance with Applicable Laws. Any and all Taxes that Transferor is required by Applicable Laws to withhold or to collect have been duly withheld and collected and have been paid over to the applicable Governmental Authority or segregated and set aside for such payment and, if so segregated and set aside, will be timely paid by Transferor as required by Applicable Laws. Neither the IRS nor any other Governmental Authority has asserted or threatened to assert against Transferor, the Acquired Agency, or the Acquired Assets any deficiency or claim for additional Taxes. No Tax is required to be withheld pursuant to Section 1445 of the Code as a result of the transfer of the Acquired Agency or Acquired Assets or the Transaction.

(q) **Employee Information.**

(i) **Schedule 7(q)** is a true, complete, and correct list of the following information for each employee of the Acquired Agency, including each employee on leave of absence or layoff status as of the Closing Date: name; job title; current compensation paid or payable (including any bonuses); and service credited for purposes of vesting and eligibility to participate under Transferor's pension, retirement, profit-sharing, thrift-savings, deferred compensation, stock bonus, stock option, cash bonus, employee stock ownership (including investment credit or payroll stock ownership), severance pay, insurance, medical, welfare, vacation plan, or the like. There is no accrued severance pay Liability, whether current, accrued, or deferred applicable to any employee of the Acquired Agency.

(ii) To Transferor's Knowledge, no employee of the Acquired Agency is a party to, or is otherwise bound by, any agreement or arrangement, including, without limitation, any non-disclosure, non-competition, non-solicitation, or proprietary rights agreement, between such employee and any other Person that in any way adversely affects or will adversely affect the performance of his or her, as the case may be, duties as an employee of the Acquired Agency.

(r) **Brokers and Finders.** Transferor has not engaged an investment banker, broker, or finder in connection with the Transaction.

(s) **Insurance. Schedule 7(s)** lists the Transferor Insurance Policies and their coverage amounts and describes whether the Transferor Insurance Policies are "occurrence" or "claims made" policies. After giving effect to the Tail Insurance Policy, and assuming such coverage provides at least the same coverage that Transferor had in effect immediately before the Closing Date, the Acquired Agency will have in effect insurance policies in such amounts, with such deductibles, on such terms and covering such risks and with commercially reasonable coverage as compared to Persons operating similar businesses to the Acquired Agency in the State of California, and Transferor is in compliance with all the terms thereof. There is no claim pending with respect to the Acquired Agency or the Acquired Assets that has been denied or rejected by any insurer under the Transferor Insurance Policies and there is no loss, claim, or incident covered by any Transferor Insurance Policies that has not yet been reported to the applicable insurer. Transferor has not received any written notice or other written communication from an insurer under any Transferor Insurance Policies disclaiming coverage or reserving rights with respect to any claim or repudiating any provision of any Transferor Insurance Policies. As of Closing, Transferor will have delivered to Transferee a certificate of insurance (or other documentation satisfactory to Transferee) evidencing that (i) Transferor maintains, in effect as of the Closing Date, the Transferor Insurance Policies and Tail Insurance Policy; and (ii) the Transferor Insurance Policies and Tail Insurance Policy list Transferee and its Affiliates as an additional insured. Transferee will be responsible for securing its own insurance, to the extent that it has not already done so, upon the expiration of the Interim Period.

(t) **Workers' Compensation.** There is no pending or, to Transferor's Knowledge, threatened workers' compensation claim or claim for on-the-job injuries, including, without limitation, those relating to any termination of employment and any wages and benefits

or other Liabilities. Transferor will remain liable for all pre-Closing workers' compensation claims.

(u) **Material Information.** Transferor has provided to Transferee all documents, reports, investigations, financial and clinical data, records, and other information that is material to the ownership and operation of the Acquired Agency and/or the Acquired Assets and such documents, reports, investigations, financial and clinical data, records, and other information is true and correct in all material respects.

**8. REPRESENTATIONS AND WARRANTIES BY TRANSFEEE.** To induce Transferor to enter into and perform this Agreement, Transferee represents and warrants to Transferor that the following statements in this **Section 8** are true, complete, and correct on the Signing Date and will be true, complete, and correct on the Closing Date:

(a) **Organization and Good Standing.** Transferee is a California nonprofit public benefit corporation, duly formed, validly existing, and in good standing under the laws of the State of California, with all requisite power and authority to own and operate its properties and assets and to carry on its businesses.

(b) **Authorization, Execution and Delivery of Agreement.** Subject to approval pursuant to **Section 10(a)(i)**, Transferee has all requisite power and authority to enter into and perform its obligations under this Agreement and the other Transaction Documents to which it is a party. This Agreement has been duly executed and delivered by Transferee on the Signing Date and the other Transaction Documents will be duly executed and delivered by Transferee on the Closing Date, and each of the Transaction Documents, once approved, executed and delivered, will constitute the valid and binding obligation of Transferee enforceable against Transferee in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, and other similar state or federal debt relief Applicable Laws in effect from time to time and to general principles of equity.

**9. PRE-CLOSING COVENANTS.**

(a) **Transferor Operation of Business Before the Closing.** From the Signing Date until the earlier of (x) the Closing; and (y) the termination of this Agreement in accordance with **Section 14**, in either case, except to the extent consented to in writing in advance by Transferee, Transferor will:

(i) Conduct its home health business only in the ordinary course of business and in a prudent and businesslike manner in compliance with Applicable Laws and requirements of Accreditation Bodies, and will continue to care for its patients in accordance with all provider participation and other requirements under Applicable Laws to operate as an CDPH licensed and Medicare certified home health agency.

(ii) Pay or otherwise satisfy in the ordinary course of business all of its Liabilities with respect to the Acquired Agency as they become due.

(iii) Not: (A) liquidate or dissolve; (B) merge, reorganize, or consolidate with or into any other Person; (C) make any assignment for the benefit of creditors or

petition for or otherwise seek relief under any bankruptcy or insolvency law; or (D) agree to do any of the foregoing.

**(iv)** Other than in the ordinary course of its home health business, not: (A) modify or amend any Contract; (B) waive or delay enforcement of any breach or default under any Contract; (C) cancel or terminate any Contract; or (D) enter into any new written or unwritten Contract without first obtaining the consent of Transferee, which consent (or refusal to consent) will not be unreasonably delayed, but which may be withheld in Transferee's sole discretion.

**(v)** Not: (A) cause or suffer any of the Acquired Assets to be encumbered by a Lien; or (B) sell, exchange, or otherwise dispose of any of the Acquired Assets (other than disposition of supplies or disposition or replacement of Equipment in the ordinary course of business).

**(vi)** Use reasonable efforts to maintain the staff (including, without limitation, administrators and the requisite number of licensed health professionals) required to operate the Acquired Agency in the ordinary course of business and in compliance with Applicable Laws and the requirements of Accreditation Bodies.

**(vii)** Maintain all Licenses and Certifications.

**(viii)** Use commercially reasonable efforts to: (A) preserve intact the Acquired Assets; (B) maintain and preserve the goodwill of patients, referral sources, and others with whom Transferor deals; and (C) market Transferor's home health services consistent with past practices.

**(ix)** Materially comply with, conform to, and obey Applicable Laws.

**(x)** Maintain in effect the Transferor Insurance Policies.

**(xi)** Deliver Transferor's monthly Financial Statements (cost center income statement and balance sheet at month end) and patient census reports to Transferee as soon as possible following the end of each month.

**(xii)** Promptly deliver to and inform Transferee of any additional documents, reports, investigations, financial and clinical data, records, and other information that becomes available or has not otherwise been delivered or provided to Transferee that reasonably would be considered by a prudent purchaser to be material to the ownership and operation of the Acquired Agency and/or the Acquired Assets.

**(xiii)** Use commercially reasonable efforts to: (A) assist Transferee in obtaining, as soon as reasonably practicable after the Signing Date, all necessary Consents of Governmental Authorities, Accreditation Bodies, and other Persons; (B) cause to be fulfilled and satisfied all the other conditions to the Closing to be fulfilled and satisfied by Transferor on or before the Closing Date; (C) take the steps and do the acts that are necessary to make all of Transferor's representations and warranties in this Agreement and the other Transaction Documents true, complete, and correct as of the Closing Date with the same effect as if the same

had been made, and this Agreement dated, as of the Closing Date; and (D) not take any action, or suffer any omission that, if done as of the Closing Date, would result or reasonably could be foreseen to result in the representations and warranties contained in this Agreement or the other Transaction Documents becoming inaccurate or breached or would otherwise be inconsistent with the obligations under this Agreement or the other Transaction Documents.

(xiv) Not directly or indirectly through any representatives or agents solicit or engage in discussions or negotiations with, or provide any non-public information to or otherwise cooperate with, any other Person that seeks to, or expresses an interest in, acquiring all or any of the Acquired Agency, or the Acquired Assets, nor, directly or indirectly, enter into any agreement with or grant any option to any third-party in connection with a transaction inconsistent with the Transaction.

(xv) Notify Transferee of, and not waive, release, assign, settle, or compromise, any claim or litigation affecting the Acquired Agency or the Acquired Assets involving amount in excess of Five Thousand Dollars (\$5,000).

(xvi) Not take any action, or suffer any omission that, if done as of the Closing Date, would result in or reasonably could be foreseen to result in a Material Adverse Effect or would otherwise be inconsistent with the Transaction.

(xvii) Not authorize or enter into any formal or informal Contract to do any of the foregoing.

(xviii) Not permit or cause any of its Affiliates to do any of the foregoing or agree or commit to do any of the foregoing.

(b) **Cooperation.** Transferor will cooperate with Transferee from and after the Signing Date in filing all necessary documents with CDPH, CMS, the California Department of Health Care Services, and such other Governmental Authorities as necessary to reflect the change in ownership of the Acquired Assets and the issuance of the CDPH License.

(c) **Transferee Access to Information.** Prior to the Signing Date, Transferor has provided to Transferee and Transferee has reviewed certain due diligence documents material to the ownership and operation of the Acquired Agency and the Acquired Assets. From the Signing Date until the earlier of (x) the Closing or (y) the termination of this Agreement in accordance with Section 14, subject to HIPAA and other Applicable Laws, and in a manner that is reasonably designed to maintain the confidentiality of the transaction contemplated in this Agreement, and otherwise in strict compliance with that certain Confidentiality and Nondisclosure Agreement between the Parties dated January 10, 2018 (the “*Confidentiality Agreement*”), Transferor will continue to permit Transferee, its Affiliates, and the Transferee Representatives reasonable access during reasonable hours to all properties, books, accounts, records, Contracts, and documents of Transferor of and concerning the Acquired Agency and the Acquired Assets, including, without limitation, its financial and clinical data. In addition to those due diligence materials delivered by Transferor or otherwise made available to Transferee as of or prior to the Signing Date, Transferor expressly covenants and agrees that, to the extent additional due diligence items with respect to the Acquired Agency are discovered by, or

otherwise become available to, Transferor (or Transferor becomes aware of any changes to the due diligence items previously provided to Transferee) or Transferee requests any additional due diligence items, Transferor shall promptly deliver or otherwise make such due diligence items available to Transferee or Transferee's Representatives. In addition, subject to HIPAA and other Applicable Laws, Transferor will furnish to Transferee copies of the Contracts and will permit Transferee to review the original written reports of all Governmental Authorities and Accreditation Bodies, including, without limitation, state licensure, Payor Program, and Accreditation Body survey reports.

(d) **Broadway Lease**. If requested by Transferee, Transferor, without incurring any out-of-pocket costs, will negotiate an extension of and/or cooperate and assist in Transferee's negotiations with the landlord of a new lease of the premises located at 1151 Broadway #101, Sonoma, California (the "*Broadway Lease*").

(e) **Pre-Employment Screening and Planning**. Beginning after the Signing Date in anticipation of the Closing, Transferee or its Affiliates may conduct background checks and other pre-employment screening and planning in the ordinary course of business for any of Transferor's employees who Transferee considers employing beginning on the Closing Date.

## 10. **CONDITIONS PRECEDENT TO CLOSING.**

(a) **Conditions Precedent to Closing for Transferee**. The obligations of Transferee to effect the Closing under this Agreement are subject to the satisfaction and fulfillment of the following conditions, any one (1) or more of which, except **Section 10(a)(i)**, may be waived, in whole or in part, by Transferee in writing:

(i) **Governing Board Approval**. Transferee's board of directors (the "*Hospice Board*") shall have approved the Transaction Documents and the consummation of the Transaction taking into account its charitable status.

(ii) **Accuracy of Representations and Warranties**. Transferor's representations and warranties in this Agreement will have been accurate as of the Signing Date, and will be accurate as of the Closing Date as if made on the Closing Date, without giving effect to any supplement to the Transferor Disclosure Schedules; *provided, however*, that any supplement to the Transferor Disclosure Schedules is deemed acceptable by Transferee, in its sole discretion.

(iii) **Pre-Closing Schedules**. At least three (3) days before the Closing Date, Transferor will have delivered to Transferee updated **Schedule 4(b)**, **Schedule 5**, and **Schedule 6(f)**, in each case, which is deemed acceptable by Transferee, in its reasonable discretion.

(iv) **Performance**. Transferor will have performed and complied with all the covenants, agreements, and obligations required to be performed or with which it must comply before or on the Closing Date under this Agreement or any of the other Transaction Documents.

(v) **Absence of Litigation.** There will have been no action, suit, claim, inquiry, qui tam action, appeal, arbitration, proceeding, or investigation (whether or not purportedly on behalf of or against Transferor) filed, pending, or threatened against or affecting the Acquired Assets or the Acquired Agency by or before any Governmental Authority.

(vi) **No Contracts.** Except in the ordinary course of business or as approved by Transferee, Transferor will not have entered into any Contract with any Person between the Signing Date and Closing Date.

(vii) **Deliveries.** At or before the Closing, Transferor will have delivered, or caused to be delivered, to Transferee the Transaction Documents other than this Agreement, duly executed by Transferor, as applicable.

(viii) **Absence of Investigations.** There will not have been any survey, inspection, audit, review, investigation, or comparable action taken related to the Acquired Agency by any Governmental Authority or its representative, including, without limitation, a Governmental Authority's administrative contractor, or by any Accreditation Body that reasonably could be expected to result in a Material Adverse Effect.

(ix) **Supervening Laws.** After the Signing Date, no (A) Governmental Authority or its representative will have passed, issued, or promulgated Applicable Laws, including, without limitation, any standards of existing Applicable Laws; or (B) court of competent jurisdiction will have rendered any decision or issued any other pronouncement, in either case, that reasonably would be expected to result in a Material Adverse Effect.

(x) **Lease.** Transferor will have in effect a valid lease, reasonably acceptable to Transferee, of the premises upon which the Acquired Agency operates that complies with all Applicable Laws (the "*Lease*"). Transferor, upon the request of Transferee, will assign to Transferee at Closing the Broadway Lease that, for purposes hereof, will be the Lease.

(xi) **Transferor Insurance Policies.** Transferor will have in effect at least the same professional liability coverage as it had in effect on the Signing Date, and Transferor will be in compliance with the terms thereof. Transferor will have delivered a certificate of insurance (or other documentation satisfactory to Transferee) that Transferor maintains, in effect as of the Closing Date, the Transferor Insurance Policies, and that the Transferor Insurance Policies name Transferee and its Affiliates as an additional insured.

(xii) **Consents.** Transferor will have obtained all Consents and submitted all filings with and notices to any Governmental Authority, Accreditation Body, or other Person that are required for Transferor to enter into and to perform its obligations under this Agreement and the other Transaction Documents, including, without limitation, the Consents set forth on **Schedule 7(c)**.

(b) **Conditions Precedent to Closing for Transferor.** The obligations of Transferor to effect the Closing under this Agreement are subject to the satisfaction and fulfillment of the following conditions, any one (1) or more of which, except **Section 10(b)(i)**, may be waived, in whole or in part, by Transferor in writing:

(i) **Governing Board Approval.** Transferor's governing board shall have approved the Transaction Documents and the consummation of the Transaction in a public session.

(ii) **Accuracy of Representations and Warranties.** Transferee's representations and warranties will have been accurate as of the Signing Date, and will be accurate as of the Closing Date as if made on the Closing Date.

(ii) **Performance.** Transferee will have performed and complied with the covenants, agreements, and obligations required or with which it must comply before or on the Closing Date under this Agreement or any of the other Transaction Documents.

(iii) **Absence of Litigation.** There will have been no filed, pending, or threatened suit, action, or proceeding before any Governmental Authority relating to the Transaction.

(iv) **Deliveries.** At or before the Closing, Transferee will have delivered, or caused to be delivered, to Transferor the Transaction Documents, other than this Agreement, duly executed by Transferee.

(c) **Exhibits and Schedules.** Notwithstanding anything herein to the contrary, Transferee and Transferor agree that Transferor will complete and deliver to Transferee, for Transferee's review and approval, all Schedules and Exhibits on or before the Closing Date. If and to the extent Transferee does not approve any such Schedule or Exhibit, Transferee shall have the right to terminate this Agreement in accordance with **Section 14(a)(iv)**.

## **11. POST-CLOSING COVENANTS OF TRANSFEROR.**

(a) **Post-Closing Assistance.** Beginning with the Closing Date, Transferor will endeavor in good faith to ensure that a positive message is conveyed to the community about Transferee's acquisition of the Acquired Agency, and, subject to the terms of the MOTAs, will in good faith diligently assist Transferee in the transitional operations of the Acquired Agency, as reasonably requested by Transferee from time to time. In furtherance, but not in limitation, of the foregoing, Transferor will help facilitate: (i) the engagement of the current Director of Patient Care Services of the Acquired Agency by Transferee to continue to fulfill the role of Director of Patient Care Services under the Interim Licensed Services Agreement until the end of the Interim Period and thereafter on a full-time basis under an employment agreement to be entered into with Transferee upon mutually acceptable terms (to expressly include standard benefits offered by Transferee to its employees and a salary that Transferee deems competitive, in its discretion); and (ii) the engagement of the current Administrator of the Acquired Agency by Transferee to continue to fulfill the role of Administrator under the Interim Licensed Services Agreement until the end of the Interim Period and thereafter on a full-time basis under an employment agreement to be entered into with Transferee upon mutually acceptable terms (to expressly include standard benefits offered by Transferee to its employees and a salary that Transferee deems competitive, in its discretion), subject to the requirements of CDPH and Applicable Laws. Transferor acknowledges that the provision of this support and these services to accommodate Transferee in connection with the efficient and orderly transfer of responsibilities involved in the day-to-day



operations of Transferor and the Acquired Agency is required to enable Transferee to realize the full value of the Transaction.

**(b) Use of Names and Marks; Website.**

(i) Except upon the request of Transferee, Transferor will not make any change to the name of the Acquired Agency until after the expiration of the Interim Period. Should Transferee notify Transferor during the Interim Period to cease using the name of the Acquired Agency, Transferor immediately will comply with such request. To the extent it has not already been requested to do so, promptly (but, in any event, no later than fifteen (15) days) after the end of the Interim Period, Transferor and its Affiliates will (i) cease use of the name “Healing at Home” and any derivative thereof; and (ii) execute and file all the instruments, agreements, and documents with the applicable Governmental Authorities in the State of California and elsewhere, if applicable, as necessary or appropriate for Transferor, and its Affiliates, to abandon all uses of the name “Healing at Home” and any derivative thereof.

(ii) Promptly (but, in any event, no later than seven (7) days) after the Closing Date, Transferor will take whatever steps are necessary or appropriate to grant Transferee access to and ownership of its website domain concerning the Acquired Agency, if any.

**(c) Payroll and Accounts Payable; Closing Date PTO.** Following the Closing, Transferor will pay its payroll and trade, account, and other payables, if any, in the ordinary course of business. Transferor will pay in full the Closing Date PTO of Transferor’s employees at the Acquired Agency due under Transferor’s termination policies and procedures to all employees of Transferor as of the Closing Date; provided, however, that this provision will not apply to any employee of Transferor transferred from the Acquired Agency to a position within Transferor that is not part of the Acquired Agency.

**(d) Transferor’s Employees.** Subject to compliance with Applicable Laws, Transferor agrees that if an employee of Transferor performing services for the Acquired Agency is not offered or does not accept Transferee’s offer of employment, Transferor either will immediately (i) terminate the employee effective no later than the Closing Date or (ii) transfer the employee to a position within Transferor that is not part of the Acquired Agency.

**(e) Cost Reports.** With respect to the Acquired Agency and in accordance with Applicable Laws: (i) Transferor will file with the applicable Governmental Authority all Medicare cost reports during the Interim Period, including its final Medicare cost report; (ii) Transferor will afford Transferee a reasonable opportunity to review Transferor’s Medicare cost reports before filing, including the final cost report; and (iii) Transferor will promptly (but, in any event, no later than seven (7) days after issuance by the Governmental Authority) notify Transferee of any final reports relating to Transferor’s final Medicare cost report.

**(f) Open Cost Reports – Appeals.** Transferee will be entitled, at its sole cost and expense, to appeal in Transferor’s name and on Transferor’s behalf (i) any open cost report that adversely affected, or could adversely affect, the rate paid by Medicare relating to the

home health services furnished by the Acquired Agency; or (ii) any denial of a requested extension of time to file any of Transferor's final Medicare cost report.

(g) **Tail Insurance Policy.** For no less than three (3) years following the Closing Date, Transferor will at all times maintain in effect the Tail Insurance Policy. The total premium cost of the Tail Insurance Policy will be paid by Transferor before the Closing Date. If the Tail Insurance Policy is terminated or canceled during such three (3)-year period, Transferor will immediately cause a replacement policy with substantially the same terms to be obtained for the remainder of the period, and will promptly notify Transferee of the termination or cancellation and issuance of the replacement policy.

(h) **COBRA.** After the Closing, Transferor covenants and agrees, with respect to its employees who, with respect to the Transaction, are M&A Qualified Beneficiaries pursuant to Treasury Regulation Section 54.4980B-9, Q&A-4(a), and otherwise eligible for such coverage, to offer any required continuation coverage under COBRA in accordance with COBRA and other Applicable Laws

(i) **Fees for Services Rendered to Transferor's Patients.** After the Closing, Transferor expressly covenants and agrees to account for and remit to Transferee the fair market value for home health services rendered on behalf of Transferor's patients.

(j) **Capitated Contracts.** After the Closing, Transferor covenants and agrees to negotiate timely and in good faith with Transferee the terms of an agreement whereby Transferee will provide home health services on behalf of Transferor pursuant to its capitated patient contracts, if any.

**12. HIRING OF TRANSFEROR'S EMPLOYEES.** Except as otherwise provided in **Section 11(a)**, Transferee will consider offering employment to all qualified employees of the Acquired Agency, as determined in Transferee's discretion following due diligence, including, without limitation, the review of the employees' personnel files and performance of background checks. Before the Closing Date, Transferee will identify to Transferor all the employees that Transferee will not employ. All employees offered employment by Transferee will be offered employment at salaries deemed competitive by Transferee, in its discretion, and will receive past service credit toward their employment with Transferee for vacation and benefit vesting purposes. Transferee will offer its standard benefits to all employees to whom it offers employment. The Parties will meet and confer in good faith as necessary to accomplish a smooth transition of employee benefits. Transferee and Transferor agree that this **Section 12** is for the sole benefit of Transferee and Transferor, and that nothing in this Agreement creates a third-party beneficiary or other right (a) in any other Person, including, without limitation, any employees of Transferor or the Acquired Agency; or (b) to continued employment with Transferee, Transferor, the Acquired Agency, or any of their respective Affiliates.

### **13. INDEMNIFICATION.**

(a) **Survival.** The representations and warranties made by each Party or its Affiliates under this Agreement or any of the Transaction Documents or in connection with the Transaction will survive the Closing until the later to occur of (i) one (1) year after the Closing

Date or (ii) the expiration of the Interim Period. The covenants, agreements, and obligations of each Party or its Affiliates under this Agreement or any of the Transaction Documents or in connection with the Transaction, will survive the Closing and be performable in accordance with their respective terms. Notwithstanding anything to the contrary in this **Section 13**, any Claim made before the expiration of any representation, warranty, covenant, or agreement under this **Section 13(a)**, and associated rights to indemnification, will survive until the final determination of the Claim.

(b) **Indemnification**. Each Indemnifying Party will defend, indemnify, and hold Indemnified Parties harmless from and against, and will pay and reimburse for, the Damages incurred by Indemnified Parties, arising out of or resulting from: (i) any inaccuracy in or breach of any representation or warranty of Indemnifying Party; (ii) any breach, non-fulfillment, or failure of an Indemnifying Party to timely pay, perform, or discharge, in any case, any of the covenants, obligations, or other agreements of an Indemnifying Party; (iii) with respect to Transferor, any Liability of Transferor or any Damages whatsoever arising with respect to the Acquired Agency from (A) any action or inaction of any Transferor, or any of its Affiliates before the Closing Date; (B) any event occurring or circumstance existing at or involving Transferor, or any of its Affiliates before the Closing Date; or (C) Transferor Exclusions; or (iv) with respect to Transferee, any Liability of Transferee or any Damages whatsoever arising with respect to the Acquired Agency from any action or inaction of Transferee, or any of its Affiliates, from and after the Closing Date.

(c) **Claims**. To assert a Claim, an Indemnified Party must give the Indemnifying Party from whom indemnification is sought a Claim Notice; *provided, however*, that failure to give a Claim Notice will not excuse the Indemnifying Party from any obligations under the Transaction Documents, except to the extent the Indemnifying Party is actually and materially prejudiced by the failure to have been given a Claim Notice.

(d) **Procedures for Payment**. Upon the earlier of (i) agreement with Indemnifying Party, or (ii) except as provided in **Section 13(f)**, a final, non-appealable determination, in either case, of the Damages sought in a Claim Notice, Indemnifying Party will pay the Indemnified Party the amount so determined within thirty (30) days after the date of the Claim Notice. If there is a dispute as to the amount or manner of determination of any indemnification obligations under the Transaction Documents, Indemnifying Party will nevertheless pay when due the portion, if any, of the obligations that is not disputed, and the Indemnified Party will be free to pursue any additional remedy available to collect the remaining obligations.

(e) **Third-Party Claims**. Except as provided in **Section 13(f)**, if a third party notifies or Transferee otherwise becomes aware of a Third Party Claim for which Transferor is, or may be, obligated to indemnify Transferee or another Indemnified Party, then: (A) Transferee will be entitled to assume the defense of any claim, suit, action, investigation, proceeding, or other activity or matter arising out of or resulting from such Claim or Damages, and thereafter Transferor will cooperate with Transferee in good faith in such defense; and (B) without Transferee's prior written consent, neither Transferor, nor any other Indemnifying Party will admit liability or compromise or settle with respect to such Claim or Damages. If a third party notifies or Transferor otherwise becomes aware of a Third Party Claim for which Transferee is,

or may be, obligated to indemnify Transferor or another Indemnified Party, then: (A) Transferor will be entitled to assume the defense of any claim, suit, action, investigation, proceeding, or other activity or matter arising out of or resulting from such Claim or Damages, and thereafter Transferee will cooperate with Transferor in good faith in such defense; and (B) without Transferor's prior written consent, neither Transferee, nor any other Indemnifying Party, will admit liability or compromise or settle with respect to such Claim or Damages.

**(f) Transferor Receivables Adjustment Claims.** Notwithstanding **Section 13(d), Section 13(e)**, or any other provision of this **Section 13**, upon Transferor's receipt of a Claim Notice reflecting a Transferor Receivables Adjustment Claim from Transferee, Transferor will pay Transferee the full amount of such Transferor Receivables Adjustment Claim within thirty (30) days after the date of the Claim Notice, provided that Transferee furnishes to Transferor, as an attachment or enclosure to the Claim Notice, supporting documentation relating to the Transferor Receivables Adjustment Claim, which may include, without limitation, a copy of any correspondence or transmittal received by Transferee from the applicable Payor Program or Governmental Authority notifying Transferee of, or a copy of the electronic check file reflecting, the Damages giving rise to the Transferor Receivables Adjustment Claim. Upon Transferor's payment of the full amount of such Transferor Receivables Adjustment Claim, Transferor will prepare such Appeal Documentation as it reasonably determines to be appropriate for the appeal of the Transferor Receivables Adjustment Claim to the applicable Payor Program or Governmental Authority. Such Appeal Documentation will be materially accurate, will be prepared in accordance with all Applicable Laws and in a manner that fully complies with HIPAA, and otherwise will be reasonable and appropriate for submission to the applicable Payor Program or Governmental Authority. Transferor will provide such Appeal Documentation to Transferee for review at least fifteen (15) days prior to the expiration of the applicable deadline for appeal. Transferor thereafter will submit the Appeal Documentation to the applicable Payor Program or Governmental Authority and will provide Transferee with a copy of such submission. In preparing the Appeal Documentation, Transferor may engage counsel of its own choosing, and Transferee will cooperate in good faith with Transferor in the preparation of such Appeal Documentation, as appropriate or necessary (with Transferor being responsible for all costs and expenses of the preparation of the Appeal Documentation, including reasonable fees and expenses of counsel and expert witnesses).

Neither Transferor nor any of its Affiliates or representatives will, without the prior written consent of Transferee, enter into any compromise, settlement, or admission of liability, or take any other action, that: (A) would lead to liability or create any financial or other obligation on the part of Transferee, any of its Affiliates, or the Acquired Agency; (B) involves any limitation or restriction on any future activities of Transferee, any of its Affiliates, or the Acquired Agency; (C) involves an injunction or other equitable or non-monetary relief or civil, administrative, or other enforcement action; or (D) adversely affects Transferee, any of its Affiliates, or the Acquired Agency's licensure, enrollment, certification, or participation in or with any Payor Program or Governmental Authority.

Transferor will be entitled to any recovery resulting from the submission of Appeal Documentation under this **Section 13(f)** up to the amount of the Transferor Receivables Adjustment Claim, but only if it has timely paid Transferee the full amount of such Transferor Receivables Adjustment Claim in accordance with the first sentence of this **Section 13(f)**.

**14. TERMINATION.**

(a) **Events of Termination.** Before the Closing, this Agreement may be terminated and the Transaction abandoned:

(i) By the mutual written consent of the Parties;

(ii) By Transferee, by delivery of notice of termination to Transferor, if there is any inaccuracy in or breach of any of Transferor's representations and warranties in this Agreement or failure to comply with any of the covenants, agreements, or obligations in this Agreement to be complied with or performed by Transferor before or at the Closing;

(iii) By Transferor, by delivery of notice of termination to Transferee, if there is any inaccuracy in or breach of any of Transferee's representations and warranties in this Agreement or failure to comply with any of the covenants, agreements, or obligations in this Agreement to be complied with or performed by Transferee before or at the Closing;

(iv) By Transferee, by delivery of notice of termination to Transferor if any of the conditions in **Section 10** has not been satisfied or if any such condition becomes impossible (other than through the failure of Transferee to comply with its obligations under this Agreement) to satisfy (other than conditions waived in writing by Transferee); or

(v) By Transferor, by delivery of notice of termination to Transferee if any of the conditions in **Section 10** has not been satisfied or if any such condition becomes impossible (other than through the failure of Transferor to comply with its obligations under this Agreement) to satisfy (other than conditions waived in writing by Transferor).

(b) **Payments Upon Termination.** Upon termination of this Agreement under this **Section 14**, each Party will pay the fees and expenses relating to the preparation of this Agreement and any due diligence or other activities undertaken in connection with the proposed Transaction, including, but not limited to, any legal, accounting, and administrative costs, and the Parties will have no further liability under this Agreement after termination, except that each Party will remain liable to the other Party for any inaccuracy in, breach, or failure to comply or perform with respect to any representation, warranty, covenant, agreement, or obligation of the Party in this Agreement occurring before the date of termination.

**15. NOTICES.** All notices and other communications required or permitted to be given under this Agreement must be in writing and will be deemed duly given on the earlier of (a) the date actually received by the applicable Party, by whatever means and however addressed; (b) the date sent if properly addressed and sent by electronic transmission; and (c) the date of personal delivery if delivered by hand or the date signed for if sent by reputable overnight courier service (charges prepaid), to the following addresses (or to another address a Party may request, in the case of Transferor by notifying Transferee, and in the case of Transferee, on the other hand, by notifying Transferor):

**If to Transferee:**

Hospice By The Bay  
17 E. Sir Francis Drake Boulevard  
Larkspur, CA 94939  
Attention: Kitty Whitaker, CEO  
Phone: (415) 526-5561  
Facsimile: (415) 925-9302  
Email: [kwhitaker@hospicebythebay.org](mailto:kwhitaker@hospicebythebay.org)

**With a copy to:**

Hanson Bridgett, LLP  
425 Market Street, 26th Floor  
San Francisco, CA 94105  
Attention: Pamela S. Kaufmann, Esq.  
Phone: (415) 995-5043  
Facsimile: (415) 995-3449  
Email: [pkaufmann@hansonbridgett.com](mailto:pkaufmann@hansonbridgett.com)

**If to Transferor:**

Sonoma Valley Health Care District  
347 Andriuex Street  
Sonoma, CA 95476  
Attention: Kelly Mather, CEO  
Phone: (707)935-5005  
Facsimile: (707) 935-5433  
Email: [kmather@svh.com](mailto:kmather@svh.com)

**With a copy to:**

Archer Norris  
2033 North Main Street, Suite 800  
Walnut Creek, CA 94596  
Attention: Colin Coffey, Esq.  
Phone: (925) 930-6600  
Facsimile: (925) 930-6620  
Email: [ccoffey@archernorris.com](mailto:ccoffey@archernorris.com)

**16. FURTHER ASSURANCES.** From time to time after the Closing Date, without further cost or expense to Transferee, Transferor will take, and cause its Affiliates and other Persons under its direction or control to take, such further actions as Transferee reasonably may request to more effectively transfer to and vest in Transferee and to put Transferee in possession of the Acquired Agency and Acquired Assets, including, without limitation, completing filings with Governmental Authorities and Accreditation Bodies, processing change of ownership or information documentation, or preparation of financial information, or cost reports.

**17. GOVERNING LAW.** This Agreement will be governed by and construed and enforced in accordance with the substantive laws of the State of California, without giving effect to the principles of conflict of laws.

**18. CONFIDENTIALITY.**

**(a)** In addition and subject to the terms and provisions of the Confidentiality Agreement and the Public Records Act, and without limiting the scope thereof, Transferor agrees to (and to cause its employees, contractors, representatives, agents, and Affiliates to) treat confidentially and not to disclose to any Person (other than an Affiliate, employee, contractor, representative, or agent of such Party who needs to know such information) Confidential Information, and not to use Confidential Information in any manner or for any other purpose, except in connection with pursuing or consummating the Transaction. Notwithstanding anything to the contrary in this **Section 18**, if Transferor is requested or required to disclose Confidential Information of Transferee or the Acquired Agency, Transferor will promptly notify Transferee and will afford Transferee the opportunity to obtain a protective order or other appropriate remedy to maintain the confidentiality of the Confidential Information. If a protective order or

other remedy is not available, Transferor will furnish only the portion of Confidential Information that Transferee is advised in writing by its counsel that it is legally required to furnish and will use reasonable efforts to obtain, prior to disclosure, assurances that confidential treatment will be given thereto. Notwithstanding the foregoing, Transferor is permitted to disclose Confidential Information to the minimal extent necessary to receive the Consents which are necessary for timely consummation of the Transaction.

(b) In addition and subject to the terms and provisions of the Confidentiality Agreement and without limiting the scope thereof, unless and until a Closing occurs, Transferee agrees to (and to cause its employees, contractors, representatives, agents, and Affiliates to) treat confidentially and not to disclose to any Person (other than an Affiliate, employee, contractor, representative, or agent of such Party who needs to know such information) Confidential Information of Transferor (including the contents or details of any letter of intent or this Agreement, and the fact that such documents exist), and not to use Confidential Information in any manner or for any other purpose, except in connection with pursuing or consummating the Transaction. Notwithstanding anything to the contrary in this **Section 18**, if Transferee is requested or required to disclose Confidential Information of Transferor, the Acquired Agency, Transferee will promptly notify and will afford Transferor the opportunity to obtain a protective order or other appropriate remedy to maintain the confidentiality of the Confidential Information. If a protective order or other remedy is not available, Transferee will furnish only the portion of Confidential Information that Transferor is advised in writing by its counsel that it is legally required to furnish and will use reasonable efforts to obtain, prior to disclosure, assurances that confidential treatment will be given thereto. Notwithstanding the foregoing, Transferee is permitted to disclose Confidential Information to the minimal extent necessary to receive the Consents which are necessary for timely consummation of the Transaction.

**19. EXCLUSIVITY.** From the Signing Date until the Closing, unless and until this Agreement is terminated by Transferee, Transferor will not, directly or indirectly, participate in, solicit, encourage, assist, or initiate discussions with, provide information to, or enter into a non-disclosure agreement with, any Person relating to a possible asset transfer from or business combination with the Acquired Agency, including, without limitation, an asset transfer (including a partial transfer), a merger, an affiliation, a change in management, a change in ownership, or any other similar arrangement; provided, however, that unless extended by Transferor, in its sole and absolute discretion, this exclusivity provision will expire regardless upon the earlier of (x) October 31, 2018 if the Transaction has not otherwise been completed or (y) the termination of this Agreement in accordance with **Section 14**.

**20. DISPUTE RESOLUTION.** The Parties agree to use the dispute resolution procedures set forth in this **Section 20** with respect to all disputes, disagreements, claims, or controversies between the Parties arising out of or relating to this Agreement (“*Disputed Matter*”).

(a) **Internal Resolution.** First, within fifteen (15) days after receipt of written notice of a dispute relating to this Agreement and demand to invoke this dispute resolution process, the Parties shall meet and use their commercially reasonable efforts to resolve the Disputed Matter. If the Parties do not agree upon a resolution within thirty (30) days, the complaining party may proceed to mediation as set forth below. The Parties intend that these

initial negotiations will be conducted without legal representation. The location, format, frequency, duration, and conclusion of these discussions will be left to the discretion of the representatives. Discussion and correspondence among the representatives for purposes of these negotiations will be treated as confidential information exchanged for purposes of settlement, exempt from discovery and production, which will not be admissible in any lawsuit, mediation, or arbitration, without written concurrence of both Parties. Documents identified in or provided with such communications, which are not prepared solely for purposes of the negotiations, are not so exempted and, if otherwise discoverable, may be the subject of discovery in any proceeding.

(b) **Mediation.** If both parties agree, within fifteen (15) days after the conclusion of the internal resolution procedure, the Disputed Matter may be referred to non-binding mediation before a single impartial mediator to be jointly agreed upon by the Parties. The mediation hearing will be attended by Parties possessing authority to resolve the Disputed Matter and will be conducted no more than forty-five (45) days after a party serves a written notice of an intention to mediate (barring scheduling difficulties with the mediator or counsel). The Parties will share equally all costs of retaining a neutral mediator. If the Disputed Matter cannot be resolved at mediation, the complaining party may proceed to Arbitration.

(c) **Arbitration.** In the event that the Disputed Matter has not been resolved through internal resolution or mediation, if applicable, the complaining party may submit the Disputed Matter to binding arbitration before the American Arbitration Association (the “AAA”) pursuant to its Commercial Arbitration Rules. The arbitrator will have the authority to render any award or remedy allowed by law; provided, however, that the arbitrator will have no authority to award consequential damages or punitive damages under any circumstances (whether it be exemplary damages, treble damages, or any other penalty or punitive type of damages) regardless of whether such damages may be available under California law, the Parties hereby agreeing that neither party will be liable for consequential damages or punitive damages in connection with any Disputed Matter. The arbitrator will have no authority to change, add to, or subtract from this Agreement. The Parties agree that any arbitration award whereby damages are awarded will identify the injury to which each portion of the award relates and will specify the amount and nature of damages (compensatory damages, future damages, and so forth) for each injury, if any. All disputes will be decided by a single neutral arbitrator. The arbitrator will be selected from the AAA’s Panel of Commercial Arbitrators and the arbitration hearing will be conducted in Sonoma, California. The cost of the arbitration proceeding will be shared equally by the Parties, but the prevailing party in any arbitration proceeding will be entitled to recover its reasonable attorneys’ fees, costs, and expenses incurred in connection with the arbitration, including costs, and fees of expert witnesses. The arbitration will be governed by and construed in accordance with the domestic laws of the State of California, excluding any conflicts-of-laws rule or principle that might refer the governance or the construction of this Agreement to the law of another jurisdiction. The arbitrator will be bound to apply such California law. Both Parties and the arbitrator will agree to an arbitration schedule before the start of the arbitration hearings. Such schedule will include the date on which the arbitrator’s decision will be rendered. Any and all necessary delays in the schedule may extend the date on which the arbitrator’s decision will be rendered on a day for day basis. If the decision is not rendered within sixty (60) days of the scheduled decision date, either party may proceed to commence an action in state or federal court. The arbitrator will prepare in writing and provide to the Parties an award including factual





to remain liable to Transferor for all of the obligations accruing under the Transaction Documents.

**22. COUNTERPARTS.** This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one (1) and the same agreement. Telecopied or faxed signatures or signatures emailed in a “pdf” format may be used in place of original signatures on this Agreement. Transferor and Transferee intend to be bound by the signatures on telecopied, faxed or pdf documents; are aware that the other party will rely on the telecopied, faxed or pdf signatures; and hereby waive any defenses to the enforcement of the terms of this Agreement based on the use of a telecopied, facsimile or pdf signature.

**SIGNATURES FOLLOW**

**IN WITNESS WHEREOF**, each Party has caused its duly authorized representative to execute this Agreement on and as of the Signing Date.

**TRANSFeree:**

HOSPICE BY THE BAY, a California nonprofit public benefit corporation

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

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

Title: \_\_\_\_\_

**TRANSFEROR:**

SONOMA VALLEY HEALTH CARE DISTRICT, a political subdivision of the State of California

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

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

Title: \_\_\_\_\_

## EXHIBIT A

### DEFINITIONS

“AAA” has the meaning ascribed in **Section 20**.

“*Accounting Principles*” means United States generally accepted accounting principles in effect from time to time and as consistently applied by Transferor throughout the periods covered by the Financial Statements.

“*Accounts Receivable*” mean the Acquired Agency’s accounts receivable arising or generated from furnishing home health services, whether before or after the Closing Date.

“*Accreditation Body*” and “*Accreditation Bodies*” mean, individually and collectively, all Persons with jurisdiction over the accreditation, evaluation, or operation of Transferor or the Acquired Agency, and any successor Person exercising similar authority.

“*Acquired Agency*” has the meaning ascribed in the Recitals.

“*Acquired Assets*” has the meaning ascribed in **Exhibit B**.

“*Affiliate*” and “*Affiliates*” of any Person, means any Person that, directly or indirectly, owns or controls, is owned or controlled by, or is under common ownership or control with, such Person.

“*Agreement*” has the meaning ascribed in the introductory paragraph of this Agreement.

“*Appeal Documentation*” means all documentation and information in response to, or in connection with, the appeal of, the Damages giving rise to a Transferor Receivables Adjustment Claim.

“*Applicable Laws*” means any statute, law, ruling, ordinance, rule, requirement, judgment, decision, decree, order, or regulation of any Governmental Authority applicable to the ownership or operation of the Acquired Agency or Acquired Assets, including, without limitation, Applicable Healthcare Laws, all relevant federal and state laws, the Code, and ERISA, and the regulations promulgated pursuant to such laws.

“*Applicable Healthcare Laws*” means any statute, law, ruling, ordinance, rule, requirement, judgment, decision, decree, order, or regulation of any Governmental Authority applicable to the ownership or operation of the Acquired Agency or Acquired Assets and regulating or relating to the furnishing, reimbursement, or payment for health care services, including, without limitation, Title XVIII and Title XIX of the Social Security Act, the Anti-Inducement Law (42 U.S.C. Section 1320a-7a(a)(5)), Civil Monetary Penalties Law (42 U.S.C. Section 1320a-7a), False Claims Act, False Claims Law, the administrative simplification provisions of HIPAA, the exclusion laws (42 U.S.C. Section 1320a-7), the anti-misleading statements provision (42 U.S.C. Section 1320a-8), and the regulations promulgated pursuant to such laws.

“*Assigned Contracts*” has the meaning ascribed in **Exhibit B**.

“*Assigned Licenses and Certifications*” has the meaning ascribed in **Exhibit B**.

“*Assumed Liabilities*” has the meaning ascribed in **Exhibit C**.

“*Bill of Sale*” means that certain Bill of Sale, Assignment and Assumption Agreement, dated as of the Closing Date, pursuant to which Transferor transfers to Transferee all right, title, and interest in and to the Acquired Assets.

“*Broadway Lease*” has the meaning ascribed in **Section 9(d)**.

“*CDPH*” means the California Department of Public Health, and any successor Governmental Authority exercising similar authority.

“*CDPH License*” means the license to operate a home health agency issued by CDPH to Transferee.

“*Claim*” and “*Claims*” mean, individually and collectively, the claim of an Indemnified Party to recover Damages from and against an Indemnifying Party under **Section 13**.

“*Claim Notice*” means a prompt written notice of any claim, demand, action, suit, proceeding, investigation, or discovery of facts for which indemnification is being claimed under **Section 13**, including (i) a statement that the Indemnified Party is entitled to indemnification under **Section 13** for Damages, (ii) a description in reasonable detail and a good faith estimate of the amount of Damages incurred or reasonably expected to be incurred by the Indemnified Party, and (iii) a demand for payment of Damages.

“*Closing*” means the closing and consummation of the Transaction, which the Parties will endeavor to accomplish on or before October 31, 2018, subject to fulfillment of the conditions precedent set forth in Section 10.

“*Closing Date*” means the date on which the Closing actually occurs.

“*Closing Date PTO*” means paid time off, paid sick leave, and paid vacation days as of the Closing Date.

“*CMP Law*” means the Civil Monetary Penalties Law (42 U.S.C. Section 1320a-7a).

“*CMS*” means the Centers for Medicare and Medicaid Services, and any successor Governmental Authority exercising similar authority.

“*COBRA*” means the continuation coverage requirements of Part 6 of Subtitle B of Title I of ERISA and Section 4980B(f) of the Code, and any similar state Applicable Laws.

“*Code*” means the Internal Revenue Code of 1986 (26 U.S.C.).

“**Confidential Information**” as to any Party, means all confidential information, knowledge, materials, or data concerning the business affairs, operations, trade secrets, dealings, or finances of another Party or Parties furnished, directly or indirectly, by such other Party or Parties. Confidential Information further includes all preliminary drafts, notes, interagency and intra-agency memoranda and communications, deliberative processes, and any other items subject to protection by the California Public Records Act (the “**Public Records Act**”) to the full extent allowed by the Brown Act and the Public Records Act.

“**Consent**” and “**Consents**” mean, individually and collectively, any authorization, consent, or approval of a third party or Governmental Authority, in either case, that are necessary or advisable in order: (i) for Transferor to transfer, assign, and deliver to Transferee, and Transferee thereupon to acquire, accept, assume, and receive from Transferor, the Acquired Agency and Acquired Assets, including, without limitation, the Assigned Licenses and Certifications and Assigned Contracts; or (ii) to otherwise consummate the Transaction.

“**Contract**” and “**Contracts**” mean, individually and collectively, any written or unwritten contract, agreement, commitment, lease, or mortgage relating to the Acquired Agency or the Acquired Assets that is not an integrated system contract of Transferor that is not assignable.

“**Courts**” means the state and federal courts located in The City and County of San Francisco, California.

“**Cross-Over Receivables**” means Medicare Payments relating to Episodes of Care that straddle the Closing Date, meaning Episodes of Care that started before the Closing Date and will end on or after the Closing Date.

“**Damages**” means all liabilities, damages, losses, fines, penalties, deficiencies, assessments, recoupments of overpayments, demands for refunds or adjustments, charges, Taxes, actions, suits, proceedings, claims, demands, incidental damages, consequential damages, special damages, exemplary damages, punitive damages, judgments and settlements, and costs and expenses (including interest, penalties and reasonable attorneys’ fees).

“**Dispute Notice**” means a statement setting forth the items in a “Reconciliation Statement” with which Transferor disagree.

“**Disputed Matters**” has the meaning ascribed in **Section 20**.

“**Effective Time**” means 11:59 p.m. (local San Francisco, California time) on the Closing Date.

“**Episode of Care**” means the sixty (60) day period of time, serving as the measure by which Medicare pays a home health provider for furnishing home health services to a Medicare beneficiary (regardless of (i) the date of the beneficiary’s discharge as a patient of the home health provider, and (ii) whether the discharge occurs before, on or after the Closing Date).

“**Episodes of Care**” means each and every Episode of Care of a particular patient.

“**Equipment**” means Transferor’s furniture, fixtures, leasehold improvements, computer hardware, machinery, and equipment used in connection with the Acquired Agency.

“**ERISA**” means the Employee Retirement Income Security Act of 1974 (Pub. L. No. 93- 406, codified in part at 29 U.S.C. § 1002 et seq.).

“**Excluded Assets**” has the meaning ascribed in **Exhibit B**.

“**Excluded Contracts**” has the meaning ascribed in **Exhibit B**.

“**Excluded Liabilities**” has the meaning ascribed in **Exhibit C**.

“**False Claims Act**” means the False Claims Act (31 U.S.C. § 3729 et seq.).

“**False Claims Law**” means the False Claims Law (42 U.S.C. Section 1320a-7b(a)).

“**Federal Health Care Program**” and “**Federal Health Care Programs**” mean, individually and collectively, Medicare, Medicaid or any other “Federal Health Care Program,” as defined in 42 U.S.C. § 1320a-7b(f).

“**Final Reconciliation Period**” means the period beginning on the Closing Date and ending on the one hundred eightieth (180th) day after the Closing Date.

“**Financial Statements**” means Transferor’s home health cost center income statements and balance sheets for the fiscal years ending June 30, 2017 and June 30, 2018 and any additional available home health cost center income statements and balance sheets of Transferor subsequent to June 30, 2018.

“**Governmental Authority**” and “**Governmental Authorities**” mean, individually and collectively, all federal, state, municipal, or other governmental bodies, courts, departments, commissions, boards, bureaus, agency, or instrumentalities, or a contractor or designee of any of the foregoing.

“**HIPAA**” means the Health Insurance Portability and Accountability Act of 1996 (29 U.S.C. §§ 1320 et seq.).

“**Indemnified Party**” and “**Indemnified Parties**” mean, individually and collectively, any Transferee Indemnitee, on the one hand, or Transferor, on the other hand, that are entitled to indemnification from an Indemnifying Party under **Section 13**.

“**Indemnifying Party**” means Transferee, on the one hand, or Transferor (or any successor, heir, legal representative, and permitted assign), on the other hand, that is required to indemnify an Indemnified Party under **Section 13**.

“**Intellectual Property**” has the meaning ascribed in **Exhibit B**.

“**Interim Lease**” means the Interim Lease, dated as of the Closing Date, by and between Transferor and Transferee, of the assets of the Acquired Agency, including a sublease of the real property upon which the business is operated, to allow Transferee to perform the operations and functions required of a home health agency operator pursuant to the rules and regulations of

CDPH and Applicable Laws from the Closing Date until such time as the CDPH License is issued.

**“Interim Licensed Services Agreement”** means the Interim Licensed Services Agreement, dated as of the Closing Date, by and between Transferee and the Director of Patient Care Services and the Administrator for the Acquired Agency until the end of the Interim Period.

**“Interim Period”** means the period beginning on the Closing Date and ending on the date that Transferee gives Transferor notice that the following conditions have been completed: (i) Transferee has received the CDPH License issued by CDPH to furnish home health services through the Acquired Agency; (ii) Transferee has received the seal of accreditation or other applicable notice of continuing accreditation status of the Acquired Agency from an applicable Accreditation Body; and (iii) the Tie-In is complete and Transferee has received electronic fund transfer deposits from Medicare and Medicaid into Transferee’s own bank account designated in the change in ownership process following the Closing.

**“IRS”** means the United States Internal Revenue Service and, to the extent relevant, the United States Department of Treasury, and any successor Governmental Authority exercising similar authority.

**“Knowledge”** means the actual knowledge of Transferor based upon a reasonable duty of inquiry and investigation.

**“Lease”** has the meaning ascribed in **Section 10(a)(x)**.

**“Liability”** and **“Liabilities”** mean, individually and collectively, any direct or indirect liability, obligation, guarantee or endorsement of any kind, nature or description (whether known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, or due or to become due).

**“Licenses and Certifications”** means all licenses, permits, approvals, provider numbers and agreements, qualifications, registrations, accreditations, certifications, and other authorizations of any Governmental Authority that are required for Transferor to operate as a home health agency that is CDPH licensed and Medicare certified, including, but not limited to, the license to operate a home health agency issued by CDPH to Transferor, number 2200003457, the Medi-Cal Provider Number and the Medicare Provider Number.

**“Liens”** means all liens (including workmen, mechanics and materialmen’s liens), Liabilities, claims, encumbrances, security interests, charges, mortgages, deeds of trust, suits, proceedings, options, easements, trusts, restrictions, obligations, or other adverse claims of any kind, nature, or description.

**“Material Adverse Effect”** means any event or circumstance that, individually or in the aggregate with all other events or circumstances, has resulted in, or could be reasonably expected to result in, a material adverse change in or a material adverse effect upon, the Acquired Assets or in the business, prospects, financial condition, operations, operating results, patient census, payor mix, amount of or methodology for payment or reimbursement under Payor Programs,



customer or patient relations, referral source relations, employee relations, or vendor relations of the Acquired Agency.

**“Medicaid”** means the state governmental healthcare program pursuant to which healthcare providers are paid or reimbursed for care given or goods afforded to indigent individuals and administered pursuant to a plan approved by CMS under Title XIX of the Social Security Act.

**“Medi-Cal Provider Number”** means provider number 1548342637 issued to Transferor by CMS.

**“Medicare”** means the federal governmental healthcare program established under Title XVIII of the Social Security Act and administered by CMS.

**“Medicare Payments”** means all payments by Medicare to Transferor before the Closing Date or to Transferee on or after the Closing Date for furnishing home health services to Medicare beneficiaries.

**“Medicare Provider Number”** means provider number 557041 issued to Transferor by CMS.

**“MOTA”** means that certain Management and Operations Asset Transfer Agreement, dated as of the Closing Date, by and between Transferor and Transferee, that facilitates a transition of operational and financial responsibility from Transferor to Transferee from the Closing Date until such time as the CDPH License is issued.

**“Non-Competition Agreement”** means that certain Non-Competition Agreement, dated as of the Closing Date, by and among Transferee and Transferor, pursuant to which Transferor agrees, on behalf of itself and any Affiliates, and its and their officers, directors, managers, and employees, for a period of two (2) years after the Closing Date, not to (i) own, operate, manage, or have any financial interest in any business or entity located within Alameda, Contra Costa, Lake, Marin, Mendocino, Napa, San Francisco, San Mateo, Solano, or Sonoma County that competes with any component of the business of the Acquired Agency; or (ii) solicit or hire any employee of Transferee. Among other things, the Non-Competition Agreement will require Transferor to inform its Affiliates, and its and its Affiliates' officers, directors, managers, and employees, of the terms and provisions thereof and instruct them not to take any action or fail to take any action that would result in a violation of the same.

**“Outlier Payments”** means Medicare Payments made pursuant to Medicare’s outlier payment policy in Medicare’s CMS Manual System Transmittal 1883, CR 6759 (published December 27, 2009) and other Applicable Laws.

**“Outlier Reconciliation Payments”** means all payments to the Acquired Agency resulting from Medicare’s reconciliations after the Closing Date of Outlier Payments with respect to a particular Medicare beneficiary who received home health services from the Acquired Agency before the Closing Date (regardless of when the beneficiary’s applicable Episode of Care began or ended).

**“Party”** and **“Parties”** have the meanings ascribed in the introductory paragraph of this Agreement.

**“Payment Adjustments”** means the net amount of all charge backs, take backs, and negative and positive adjustments on the Pre-Closing Receivables or Transferor Cross-Over Receivables.

**“Payor Program”** and **“Payor Programs”** mean, individually and collectively (i) Medicare, Medicaid, TRICARE (formerly known as CHAMPUS), and any other federal or state governmental healthcare programs in which Transferor is a participating provider in good standing, (ii) any health maintenance organization, preferred provider organization, health care service plan, health benefit plan, health insurance plan, or other third-party reimbursement and payment program in which Transferor is a participating provider in good standing, and (iii) any contractor or designee of any of the foregoing, whether an administrative contractor, reviewing contractor, audit contractor, or otherwise, including but not limited to Zone Program Integrity Contractors, Recovery Audit contractors, Medicare Administrative Contractors, and Program Safeguard Contractors, and (iv) the designee of any of them.

**“PTO”** means paid time off, paid sick leave, and paid vacation days.

**“Person”** means any individual, corporation, limited liability company, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, other business entity, or Governmental Authority and **“Persons”** means more than one of the foregoing.

**“Pre-Closing Receivables”** means Transferor’s Accounts Receivable arising or generated from furnishing home health services before the Closing Date, whether or not reflected on Transferor’s balance sheet as of the Closing Date and whether billed or unbilled on the Closing Date.

**“Proration Items”** means Liabilities that properly relate to the period on or after the Closing Date, but that have been paid by Transferor before the Closing Date, including, without limitation, advance payments and other prepaid items and expenses, deposits, and current trade, accounts, and other payables of Transferor.

**“Reconciliation Period”** means each of the following periods, including (i) the period beginning on the Closing Date and ending one hundred twenty (120) days after the Closing Date, (ii) the period beginning on the one hundred twenty-first (121st) day after the Closing Date and ending one hundred fifty (150) days after the Closing Date, and (iii) the period beginning on the one hundred fifty-first (151st) day after the Closing Date and ending one hundred eighty (180) days after the Closing Date.

**“Reconciliation Statement”** means a statement itemizing the collections covered by Section 6 that Transferee will receive during the applicable Reconciliation Period, which statement will include, without limitation, the applicable patient medical record number, start of care date, discharge date (if known), actual reimbursement amount and any Payment Adjustments.

**“Signing Date”** has the meaning ascribed in the introductory paragraph of this Agreement.

**“Social Security Act”** means the Social Security Act (42 U.S.C. §§ 666 et seq.).

**“Tail Insurance Policy”** means an insurance policy to provide at least the same coverage as Transferor Insurance Policies identified as being “claims made” policies in **Schedule 7(u)** for

events or losses of the Acquired Agency occurring before the Closing Date. Further, the Tail Insurance Policy must provide coverage of at least One Million Dollars (\$1,000,000) per occurrence and Three Million Dollars (\$3,000,000) in the aggregate with an annual deductible acceptable to Transferee.

“**Tax**” and “**Taxes**” mean, individually and collectively, all taxes and other assessments and levies (including all interest and penalties), including, without limitation, income, franchise, real estate, sales, gross receipts, use, excise, and service taxes and employee withholding taxes.

“**Third Party Claim**” means a third-party Claim or Damages involving a third-party for which Transferor or Transferee, as applicable, is, or may be, obligated to indemnify Transferee or Transferor, as applicable, or another Indemnified Party under this Agreement.

“**Tie-In**” means that both of the following have occurred: (i) in the case of Medicare, after automatic assignment of Licensee’s Medicare provider agreement, CMS has issued a tie-in notice and the fiscal intermediary has completed the process of tying the Medicare Provider Number to Transferee’s NPI number and tax identification number; and (ii) in the case of Medicaid, the Medicaid provider agreement has been assigned to Transferee by the Medi-Cal Provider Certification Unit and a Medi-Cal Provider Number has been issued to Transferee by the Medi-Cal Provider Enrollment office. The Tie-In is complete when the Medicare Provider Number and Medi-Cal Provider Number have been assigned over and transferred to Transferee, allowing Transferee to bill directly for services provided at the Acquired Agency.

“**Transaction**” means the transactions described in this Agreement.

“**Transaction Documents**” means this Agreement, the Bill of Sale, the MOTA (including the Business Associate Agreement attached thereto as Exhibit B), the Non-Competition Agreement, the Lease, the Interim Lease, and the Interim Licensed Services Agreement.

“**Transferee**” has the meaning ascribed in the introductory paragraph of this Agreement.

“**Transferee Cross-Over Receivables**” means the portion of the amounts collected on Cross-Over Receivables (other than Outlier Reconciliation Payments) net of all Payment Adjustments relating to Cross-Over Receivables (regardless whether the Payment Adjustments are attributable to receivables or payments collected during the Final Reconciliation Period or any prior period of the Acquired Agency) that relate to the period after the Closing Date.

“**Transferee Indemnitee**” and “**Transferee Indemnitees**” mean, individually and collectively, Transferee and its Affiliates and any present or former officer, shareholder, member, partner, director, manager, contractor, employee, agent, or representative of Transferee (other than Transferor to the extent any of them would otherwise be included in any such capacities).

“**Transferee Representatives**” means, collectively, Transferee and its authorized counsel, accountants, consultants, and other agents and representatives.

“**Transferor**” has the meaning ascribed in the introductory paragraph of this Agreement.

**“Transferor Cross-Over Receivables”** means the portion of the amounts collected on Cross-Over Receivables (other than Outlier Reconciliation Payments) net of all Payment Adjustments relating to Cross-Over Receivables (regardless whether the Payment Adjustments are attributable to receivables or payments collected during the Final Reconciliation Period or any prior period of the Acquired Agency) that relate to the period prior to or on the Closing Date.

**“Transferor Exclusions”** means a Claim or Damages arising out of or relating to: (i) any inaccuracy in or breach of any representation or warranty made by Transferor in **Section 7(k)** (Conformity with Law and Accreditation Standards) relating to the CMP Law, False Claims Act, or False Claims Law; (ii) any Excluded Assets or Excluded Liabilities; or (iii) any criminal activity, willful misconduct, fraud, gross negligence, or knowing, intentional, or grossly negligent misrepresentation by Transferor.

**“Transferor Insurance Policies”** means all fire, casualty, general liability, and other forms of insurance policies maintained by Transferor.

**“Transferor Receivables Adjustment Claim”** means a Claim relating to any Payment Adjustment, overpayment demand, recoupment, or similar payment adjustment by any Payor Program or Governmental Authority with respect to Pre-Closing Receivables or Transferor Cross-Over Receivables.

## EXHIBIT B

### ASSETS

A. **Acquired Assets.** The term “*Acquired Assets*” means all the assets, properties, and businesses of every kind, nature, and description, real, personal and mixed, tangible, and intangible, and wherever located, except the Excluded Assets, as they exist at the Closing, including, without limitation:

(i) **Acquired Assets – Personal Property; Equipment.** All tangible personal property of Transferor, and all transferable warranties, guarantees, and service contracts relating to the Equipment in connection with the Acquired Agency;

(ii) **Acquired Assets – Supplies.** All supplies, drugs, and other disposables and consumables in stock at the Acquired Agency on the Closing Date, which stock level has been maintained in the ordinary course of business consistent with past business practices and as required by Applicable Laws or by applicable Governmental Authorities or Accreditation Bodies; provided however, that Transferor, on not less than seven (7) days written notice to Transferee before the Closing Date, may elect not to transfer or to limit the transfer of supplies;

(iii) **Acquired Assets – Records.** Subject to HIPAA and other similar state Applicable Laws, all records, files, patient records, and documents of any kind whatsoever, whether in hard copy or on computer tapes or disks relating to the operations of the Acquired Agency;

(iv) **Acquired Assets – Intangible Assets.** All intangible assets other than the Intellectual Property (as defined in this **Exhibit B**), further, including, without limitation, (a) all rights, if any, of Transferor in and to the telephone and facsimile numbers of the Acquired Agency listed on **Annex A(iv)** attached to this **Exhibit B**; and (b) all of the Acquired Agency’s lists of referral sources that have been active in the three (3) years immediately preceding the Closing Date and all related documents;

(v) **Acquired Assets – Assigned Licenses and Certifications.** To the extent assignable, all Licenses and Certifications listed on **Annex A(v)** attached to this **Exhibit B** (collectively, the “*Assigned Licenses and Certifications*”);

(vi) **Acquired Assets – Intellectual Property.** To the extent assignable, all license agreements, copyrights, trademarks, assumed names, trade names, service marks, internet domain names and websites, computer software, patents, applications for patents, know-how, proprietary information, licenses, and telephone and facsimile numbers of the Acquired Agency (the “*Intellectual Property*”), including, but not limited to, the name “Healing at Home,” which Transferee may elect to cease using at any time, including during the Interim Period;

(vii) **Acquired Assets – Assigned Contracts.** All rights of Transferor in and to all Contracts, other than the Excluded Contracts (as defined in this **Exhibit B**), including, without limitation, all security deposits, that, in each case, are listed on **Annex A(vii)** attached to this **Exhibit B** (collectively, the “*Assigned Contracts*”); and

(viii) **Acquired Assets – Business and Goodwill.** The business and goodwill of Transferor relating to the Acquired Agency as a going concern and the other Acquired Assets.

**B. Excluded Assets.** Notwithstanding any other provision of this Agreement to the contrary, the Acquired Assets do not include (collectively, the “*Excluded Assets*”):

(i) **Excluded Assets – Cash; Deposits.** All of Transferor’s cash, cash equivalents, and, subject to Transferee’s rights under **Section 6**, deposits in banks or other financial institutions on the Closing Date,

(ii) **Excluded Assets – Accounts Receivable.** Subject to **Section 6**, the Pre-Closing Receivables and Transferor Cross-Over Receivables;

(iii) **Excluded Assets – Records.** The originals of any records that Transferor or its Affiliates are required by Applicable Laws to retain in their possession;

(iv) **Excluded Assets – Contracts.** All rights of Transferor in and to the Contracts listed on **Annex B(v)** attached to this **Exhibit B** and any additional Contracts not listed on **Annex A(vii)** to this **Exhibit B** (collectively, the “*Excluded Contracts*”); and

(v) **Excluded Assets – Other.** The additional assets and properties, if any, specifically listed on **Annex B(vii)** attached to this **Exhibit B**.

**ANNEX A(v) TO EXHIBIT B**

**Acquired Assets – Assigned Licenses and Certifications**

**ANNEX A(vi) TO EXHIBIT B**

**Acquired Assets – Intellectual Property**



**ANNEX A(vii) TO EXHIBIT B**

**Acquired Assets – Assigned Contracts**

**ANNEX B(v) TO EXHIBIT B**

**Excluded Assets - Contracts**

**ANNEX B(vii) TO EXHIBIT B**

**Excluded Assets - Other**

## EXHIBIT C

### LIABILITIES

**A. Assumed Liabilities.** The term “*Assumed Liabilities*” means only the following known Liabilities of Transferor arising exclusively in connection with the operation of the Acquired Agency (collectively, the “*Assumed Liabilities*”):

(i) **Assumed Liabilities – Proration Items.** The Proration Items of Transferor to be paid on or after the Closing Date that are expressly prorated to Transferee at the Closing pursuant to **Section 5**;

(ii) **Assumed Liabilities – Assigned Contracts.** Any unfulfilled obligations of Transferor arising or accruing on or after the Closing Date under the Assigned Contracts, provided that the rights under the Assigned Contracts have been duly and effectively assigned to Transferee, but excluding Liabilities of Transferor under such Assigned Contracts that (a) are the result of Transferor’s violation or breach thereof, (b) should have been paid or performed by Transferor before the Closing Date, or (c) constitute an inaccuracy in or breach of any of Transferor’s representations or warranties; and

(iii) **Assumed Liabilities – Assigned Licenses and Certifications.** The unfulfilled obligations of Transferor arising or accruing on or after the Closing Date under the Assigned Licenses and Certifications, but excluding Liabilities under Payor Programs for overpayments or adjustments for home health services furnished by Transferor or the Acquired Agency before the Closing Date or for criminal activity, willful misconduct, fraud, or knowing, intentional, or grossly negligent misrepresentation.

**B. Excluded Liabilities.** Notwithstanding any other provision of this Agreement to the contrary, the Assumed Liabilities do not include, and Transferee does not assume, become responsible for, or otherwise obligated to pay, perform, or discharge any Liabilities of Transferor, or the Acquired Agency, including, without limitation, any of the following (the “*Excluded Liabilities*”):

(i) **Excluded Liabilities – Acquired Agency and Acquired Assets.** All Liabilities arising from events occurring or conditions existing before the Closing Date (except as otherwise specifically provided in this Agreement relating to the Assumed Liabilities assumed by Transferee), relating to the ownership, conduct, or operations of the Acquired Agency, the Acquired Assets, or otherwise, including, without limitation, rent, accrued insurance expenses, accounts payable, notes payable, and any other debt;

(ii) **Excluded Liabilities – Transferor’s Employees.** All Liabilities relating to Transferor’s employees, including, without limitation, accrued salaries, wages, vacation of Transferor’s employees, payroll taxes, retirement plan payables, and any obligations relating to any other employee benefits agreements, if any, Liabilities for any Equal Employment Opportunity Commission claim, wage and hour claim, unemployment compensation claim, or workers’ compensation claim or personnel policy, or claim for on-the-job injuries, including, without limitation, those relating to any termination of employment and all other wages and benefits or Liabilities arising from events occurring or conditions existing before the Closing Date;

(iii) **Excluded Liabilities – Contracts.** All Liabilities under the Excluded Contracts;

(iv) **Excluded Liabilities – Taxes.** All Liabilities for Taxes of Transferor arising or accruing before the Closing Date or as the result of the consummation of the Transaction; and

(v) **Excluded Liabilities – COBRA.** Without limiting the foregoing, all Liabilities for COBRA relating to Transferor’s employees and former employees and its “qualified beneficiaries” (as defined in the Code and ERISA).

**SCHEDULE 4(b)**

**Consideration Allocation**

Schedule 4(b)

**SCHEDULE 5**

**Proration Items**

Schedule 5

**SCHEDULE 6(f)**

**Cross-Over Receivables**

Schedule 6(f)



**TRANSFEROR'S DISCLOSURE SCHEDULE 7(c)**

**No Conflicts; Consents and Approvals**

Transferor's Disclosure Schedule 7(c)

**TRANSFEROR'S DISCLOSURE SCHEDULE 7(f)**

**Licenses and Certifications**

Transferor's Disclosure Schedule 7(f)

**TRANSFEROR'S DISCLOSURE SCHEDULE 7(m)**

**Financial Statements**

Transferor's Disclosure Schedule 7(m)

**TRANSFEROR'S DISCLOSURE SCHEDULE 7(q)**

**Employee Information**

**TRANSFEROR'S DISCLOSURE SCHEDULE 7(s)**

**Insurance**

## BILL OF SALE, ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS BILL OF SALE, ASSIGNMENT AND ASSUMPTION AGREEMENT (this “**Assignment**”) is entered into as of \_\_\_\_\_, 2018 (the “**Effective Date**”), by and between SONOMA VALLEY HEALTH CARE DISTRICT, a political subdivision of the State of California (“**Assignor**”), and HOSPICE BY THE BAY, a California nonprofit public benefit corporation (“**Assignee**”).

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Assignment. As of the Effective Date, Assignor, as applicable, hereby grants, conveys, transfers and assigns to Assignee all of Assignor’s rights, title and interest in, to and under any and all of the following to the extent they are related to that certain home health business operated by Assignor at 1151 Broadway, #101, Sonoma, California (the “**Acquired Agency**”);

(a) All tangible personal property now or hereafter owned by Assignor and located on or in, or used in connection with, the Acquired Agency (the “**Personal Property**”);

(b) All leases, licenses and other occupancy agreements together with all associated amendments, addendums, modifications, extensions or supplements thereto set forth on **Exhibit A** attached hereto (collectively, the “**Leases**”), together with all deposits held in connection with the Leases, including, without limitation, all security deposits, prepaid rent, guaranties, letters of credit and other similar charges and credit enhancements providing additional security for the Leases, as set forth on **Exhibit A** attached hereto;

(c) To the extent assignable, all intangible personal property now or hereafter owned by Assignor and used in the ownership, use, operation, occupancy, maintenance or repair of the Acquired Agency and Personal Property, including, without limitation (i) all licenses, permits, certificates, approvals, authorizations and other entitlements issued; (ii) all reports, test results, environmental assessments, surveys, plans, specifications; (iii) all warranties and guaranties from manufacturers, contractors, subcontractors, suppliers and installers; (iv) all trade names, trademarks, service marks, building and property names and building signs used in connection with the Acquired Agency, including the name “Healing at Home,” and all variations thereof; (v) all telephone numbers, domain names (if any), e-mail addresses and other means of contact utilized in connection with the Acquired Agency; and (vi) all other intangible property related to the Acquired Agency (collectively, the “**Intangible Property**”), but excluding all rents and other amounts due under the Leases for all periods prior to the Effective Date of this Agreement; and

(d) With the exception of any contracts that are an integrated system contract of Assignor and not assignable, all service contracts, vending machine, telecommunications and other facilities leases, utility contracts, maintenance contracts, management contracts, leasing contracts, equipment leases, brokerage and leasing commission agreements and other agreements or rights related to the construction, ownership, use, operation, occupancy, maintenance or repair of the Acquired Agency, as set forth on the attached **Exhibit B** (the “**Contracts**”).

2. Assumption. As of the Effective Date, Assignee hereby accepts the foregoing assignment and assumes all of Assignor's obligations under the (a) Personal Property; (b) Leases; (c) Intangible Property; and (d) Contracts (collectively, the "**Assigned Interests**") with respect to the period from and after the Effective Date.

3. Assignor's Indemnity. Assignor hereby agrees to indemnify, protect, defend and hold Assignee harmless from and against any and all claims, demands, liabilities, losses, costs, damages or expenses (including, without limitation, reasonable attorneys' fees and costs and fees and costs of expert witnesses) arising out of or resulting from any breach or default by Assignor under the terms of the Assigned Interests arising prior to the Effective Date.

4. Assignee's Indemnity. Assignee hereby agrees to indemnify, protect, defend and hold Assignor harmless from and against any and all claims, demands, liabilities, losses, costs, damages or expenses (including, without limitation, reasonable attorneys' fees and costs and fees and costs of expert witnesses) arising out of or resulting from any breach or default by Assignee under the terms of the Assigned Interests arising on or after the Effective Date.

5. Further Assurances. Assignor hereby covenants that it will, at any time and from time to time upon written request therefore and without the assumption of any additional liability thereby, execute and deliver to Assignee, its successors and assigns, any new or confirmatory instruments and take such further acts as Assignee may reasonably request to fully evidence the assignment contained herein and to enable Assignee, its successors and assigns to fully realize and enjoy the rights and interests assigned hereby.

6. Successors and Assigns. The provisions of this Assignment shall be binding upon, and shall inure to the benefit of, the successors and assigns of Assignor and Assignee, respectively.

7. Counterparts. This Assignment may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one (1) and the same agreement. Telecopied or faxed signatures or signatures emailed in a "pdf" format may be used in place of original signatures on this Assignment. Assignor and Assignee intend to be bound by the signatures on telecopied, faxed or pdf documents; are aware that the other party will rely on the telecopied, faxed or pdf signatures; and hereby waive any defenses to the enforcement of the terms of this Assignment based on the use of a telecopied, facsimile or pdf signature.

*[Remainder of page intentionally left blank;  
Signatures begin on following page]*

IN WITNESS WHEREOF, Assignor and Assignee have caused their duly authorized representatives to execute this Assignment as of the date first above written.

**ASSIGNOR:**

SONOMA VALLEY HEALTH CARE DISTRICT,  
a political subdivision of the State of California

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

**ASSIGNEE:**

HOSPICE BY THE BAY,  
a California nonprofit public benefit corporation

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



**EXHIBIT A**

**Leases**

<b>Services</b>	<b>Company/Vendor</b>

**EXHIBIT B**

**Contracts**

<b>Services</b>	<b>Company/Vendor</b>
Medicare Provider Agreement	The Secretary of Health and Human Services
Medi-Cal Provider Agreement	The Department of Health Care Services
Telephone	
Internet	
Mobile devices	

## MANAGEMENT AND OPERATIONS TRANSFER AGREEMENT

This MANAGEMENT AND OPERATIONS TRANSFER AGREEMENT (this “**Agreement**”) is entered into as of \_\_\_\_\_, 2018, by and between Sonoma Valley Health Care District, a political subdivision of the State of California, (“**Licensee**”) and Hospice By The Bay, a California nonprofit public benefit corporation, or any designated Affiliate (as defined in Exhibit A to the “Transfer Agreement,” defined below) (“**New Operator**”).

### RECITALS

A. **WHEREAS**, Licensee is engaged in the business of furnishing home health services by and through a licensed and certified home health agency commonly known as “Healing at Home” and located at 1151 Broadway #101, Sonoma, California 95476 (the “**Acquired Agency**” as defined in the “**Transfer Agreement**,” defined below);

B. **WHEREAS**, the Acquired Agency’s parent office is located at 1151 Broadway, # 101, Sonoma, California;

C. **WHEREAS**, Licensee and New Operator have entered into an Asset Transfer Agreement (the “**Transfer Agreement**”) whereby Licensee will transfer to New Operator the Acquired Agency and Acquired Assets as defined the Transfer Agreement;

D. **WHEREAS**, effective on the Closing Date and the Closing of the transaction defined under the Transfer Agreement, New Operator will be [assigned] the Lease;

E. **WHEREAS**, New Operator is in the process of applying to the California Department of Public Health (“**CDPH**”) for a home health agency license to operate the Acquired Agency (the “**HHA License**”);

F. **WHEREAS**, to assure that a licensed party at all times controls the physical premises of the Acquired Agency, Licensee, and New Operator have entered into an Interim Lease of even date herewith whereby New Operator has agreed to sublease its interest in the Acquired Agency and the real property upon which it operates back to Licensee pursuant to the terms of the Interim Lease and subject to the agreement of Licensee to engage New Operator to manage the Acquired Agency on behalf of Licensee on an interim basis, pending issuance of the HHA License to New Operator by CDPH; and

G. **WHEREAS**, in order to facilitate a transition of operational and financial responsibility from Licensee to New Operator in a manner which will ensure the continued operation of the Acquired Agency after the Closing Date in compliance with the Lease and Applicable Laws and in a manner which does not jeopardize the health and welfare of the patients of the Acquired Agency, Licensee and New Operator are desirous of documenting the terms and conditions on which New Operator will manage the Acquired Agency for Licensee on and after the Closing Date and certain other terms and conditions relevant to the transition of operational and financial responsibility from Licensee to New Operator.

**NOW, THEREFORE**, in consideration of the foregoing premises and the mutual covenants of the Parties set forth herein, IT IS HEREBY AGREED AS FOLLOWS:

## 1. DEFINITIONS

1.1 As used in this Agreement, capitalized terms and variations thereof have the meanings ascribed to them in the Transfer Agreement (unless otherwise specifically defined or the context clearly requires otherwise). Other terms may be defined elsewhere in this Agreement and have the meanings so ascribed.

1.2 “**Conditions Precedent**” to the transfer of operations shall be: (a) the Closing; (b) the execution and delivery of this Agreement; (c) the execution and delivery of the Interim Lease in the form attached as Exhibit A; (d) the execution and delivery of the Business Associate Agreement in the form attached hereto as Exhibit B; and (e) the execution and delivery of the Interim Licensed Services Agreement in the form attached hereto as Exhibit C.

1.3 “**Deposit Account**” is the bank account (or bank accounts) that are designated by Licensee as the depository account for all deposits and payments (made electronically or otherwise) by any Payor Programs.

1.4 “**Management Period**” shall mean the period of time commencing on the Closing Date (as defined below) and ending on the Transition Date (as defined below).

1.5 “**Transition Date**” shall be the day after the end of the “**Interim Period**,” as defined, which ends on the date that New Operator gives Licensee notice that the following conditions have been completed: (i) New Operator has received the CDPH License issued by CDPH to furnish home health services through the Acquired Agency; and (ii) the Tie-In is complete and the New Operator has received electronic fund transfer deposits from Medicare and Medi-Cal into New Operator’s own bank account designated in the change in ownership process following the “**Closing**.”

## 2. MANAGEMENT OF THE ACQUIRED AGENCY

2.1 During the Management Period, Licensee hereby engages New Operator as its sole and exclusive manager of the Acquired Agency. Licensee shall cooperate with New Operator in all respects to make the transition in management of the Acquired Agency to New Operator as smooth as possible.

2.2 Notwithstanding the foregoing, Licensee and New Operator acknowledge and agree that Licensee shall have the on-going statutory and regulatory responsibilities for the continued operation of the Acquired Agency in accordance with Applicable Laws which legally cannot be delegated by Licensee to New Operator. Licensee, through the governing body (or designated persons so functioning), must assume the full legal authority and responsibility for the operations of the agency, including its policies, procedures, services, organization, and budget preparation. Accordingly, Licensee shall have the right to confer and consult with New Operator on any administrative, business, or management matters concerning the operation of the Acquired Agency during the Management Period; provided, however, such ultimate responsibility shall not

relieve New Operator from its obligations specified in this Section 2, all of which shall apply during the Management Period.

2.3 New Operator shall arrange (utilizing the Acquired Agency personnel as appropriate), at its sole cost and expense, for the provision of the bookkeeping, accounting, and administrative functions as reasonably necessary for the efficient and proper operation of the Acquired Agency, including, but not limited to, preparation and maintenance of business records and financial and other reports, establishment and administration of accounting procedures and controls, financial and business planning, and processing and payment of accounts payable.

2.4 New Operator shall maintain in good repair and in a clean and safe condition the Acquired Agency and all furniture, furnishings, equipment, and other property located therein which need repair or replacement, in order to maintain standards of operation at least equivalent to those now prevailing. New Operator shall make all necessary expenditures reasonably necessary to comply with the requirements of any Governmental Authority in order for New Operator to maintain and continue to operate the Acquired Agency under the necessary licenses, Licensee's Medicare provider agreement ("Medicare Provider Agreement"), and Licensee's Medi-Cal provider agreement ("Medi-Cal Provider Agreement").

2.5 New Operator shall arrange for the maintenance, repair, trash removal, and janitorial services which may be necessary to maintain the Acquired Agency and equipment.

2.6 New Operator shall arrange for the utilities reasonably required for operation of the Acquired Agency, including, but not limited to, telephone, electricity, gas, water, and refuse disposal.

2.7 New Operator shall arrange for the provision and replenishment, as New Operator deems necessary, of all supplies, drugs, and other disposables and consumables in stock at the Acquired Agency.

2.8 During the Management Period, New Operator will not encumber the Acquired Agency or Licensee without the prior approval of Licensee. New Operator shall consult and confer with Licensee on the replacement or purchase of additional equipment or capital improvements made during the Management Period. New Operator shall be solely responsible for the cost of any approved replacement or purchase of additional equipment or capital improvements made during the Management Period. Any capital improvements made at the Acquired Agency will have no effect on the Management Fee (see Section 3).

2.9 New Operator shall have the right to revise the fee schedules for the services rendered by the Acquired Agency, provided that New Operator shall consult with Licensee before doing so. Licensee agrees to comply with the conditions set forth in Section 11(i) of the Transfer Agreement.

2.10 Any agreements with the patients of the Acquired Agency or other Acquired Agency contracts or agreements executed by New Operator during the Management Period shall be entered into by New Operator as the agent for Licensee. Any and all contracts and agreements, including, but not limited to, service agreements, entered into by New Operator during the

Management Period as agent for Licensee shall, to the extent permitted by Applicable Laws and/or the terms of such contracts and agreements, automatically and without the need for any further action or the execution of any further documents be assigned by Licensee to New Operator upon the Transition Date and, upon request, Licensee shall execute such documents as may be reasonably necessary to confirm such assignment.

2.11 New Operator may change the name of the Acquired Agency during the Management Period to a name it chooses, subject to obtaining prior applicable approvals by CDPH or applicable Governmental Authorities.

2.12 New Operator shall procure maintain during the Management Period comprehensive general liability, professional liability, business property, and other insurance in such amounts, with such deductibles, on such terms and covering such risks and with commercially reasonable coverage as compared to Persons operating similar businesses to the Acquired Agency in the State of California, to protect against applicable risks and losses relating to the activities of New Operator relating to the Acquired Agency and with Licensee named as additional insured on all liability policies. Notwithstanding the foregoing, Licensee shall maintain the insurance required by the Interim Licensed Services Agreement and Licensee must purchase a Tail Insurance Policy, as required by Section 11(g) of the Transfer Agreement.

2.13 Any expense incurred by New Operator in the operation of the Acquired Agency during the Management Period, including expenses incurred to fulfill New Operator's obligations under this Section 2, shall be deemed an "operating expense" of the Acquired Agency.

2.14 New Operator will use reasonable efforts to remain in material compliance with Applicable Laws during the Interim Period. New Operator has not received any written or unwritten notice or other communication to the effect that, or otherwise been advised that, New Operator has not been in material compliance with Applicable Laws.

### 3. **MANAGEMENT FEE**

3.1 For its services performed during the Management Period, New Operator shall be entitled to a fee from Licensee equal to the Acquired Agency's operating revenues less all operating expenses resulting from operation of the Acquired Agency (the "**Management Fee**").

3.2 If the Acquired Agency incurs losses during the Management Period, New Operator shall be responsible for such losses and shall indemnify Licensee from all claims, demands, liability, and losses related thereto, and New Operator shall pay all of New Operator's obligations under the Lease and any license renewal fees arising during the Management Period. Any expense that relates to operation of the Acquired Agency for the period prior to the Closing Date shall be borne and paid by Licensee.

3.3 The Management Fee is based upon revenues earned and expenses incurred during the Management Period, as determined in accordance with New Operator's standard bookkeeping practices. New Operator has no responsibility to pay for expenses during the Management Period which were incurred prior to the Closing Date, it being understood and agreed that revenues and expenses will be prorated in the manner set forth in Section 6.

#### **4. CHANGE OF OWNERSHIP**

4.1 Licensee agrees to assign to New Operator and New Operator agrees to accept assignment of Licensee's Medicare Provider Number, Medicare Provider Agreement, Medi-Cal Provider Number, and Medi-Cal Provider Agreement effective on the Closing Date.

4.1.1. Licensee agrees to cooperate with New Operator, to the extent reasonably necessary, in order to facilitate the assignment of the Medicare Provider Number and Medi-Cal Provider Number including, but not limited to, completing portions of CMS Form 855A requiring information about Licensee and Licensee's signature. Within ten (10) business days after the Closing Date, New Operator shall file a Medicare Enrollment Application ("CMS 855A") with the applicable CMS Medicare Administrative Contractor ("MAC") for the assignment of the Medicare Provider Number.

4.1.2. Within ten (10) business days after the Closing Date, New Operator shall file a home health agency license application with CDPH for issuance of the HHA License to New Operator to operate the Acquired Agency and assignment of its Medi-Cal Provider Number to New Operator. Licensee agrees to execute all documentation required by CDPH or the Department of Health Care Services in connection with its review and approval of New Operator's application. New Operator shall diligently proceed with securing the HHA License. New Operator shall, upon request of Licensee, advise Licensee, as applicable, of the status of New Operator's efforts to secure the HHA License and assignment of its Medi-Cal Provider Number. If New Operator, becomes aware that, or is notified by CDPH, that its application for the HHA License may or will be denied by CDPH, New Operator agrees to immediately notify Licensee.

4.2 New Operator shall be solely responsible for the payment of any and all costs associated with the change of ownership process, including payment of any home health agency license application fee and any CDPH license renewal fees that become due during the Management Period.

#### **5. BILLING, COLLECTIONS, AND ACCOUNTS RECEIVABLE**

5.1 In connection with New Operator's assumption of operational and financial responsibility for the Acquired Agency, Licensee shall provide to New Operator its Medi-Cal Provider Number, Medicare Provider Number, Electronic Data Interchange Submitter I.D., National Provider Identifier ("NPI") and any other identifying numbers which Licensee needs to bill for services provided to patients (of any Payor Program) at the Acquired Agency.

5.2 New Operator shall be responsible for billing, processing, and collection of Accounts Receivable, including the billing and completion of any reports and forms that may be required by any Payor Program. New Operator shall, on behalf of Licensee, bill patients and Payor Programs for services rendered during the Management Period. Licensee agrees to cooperate with New Operator to make available such billing and accounting information and to provide such financial records for review as shall be necessary to accomplish the billing and collection of patient charges for services provided for in this Agreement and to cooperate with New Operator in the completion of reports and claim forms as necessary to procure payments and reimbursement from any and all Payor Programs. Licensee further authorizes New Operator to initiate legal proceedings

in accordance with policies reasonably approved by Licensee to collect any accounts or monies owed to the Acquired Agency or Licensee related to the Acquired Agency during the Management Period.

5.3 Pursuant to Section 6 of the Transfer Agreement, on a weekly basis, New Operator will deliver to Licensee a copy of all remittance advices for services rendered during the stated period. Based on the remittance advices submitted, once a month, New Operator will prepare and submit to Transferor a settlement statement for payment for services rendered during the stated period. If Licensee has any questions regarding the settlement statement submitted, Licensee will notify New Operator of the same within five (5) days of receipt. As soon as possible thereafter, New Operator and Licensee will meet and confer to resolve any issues regarding the settlement statement in question. Absent any need to meet and confer, Licensee will remit to New Operator the sums due pursuant to the submitted settlement statement within fifteen (15) days of receipt thereof.

5.3.1. All payments for the Acquired Agency services received from Medicare and any other programs established by federal or state law which require that payments for healthcare services be made to the providers of such services (“**Governmental Payments**”) shall be deposited into Licensee’s Deposit Account. Licensee and New Operator agree that this Section 5 will govern the deposits of Governmental Payments received by either Party. The Deposit Account will be kept active and maintained by Licensee for at least thirty (30) days after the Transition Date.

5.3.2. Notwithstanding the foregoing, and to the extent allowed by Applicable Laws, Licensee authorizes New Operator during the Management Period to receive payments from non-governmental Payor Programs and to take possession of and endorse in the name of Licensee any notices, checks, money orders, insurance payments, and other instruments received in payment of the Accounts Receivable resulting from such billing and deposit them directly into an account for the benefit of New Operator, as designated by New Operator.

5.4 Payments received by Licensee or New Operator on and after the Closing Date with respect to the Acquired Agency from Payor Programs shall be handled as follows:

5.4.1. Pre-Closing Receivables, whether indicated as such on the accompanying remittance advice or if the Parties agree that they relate to the period prior to the Closing Date, shall be remitted by New Operator to Licensee, or retained by Licensee, as applicable, and the applicable remittance advice, if received by New Operator, shall be promptly forwarded by New Operator to Licensee;

5.4.2. Post-Closing Receivables, whether indicated as such on the accompanying remittance advice or if the Parties agree that they relate to the period on or after the Closing Date, shall be remitted by Licensee to New Operator, or retained by New Operator, as applicable, per the terms of Section 5.3;

5.4.3. Cross-Over Receivables, whether indicated as such on the accompanying remittance advice or if the Parties agree that they relate to periods both prior



to and after the Closing Date, shall be allocated between the Parties such that the portion that relates to the period after the Closing Date shall be forwarded to, or retained by, New Operator, as applicable, and the balance shall be remitted to, or retained by, Licensee, as applicable;

5.4.4. If any accompanying remittance advice, which is received by either Party does not indicate the period to which a payment relates or if there is no accompanying remittance advice, Licensee will attempt to reconcile the payment to the dates of service for which such payment was made, and the payments thereof which Licensee determines relate to the period after the Closing Date shall be forwarded to, or retained by, New Operator, as applicable, and any payments that relate to the period prior to the Closing Date shall be remitted to, or retained by, Licensee, as applicable;

5.4.5. If the Parties do not agree as to how to apply an unaccounted for payment referenced in Section 5.2.4, then the payment shall be deemed to apply against the oldest outstanding account receivable due from such Program Payor.

5.5 Any private pay payments that specifically identify dates of service, regardless of when received, shall be disbursed to New Operator or Licensee according to whether the dates of service were before or on or after the Closing Date. Private pay payments that are not identified by dates of service and that are received by either New Operator or Licensee shall be applied to reduce the oldest outstanding private pay patient's obligations.

5.6 In the event the Parties mutually determine that any Payor Programs or private pay patients are entitled to a refund of payments, the portion thereof that relates to the period from and after the Closing Date shall be paid by New Operator and the portion thereof that relates to the period prior to the Closing Date shall be paid by Licensee to such Payor Program or private pay patient.

5.7 In the event the Parties mutually determine that any payment hereunder was misapplied by the Parties, the Party which erroneously received said payment shall remit the same to the other within ten (10) days after said determination is made.

5.8 To the extent either Licensee or New Operator receives any proceeds from the Accounts Receivable of the other Party, the Parties acknowledge that the Party receiving the payment belonging to the other Party shall hold the payment in trust. Neither New Operator nor Licensee shall have any right to offset or recoup with respect to such Accounts Receivable, and any Party erroneously receiving a payment belonging to the other Party shall have no right, title, or interest whatsoever in the payment and shall remit the same to the other as provided herein

5.9 On the first weekday after the end of each Reconciliation Period, New Operator will perform a reconciliation of the collections on the applicable Pre-Closing Receivables and Cross-Over Receivables and any Payment Adjustments during such Reconciliation Period. The reconciliations under this Section 5 will be performed on the basis of specific dates of service. New Operator will follow the allocation methodologies and the payment mechanisms described in this Section 5 in performing all the reconciliations. As required by Section 6(d) of the Transfer Agreement, during each Reconciliation Period, New Operator will maintain a Reconciliation

Statement and will deliver the Reconciliation Statement in accordance with the terms of Section 6(d) of the Transfer Agreement.

## **6. PRORATIONS**

6.1 As between New Operator and Licensee, Proration Items, shall be prorated between Licensee and New Operator as of the Closing Date. In general, such prorations shall be made so that as between New Operator and Licensee, Licensee shall be reimbursed for prepaid expense items to the extent that the same are applied to expenses attributable to periods on and after the Closing Date and Licensee shall be charged for unpaid expenses to the extent that the same are attributable to periods prior to the Closing Date. Any CDPH annual license renewal fees shall be the sole responsibility of, and paid by, New Operator.

6.2 Section 6.1 shall be implemented by New Operator per the reconciliation process set forth in Section 6 of the Transfer Agreement.

6.3 All such prorations shall be made on the basis of actual days elapsed in the relevant accounting or revenue period and shall be based on the most recent information available to Licensee. Utility charges which are not metered and read on the Closing Date shall be estimated based on prior charges, and shall be re-prorated upon receipt of statements therefor as of the Closing Date.

## **7. COST REPORTS**

Pursuant to Section 11(e) of the Transfer Agreement, Licensee shall timely prepare and file with the Governmental Agency any and all Medicare or Medi-Cal cost reports during the Interim Period, including final cost reports, with respect to its operation of the Acquired Agency which are required by Applicable Laws. New Operator shall cooperate with Licensee by providing to Licensee any and all necessary financial or accounting information reasonably required by Licensee to enable Licensee to timely submit the foregoing described final cost reports. Within five (5) days of request by New Operator, Licensee shall provide New Operator with copies of such cost reports, together with copies of any amendments thereto and correspondence related to such cost reports. Licensee shall pay for any costs related to the preparation or filing of cost reports or Medi-Cal cost audits for any period prior to the Closing Date and New Operator shall pay any costs related to the preparation or filing of cost reports or Medi-Cal cost audits for periods from and following the Closing Date. Notwithstanding the foregoing, if Licensee fails to timely file any cost report, New Operator shall have the right to file such cost report in Licensee's name and Licensee agrees to reimburse New Operator for the costs incurred with filing such cost report.

## **8. EMPLOYEES AND INDEPENDENT CONTRACTORS**

8.1 New Operator shall hire all employees whom New Operator determines to be necessary to effectively and efficiently operate the Acquired Agency on an at-will basis, except that the individual designated as the Director of Patient Care Services and the Administrator shall remain an employee of Licensee during the Management Period. New Operator shall engage the services of the Director of Patient Care Services and the Administrator directly through Licensee as set forth in the Interim Licensed Services Agreement attached hereto as Exhibit C. New

Operator agrees to cooperate with Licensee to provide information concerning which employees, if any, are to be employed by New Operator and the service descriptions for any such employees. Such employees who will be employed by the New Operator as of the Closing Date shall be referred to as the “**New Operator Employees.**”

8.2 Beginning after the Signing Date, New Operator may conduct background checks and other pre-employment screening and planning in the ordinary course of business for Licensee’s employees and independent contractors who New Operator considers offering employment or to whom New Operator may intend to contract; provided, however, that such background checks and other pre-employment screening and planning may not directly or indirectly involve contact with or notification of any such employees or independent contractors of Licensee.

8.3 Subject to compliance with Applicable Laws, Licensee agrees that if an employee of Licensee performing services for the Acquired Agency is not offered or does not accept New Operator's offer of employment, Licensee either will immediately (i) terminate the employee effective no later than the Closing Date or (ii) transfer the employee to a position within Licensee that is not part of the Acquired Agency. Licensee shall pay directly to such employees and independent contractors any unpaid wages and all earned and accrued employee wages and benefits.

8.4 New Operator shall be responsible for the hiring, supervision, promotion, and firing of all New Operator Employees, excluding the Director of Patient Care Services and the Administrator, and New Operator shall be responsible for providing and processing of all employee record-keeping, salaries, payroll accounting (including social security and other payroll tax reporting), benefits, and employment-related taxes and liabilities for all employees of the Acquired Agency during the Management Period, subject to the requirements of Section 11(a) and 12 of the Transfer Agreement. New Operator shall maintain worker’s compensation insurance as required by law and employer’s liability insurance in accordance with New Operator’s standard policy. Any and all expenses and liabilities relating to New Operator Employees during the Management Period (including any related insurance) will be paid as an operating expense.

8.5 Licensee shall offer and provide, as appropriate, group health plan continuation coverage pursuant to the requirements of Section 601, *et seq.* of ERISA and Section 4980B of the Internal Revenue Code (“**COBRA**”) to all of the employees of the Acquired Agency to whom it is required to offer the same under Applicable Laws. Licensee acknowledges and agrees that New Operator is not assuming any of Licensee’s obligations to its employees under COBRA or otherwise. New Operator agrees to cooperate with Licensee in providing information concerning which employees, if any, are employed by New Operator after the Closing Date, and the nature of the benefits offered to each such employee.

## 9. **ACCESS TO RECORDS**

9.1 On the Closing Date, Licensee shall deliver to New Operator all records necessary to the efficient, continued operation of the Acquired Agency. Nothing herein shall be construed as precluding Licensee from removing from the Acquired Agency: (a) the originals of the financial records which relate to its operations at the Acquired Agency, including all accounts payable and Accounts Receivable records; provided, however, Licensee shall leave legible, accessible, hard

and soft copies of such records at the Acquired Agency in order to facilitate the provisions of this Agreement; (b) the originals of any proprietary materials related to its overall corporate operations; (c) the originals of all performance data improvement; (d) originals of employee records for all employees not employed by New Operator; (e) copies of New Operator Employees' records; (f) copies of patient records for all former patients no longer receiving services at the Acquired Agency; (g) copies of records for all current patients receiving services at the Acquired Agency; and (h) legacy records stored either on-site or off-site. Notwithstanding anything to the contrary in this Agreement, Licensee and New Operator agree that all information, records and data collected or maintained regarding Acquired Agency patients shall be confidential. Licensee, New Operator, and their respective employees and agents shall maintain the confidentiality of all the Acquired Agency patient information received in accordance with Applicable Laws. No employee or agent of Licensee or New Operator shall discuss, transmit or narrate in any manner any Acquired Agency patient information of a personal, medical, or other nature except as a necessary part of providing services to the patient, effectuating a transfer of the Acquired Agency operations, or otherwise fulfilling its obligations under this Agreement or under law. The obligations under this Section shall survive the termination of this Agreement, whether by rescission or otherwise as amended and the regulations issued in connection therewith.

9.2 From and after the Closing Date, New Operator shall allow Licensee to have reasonable access to (upon reasonable prior notice and during normal business hours), and to make copies of, the books and records and supporting material of the Acquired Agency relating to the period prior to and including the date on which New Operator receives its HHA License from CDPH, to the extent reasonably necessary to enable Licensee, among other things, to investigate and defend malpractice, employee or other claims, to file or defend cost reports and tax returns, to complete/revise, as needed, any patient assessments which may be required for Licensee to seek reimbursement for services rendered prior to the Closing Date, to verify Accounts Receivable collections due Licensee, and to file exceptions to the Medicare routine cost limits for the cost reporting periods prior to and including the Closing Date.

9.3 Licensee shall have the right, at Licensee's sole cost and expense, after five (5) days of the delivery of a reasonable request therefore to New Operator to enter the Acquired Agency and remove originals or copies of any such records delivered to New Operator; provided, however, that if directed by Licensee in its request to New Operator, New Operator shall, within such five (5)-day period, forward such records to Licensee, at Licensee's sole cost and expense, to the address designated by Licensee; and provided, further, that if, for purposes of litigation involving a patient or employee to whom such record relates, or counsel for Licensee certifies that an original of such record must be produced in order to comply with Applicable Laws or the order of a court of competent jurisdiction in connection with such litigation then the records so delivered or removed shall be an original. Licensee's request to New Operator to enter the Acquired Agency shall be made in writing and state the date upon which the entry to the Acquired Agency is required. Any record so removed shall be promptly returned to New Operator following its use, and nothing herein shall be interpreted to prohibit New Operator from retaining copies of any such documents. Nothing hereinabove shall limit, reduce, or restrict the Licensee's access to the Acquired Agency during the term of the Management Period in connection with any of Licensee's rights, duties, or obligations under this Agreement or that are required by Applicable Laws imposed upon Licensee or the Acquired Agency.

9.4 New Operator agrees to maintain such books, records, and other material comprising records of the Acquired Agency's operations, including, but not limited to, patient records, to the extent required by Applicable Laws, which relate to the period preceding the Closing Date and which have been delivered to New Operator by Licensee in conjunction herewith. If upon the expiration of any legislatively mandated retention period for such books and records, New Operator decides to dispose of or destroy such books and records, New Operator may dispose or destroy of such material, to the extent permitted by Applicable Law, unless Licensee notifies New Operator that it would like to maintain copies of certain materials.

## **10. PROPRIETARY INFORMATION AND MATERIALS**

New Operator acknowledges and agrees that any and all proprietary and confidential materials and information located at and used in connection with the operation of the Acquired Agency, which are not being transferred to New Operator pursuant to this Agreement, shall be and remain the property of Licensee, and accordingly, that Licensee shall remove all of such materials and information from the Acquired Agency on or immediately before the Closing Date.

## **11. ACCOUNTING AND PATIENT CARE DATA**

Licensee shall transfer its Accounts Receivable data and patient data in electronic form, if possible, to New Operator on or before the Closing Date. Licensee agrees to cooperate with New Operator in transferring such information and shall allow New Operator to use computer systems and software after the Closing Date for Accounts Receivable collections and patient care maintenance.

## **12. INDEMNIFICATION**

12.1 Each Indemnifying Party will defend, indemnify, and hold Indemnified Parties harmless from and against, and will pay and reimburse for, the Damages incurred by Indemnified Parties, arising out of or resulting from: (i) any inaccuracy in or breach of any representation or warranty of Indemnifying Party; (ii) any breach, non-fulfillment, or failure of an Indemnifying Party to timely pay, perform, or discharge, in any case, any of the covenants, obligations, or other agreements of an Indemnifying Party; or (iii) with respect to Licensee, any Liability of Licensee or any Damages whatsoever arising with respect to the Acquired Agency from (A) any action or inaction of Licensee, or any of its Affiliates before the Closing Date; (B) any event occurring or circumstance existing at or involving Licensee, or any of its Affiliates before the Closing Date; or (C) Transferor Exclusions; or (iv) with respect to New Operator, any Liability of New Operator or any Damages whatsoever arising with respect to the Acquired Agency from any action or inaction of New Operator, or any of its Affiliates, from and after the Closing Date.

12.2 New Operator acknowledges and agrees that on and after the Closing Date, it will be in day-to-day charge of the operation and maintenance of the Acquired Agency, of patient care, and submission of claims for reimbursement of services provided to patients of the Acquired Agency in accordance with the terms of this Agreement. In the event of any violation of any Applicable Law or obligation, or of a claim, deficiency, or citation occurring on and after the Closing Date, for any reason by any Person or Governmental Authority, arising from or applicable

to the operation or maintenance of the Acquired Agency (including but not limited to, patient care, claims submission, and receipt of payment thereof) whether such violations or claims result in the imposition of penalties, citations, fines, court, administrative orders, litigation, including third-party claims and governmental claims, termination or suspension of the Medicare Provider Agreement or Medi-Cal Provider Agreement, license revocation as to the Acquired Agency or as to Licensee, or for claims submission and payment purposes from the Closing Date to the Transition Date, New Operator shall: (a) immediately notify Licensee of any such event; (b) take all actions reasonably necessary to protect Licensee, including but not limited to contesting of any such actions against Licensee and the Acquired Agency, at the sole cost of New Operator, whether by way of administrative or court proceedings; and (c) indemnify Licensee in accordance with Section 12.1 above.

12.3 Claims will be asserted by a Party in accordance with the provisions of Section 13 of the Transfer Agreement.

12.4 The foregoing indemnification obligations shall survive the expiration or other termination of this Agreement.

### 13. FURTHER ASSURANCES

Each of the Parties hereto agrees to execute and deliver any and all further agreements, documents or instruments reasonably necessary to effectuate this Agreement and the transactions referred to herein or contemplated hereby or reasonably requested by the other Party to perfect or evidence their rights hereunder.

### 14. TERMINATION

14.1 This Agreement may be terminated by:

14.1.1 Termination of the Transfer Agreement; or

14.1.2 The mutual written agreement of Licensee and New Operator.

14.2 If this Agreement is terminated, New Operator agrees to work with Licensee to transition operation of the Acquired Agency back to Licensee or a new operator designated by Licensee.

### 15. NOTICES

All notices and other communications required or permitted to be given under this Agreement must be in writing and will be deemed duly given on the earlier of (a) the date actually received by the applicable Party, by whatever means and however addressed; (b) the date sent if properly addressed and sent by electronic transmission; and (c) the date of personal delivery if delivered by hand or the date signed for if sent by reputable overnight courier service (charges prepaid), to the following addresses (or to another address a Party may request, in the case of Licensee, on the one hand, by notifying New Operator, and in the case of New Operator, on the other hand, by notifying Licensee):

**If to New Operator:**

Hospice by the Bay  
17 E. Sir Francis Drake Boulevard  
Larkspur, CA 94939  
Attention: Kitty Whitaker, CEO  
Email: [kwhitaker@hospicebythebay.org](mailto:kwhitaker@hospicebythebay.org)

**With a copy to:**

Hanson Bridgett, LLP  
425 Market Street, 26th Floor  
San Francisco, CA 94105  
Attention: Pamela Kaufmann, Esq.  
Phone: (415) 995-5043  
Facsimile: (415) 995-3449  
Email: [pkaufmann@hansonbridgett.com](mailto:pkaufmann@hansonbridgett.com)

**If to Licensee:**

Sonoma Valley Health Care District  
347 Andriuex Street  
Sonoma, CA 95476  
Attention: Kelly Mather, CEO  
Phone: (707)935-5005  
Facsimile: (707) 935-5433  
Email: [kmather@svh.com](mailto:kmather@svh.com)

**With a copy to:**

Archer Norris  
2033 North Main Street, Suite 800  
Walnut Creek, CA 94596  
Attention: Colin Coffey, Esq.  
Phone: (925) 952-5472  
Facsimile: (925) 930-6620  
Email: [ccoffey@archernorris.com](mailto:ccoffey@archernorris.com)

**16. PAYMENT OF EXPENSES**

Each Party hereto shall bear its own legal, accounting and other expenses incurred in connection with the preparation and negotiation of this Agreement and the consummation of the transaction contemplated hereby, whether or not the transaction is consummated.

**17. ENTIRE AGREEMENT; AMENDMENT; WAIVER**

This Agreement, together with the other agreements referred to herein, and all exhibits attached hereto constitute the entire understanding between the Parties with respect to the subject matter hereof, superseding all negotiations, prior discussions and preliminary agreements. This Agreement may not be modified or amended except in a writing signed by the Parties or their respective successors in interest. No waiver of any term, provision or condition of this Agreement in any one or more instances, shall be deemed to be or be construed as a further or continuing waiver of any such term, provision or condition of this Agreement. No failure to act shall be construed as a waiver of any term, provision, condition or rights granted hereunder.

**18. ASSIGNMENT**

Neither Licensee nor New Operator may assign its rights nor delegate its duties hereunder to anyone without the prior written consent of the other Party, which consent shall not be unreasonably withheld.

**19. ADDITIONAL DOCUMENTS**

Licensee and New Operator agree to execute such additional documents as may be required to implement the terms of this Agreement.

**20. NO JOINT VENTURE; THIRD PARTY BENEFICIARIES**

Nothing contained herein shall be construed as forming a joint venture or partnership between the Parties with respect to the subject matter hereof. The Parties do not intend that any third party shall have any rights under this Agreement except as expressly provided herein.

**21. CAPTIONS**

The section headings contained herein are for convenience only and shall not be considered or referred to in resolving questions of interpretation.

**22. COUNTERPARTS**

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one (1) and the same agreement. Telecopied or faxed signatures or signatures emailed in a “pdf” format may be used in place of original signatures on this Agreement. Licensee and New Operator intend to be bound by the signatures on telecopied, faxed or pdf documents; are aware that the other party will rely on the telecopied, faxed or pdf signatures; and hereby waive any defenses to the enforcement of the terms of this Agreement based on the use of a telecopied, facsimile or pdf signature.

**23. GOVERNING LAW**

This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to principles of conflicts of law.

**24. CONFLICT**

In the event of a conflict between this Agreement and the terms of the Transfer Agreement, the Transfer Agreement shall prevail.

**25. DISPUTE RESOLUTION**

In the event of a dispute between the Parties hereto with respect to the interpretation or enforcement of the terms of this Agreement, the Parties agree to use the dispute resolution provisions set forth in Section 20 of the Transfer Agreement.

**26. CONSTRUCTION**

Both Parties acknowledge and agree that they have participated in the drafting and negotiation of this Agreement. Accordingly, in the event of a dispute between the Parties with respect to the interpretation or enforcement of this Agreement, no provision shall be construed so as to favor or disfavor either Party.



27. **OPENING MAIL**

From and after the Closing Date, New Operator shall be authorized to open mail addressed to Licensee received at the Acquired Agency. All mail received at the Acquired Agency relating to Licensee's operation of the Acquired Agency prior to the Closing Date shall, within ten (10) days of receipt, be promptly delivered to Licensee by New Operator via personal delivery directly to \_\_\_\_\_, or via the United States mail, certified or registered, postage prepaid, return receipt requested, to the following address: \_\_\_\_\_.

28. **PROTECTED HEALTH INFORMATION**

The Parties acknowledge that in performing its obligations under this Agreement, New Operator will be a business associate of Licensee, as that term is defined in 45 CFR § 160.130. Accordingly, the Parties adopt and incorporate by reference the provisions of the Business Associate Agreement attached to this Agreement as Exhibit B.

[SIGNATURE PAGE FOLLOWS]

**IN WITNESS WHEREOF**, the Parties hereby execute this Agreement as of the day and year first set forth above.

**NEW OPERATOR:**

**HOSPICE BY THE BAY**, a California nonprofit public benefit corporation

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

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

Title: \_\_\_\_\_

**LICENSEE:**

**SONOMA VALLEY HEALTH CARE DISTRICT**, a political subdivision of the State of California

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

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

Title: \_\_\_\_\_

**EXHIBIT A**  
**INTERIM LEASE**

**[see attached]**

Exhibit A

## EXHIBIT B

### FORM OF BUSINESS ASSOCIATE AGREEMENT

Hospice By The Bay, a California nonprofit public benefit corporation (“**Business Associate**”), and Sonoma Valley Health Care District, a political subdivision of the State of California (“**Covered Entity**”), have entered into a Management and Operations Transfer Agreement dated \_\_\_\_\_ (the “**MOTA**”). Pursuant to the MOTA, Business Associate will create or receive Protected Health Information from or on behalf of Covered Entity, which information is subject to protection under the Federal Health Insurance Portability and Accountability Act of 1996 (“**HIPAA**”), the Health Information Technology for Economic and Clinical Health Act, (the “**HITECH Act**”) and related regulations (the “**HIPAA Regulations**”). The terms of this Business Associate Agreement (this “**Agreement**”) between Business Associate and Covered Entity shall govern the access to, use, and disclosure of such Protected Health Information.

#### Definitions

1.1 **General.** Terms used, but not otherwise defined, in this Agreement shall have the same meaning given to those terms by the MOTA, HIPAA, the HITECH Act, and HIPAA Regulations as in effect or as amended from time to time.

1.2 **Specific.**

(a) **Electronic Protected Health Information.** “Electronic Protected Health Information” shall have the same meaning as the term “electronic protected health information” in 45 CFR §160.103, limited to the information that Business Associate creates, receives, maintains, or transmits from or on behalf of Covered Entity.

(b) **Individual.** “Individual” shall have the same meaning as the term “individual” in 45 CFR §160.103 and shall include a Person who qualifies as a personal representative in accordance with 45 CFR §164.502(g).

(c) **Protected Health Information.** “Protected Health Information” or “PHI” shall have the same meaning as the term “protected health information” in 45 CFR §160.103, limited to the information created or received by Business Associate from or on behalf of Covered Entity.

(d) **Secretary.** “Secretary” shall mean the Secretary of the Department of Health and Human Services or his designee.

(e) **Security Rule.** “Security Rule” shall mean the Security Standards at 45 Part 160 and Part 164.

(f) **State Law.** “State Law” shall mean the statutes and regulations of the State of California relating to the privacy and security of Protected Health Information.

(g)

**Obligations and Activities of Business Associate**

2.1 **Use and Disclosure.** Business Associate agrees not to use or disclose Protected Health Information other than as permitted or required by the MOTA, this Agreement or as Required by Law. Business Associate shall comply with this Agreement and all present and future provisions of HIPAA, the HITECH Act, the HIPAA Regulations and State Law that relate to the privacy and security of Protected Health Information and that are applicable to Business Associate. Without limiting the generality of the foregoing, Business Associate shall not directly or indirectly receive remuneration in exchange for disclosing PHI received from or on behalf of Covered Entity except as permitted by HITECH Act §13405, the HIPAA Regulations and State Law, nor shall Business Associate use PHI for marketing purposes, attempt to re-identify PHI or Use or Disclose PHI in any manner that would violate State Law, regardless of whether such action is on behalf of or permitted by the Covered Entity.

2.2 **Appropriate Safeguards.** Business Associate agrees to use appropriate safeguards to prevent the use or disclosure of the Protected Health Information other than as provided for by this Agreement. Without limiting the generality of the foregoing sentence, Business Associate will:

(a) Implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of Electronic Protected Health Information as required by the Security Rule;

(b) Ensure that any agent, including a subcontractor, to whom Business Associate provides Electronic Protected Health Information agrees to implement reasonable and appropriate safeguards to protect Electronic Protected Health Information; and

(c) Report to Covered Entity any Security Incident of which Business Associate becomes aware without unreasonable delay and in no case less than five (5) calendar days after the Business Associate becomes aware of the Security Incident. In addition, Business Associate agrees to notify Covered Entity following the discovery of a Breach of Unsecured Protected Health Information without unreasonable delay and in no case less than five (5) calendar days after the Business Associate following the discovery. A Breach is considered “discovered” as of the first day on which the Breach is known, or reasonably should have been known, to Business Associate or any employee, officer or agent of Business Associate, other than the individual committing the Breach. Any notice of a Security Incident or Breach of Unsecured Protected Health Information shall include the identification of each Individual whose Protected Health Information has been, or is reasonably believed by Business Associate to have been, accessed, acquired, or disclosed during such Security Incident or Breach as well as any other available information that Covered Entity is required to include in its notification to individuals under the HIPAA Regulations or State Law. In addition, Business Associate shall comply with applicable State Law regarding notification of data breaches.

2.3 **Reporting.** Business Associate agrees to promptly report to Covered Entity any use or disclosure of Protected Health Information not permitted by this Agreement of which Business Associate becomes aware.

2.4 **Mitigation.** Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of Protected Health Information by Business Associate or its employees, officers, or agents in violation of the requirements of this Agreement (including, without limitation, any Security Incident or Breach of Unsecured Protected Health Information). Business Associate agrees to reasonably cooperate and coordinate with Covered Entity in the investigation of any violation of the requirements of this Agreement and/or any Security Incident or Breach. Business Associate shall also reasonably cooperate and coordinate with Covered Entity in the preparation of any reports or notices to the Individual, a regulatory body or any third party required to be made under HIPAA, HIPAA Regulations, the HITECH Act, or any other federal or state laws, rules or regulations, provided that any such reports or notices shall be subject to the prior written approval of Covered Entity.

2.5 **Agents.** Business Associate shall ensure that any agent, including a subcontractor, to whom it provides Protected Health Information received from, or created or received by, Business Associate on behalf of Covered Entity agrees to the same restrictions and conditions that apply through this Agreement to Business Associate with respect to such information.

2.6 **Access to Designated Record Sets.** To the extent that Business Associate possesses or maintains Protected Health Information in a Designated Record Set, Business Associate agrees to provide access, at the request of Covered Entity, and in the time and manner designated by the Covered Entity, to Protected Health Information in a Designated Record Set, to Covered Entity or, as directed by Covered Entity, to an Individual in order to meet the requirements under HIPAA Regulations. If an Individual makes a request for access to Protected Health Information directly to Business Associate, Business Associate shall notify Covered Entity of the request within three (3) business days of such request and will cooperate with Covered Entity and allow Covered Entity to send the response to the Individual.

2.7 **Amendments to Designated Record Sets.** To the extent that Business Associate possesses or maintains Protected Health Information in a Designated Record Set, Business Associate agrees to make any amendment(s) to Protected Health Information in a Designated Record Set that the Covered Entity directs or agrees to pursuant to HIPAA Regulations at the request of Covered Entity or an Individual, and in the time and manner designated by the Covered Entity. If an Individual makes a request for an amendment to Protected Health Information directly to Business Associate, Business Associate shall notify Covered Entity of the request within three business (3) days of such request and will cooperate with Covered Entity and allow Covered Entity to send the response to the Individual.

2.8 **Access to Books and Records.** Business Associate agrees to make its internal practices, books, and records, including policies and procedures and Protected Health Information, relating to the use and disclosure of Protected Health Information received from, or created or received by Business Associate on behalf of, Covered Entity available to the Covered Entity, or to the Secretary, in a time and manner designated by the Covered Entity or designated by the

Secretary, for purposes of the Secretary determining Covered Entity's compliance with the Privacy Rule.

2.9 **Accountings.** Business Associate agrees to document such disclosures of Protected Health Information and information related to such disclosures as would be required for Covered Entity to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with HIPAA, HIPAA Regulations and the HITECH Act.

2.10 **Requests for Accountings.** Business Associate agrees to provide to Covered Entity or an Individual, in the time and manner designated by the Covered Entity, information collected in accordance with Section 2.9 of this Agreement, to permit Covered Entity to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with HIPAA, HIPAA Regulations and the HITECH Act. If an Individual makes a request for an accounting directly to Business Associate, Business Associate shall notify Covered Entity of the request within three business (3) days of such request and will cooperate with Covered Entity and allow Covered Entity to send the response to the Individual.

### **Permitted Uses and Disclosures by Business Associate**

3.1 **MOTA.** Except as otherwise limited in this Agreement, Business Associate may use or disclose Protected Health Information to perform functions, activities, or services for, or on behalf of, Covered Entity as specified in the MOTA, provided that such use or disclosure would not violate HIPAA, HIPAA Regulations, the HITECH Act or State Law if done by Covered Entity or the minimum necessary policies and procedures of the Covered Entity.

3.2 **Use for Administration of Business Associate.** Except as otherwise limited in this Agreement, Business Associate may use Protected Health Information for the proper management and administration of the Business Associate or to carry out the legal responsibilities of the Business Associate.

3.3 **Disclosure for Administration of Business Associate.** Except as otherwise limited in this Agreement, Business Associate may disclose Protected Health Information for the proper management and administration of the Business Associate, provided that (i) disclosures are Required by Law, or (ii) Business Associate obtains reasonable assurances from the Person to whom the information is disclosed that it will remain confidential and used or further disclosed only as Required by Law or for the purpose for which it was disclosed to the person, and the Person notifies the Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached.

### **Obligations of Covered Entity**

4.1 **Notice of Privacy Practices.** Covered Entity shall provide Business Associate with a copy of its Notice of Privacy Practices, as well as any amendments to such notice that Covered Entity may adopt from time to time.

4.2 **Changes in Authorization or Permission.** Covered Entity shall provide Business Associate with any changes in or revocation of any permission by an individual to disclose the

individual's PHI, if such changes affect Business Associate's permitted or required uses and or disclosures.

### **Indemnification and Insurance**

#### **5.1 Indemnification.** Business Associate shall:

(a) Provide indemnification to Covered Entity for any expenses incurred by Covered Entity in notifying patients, Governmental Authorities, or other Persons or entities, as required by law, of security breaches involving PHI in the custody of Business Associate or any subcontractor.

(b) Indemnify and hold harmless Covered Entity for any liability to which Covered Entity incurred as a result of an improper use or disclosure of PHI by Business Associate or any subcontractor in violation of this Agreement or the HIPAA Rules.

**5.2 Insurance.** Business Associate shall obtain and maintain insurance coverage with carriers and in amounts reasonably acceptable to Covered Entity for any liability resulting from damages or injuries due to acts or omissions in receiving, maintaining, or disclosing PHI under this Agreement.

### **Term and Termination**

**6.1 Term.** This Agreement shall be effective as of the date of the MOTA and shall continue as long as Business Associate provides the services during the Management Period.

**6.2 Termination for Cause.** Upon Covered Entity's knowledge of a material breach by Business Associate of the terms of this Agreement, Covered Entity shall either:

(a) Provide an opportunity for Business Associate to cure the breach or end the violation. If Business Associate does not cure the breach or end the violation within the time reasonably specified by Covered Entity, Covered Entity shall terminate: (i) this Agreement; (ii) all of the provisions of the MOTA that involve the use or disclosure of Protected Health Information; and (iii) such other provisions of the MOTA, **if any**, as Covered Entity designates.

(b) If Business Associate has breached a material term of this Agreement and cure is not possible, immediately terminate: (i) this Agreement; (ii) all of the provisions of the MOTA that involve the use or disclosure of Protected Health Information; and (iii) such other provisions, if any, of the MOTA as Covered Entity designates; or

(c) If neither termination nor cure are feasible, Covered Entity shall report the violation to the Secretary.

#### **6.3 Effect of Termination.**

(a) Upon termination of this Agreement, if Covered Entity remains a licensed home health agency and continues to provide services to patients, Business Associate shall:



(i) return or destroy all Protected Health Information received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity. This provision shall apply to Protected Health Information that is in the possession of subcontractors or agents of Business Associate. Business Associate shall retain no copies of the Protected Health Information.

(ii) In the event that Business Associate determines that returning or destroying the Protected Health Information is infeasible, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction infeasible. Upon mutual agreement of the Parties that return or destruction of Protected Health Information is infeasible, Business Associate shall extend the protections of this Agreement to such Protected Health Information and limit further uses and disclosures of such Protected Health Information to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains such Protected Health Information.

### **Miscellaneous**

**7.1 Regulatory References.** A reference in this Agreement to a section in HIPAA, HIPAA Regulations, the HITECH Act or State Law means the section as in effect or as amended or modified from time to time, including any corresponding provisions of subsequent superseding laws or regulations.

**7.2 Amendment.** The Parties agree to take such action as is necessary to amend the MOTA from time to time as is necessary for Covered Entity to comply with the requirements of HIPAA, the HIPAA Regulations and the HITECH Act.

**7.3 Interpretation.** Any ambiguity in this Agreement shall be resolved to permit Covered Entity and Business Associate to comply with HIPAA, the HIPAA Regulations, the HITECH Act and State Law. If there is any conflict between the HIPAA Regulations and State Law, the most stringent requirements shall control the Parties' obligations under the MOTA and this Agreement.

**7.4 Miscellaneous.** Except as otherwise set forth in Section 7.3 of this Agreement, in the event of a conflict between this Agreement and the terms of the MOTA, this Agreement shall prevail. This Agreement supersedes and replaces any former business associate agreement or addendum entered into by the Parties.

*[SIGNATURES FOLLOW]*

**IN WITNESS WHEREOF**, the Parties have entered into this Agreement as of this \_\_\_\_ day of \_\_\_\_\_, 2018.

**BUSINESS ASSOCIATE:**

**HOSPICE BY THE BAY**, a California nonprofit public benefit corporation

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

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

Title: \_\_\_\_\_

**COVERED ENTITY:**

**SONOMA VALLEY HEALTH CARE DISTRICT**, a political subdivision of the State of California

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

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

Title: \_\_\_\_\_

**EXHIBIT C**

**INTERIM LICENSED SERVICES AGREEMENT**

**[see attached]**

Exhibit C

Exhibit C

## **INTERIM LEASE**

THIS INTERIM LEASE (hereinafter referred to as "**Lease**") is made and entered into this \_\_\_ day of \_\_\_\_\_, 2018, by and between HOSPICE BY THE BAY, a California nonprofit public benefit corporation (hereinafter referred to as "**Lessor**"), and SONOMA VALLEY HEALTH CARE DISTRICT, a political subdivision of the State of California (hereinafter referred to as "**Lessee**").

### **RECITALS**

WHEREAS, Lessor is the tenant of that certain real property upon which the business known as Healing at Home is operated, located at 1151 Broadway, #101, Sonoma, California (the "**Premises**");

WHEREAS, Lessor owns or leases the furnishings, fixtures, equipment and supplies to be used in or about the Premises (hereinafter collectively referred to as the "**Property**");

WHEREAS, Lessee has experience in the operation of home health agencies ("**HHA**") and currently holds an HHA license for the Premises;

WHEREAS, Lessor and Lessee desire that the Premises be operated as an HHA;

WHEREAS, Lessor is preparing an application to obtain an HHA license for the Premises;

WHEREAS, Lessor and Lessee desire that the Premises continue to be operated as an HHA under Lessee's HHA license pending receipt of a new HHA license for the Premises;

WHEREAS, Lessee is willing to operate and otherwise fulfill the role of licensee of the business conducted at the Premises in conjunction with Lessor, as more particularly described in the MOTA (as defined below);

WHEREAS, Lessor desires to manage the Premises, and, in connection therewith, to permit Lessee to take all actions upon and in connection with the Premises and Property necessary or appropriate to act as its licensed operator and, without interference from Lessor, to perform all the operations and functions set forth in this Lease and otherwise required of an HHA operator pursuant to the rules and regulations of the State of California, Department of Public Health ("**CDPH**");

WHEREAS, Lessee and Lessor acknowledge that the Premises are to be operated as an HHA, and that Lessee will enter into that certain Management and Operations Transfer Agreement with Lessor of even date herewith (the "**MOTA**") for the management and operation of the Premises in accordance therewith; and

WHEREAS, the parties hereto have agreed to the terms and conditions of this Lease.

## AGREEMENT

NOW, THEREFORE, it is agreed that the use and occupancy of the Premises, and the use of the Property, will be subject to the terms and in accordance with the conditions and provisions of this Lease. The Recitals set forth above are incorporated herein by this reference.

### ARTICLE I

#### PREMISES AND PERSONAL PROPERTY

1.1 Lessor, for and in consideration of the rents, covenants and agreements hereinafter reserved, mentioned and contained on the part of Lessee, its successors and assigns, to be paid, kept and performed, does hereby lease to Lessee the Premises, subject to the terms and provisions of the lease agreement with the owner of the Premises, together with the Property to be used in and upon the Premises, for the term hereinafter specified, for use and operation therein and thereon of an HHA, in full compliance with all rules and regulations and minimum standards applicable thereto, as prescribed by CDPH and such other governmental authorities having jurisdiction thereof and for no other purpose.

1.2 Commencing on the date hereof (the "**Commencement Date**") and continuing for the duration of the term of this Lease, Lessor grants to Lessee a license to use the following intangible property that is now or hereafter used in connection with the operation of the Premises, to the extent of Lessor's right, title and interest, if any, in and to such property, provided that upon termination of this Lease, all of such rights and licenses will terminate, and all right, title and interest in such property will immediately revert to Lessor:

(a) all licenses, permits, accreditation and certificates of occupancy issued by any federal, state, municipal or quasi-governmental authority for the use, maintenance or operation of the Premises, running to or in favor of Lessor, that were assigned to or obtained by Lessor in connection with Lessor's lease of the Premises, to the extent assignable by Lessor;

(b) all documents, charts, personnel records, property manuals, books, records, files and other business records attributable to the business or operations at the Premises, that were assigned to or obtained by Lessor in connection with Lessor's lease of the Premises and ownership of the Property, but subject to applicable privacy and related laws, if any;

(c) all assignable guaranties and warranties in favor of Lessor with respect to the Premises and/or the Property that were assigned to or obtained by Lessor in connection with Lessor's lease of the Premises and ownership of the Property; and

(d) all other assignable intangible property not enumerated herein (i) that is necessary or appropriate for Lessee to use in acting as licensed operator of the Premises and/or Lessor to use in managing the Premises and in performing all operations and functions set forth in this Lease and the MOTA, respectively; (ii) that is now or hereafter used in connection with the

operation of the Premises as an HHA; and (iii) that was assigned to or obtained by Lessor in connection with Lessor's lease of the Premises and ownership of the Property.

1.3 Lessee expressly covenants and agrees that it hereby takes this Lease and the leasehold estate hereby established upon and subject to Lessor's interest, and the interest of the owner of the Premises, including all rights, rights of way, easements, profits, servitudes, reservations, restrictions, conditions, exceptions, reversions, possibilities of reverter, liens, encumbrances, occupancies, tenancies, licenses, clouds, claims and defects, known and unknown, and whether of record or not.

## ARTICLE II

### MANAGEMENT

2.1 Lessee has entered into the MOTAs with Lessor and the parties acknowledge that the terms of the MOTAs are integral to the performance of Lessor and Lessee under this Lease. Lessor and Lessee agree that, notwithstanding anything to the contrary in this Lease, Lessee's duties with regard to the conduct of management and operations of the Premises will be consistent with, and except as specifically set forth herein, will not exceed the scope or nature of, the duties to be performed by Lessor under the MOTAs, and the provisions of this Lease are to be interpreted and construed in a manner consistent with the MOTAs.

2.2 The termination of this Lease for any reason will be deemed to irrevocably vest all rights of Lessee under the MOTAs, known, unknown, accrued, contingent, or otherwise, to Lessor in Lessor without further action by Lessee or Lessor, but Lessee agrees to take such further action and execute such further documents or instruments, at Lessor's sole cost and expense, as may be necessary to vest such rights in, or otherwise assign such rights to, Lessor.

## ARTICLE III

### RENT AND ACCOUNTS

Lessee agrees to pay to Lessor as rent ("**Rent**") the sum of Twelve Dollars (\$12.00) per year, payable in advance.

## ARTICLE IV

### TERM OF LEASE

The term of this Lease will be for a period commencing on the Commencement Date and continuing until the date on which Lessor receives an HHA license from CDPH for the Premises.

## ARTICLE V

### OPERATIONAL PROVISIONS

#### 5.1

(a) Lessee will properly maintain the HHA license, and all other licenses, certifications and permits, if any, required by all federal, state and local laws, rules and regulations in connection with the management and operation of the Premises. Lessee will have sole authority and responsibility to take such actions as are necessary to operate the Premises as an HHA and to maintain ongoing compliance with said HHA license requirements. Lessee will cause, at Lessor's expense (except as otherwise expressly provided herein), all acts and things to be done in and about the Premises as will be required by any statute, ordinance, law, rule, regulation, or order of any governmental or regulatory body having jurisdiction over the Premises respecting the use or manner of use of the Premises or the construction, maintenance or operation thereof, as well as with all orders and requirements of the local Board of Fire Underwriters, the local building officials or any other body that may hereafter exercise similar functions. Lessee hereby covenants, warrants and represents to Lessor that, throughout the term of this Lease, the operation of the Premises will conform with the applicable licensing and regulatory requirements of all government bodies so that Lessee will be able to perform all services that it has agreed to perform pursuant to this Lease. Notwithstanding the above, the parties understand and agree that Lessee has engaged Lessor to perform some or all of Lessee's obligations hereunder and Lessee hereby consents to such delegation of responsibility to Lessor.

(b) Subject to the terms and provisions of the MOTA, Lessor will in no way interfere with Lessee's operation of the Premises, nor will Lessor interfere with Lessee's obligation to establish operational policies respecting the Premises. Without limiting the generality of the foregoing, under no circumstances will Lessor take any action that would require it to be a co-licensee of the Premises.

5.2 Lessee will have the following responsibilities with respect to records and reports (all of which may be delegated to Lessor under the MOTA):

(a) All records, books and accounts prepared and submitted to Lessee in accordance with the MOTA will be subject to examination at reasonable hours by any authorized representative of Lessor at the Premises. Notwithstanding the foregoing, Lessor will not be entitled to have access to confidential resident records to the extent prohibited by law or regulation.

(b) Lessee will promptly furnish such information as may be requested by Lessor from time to time, with respect to the financial, physical and operational condition of the Premises.

5.3 Lessee will have the right to negotiate and enter into contracts in the name of Lessor; provided, however, that Lessee will delegate such right on an exclusive basis to Lessor pursuant to the MOTA. Lessee will not negotiate or enter into any contract in the name of Lessor



with any union entitled to represent employees or enter into any collective bargaining agreement or labor contracts resulting from any such contract or negotiation with any union.

5.4 Lessee will have the right to purchase (or arrange for the purchase of) all inventories, provisions, supplies and operating equipment that, in the normal course of business, are necessary to properly maintain and operate the Premises; provided, however, that Lessee will delegate such right on an exclusive basis to Lessor pursuant to the MOTA.

5.5 Lessee will be responsible for the exercise of due diligence in all matters of safety, including, but not limited to, maintenance of the Premises and Property in a safe condition, training of all on-site employees and promulgation of rules and regulations for use of the central administration and service facilities; provided, however, that Lessee will delegate such responsibilities on an exclusive basis to Lessor pursuant to the MOTA.

## ARTICLE VI

### REPAIRS AND MAINTENANCE

Lessee will direct Lessor to cause the Premises to be maintained and repaired in accordance with the licensure requirements and local codes, including, but not limited to, cleaning, painting, decorating, plumbing, electrical, HVAC, appliances, carpentry, grounds care and such other maintenance and repair work as may be necessary, subject to reasonable limitations imposed by Lessor in addition to those contained herein. Lessor's limitations will not interfere with Lessee's responsibilities and authority to comply with all HHA licensure requirements. Incidental thereto, the following provisions will apply:

(a) Special attention will be given to preventive maintenance and, to the greatest extent feasible, the services of on-site maintenance employees will be used.

(b) Lessee will contract with qualified independent contractors for the maintenance and repair of HVAC systems and for extraordinary repairs to the Premises beyond the capability of on-site maintenance employees.

(c) Lessee will systematically and promptly receive and investigate all service requests from residents, take such action thereon as may be justified and keep records of the same. Emergency requests will be received and serviced on a twenty-four (24) hour basis.

## ARTICLE VII

### INSURANCE

Lessee will secure, as an operating expenses in accordance with the MOTA, all insurance required to be carried by Lessee under the MOTA.

## ARTICLE VIII

### REPORTS AND PAYMENT OF TAXES AND ASSESSMENTS

8.1 As an expense of the Premises, Lessee will cause Lessor to prepare and file all reports and other documents required by the State of California and the different counties to operate the Premises.

8.2 All real estate taxes, ad valorem taxes, school taxes, assessments and personal property taxes, intangible and use taxes and any other taxes relating to the Premises or Property will be paid as an operating expense under the express terms of the MOTA.

8.3 All licenses and permit fees, license renewal fees, charges for public utilities and all governmental charges, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever that during the term of this Lease may have been, or may be assessed, levied, confirmed, imposed upon or become due and payable out of or in respect of, or become a lien on the Premises or Property, or any part thereof, will be paid as an operating expense under the express terms of the MOTA, except to the extent such fees or other charges arise from the gross negligence or willful misconduct of Lessee, in which case such amounts directly resulting from Lessee's gross negligence or willful misconduct will be paid by Lessee.

8.4 Nothing herein contained will require Lessee to pay taxes or assessments against Lessor or the Premises or to pay capital levy, franchise, estate, succession or inheritance taxes of Lessor, other than as provided for herein as an operating expense.

## ARTICLE IX

### OCCUPANCY

9.1 During the term of this Lease, the Premises will be used and occupied by Lessee for and as an HHA and for no other purpose.

9.2 Lessee will not suffer any act to be done or any condition to exist on the Premises that may be dangerous or that may, in law, constitute a public or private nuisance or that may void or make voidable any insurance then in force on the Premises.

9.3 Upon termination of this Lease for any reason, Lessee will return to Lessor the Premises qualified and sufficient for licensing by all governmental agencies having jurisdiction over the Premises as an HHA with licenses in full force and good standing and in all other respects in the condition required to be maintained under this Lease.

ARTICLE X

ALTERATIONS AND DEMOLITION

Lessee will not remove or demolish any improvement that is part of the Premises, or any portion thereof, or allow it to be removed or demolished. Lessee further agrees that it will not make, authorize or permit to be made any changes or alterations in or to the Premises without first obtaining Lessor's written consent thereto as well as the consent, if required, of the owner of the Premises. All alterations, improvements and additions to the Premises will be in quality and class at least equal to the original work and will meet all building and fire codes and all other applicable codes, rules, regulations, laws and ordinances.

ARTICLE XI

DISCHARGE OF LIENS

Lessee and Lessor will use their best commercially reasonable efforts to prevent any liens from being filed against the Premises that arise from any maintenance, repairs, alterations, improvements, renewals or replacements in or to the Premises. They will cooperate fully in obtaining the release of any such liens, and the cost thereof; provided, however, that if the lien arises as a result of the gross negligence or willful misconduct of Lessee, then Lessee will bear the cost of obtaining the lien release.

ARTICLE XII

INSPECTION OF PREMISES BY LESSOR

12.1 At any time, Lessor, and/or its authorized representative, will have the right to enter and inspect the Premises and Property.

12.2 Lessor agrees that the person or persons entering and inspecting the Premises and Property pursuant to Section 12.1 above will cause as little inconvenience to Lessee as may be reasonably possible under the circumstances.

12.3 Lessee hereby acknowledges and agrees that the holder of any mortgage encumbering the Premises will have the right, but not the obligation, to enter and inspect the Premises and Property to the extent such holder is entitled to do so under the terms of its mortgage.

ARTICLE XIII

INDEMNIFICATION

13.1 Lessor agrees to indemnify, defend and hold Lessee, its affiliates and its and their direct or indirect members, partners, shareholders, officers, directors or employees (collectively,

"Lessee Parties") free and harmless from any losses, liabilities, damages, suits, expenses and costs, including reasonable attorneys' fees and fees of costs of expert witnesses (collectively, "Claims") that Lessee Parties, or any of them, may sustain, incur, or assume arising from the operation of the Premises from and after the date of this Lease (expressly including any and all indemnification, defense and hold harmless obligations of Lessee in favor of Lessor under the MOTA) unless such Claims result from the gross negligence, willful misconduct or fraud of Lessee.

13.2 Lessee agrees to indemnify, defend and hold Lessor, its affiliates and its direct or indirect members, partners, shareholders, officers, directors or employees (collectively, "Lessor Parties") free and harmless from any Claims that Lessor Parties, or any of them, may sustain, incur, or assume arising from the gross negligence, willful misconduct or fraud of Lessee or any Lessee Party.

#### ARTICLE XIV

##### ASSIGNMENT AND SUBLETTING

During the term of this Lease, Lessee will not, without the prior written consent of Lessor and such consent as may be required by the owner of the Premises, assign this Lease or in any manner whatsoever sublet, assign or transfer all or any part of the Premises or in any manner whatsoever transfer or assign any interest in the Premises. Any violation or breach or attempted violation or breach of the provisions of this Article XIV by Lessee, or any acts inconsistent herewith, will vest no right, title or interest herein or hereunder or in the leased property, in any such transferee or assignee, and Lessor may, at its exclusive option, terminate this Lease and invoke the provisions of this Lease relating to default.

#### ARTICLE XV

##### CUMULATIVE REMEDIES; WAIVER

The failure of either party to insist upon a strict performance of any of the terms or provisions of this Lease, or exercise any option, right or remedy herein contained, will not be construed as a waiver or as a relinquishment for the future of such term, provision, option, right, or remedy, but the same will continue and remain in full force and effect. No waiver by either party of any term or provision hereof will be deemed to have been made unless expressed in writing and signed by such party.

#### ARTICLE XVI

##### RIGHT TO CONTEST

Lessee will have the right to contest by appropriate legal proceedings, diligently conducted in good faith, the validity or application of any law, regulation or rule mentioned herein and to

delay compliance therewith pending the prosecution of such proceedings; provided, however, that no civil or criminal liability would be thereby incurred by Lessor and no lien or charge would be thereby imposed upon or satisfied out of the Premises; further provided that the effectiveness and good standing of any license, certificate or permit affecting the Premises or the HHA operated thereon would continue in full force and effect during the period of such contest; and, provided further, that Lessee satisfies any and all applicable requirements of this Lease.

## ARTICLE XVII

### SUBORDINATION TO FINANCING

17.1 Lessor and Lessee hereby agree that this Lease and any and all liens, rights (including the right to receive operating fees) and interests (whether choate or inchoate) owed, claimed or held by Lessee in and to the Premises and the Rent generated therefrom, are and will be in all respects subordinate and inferior to the liens and security interests created or to be created for the benefit of a lender with a mortgage against the Property ("**Mortgage Lender**"), its successors and assigns, and securing the repayment of the loan, and filed or to be filed of record in the public records maintained for the recording of mortgages in the jurisdiction where the Premises is located, and all renewals, extensions, increases, supplements, amendments, modifications and replacements thereof. Lessee will attorn to any party succeeding to Lessor's interest in the Premises, whether by purchase, foreclosure, power or sale, or otherwise, upon such party's request, and will execute such agreements confirming such attornment as such party will reasonably request. Lessee will not seek to enforce any remedy it may have for any default on the part of Lessor without first giving notice to Mortgage Lender specifying such default in reasonable detail and affording Mortgage Lender at least thirty (30) days to cure such default on behalf of Lessor. Lessee agrees to execute a separate subordination agreement if requested by the Mortgage Lender in form reasonably acceptable to Lessee.

17.2 If Mortgage Lender succeeds to the interest of Lessor under this Lease, Lessee acknowledges and agrees that Mortgage Lender will not be: (1) liable for any act or omission of any prior lessor (including Lessor) other than a failure to pay for expenses related to the Property and operation thereof; (2) bound by any Rent that Lessee might have paid for more than the current month to any prior lessor (including Lessor) except to the extent received by Mortgage Lender, and, except to the extent so received by Mortgage Lender, all such Rent will remain due and owing, notwithstanding such advance payment; (3) bound by any amendment or modification of this Lease made without Mortgage Lender's consent, except for those amendments and modifications permitted to be made by Lessor without Mortgage Lender's consent pursuant to the terms of the loan documents between Lessor and Mortgage Lender; (4) subject to the defenses that Lessee might have against any prior lessor (including Lessor); and (5) subject to the offsets that Lessee might have against any prior lessor (including Lessor) except for those offset rights that (A) are expressly provided in this Lease and (B) relate to periods of time following the acquisition of the Premises by Mortgage Lender; provided that in each instance of foregoing clauses (1) through (5), in no event will Lessee be required to pay any Rent or other sums to Mortgage Lender out of its own funds, or incur any expenses that would not be reimbursed by Mortgage Lender or Lessor. Mortgage Lender will have no liability or responsibility under or pursuant to the terms of this Lease or otherwise after it ceases to own an interest in the Premises except for liability on account

of the period prior to such cessation. Nothing in this Lease will be construed to require Mortgage Lender to see to the application of the proceeds of any loan, and Lessee's agreements set forth herein will not be impaired on account of any modification of the documents evidencing and securing any loan.

17.3 Lessee acknowledges that this Lease has been or may be assigned to Mortgage Lender and consents to such assignment. Lessee further agrees that Lessor is under no obligation to obtain for the benefit of Lessee a recognition and attornment agreement from Mortgage Lender. Lessee further agrees that this Lease may be terminated at any time by Mortgage Lender upon ninety (90) days' notice to Lessee if Mortgage Lender, or an assignee or designee thereof, succeeds to Lessor's interest in the Premises.

## ARTICLE XVIII

### ARBITRATION OF DISPUTES

**ANY CLAIM OR CONTROVERSY ARISING OUT OF THIS LEASE OR A BREACH THEREOF WILL BE SUBMITTED TO AND SETTLED BY BINDING ARBITRATION BY JUDICIAL ARBITRATION AND MEDIATION SERVICES, INC. ("JAMS") OR A SIMILAR SERVICE ACCEPTABLE TO BOTH PARTIES IF JAMS IS NOT AVAILABLE. THE ARBITRATION WILL BE CONDUCTED IN ACCORDANCE WITH CALIFORNIA CODE OF CIVIL PROCEDURE SECTIONS 1280-1294.2. ARBITRATION HEARINGS WILL BE HELD IN SONOMA COUNTY, CALIFORNIA. THE DETERMINATION OF THE ARBITRATOR(S) WILL BE CONCLUSIVE AND BINDING UPON THE PARTIES. THE PARTIES WILL EACH PAY ARBITRATION FEES AND CHARGES AS DETERMINED BY THE ARBITRATOR. THE ARBITRATOR/REFEREE WILL HAVE THE POWER TO DECIDE ALL ISSUES OF FACT AND LAW AND WILL BE AUTHORIZED TO ISSUE ALL LEGAL AND EQUITABLE RELIEF (INCLUDING, BUT NOT LIMITED TO, SPECIFIC ENFORCEMENT OF ANY PROVISION OF THIS LEASE, DECLARATORY RELIEF OR INJUNCTIVE RELIEF) APPROPRIATE UNDER THE CIRCUMSTANCES OF THE CONTROVERSY.**

**NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY."**

**WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION."**

**LESSOR:** \_\_\_\_\_ **LESSEE:** \_\_\_\_\_

ARTICLE XIX

NON-DISCRIMINATION

In the performance of its obligations under this Lease, Lessee will comply with the provisions of any federal, state or local law prohibiting discrimination in housing on the grounds of race, color, sex, creed or national origin, including Title VI of the Civil Rights Act of 1964 (Public Law 88-352, 78 Stat. 241), all requirements imposed by or pursuant to the Regulations of the Secretary (24 CFR, Subtitle A, Part 1) issued pursuant to that Title and regulations issued pursuant to the Executive Order 11063 and Title VIII of the 1968 Civil Rights Act.

ARTICLE XX

TRANSFER OF OPERATIONS UPON TERMINATION OF LEASE

20.1 The date on which this Lease either terminates pursuant to its terms or is terminated by either party, whether pursuant to a right granted to it hereunder or otherwise, will be referred to as the "**Turn-Over Date**" in this Article XX. On the Turn-Over Date, this Lease automatically will be deemed terminated without any further action of either party and, accordingly, further will be deemed and construed as an absolute assignment for purposes of vesting in Lessor all of Lessee's right, title and interest in and to the following intangible property that is now or hereafter used in connection with the operation of the Premises (collectively, the "**Intangibles**") and an assumption by Lessor of Lessee's obligations under the Intangibles from and after the Turn-Over Date:

- (a) any then-existing service contracts for the benefit of the Premises to which Lessee is a party; and
- (b) any other then-existing agreements with respect to the Premises or the business conducted thereon, to the extent assignable by Lessee.

20.2 Lessor will be responsible for and will pay all accrued expenses with respect to the Premises accruing on or after 12:01 a.m. on the day after the Turn-Over Date (the "**Adjustment Date**") and will be entitled to receive and retain all revenues from the Premises accruing on or after the Adjustment Date.

20.3 All necessary arrangements will be made to provide possession of the Premises to Lessor on the Turn-Over Date, at which time Lessee will deliver to Lessor records concerning the Premises, all financial statements and other relevant records used or developed in connection with the business conducted at the Premises. Such transfer and delivery will be in accordance with all

applicable laws, rules and regulations concerning the transfer of such records. Notwithstanding the foregoing, in the event that all such record and other information are in the possession of Lessor rather than Lessee as of the Turn-Over Date, then no delivery of any such items will be required pursuant to this provision.

20.4 All cash, checks and cash equivalents at the Premises and deposits in bank accounts relating to the Premises on the Turn-Over Date will remain Lessor's property after the Turn-Over Date. All accounts receivable, loans receivable and other receivables of the Premises will remain the property of Lessor after the Turn-Over Date. Lessor will assume responsibility for the billing and collection of payments on account of services rendered by it on and after the Adjustment Date.

20.5 In addition to the obligations required to be performed hereunder by Lessee and Lessor on and after the Turn-Over Date, Lessee and Lessor agree to perform such other acts, and to execute, acknowledge and/or deliver subsequent to the Turn-Over Date such other instruments, documents and materials, as the other may reasonably request in order to effectuate the consummation of the transaction contemplated herein, at Lessor's sole cost and expense. Without limiting the foregoing, Lessee will, at Lessor's sole cost and expense, cooperate with Lessor in securing an HHA license and such other permits, certificates of authority and approvals for Lessor or the successor operator of the Premises as may be required by applicable law to continue operation of the Premises as an HHA from and after the Turn-Over Date.

## ARTICLE XXI

### DEFAULTS BY LESSEE

21.1 This Lease is made upon the condition that Lessee will punctually and faithfully perform all of the covenants, conditions and agreements by it to be performed as set forth in this Lease. The following will each be deemed to be an "**Event of Default**" on the part of Lessee:

- (a) the failure by Lessee to pay any item of Rent by the due date therefor if such failure continues for five (5) days after receipt of written notice thereof by Lessee;
- (b) the failure of Lessee to observe or perform any of the covenants, terms or conditions set forth in this Lease where the failure continues for a period of thirty (30) days after receipt of written notice thereof by Lessee (unless the failure reasonably cannot be cured within thirty (30) days and Lessee will have commenced to cure the failure within thirty (30) days and continues diligently to pursue the curing of the failure until completed);
- (c) a general assignment by Lessee for the benefit of creditors;
- (d) the filing of a voluntary petition by Lessee, or the filing of an involuntary petition by any of Lessee's creditors seeking the rehabilitation, liquidation or reorganization of Lessee under any law relating to bankruptcy, insolvency or other relief of debtors;
- (e) the appointment of a receiver or other custodian to take possession of substantially all of Lessee's assets or of this Lease;



(f) Lessee becomes insolvent or unable to pay its debts or fails generally to pay its debts as they become due; any court enters a decree or order directing the winding up or liquidation of Lessee or of substantially all of its assets; or Lessee takes any action toward the dissolution or winding up of its affairs or the cessation or suspension of its use of the Premises or Property;

(g) attachment, execution or other judicial seizure of substantially all of Lessee's assets or this Lease;

(h) vacation or abandonment of the Premises; or

(i) an accusation against Lessee pertaining to the Premises is filed by CDPH and is not withdrawn within fifteen (15) days of such filing.

21.2 Upon an Event of Default by Lessee, Lessor will have the following remedies:

(a) If Lessee vacates or abandons the Premises, this Lease will continue in effect. Lessor will not be deemed to have terminated this Lease other than by written notice of termination from Lessor, and Lessor will have all of the remedies of a landlord, including those provided by Section 1951.4 of the California Civil Code. At any time after Lessee vacates or abandons the Property, Lessor may give notice of termination and thereafter will have all of the rights set forth below.

(b) Lessor will have the right, so long as the Event of Default continues, to terminate this Lease by written notice to Lessee setting forth: (i) the Event of Default; (ii) the requirements to cure it; and (iii) a demand for possession, which will be effective three (3) days after it is given. Additionally, Lessor will have all rights at law and in equity available to Lessor as a result of any Event of Default. Lessee will pay as additional charges hereunder all costs and expenses incurred by or on behalf of Lessor, including reasonable attorneys' fees and expenses, and fees and costs of expert witnesses, as a result of any Event of Default hereunder.

(c) Following termination under subsection (b), without prejudice to any other remedies Lessor may have by reason of Lessee's Event of Default or of the termination, Lessor may then or at any time thereafter: (i) peaceably re-enter the Premises, or any part thereof, upon voluntary surrender by Lessee, or expel or remove Lessee from the Premises using any legal proceedings as are then available; (ii) repossess and enjoy the Premises or re-let the Premises or any part of the Premises for any term or terms (which may be beyond the Lease Term) at any rental or rentals and upon other terms and conditions as Lessor, in its sole discretion, will determine, with the right to make reasonable alterations and repairs to the Premises; and (iii) remove all personal property from the Premises that does not belong to Lessor and store it at Lessee's expense.

(d) Each right and remedy of Lessor provided for in this Lease will be cumulative and will be in addition to every other right or remedy provided for in this Lease or now or hereafter existing at law or in equity. In exercising its remedies, Lessor will not violate or cause a violation of the regulations of CDPH or applicable law.

## ARTICLE XXII

### DEFAULTS BY LESSOR

22.1 This Lease is made upon the condition that Lessor will punctually and faithfully perform all of the covenants, conditions and agreements by it to be performed as set forth in this Lease. The following each will be deemed to be a "**Lessor's Event of Default**" on the part of Lessor:

(a) the failure of Lessor to observe or perform any of the covenants, terms or conditions set forth in this Lease where the failure continues for a period of thirty (30) days after receipt of written notice thereof by Lessor (unless the failure reasonably cannot be cured within thirty (30) days and Lessor will have commenced to cure the failure within thirty (30) days and continues diligently to pursue the curing of the failure until completed);

(b) a general assignment by Lessor for the benefit of creditors;

(c) the filing of a voluntary petition by Lessor, or the filing of an involuntary petition by any of Lessor's creditors seeking the rehabilitation, liquidation or reorganization of Lessor under any law relating to bankruptcy, insolvency or other relief of debtors;

(d) the appointment of a receiver or other custodian to take possession of substantially all of Lessor's assets or of this Lease; or

(e) Lessor becomes insolvent or unable to pay its debts, or fails generally to pay its debts as they become due, or any court enters a decree or order directing the winding up or liquidation of Lessor or of substantially all of its assets.

22.2 Upon a Lessor's Event of Default, Lessee will have the following remedies:

(a) Lessee will have the right, so long as the Lessor's Event of Default continues, to terminate this Lease by written notice to Lessor setting forth: (i) the Lessor's Event of Default; and (ii) the requirements to cure it.

(b) Each right and remedy of Lessee provided for in this Lease will be cumulative and will be in addition to every other right or remedy provided for in this Lease or now or hereafter existing at law or in equity except to the extent such rights or remedies are expressly limited by this Lease.

## ARTICLE XXIII

### REPRESENTATIONS

23.1 Lessee represents that it is a political subdivision of the State of California; is authorized under its governing documents to enter into and make the agreements contained herein; and it has been specifically authorized to enter into this Lease by all necessary and proper action.

23.2 Lessor represents that it is a nonprofit public benefit corporation, duly organized and existing under the laws of the State of California; is in good standing under the laws of the State of California; is authorized under its governing documents to enter into and make the agreements contained herein; and it has been specifically authorized to enter into this Lease by all necessary and proper action.

## ARTICLE XXIV

### MISCELLANEOUS

24.1 Lessee, upon paying Rent and all other charges herein provided, and for observing and keeping the covenants, agreements, terms and conditions of this Lease on its part to be performed, will lawfully and quietly hold, occupy and enjoy the Premises during the term of this Lease, and subject to its terms, without hindrance by Lessor or by any other person or persons claiming under Lessor, other than any mortgagee of record either as of the date of this Lease or subsequent thereto.

24.2 All notices, demands or requests that may or are required to be given by either party to the other will be in writing and will be sent by United States certified mail or nationally recognized overnight courier (such as Fedex or UPS), addressed to the other party hereto at the address set forth below (or may be sent by email with confirmation of receipt of such email) or, if written notification of a change of address has been sent, to such other party and/or to such other address as may be designated in that written notification. All such notices, demands or requests delivered in this manner will be deemed effective upon mailing:

**If to Lessor:**

Hospice by the Bay  
17 E. Sir Francis Drake Boulevard  
Larkspur, CA 94939  
Attention: Kitty Whitaker, CEO  
Email: [kwhitaker@hospicebythebay.org](mailto:kwhitaker@hospicebythebay.org)

**With a copy to:**

Hanson Bridgett, LLP  
425 Market Street, 26th Floor  
San Francisco, CA 94105  
Attention: Pamela S. Kaufmann, Esq.  
Email: [pkaufmann@hansonbridgett.com](mailto:pkaufmann@hansonbridgett.com)

**If to Lessee:**

Sonoma Valley Health Care District  
347 Andriuex Street  
Sonoma, CA 95476  
Attention: Kelly Mather, CEO  
Phone: (707) 935-5005  
Facsimile: (707) 935-5433  
Email: [kmather@svh.com](mailto:kmather@svh.com)

**With a copy to:**

Archer Norris  
2033 North Main Street, Suite 800

Walnut Creek, CA 94596  
Attention: Colin Coffey, Esq.  
Phone: (925) 930-6600  
Facsimile: (925) 930-6620  
Email: [ccoffey@archernorris.com](mailto:ccoffey@archernorris.com)

24.3 Each party agrees at any time and from time to time, upon not less than fifteen (15) days prior written request from the other party, to execute, acknowledge and deliver to the other party a statement, in writing, certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect, as modified, and stating the modifications); the dates to which the Rent has been paid; and whether the Lease is then in default or whether any events have occurred that, with the giving of notice or the passage of time, or both, could constitute a default hereunder; it being intended that any such statement delivered pursuant to this Section 24.3 may be relied upon by any prospective assignee, mortgagee or purchaser of the fee interest in the Premises or of this Lease.

24.4 All of the provisions of this Lease will be deemed and construed to be "conditions" and "covenants" as though the words specifically expressing or importing covenants and conditions were used in each separate provision hereof.

24.5 Any reference herein to the termination of this Lease will be deemed to include any termination hereof by expiration or pursuant to the provisions hereof referring to early termination.

24.6 The headings and titles in this Lease are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or intent of this Lease, nor in any way affect this Lease.

24.7 This Lease contains the entire agreement between the parties and any executory agreement hereafter made will be ineffective to change, modify or discharge it in whole or in part unless such executory agreement is in writing and signed by the party against whom enforcement of the change, modification or discharge is sought. This Lease cannot be changed orally or terminated orally.

24.8 Except as otherwise herein expressly provided, the covenants, conditions and agreements in this Lease will bind and inure to the benefit of Lessor and Lessee and their respective permitted successors and assigns.

24.9 All nouns and pronouns and any variations thereof will be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons, firm or firms, corporation or corporations, entity or entities or any other thing or things may require.

24.10 If any term or provision of this Lease will be held invalid or unenforceable to any extent, the remaining terms and provisions of this Lease will not be affected thereby, and each term and provision will be valid and enforceable to the fullest extent permitted by law.

24.11 This Lease will be deemed to have been made and will be construed and interpreted in accordance with the laws of the State of California.

24.12 Whenever under any provision of this Lease the approval or consent of either party is required, said approval and consent will be given or denied in a reasonably prompt manner.

24.13 This Lease may be executed in two (2) or more counterparts, each of which will be deemed an original but all of which together will constitute one (1) and the same Lease. Telecopied or faxed signatures or signatures emailed in a "pdf" format may be used in place of original signatures on this Lease. Lessor and Lessee intend to be bound by the signatures on telecopied, faxed or pdf documents; are aware that the other party will rely on the telecopied, faxed or pdf signatures; and hereby waive any defenses to the enforcement of the terms of this Lease based on the use of a telecopied, facsimile or pdf signature.

24.14 The parties will execute and deliver all other appropriate supplemental agreements and other instruments and take any other action necessary to make this Lease fully and legally effective, binding and enforceable, as between the parties, and as against third parties.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be signed by persons authorized so to do on behalf of each of them respectively the day and year first above written.

**LESSOR:**

HOSPICE BY THE BAY,  
a California nonprofit public benefit corporation

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

**LESSEE:**

SONOMA VALLEY HEALTH CARE DISTRICT, a political subdivision of the State of California

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

## INTERIM LICENSED SERVICES AGREEMENT

THIS INTERIM LICENSED SERVICES AGREEMENT (this "Agreement") is entered into as of \_\_\_\_\_, 2018, (the "Effective Date") by and between **SONOMA VALLEY HEALTH CARE DISTRICT**, A POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA ("Licensee"), and **HOSPICE BY THE BAY**, A CALIFORNIA NONPROFIT CORPORATION ("New Operator").

### RECITALS

- A. Licensee is engaged in the business of furnishing home health services by and through a licensed and certified home health agency commonly known as "Healing at Home" and located at 1151 Broadway #101, Sonoma, California 95476 (together, the "Agency");
- B. New Operator is engaged in the business of furnishing home health, hospice, and palliative care services in the State of California;
- C. New Operator and Licensee have entered into (1) that certain Asset Transfer Agreement dated as of \_\_\_\_\_ (the "Asset Transfer Agreement") whereby New Operator has agreed to transfer and Licensee has agreed to transfer to New Operator the Acquired Agency and Acquired Assets (as defined in the Asset Transfer Agreement), and (2) that certain Management and Operations Transfer Agreement dated as of \_\_\_\_\_ (the "MOTA") whereby Licensee will transfer operational and financial responsibility for the Agency to New Operator.
- D. New Operator is in the process of applying to the California Department of Public Health ("CDPH") for a home health agency license to operate the Agency ("HHA License");
- E. Current federal and State home health agency licensing regulations require the Administrator and Director of Patient Care Services of the Agency to be employed by the holder of the HHA License;
- F. Licensee is the current holder of the HHA License;
- G. \_\_\_\_\_ (the "Contractor") holds the role of Administrator and Director of Patient Care Services at the Agency;
- H. Notwithstanding the MOTA and to comply with federal and State home health agency licensing regulations, New Operator desires to obtain the services of Contractor as Administrator and Director of Patient Care Services of the Agency as of the Effective Date (as defined in the Asset Transfer Agreement); and
- I. The parties desire to enter into this Agreement to set forth their mutual agreements for the provision of licensed services to New Operator.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and other good and valuable consideration, the parties agree as follows:

## AGREEMENTS

### 1. Services Provided by Contractor

During the term of this Agreement, Licensee shall cause Contractor to provide to New Operator the licensed services described in **Appendix A** (the “Services”).

### 2. Compliance with Standards

Licensee shall cause Contractor to render the Services in accordance with the prevailing standard of care and in compliance with all applicable laws, governmental regulations, and accreditation standards governing home health agencies, as well as with all applicable standards and requirements of the Medicare and Medi-Cal programs. Licensee shall cause Contractor to meet and maintain all licensure, training, and experience requirements associated with their respective positions.

### 3. Notification of Certain Events

Licensee shall notify New Operator in writing as soon as commercially reasonable but in no event later than three (3) business days after Licensee receives notice of the occurrence of any of the following events:

- a. **Licensure Action.** Licensee becomes the subject of any suspension or termination action before CDPH or similar licensing agency with respect to its HHA License.
- b. **Professional Board Disciplinary Proceeding.** Licensee and/or Contractor becomes the subject of any disciplinary proceeding or action before the California Board of Registered Nursing or similar agency responsible for professional standards or behavior.
- c. **Notice of Claim.** Licensee and/or Contractor receives written notice of any actual or threatened claim, suit, action, or legal proceeding that is connected to or in any way related to their professional activities.
- d. **Judgment or Settlement.** Licensee and/or Contractor is required to pay damages or any other amount in any malpractice action by way of judgment or settlement.
- e. **Incapacity.** Licensee and/or Contractor becomes incapacitated or permanently disabled and is no longer able to perform the Services.
- f. **Adverse Event.** Any act or event occurs that materially and adversely affects Licensee’s and/or Contractor’s ability to perform the Services.

#### 4. Insurance

Licensee shall maintain in force throughout the term of this Agreement, one (1) or more professional liability insurance policies providing coverage of Licensee and Contractor of not less than one million dollars (\$1,000,000.00) per occurrence and three million dollars (\$3,000,000.00) in the aggregate. All such policies shall cover the Services provided by Contractor.

#### 5. Fees

New Operator shall pay Licensee a monthly fee for the Services as set forth in **Appendix B**. The monthly fee is payable by the tenth (10th) day of the month in which the Services are performed.

#### 6. Term and Termination

**a. Term.** The term of this Agreement shall be for a period commencing on the Effective Date and continuing until the earlier of the date on which (i) New Operator receives a HHA License; or (ii) the date on which New Operator notifies Licensee that it is no longer applying for a HHA License.

**b. Future Employment.** If this Agreement terminates pursuant to Section 6.a.i. above, New Operator may enter into an individual employment agreement with Contractor to provide mutually agreed-upon services.

**c. Termination and Duty to Cure.** The parties acknowledge and agree that the arrangements hereunder are essential to New Operator's ability to secure the HHA License. Therefore, neither party may unilaterally terminate this Agreement, and any termination requires the parties' mutual written consent. In the case of a material breach of any representation, warranty, covenant or agreement contained in this Agreement, the breaching party shall cure such breach within thirty (30) days after written notice to the breaching party describing the breach.

#### 7. Miscellaneous

**a. Assignment.** This Agreement may be assigned by either party only with the prior written consent of the other party.

**b. Amendments, Modifications, and Revocations.** This Agreement may be amended, modified, or revoked only by the written agreement of the parties.

**c. Independent Contractors.** It is the parties' intent that Licensee and Contractor at all times be deemed independent contractors in their performance of the Services. Accordingly, New Operator shall have no right to control the manner, means, or methods by which Licensee and Contractor perform the Services, and Licensee and Contractor shall not be entitled to employee benefits of any kind from New Operator.



**d. Entire Agreement.** This Agreement and any attachments hereto, along with the Asset Transfer Agreement and the other Transaction Documents (as defined in the Asset Transfer Agreement), constitute the entire agreement between the parties with respect to the subject matter hereof and supersede any prior writings or verbal communications with respect thereto.

**e. Arbitration.** Any dispute arising out of or related to this Agreement shall be submitted to and settled by binding arbitration before the American Arbitration Association (the “AAA”). The arbitration will be conducted in Sonoma, California in accordance with the AAA Commercial Arbitration Rules. Judgment upon the award may be entered in any court having jurisdiction over the subject matter of the controversy. The substantially prevailing party in such arbitration shall be entitled to reasonable attorneys’ fees, arbitration fees, and other costs, as determined by the arbitrator.

**f. Notices.** Any notice required or permitted by this Agreement shall be deemed delivered upon personal, facsimile, overnight or electronic delivery or three (3) days after deposit in the United States first class mail, postage prepaid as follows:

If to New Operator:

Hospice By The Bay  
17 E. Sir Francis Drake Boulevard  
Larkspur, CA 94939  
Attention: Kitty Whitaker, CEO  
Phone: (415) 526-5561  
Facsimile: (415) 925-9302  
Email: [kwhitaker@hospicebythebay.org](mailto:kwhitaker@hospicebythebay.org)

If to Licensee:

Sonoma Valley Health Care District  
347 Andriuex Street  
Sonoma, CA 95476  
Attention: Kelly Mather, CEO  
Phone: (707) 935-5005  
Facsimile: (707) 935-5433  
Email: [kmather@svh.com](mailto:kmather@svh.com)

**g. Counterparts.** This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one (1) and the same agreement. Telecopied or faxed signatures or signatures emailed in a “pdf” format may be used in place of original signatures on this Agreement. Assignor and Assignee intend to be bound by the signatures on telecopied, faxed or pdf documents; are aware that the other party will rely on the telecopied, faxed or pdf signatures; and hereby waive any defenses to the enforcement of the terms of this Agreement based on the use of a telecopied, facsimile or pdf signature.

**h. Governing Law.** This Agreement shall be construed under and governed by California law.

**IN WITNESS WHEREOF**, the parties have entered into this Interim Licensed Services Agreement as of the date first written above.

**NEW OPERATOR:**

**HOSPICE BY THE BAY, A  
CALIFORNIA NONPROFIT  
CORPORATION**

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

**LICENSEE:**

**SONOMA VALLEY HEALTH CARE  
DISTRICT, A POLITICAL  
SUBDIVISION OF THE STATE OF  
CALIFORNIA**

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

## **APPENDIX A LICENSED SERVICES**

### **Administrator Duties**

The Administrator shall:

- (1) Organize and direct the ongoing functions of the Agency.
- (2) Serve as and maintain ongoing liaison between the governing body and Agency staff.
- (3) Provide ongoing oversight of the Agency's quality management system.
- (4) Employ qualified personnel and ensure adequate staff education and evaluation.
- (5) Ensure the accuracy of public information materials and activities including advertisements and brochures that the Agency uses to represent itself to the community-at-large.
- (6) Implement and maintain an effective budgeting and accounting system for the Agency.

### **Director of Patient Care Services Duties**

The Director of Patient Care Services shall:

- (1) Be responsible for coordinating patient care services and all activities relevant to the patient care services.
- (2) Develop and maintain personnel qualifications and the assignment of personnel.
- (3) Be available, or appoint a registered nurse designee who is available, on the premises or immediately accessible by phone during operating hours when patients are receiving services.
- (4) Devote a sufficient number of hours to assure the quality and adequacy of services provided and supervision of staff.
- (5) Maintain sufficient background knowledge and expertise in clinical decision-making to meet the needs of Agency patients.
- (6) Contribute to Quality Management review and evaluation.

**APPENDIX B  
MONTHLY FEE**

<b>Service</b>	<b>Fee</b>
Administrator	Base salary Benefit allocation
Director of Patient Care Services	Base salary Benefit allocation
<b>Total</b>	

## NON-COMPETITION AND NON-SOLICITATION AGREEMENT

THIS NON-COMPETITION AND NON-SOLICITATION AGREEMENT (this “**Agreement**”) is made and entered into as of \_\_\_\_\_, 2018 by and among SONOMA VALLEY HEALTH CARE DISTRICT, a political subdivision of the state of California, (hereinafter “**Transferor**”) and HOSPICE BY THE BAY, California nonprofit public benefit corporation (“**Transferee**”).

### **RECITALS:**

**WHEREAS**, Transferee and Transferor are parties to that certain Asset Transfer Agreement, dated as of \_\_\_\_\_, \_\_\_, 2018 (the “**Asset Transfer Agreement**”), pursuant to which Transferee purchased from Transferor the home health agency operated by Transferor located at 1151 Broadway, #101, Sonoma, California (the “**Acquired Agency**”) on the terms set forth in the Asset Transfer Agreement.

**WHEREAS**, as a condition to the closing of the transaction contemplated by and referenced in the Asset Transfer Agreement, and as an inducement to cause Transferee to enter into and close such transaction, Transferor have agreed to enter into, and to be bound by the terms and conditions of, this Agreement.

**NOW, THEREFORE**, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

#### **1. Capitalized Terms.**

1.1. Any capitalized term or phrase that is used herein (including the Recitals) and not expressly defined herein shall have the meaning ascribed to such term or phrase in the Asset Transfer Agreement.

1.2. For the purposes of this Agreement, the following terms shall have the following respective meanings:

(i) “**Affiliate**” and “**Affiliates**” of any Person, mean, individually and collectively, any Person that, directly or indirectly, owns or controls, is owned or controlled by, or is under common ownership or control with, such Person.

(ii) “**Competing Business**” shall mean any business furnishing home health services.

(iii) “**Control**” (including the correlative meanings of the terms “controlled by” and “under common control with”), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities, partnership interests or other equity interests.

(iv) “**Person**” shall mean any natural person, corporation, limited liability company, partnership or other legal entity.

## 2. **Non-Competition and Non-Solicitation Provisions.**

2.1. Transferor agrees that for a period of two (2) years from the date hereof, neither it nor any of its Affiliates (nor any assignee or successor thereto), shall, directly or indirectly, acquire, own, lease, manage, operate, develop or provide services in connection with any real estate located within Contra Costa, Lake, Marin, Mendocino, Napa, San Francisco, San Mateo, Solano or Sonoma counties that is used as the site of a Competing Business (the “**Non-Competition Covenant**”). The foregoing Non-Competition Covenant will not preclude Transferor from using telehealth and/or similar or related technology to monitor the health/condition of patients remotely in their homes or other places of residence.

2.2. Each Transferor Party agrees that for a period of two (2) years from the date hereof, neither it nor any of its Affiliates shall solicit any employee who is an employee at the Acquired Agency at the time of solicitation for the purpose of employing such employee at another property that is owned, managed or operated by such Transferor Party or any of its Affiliates (the “**Non-Solicitation Covenant**” and collectively with the Non-Competition Covenant, the “**Restrictive Covenants**”).

2.3. Each Transferor Party agrees that the Restrictive Covenants are reasonable and necessary to protect Transferee’s legitimate interests, and that any violation of Sections 2.1 or 2.2 could result in damages that cannot be adequately compensated by money alone. Transferor agree that the consideration paid to Transferor for the Acquired Agency is reflective of the value of the Acquired Agency assuming operation thereof by Transferee for such two (2) year period and, accordingly, that the two (2) year restrictions described in the Restrictive Covenants constitutes an arm’s length, negotiated agreement to provide Transferee the benefit for which it has bargained. Transferee will be entitled to seek injunctive or other equitable relief without proving actual damages or posting any bond in the event of any violation of the Restrictive Covenants contained herein, provided, however, that the foregoing shall not limit or be construed to prohibit or limit the right of the non-breaching party to pursue any other legal and equitable remedies available to it on account of such breach or violation, including the recovery of damages from the breaching party. If any court shall hold that the duration or scope (geographic or otherwise) of this Agreement is unreasonable, then, to the extent permitted by law, the court may prescribe a maximum duration or scope (geographic or otherwise) that is judicially enforceable and not unreasonable. The parties agree to accept such determination, subject to their rights of appeal, which the parties hereto agree shall be substituted in place of any and every judicially unenforceable provision of this Agreement, and that this Agreement, as so modified, shall be fully enforceable as if originally executed in such manner.

2.4. This Agreement is intended to comply with all applicable rules and regulations of all governmental and regulating authorities. Accordingly, the parties agree to renegotiate, in good faith, any term, condition or provision of this Agreement, or any other relationship between the parties, determined to be in contravention of any regulation, policy or law of any such authority. All other provisions hereof shall remain enforceable to the fullest extent permitted by law.

3. **Binding Effect and Modifications.** This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties to this Agreement. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all prior written agreements between the parties and all prior and contemporaneous oral statements with respect to the restrictions contemplated hereby. This Agreement may not be changed or terminated orally, but only may be changed by an agreement in writing signed by the party or parties against whom enforcement of any waiver, change, modification, extension, discharge or termination is sought.

4. **Section Captions.** Section and other captions contained in this Agreement are for reference purposes only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

5. **Counterparts.** This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one (1) and the same agreement. Telecopied or faxed signatures or signatures emailed in a “pdf” format may be used in place of original signatures on this Agreement. Assignor and Assignee intend to be bound by the signatures on telecopied, faxed or pdf documents; are aware that the other party will rely on the telecopied, faxed or pdf signatures; and hereby waive any defenses to the enforcement of the terms of this Agreement based on the use of a telecopied, facsimile or pdf signature.

6. **Notices.** All notices, demands, requests and other communications or documents required or permitted to be provided under this Agreement shall be in writing and shall, with respect to any recipient, be sufficiently delivered and effective for purposes of any provision hereof if (i) deposited in a United States Postal Facility, for delivery by registered or certified mail, return receipt requested, with sufficient postage affixed, to the address specified for such recipient set forth below or such other address as such recipient may specify from time to time by notice to the other parties hereto, such delivery to be effective on the date shown on the return receipt; (ii) transmitted by hand delivery or air courier to such recipient at the address specified for such recipient below, or such other address as such recipient may specify from time to time by notice to the other parties hereto, such delivery to be effective when actually received by such recipient; or (iii) transmitted by electronic mail, such delivery to be effective upon confirmation of receipt:

**If to Transferor:**

Sonoma Valley Health Care District  
347 Andrioux Street  
Sonoma, CA 95476  
Attention: Kelly Mather, CEO  
Phone: (707)935-5005  
Facsimile: (707) 935-5433  
Email: [kmather@svh.com](mailto:kmather@svh.com)

**With a copy to:**

Archer Norris  
2033 North Main Street, Suite 800  
Walnut Creek, CA 94596  
Attention: Colin Coffey, Esq.  
Phone: (925) 930-6600  
Facsimile: (925) 930-6620

Email: [ccoffey@archernorris.com](mailto:ccoffey@archernorris.com)

**If to Transferee:**

Hospice By The Bay  
17 E. Sir Francis Drake Boulevard  
Larkspur, CA 94939  
Attention: Kitty Whitaker, CEO  
Phone: (415) 526-5561  
Facsimile: (415) 925-9302  
Email: [kwhitaker@hospicebythebay.org](mailto:kwhitaker@hospicebythebay.org)

**With a copy to:**

Hanson Bridgett, LLP  
425 Market Street, 26th Floor  
San Francisco, CA 94105  
Attention: Pamela Kaufmann, Esq.  
Phone: (415) 995-5043  
Facsimile: (415) 995-3449  
Email: [pkaufmann@hansonbridgett.com](mailto:pkaufmann@hansonbridgett.com)

7. **Governing Law.** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA APPLICABLE TO CONTRACTS EXECUTED AND PERFORMED IN SUCH STATE, WITHOUT GIVING EFFECT TO CONFLICTS OF LAW PRINCIPLES.

8. **Severability.** The invalidity or unenforceability of any provision hereof shall not affect the validity or enforceability of any other provision hereof, each of which shall remain in full force and effect.

9. **Waiver.** The waiver by either party of a breach of any provision of this Agreement by the other shall not operate or be construed as a waiver by such party of any subsequent breach by the breaching party.

10. **Construction.** The parties have participated jointly in the negotiation and drafting of this Agreement, and each has been, or had the opportunity to be, represented by the counsel of its choosing in connection therewith. In the event an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties and no presumption or burden of proof will arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

11. **Necessary Action.** Each party shall perform any further acts and execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Agreement.

12. **ARBITRATION OF DISPUTES.** ANY CLAIM OR CONTROVERSY ARISING OUT OF THIS AGREEMENT OR A BREACH THEREOF SHALL BE SUBMITTED TO AND SETTLED BY BINDING ARBITRATION BY JUDICIAL ARBITRATION AND MEDIATION SERVICES, INC. ("JAMS") OR A SIMILAR SERVICE ACCEPTABLE TO BOTH PARTIES IF JAMS IS NOT AVAILABLE. THE



**ARBITRATION SHALL BE CONDUCTED IN ACCORDANCE WITH CALIFORNIA CODE OF CIVIL PROCEDURE SECTIONS 1280-1294.2. ARBITRATION HEARINGS SHALL BE HELD IN SONOMA COUNTY, CALIFORNIA. THE DETERMINATION OF THE ARBITRATOR(S) SHALL BE CONCLUSIVE AND BINDING UPON THE PARTIES. THE PARTIES SHALL EACH PAY ARBITRATION FEES AND CHARGES AS DETERMINED BY THE ARBITRATOR. THE ARBITRATOR/REFERREE SHALL HAVE THE POWER TO DECIDE ALL ISSUES OF FACT AND LAW AND SHALL BE AUTHORIZED TO ISSUE ALL LEGAL AND EQUITABLE RELIEF (INCLUDING, BUT NOT LIMITED TO, SPECIFIC ENFORCEMENT OF ANY PROVISION OF THIS AGREEMENT, DECLARATORY RELIEF OR INJUNCTIVE RELIEF) APPROPRIATE UNDER THE CIRCUMSTANCES OF THE CONTROVERSY.**

**NOTICE: BY INITIALLING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE “ARBITRATION OF DISPUTES” PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALLING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE ‘ARBITRATION OF DISPUTES’ PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.”**

**WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE “ARBITRATION OF DISPUTES” PROVISION TO NEUTRAL ARBITRATION.”**

**TRANSFEROR: \_\_\_\_\_ TRANSFEREE: \_\_\_\_\_**

[Signatures appear on the following pages]

IN WITNESS WHEREOF, the undersigned parties have hereunto set their hands as of the day and year first above written.

**TRANSFeree:**

HOSPICE BY THE BAY, a California nonprofit public benefit corporation

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

**TRANSFEROR:**

SONOMA VALLEY HEALTH CARE DISTRICT, a political subdivision of the State of California

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

# 7.

## SOURCES AND USES FOR MAJOR CAPITAL EXPENDITURES



**To: SVHCD Board of Directors**

**From: Administration**

**Date: August 31, 2018**

**Subject: Cash Sources & Uses for Major Capital Expenditures**

---

**Recommendation:**

Use the attached **sample** spreadsheet to track the cash sources and uses at the Finance Committee meeting each month.

**Background & Reasoning:**

The board has approved **\$1,928,420** for the design of the Outpatient Diagnostics Project, the Master Facility Planning and a study of the cost of Decommissioning the Central and East Wing. Because the projects are paid for solely based on funds raised, the team was asked to track the cash sources and uses on a monthly basis.

The design includes the following: New CT Equipment and suite; Expansion and upgrade of the Imaging department waiting and dressing areas; Centralized scheduling; Imaging staff hub & offices; Cardiology physician office and center; Upgrade and possible expansion of the north parking lot and entrance. The sample spreadsheet shows the cash outlay for the design and associated costs for each of these areas through June, 2019.

In addition, the board has approved doing a Master Facility Plan lead by Dome Architects. The Master Facility Plan team has been meeting and will have a recommendation to the board by the November meeting. This plan will include a recommendation about whether or not to decommission the Central and/or East Wing.

**Financial Analysis:**

The Finance Committee will review the following each month:

- 1) Campaign Cash available
- 2) Distributions to SVH
- 3) Total Board Approved Funding
- 4) Current Contract Totals
- 5) Paid to Date
- 6) Balance to be Paid

**Attachment:** Sample Tracking Spreadsheet for Finance Committee

**SONOMA VALLEY HOSPITAL  
COST PROJECTION SUMMARY  
8/23/2018**

	Beginning Cash Balance	\$ -	\$ 616,929	\$ 273,873	\$ (16,765)	\$ (79,664)	\$ 2,351,465	\$ 2,285,998	\$ 1,507,176	\$ 1,615,776	\$ 2,626,831	\$ 2,598,579
Work Type	Aug '18	Sept '18	Oct '18	Nov '18	Dec '18	Jan '19	Feb '19	Mar '19	Apr '19	May '19	Jun '19	
Remaining SD Contract / Amendment #1 MRI	\$ 36,566											
Subcontractor Testing (Amendment 2)	42,703											
CT & Imaging thru 70% CD (Amendment 3)	60,778	87,356	51,880	62,610	63,921							
Projected CT - 100% CD, Agency, CA, Construction						60,875	39,467	16,131	16,131	16,131	16,131	
Decommissioning (Amendment 4)	129,841	133,863	25,221	3,261	1,250							
Projected Decommissioning - Includes Design & Exploratory												
Cardiology Remodel (Amendment 5)	67,907	80,484	1,250	1,250								
Projected Cardiology - Includes CD, Agency & Construction						1,125	159,751	62,223	21,068	11,334	11,334	
Master Planning Study (Amendment 6)	55,060	46,601	17,909	1,250								
<b>SUBTOTAL DESIGN BUILD TEAM PROJECTED COSTS:</b>	<b>\$392,855</b>	<b>\$348,304</b>	<b>\$96,260</b>	<b>\$68,371</b>	<b>\$66,296</b>	<b>\$62,000</b>	<b>\$ 199,218</b>	<b>\$ 78,354</b>	<b>\$ 37,199</b>	<b>\$ 27,465</b>	<b>\$ 27,465</b>	
Project Management (Vertran) (\$243,500)	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000
Permit Fees (\$225,824)												
CT (\$135,680)							135,680					
Cardiology (\$71,375)							71,375					
Decomm (\$18,760)	1,500				17,269							
IDF - Metropolitan Electric (\$175,770)												
Furniture (\$60,000)												
Equipment (\$265,000)			200,000									
CT (\$1,716,515)												
<b>Information Technology</b>												
IT Hardware/Software (\$50,000)												
Phone system and VOIP (\$310,000)							310,000					
Cardiology PACS System (\$300,000)												
Nurse Call (\$54,000)												
IT Contingency	-	-	-	-	-	-	31,000	-	-	-	-	-
<b>Operational costs</b>												
Contingency							5,000	5,000	5,000	5,000	5,000	7,500
CT (\$451,405)												
Cardiology (\$365,500)						169	9,131	5,920	2,420	2,420	2,420	2,420
Decommissioning Study	3,442	3,442	3,442	3,442		169	23,963	9,333	3,160	1,700	1,700	
Master Planning (\$1,800)	600	600	600									
<b>SUBTOTAL OWNER (SVH) PROJECTED COSTS:</b>	<b>\$ 17,542</b>	<b>\$ 16,042</b>	<b>\$ 216,042</b>	<b>\$ 15,442</b>	<b>\$ 29,438</b>	<b>\$ 21,300</b>	<b>\$ 596,938</b>	<b>\$ 30,753</b>	<b>\$ 24,580</b>	<b>\$ 23,120</b>	<b>\$ 25,620</b>	
<b>TOTAL PROJECTED MONTHLY COSTS</b>	<b>\$ 410,397</b>	<b>\$ 364,346</b>	<b>\$ 312,302</b>	<b>\$ 83,813</b>	<b>\$ 95,734</b>	<b>\$ 83,300</b>	<b>\$ 796,156</b>	<b>\$ 109,107</b>	<b>\$ 61,779</b>	<b>\$ 50,585</b>	<b>\$ 53,085</b>	
<b>TOTAL CAMPAIGN PLEDGES DUE</b>	<b>\$ 1,006,412</b>	<b>\$ 375</b>	<b>\$ 750</b>	<b>\$ -</b>	<b>\$ 2,272,597</b>	<b>\$ 500</b>	<b>\$ -</b>	<b>\$ 200,375</b>	<b>\$ 1,055,500</b>	<b>\$ 5,000</b>	<b>\$ 875</b>	
<b>TOTAL CAMPAIGN EXPENSES</b>	<b>\$ (20,914)</b>	<b>\$ (20,914)</b>	<b>\$ (20,914)</b>	<b>\$ (20,914)</b>	<b>\$ (254,266)</b>	<b>\$ (17,333)</b>	<b>\$ (17,333)</b>	<b>\$ (17,333)</b>	<b>\$ (17,333)</b>	<b>\$ (17,333)</b>	<b>\$ (17,333)</b>	
Ending Cash Balance	\$ 616,929	\$ 273,873	\$ (16,765)	\$ (79,664)	\$ 2,351,465	\$ 2,285,998	\$ 1,507,176	\$ 1,615,776	\$ 2,626,831	\$ 2,598,579	\$ 2,563,702	

8.

RESOLUTION #341  
SETTING THE GO BOND  
RATE



**Meeting Date:** September 6, 2018  
**Prepared by:** Ken Jensen, CFO  
**Agenda Item Title:** Resolution No. 341 - Setting the Tax Rate for the 2018-19 Fiscal Year for GO Bonds

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**Recommendation:**

The Finance Committee recommends to the District Board the approval of the General Obligation Bonds tax rate of \$30.70 per \$100,000 of the assessed value of the secured property in the District.

**Background and Reasoning:**

This is consistent with prior year resolutions. The total assessed value of the secured property in the District is \$9,944,701,074. The tax required to assure payment of the principle interest and reasonable reserve for the Bonds for Fiscal Year 2018-2019 is \$2,847,320. The rate, calculated per the Sonoma County's approved formula is \$30.70 per \$100,000 of assessed valuation. This will generate \$3,053,235. The required principle and interest portion is \$2,840,219. The trustee reserve is \$213,016.

**Consequences of Negative Action/Alternative Actions:**

Without the resolution, the County cannot collect the General Obligation Bond tax.

**Financial Impact:**

The resolution will instruct the County to collect the General Obligation Bond tax to be paid to the bond holders.

**Selection Process and Contract History:**

The Hospital has done similar resolutions in the past.

**Board Committee:**

Finance

**Attachments:**

Resolution No. 341

**SONOMA VALLEY HEALTH CARE DISTRICT**

**RESOLUTION No. 341**

**RESOLUTION SETTING THE TAX RATE FOR THE 2018-19 FISCAL YEAR  
FOR THE PAYMENT OF INTEREST ON THE SONOMA VALLEY HEALTH  
CARE DISTRICT (SONOMA COUNTY, CALIFORNIA) GENERAL  
OBLIGATION BONDS, ELECTION OF 2008, SERIES A (2009)**

**WHEREAS**, by resolution, adopted by the Board of Directors (the "Board") of the Sonoma Valley Health Care District (the "District") on August 6, 2008, the Board determined and declared that public interest and necessity demanded the need to raise moneys for the expansion, improvement, acquisition, construction, equipping and renovation of health facilities of the District (the "Project"), and the Board called an election to be held within the boundaries of the District in accordance with the California Elections Code;

**WHEREAS**, a special municipal election was held in the District on November 4, 2008 and thereafter canvassed pursuant to law;

**WHEREAS**, an election there was submitted to and approved by the requisite two-thirds (2/3) vote of the qualified electors of the District a question as to the issuance and sale of general obligation bonds of the District for the purpose of raising money for the Project in the maximum aggregate principal amount of \$35,000,000, payable from the levy of an *ad valorem* tax against all taxable property in the District;

**WHEREAS**, pursuant to Chapter 4 of Division 23 (commencing with section 32300) of the California Health and Safety Code (the "Act"), the District is empowered to issue general obligation bonds;

**WHEREAS**, the District sold, on January 27, 2009, an initial series of bonds for the purpose of raising funds needed for the Project and for other authorized costs in the aggregate principal amount of \$12,000,000, identified as the "Sonoma Valley Health Care District (Sonoma County, California) General Obligation Bonds, Election of 2008, Series A (2009)" (the "Bonds"); and

**WHEREAS**, the District sold, on August 1, 2010, an additional series of bonds for the purpose of raising funds needed for the Project and for other authorized costs in the aggregate principal amount of \$23,000,000, identified as the "Sonoma Valley Health Care District (Sonoma County, California) General Obligation Bonds, Election of 2008, Series B (2010)" (the "Bonds"); and

**WHEREAS**, the District sold, on January 28, 2014, a refunding series of bonds for the purpose of refunding the Sonoma Valley Health Care District (Sonoma County, California) General Obligation Bonds, Election of 2008, Series A (2009)" in the aggregate principal amount of \$12,437,000, identified as the "Sonoma Valley Health Care District (Sonoma County, California) 2014 General Obligation Refunding Bonds" (the "Bonds"); and



**WHEREAS**, the County has requested that the District provide to the County the tax rate required for Fiscal Year 2017-18 to pay interest on the Bonds and to provide a reasonable reserve;

**NOW, THEREFORE, THE BOARD OF DIRECTORS OF SONOMA VALLEY HEALTH CARE DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:**

*Section 1. Recitals.* All of the recitals herein are true and correct. To the extent that the recitals relate to findings and determinations of the Board, the Board declares such findings or determinations to be made thereby.

*Section 2. Tax Rate; Remittance.*

(a) Based upon the County's estimate of assessed valuation of all secured property in the District (\$9,944,701,074) the tax rate required to assure payment of the principal of, interest on and a reasonable reserve for the Bonds for Fiscal Year 2018-2019 is \$30.70 per \$100,000 of assessed valuation. It is the intent of the District to provide to the County, by resolution, the tax rate required to assure payment of the principal of, interest on and a reasonable reserve for the Bonds for Fiscal Year 2017-18 and each Fiscal Year thereafter, so long as the Bonds remain outstanding. However, in the event the District fails to provide a tax rate in any year, the County is directed to apply the most recently provided tax rate in such year.

(b) The District hereby delegates to the County Board of Supervisors the authority to annually levy and collect the annual *ad valorem* property taxes required for the payment of the principal of and interest on the Bonds.

(c) The District hereby requests that such amounts, as collected, be remitted directly to The Bank of New York Mellon Trust Company, N.A., the District's paying agent for the Bonds.

*Section 3. Request for Necessary County Actions.* The County Board of Supervisors and the County Auditor-Controller-Treasurer-Tax Collector, and other officials of the County, are hereby directed to take whatever action that may be necessary pursuant to law to provide for the levy and collection of a property tax on all taxable property within the District at the tax rate specified in Section 2(a) above.

*Section 4. General Authority.* The Chair, the Secretary, the Chief Executive Officer and the Chief Financial Officer, and their respective designees, are each hereby authorized, empowered and directed in the name and on behalf of the District to take any and all steps which they or any of them might deem necessary or appropriate in order to give effect to this resolution.

Section 5. Effective Date. This resolution shall take effect immediately on and after its adoption.

\*\*\*\*\*

**PASSED AND ADOPTED** this 6<sup>th</sup> day of September 2018, by the following vote:

AYES:

NAYS:

ABSTAIN:

ABSENT:

---

Joshua Rymer  
Chair, Board of Directors  
Sonoma Valley Health Care District

ATTEST:

---

Bill Boerum  
Secretary, Board of Directors  
Sonoma Valley Health Care District

**CLERK'S CERTIFICATE**

I, \_\_\_\_\_, Clerk of the Governing Board of the Sonoma Valley Health Care District of the County of Sonoma, State of California, do hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a special/regular meeting of the Governing Board of said District, regularly held at the regular meeting place thereof, on September 6, 2018 of which meeting all the members of said Governing Board had due notice.

I further certify that said resolution has not been amended, modified, or rescinded since the date of its adoption and the same is now in full force and effect.

ATTEST: This \_\_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
Stacey J. Finn, Clerk of the Governing Board of  
the Sonoma Valley Health Care District  
County of Sonoma, State of California

-----  
**COUNTY TREASURER'S AUTHORIZATION**

(Per County of Sonoma Resolution 91-0271)

The attached request for borrowing is in compliance with the requirements of Article XVI, Section 6, of the State Constitution and with Resolution 91-0271 of the County of Sonoma.

Approved By:

\_\_\_\_\_  
Erick Roeser  
Auditor-Controller/Treasurer-Tax Collector  
County of Sonoma

Date: \_\_\_\_\_

-----  
Amount to be collected on Property Tax Bill \_\_\_\_\_

Amount requested \_\_\_\_\_

Percent of Property Tax Bill Requested \_\_\_\_\_

(Not to exceed 85% of outstanding property taxes)

Payment Date	Principal	Interest	Total
February 1, 2019 (Series B)	-	398,977.50	398,977.50
February 1, 2019 (2014)		205,632.00	205,632.00
August 1, 2019 (Series B)	1,090,000.00	398,977.50	1,488,977.50
August 1, 2019 (2014)	541,000.00	205,632.00	746,632.00
Amount Needed for 2019 Debt Service			2,840,219.00
County Collection Fee (Sect 29142)		0.0025	7,100.55
<b>Amount Needed -- To be paid by FY 2019 Property Taxes</b>			<u><u>2,847,319.55</u></u> <b>A</b>

Assessed Value - Unsecured <b>B1</b>	245,740,963	
95% of Unsecured Assessed Value <b>B2 = .95xB1</b>		
Prior Year		Rate
-	<b>B3</b> 233,453,915	
Paid by Assessment on Unsecured Property	<u>-</u>	<b>B = B2xB3</b>

	9,898,097,937	
<b>Remaining Amount Needed</b>	<u>46,603,137</u>	
Assessed Value - Secured + Utility <b>D1</b>	2,847,319.55	<b>C=A-B</b>
Assessed Value - "HOPTR" <b>D2</b>		
Assessed Value - Total	<u>9,944,701,074</u>	<b>D = D1+D2</b>
Tax Rate Calculation	0.000286	<b>E = C/D</b>
Tax Rate per \$100 of Assessed Value	0.0286	<b>F = Ex100</b>
Tax Rate Adjustment Factor	7.5%	<b>G</b>
Tax Rate Adjustment	0.0021	<b>H = FxG</b>
Tax Rate on Secured Property, as reflected on tax bill (per \$100 of AV)	<b>0.0307</b>	<b>I = F+H</b>
Tax Rate as reflected in Board Resolution (per \$100,000 of AV)	<b>30.70</b>	<b>= 1000 x I</b>

	2014	B Series	Total
Debt Service	\$ 952,264	\$ 1,887,955	\$ 2,840,219
Adjustment Factor - 7.5%	<u>71,420</u>	<u>141,597</u>	<u>213,016</u>
	\$ 1,023,684	\$ 2,029,552	\$ 3,053,235

FY 2015 Total District Assessed Value

	Assumed	Actual
	7,716,050,681	
FY 2016	8,339,515,321	
FY 2017	8,883,032,347	
FY 2018	9,448,733,253	
FY 2019	9,944,701,074	
Increase	-5.99%	-100.00%

Note: County of Sonoma supplied assessed value information.  
Format for calculations prepared by SVH Controller.

9.

RESOLUTION #342  
AUTHORIZING THE  
ISSUANCE OF A TAX &  
REVENUE ANTICIPATION  
NOTE



**Meeting Date:** September 6, 2018  
**Prepared by:** Administration  
**Agenda Item Title:** Resolution No. 342 Authorizing the Issuance of a Tax and Revenue Anticipation Note

**Recommendation:**

Recommend that the Board approve the resolution to apply to Sonoma County for an advance on the December 2018 payment of Parcel Tax funds.

**Background:**

The Hospital’s reimbursement from federal and state insurance (74% of gross revenue) is below the cost to provide the medical service to these patients.

The shortfall is primarily made up from three sources:

- Commercial insurance (based on eligible billings)
- Parcel Tax proceeds
- Federal payments (IGT, Inter Government Transfer) for serving a disproportionate share of disadvantaged patients in the community.

The anticipated schedule for Federal payments and Parcel Tax proceeds to the Hospital is:

- |                             |                                    |                |
|-----------------------------|------------------------------------|----------------|
| • November/December         | Federal payment (net amount)       | \$ 0.8 million |
| • December 25 <sup>th</sup> | 1 <sup>st</sup> Parcel Tax payment | \$ 2.0 million |
| • April 25 <sup>th</sup>    | 2 <sup>nd</sup> Parcel Tax payment | \$ 1.8 million |

The Federal payments require matching funds submitted with the application by the Hospital. The present cash projections show a need for \$1,475,000 in matching funds (\$800,000 for the Federal IGT application and an additional \$675,000 for the Hospital’s Prime Grant) in the period from September to November.

This presents a timing issue that disrupts the normal cash flow of the Hospital. During the summer, the hospital’s monthly net revenues are the lowest of the year, generating a lower amount of cash receipts.

The ability to receive an advance from the County on the December parcel tax payment will make it possible to provide the matching funds without a short term increase in the line of credit.

The interest cost on the advance amount would be at an annualized rate of 2.5%. The maximum amount of the advance available is \$1.5 million.

**Consequences of Negative Action/Alternative Actions:**

Providing the matching funds without the Parcel Tax advance payment would create negative consequences

- A temporary increase in the existing line of credit.
- Lower cash balances

**Financial Impact:**

The cost for a \$1.5 million advance for the four months prior to the scheduled December tax payment would be approximately \$10,000.

**Attachment:**

Resolution No. 342



**SONOMA VALLEY HEALTH CARE DISTRICT**

**RESOLUTION NO. 342**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SONOMA VALLEY HEALTH CARE DISTRICT AUTHORIZING THE ISSUANCE OF A TAX AND REVENUE ANTICIPATION NOTE IN A PRINCIPAL AMOUNT NOT TO EXCEED \$1,500,000 AND AUTHORIZING KELLY MATHER TO ENTER INTO A PARCEL TAX AGREEMENT WITH THE COUNTY OF SONOMA**

THE BOARD OF DIRECTORS OF SONOMA VALLEY HEALTH CARE DISTRICT RESOLVES AS FOLLOWS:

**WHEREAS**, pursuant to Section 53850 *et seq.* of the Government Code of the State of California (the “Government Code”) contained in Article 7.6, entitled “Temporary Borrowing,” a healthcare district may borrow money by issuing notes (the “Notes”) for any purpose for which the health care district is authorized to expend moneys, including but not limited to, current expenses, capital expenditures, investment and reinvestment, and the discharge of any obligation or indebtedness of the district; and

**WHEREAS**, pursuant to Section 53856 of the Government Code, the District may pledge its parcel tax revenue to the repayment of Notes, which shall be issued as a general obligation of the District, and to the extent not paid from the taxes pledged for the payment thereof, shall be paid with interest thereon from any other moneys of the District lawfully available therefor as required by Section 53857 of the Government Code; and

**WHEREAS**, the District desires to finance certain obligations incurred by the District in connection with prior operations and ongoing operations: and

**WHEREAS**, the District has determined that the sum of \$1,500,000 is needed to satisfy payment obligations of the District which the District anticipates will become payable prior to the receipt of anticipated parcel tax revenue, and that it is necessary that said sum be borrowed in anticipation of the receipt of taxes to be received by the District during Fiscal Year 2018–2019; and

**WHEREAS**, the District finds and determines that it is in the best interest of the District to finance its obligations through the issuance of tax and revenue anticipation notes and has determined to issue Sonoma Valley Health Care District Parcel Tax Revenue Anticipation Note, Series 2018 (the “Series 2018 Note”); and

**WHEREAS**, the Series 2018 Note shall mature on January 31, 2019, which is consistent with the requirement that repayment be made from available funds that have been received or

accrued to the District within the fiscal year in which the Notes are issued, or in a succeeding fiscal year from funds accruing in the fiscal year of issuance; and

**WHEREAS**, the District wishes to provide authority to staff to enter into a parcel tax agreement with the Sonoma County.

**Whereas**, the purchaser of the Note, Sonoma County, has requested that the District enter into a Parcel Tax Agreement to ensure payment of the Note.

**NOW, THEREFORE**, be it known that the Board of Directors of the Sonoma Valley Health Care District resolves as follows:

**Section 1.** The Series 2018 Note may be issued in order to obtain moneys to carry out the District's purposes. The maximum principal amount of the Series 2018 Note which may be issued hereunder is limited to \$1,500,000.

**Section 2.** The Series 2018 Note shall be evidenced and issued in the principal amount of \$1,500,000. Registered ownership of the Series 2018 Note will be with Sonoma County, as purchaser of the Note, and shall not be transferred thereafter. The Series 2018 Note in the principal amount of \$1,500,000 constitutes a "note" and is being issued pursuant to the provisions of section 53854 of the California Government Code.

**Section 3.** The Series 2018 Note shall be dated as of September 6, 2018, and interest thereon shall be payable upon maturity. The Series 2018 Note shall mature on January 31, 2019, and shall bear interest at the rate of 2.50 percent per annum. If the District fails to pay the note when due, the ACTTC may retain enough of the parcel tax proceeds to satisfy the principle and interest.

**Section 4.** The Series 2018 Note shall be substantially in the form set forth in Exhibit A, attached hereto and by this reference incorporated herein.

**Section 5.** The Board of Directors has reviewed all proceedings heretofore taken relative to the authorization of the Series 2018 Note and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, happen or be performed precedent to and in the issuance of the Series 2018 Note do exist, have happened and have been performed in due time, form and manner as required by applicable law, and the District is now authorized, pursuant to each and every requirement of applicable law to issue the Series 2018 Note.

**Section 6.** The Series 2018 Note may be redeemed prior to Maturity at any time, without any premium.

**Section 7.** The District's obligation to pay the principal and interest on the Series 2018 Note shall be an obligation payable from parcel tax revenues and, to the extent parcel tax revenues are insufficient therefor, subject to any existing or future liens or encumbrances thereon, from any other available moneys of the District.

**Section 8.** The District’s Chief Executive Officer, or designee, upon the advice of the District’s legal counsel or special financial consultants, is hereby authorized to do any and all things and to execute, modify and deliver any and all documents that they may deem necessary in order to effectuate the transactions contemplated by this Resolution and to otherwise carry out the purposes of this Resolution. This authorization includes entering into a Parcel Tax Agreement with the County of Sonoma, whereby the District agrees that the Sonoma County Auditor-Controller Treasurer-Tax Collector may retain sufficient proceeds of the December 2018 installment of the District’s parcel tax, and, if necessary, from future installments, to satisfy the note, prior to allocating parcel tax proceeds to the District.

**Section 9.** This Resolution shall take effect immediately upon its adoption.

\*\*\*\*\*

**PASSED AND ADOPTED** this September 6, 2018, by the following votes:

AYES:  
NOES  
ABSENT  
ABSTAIN

---

Joshua Rymer  
Chair, Board of Directors  
Sonoma Valley Health Care District

ATTEST:

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Bill Boerum  
Secretary, Board of Directors  
Sonoma Valley Health Care District

**FORM OF NOTE**

United States of America  
State of California  
Sonoma County

**SONOMA VALLEY HEALTH CARE DISTRICT  
(Sonoma County, California)  
Parcel Tax Revenue Anticipation Note, Series 2018**

<b>INTEREST RATE:</b>	<b>MATURITY DATE:</b>	<b>DATED DATE:</b>
2.50%	January 31, 2019	September 6, 2018

<b>REGISTERED OWNER:</b>	SONOMA COUNTY TREASURY
<b>PRINCIPAL SUM:</b>	\$1,500,000.00

FOR VALUE RECEIVED, the Sonoma Valley Health Care District, a local health care district organized and existing under and pursuant to The Local Health Care District Law of the State of California (the “District”), hereby acknowledges itself indebted to and promises to pay to the Owner stated above, the Principal Sum stated above in lawful money of the United States of America, on the Maturity Date stated above, or date of earlier redemption as described below, together with interest thereon in like lawful money from the date hereof until payment of such Principal Sum shall be discharged, at the Interest Rate per annum stated above.

It is hereby certified, recited, and declared that this Note is issued pursuant to the provisions of Resolution No. 342 of the Board of Directors of the District duly passed and adopted on September 6, 2018, and pursuant to Section 32130 of the California Health and Safety Code, and that all things, conditions, and acts required to exist, happen, and be performed, exist, have happened, and been performed in regular and due time, form, and manner as required by law, and that the amount of this Note, together with all other indebtedness and obligations of the District, does not exceed any limit prescribed by the Constitution and laws of the State of California.

The Principal Sum of the Note, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other monies which are held or received by the District for the fiscal year 2018-2019 and which are lawfully available for the current expenses and other obligations of the District. Specifically, the Principal Sum of the Note, together with the interest thereon, shall be payable from the proceeds of the District’s special tax on parcels of property within the District authorized at an election held on June 6, 2017 (the “Tax”).

The Note is issued as a fully registered Note, without coupons. The Note is not transferable by its registered owner.

The Note shall be redeemed at any time, without premium, upon receipt by the District of proceeds from the Tax for fiscal year 2018-2019.

If the Note is called for redemption and payment is duly provided therefor, interest shall cease to accrue hereon from and after the date fixed for redemption.

IN WITNESS WHEREOF, SONOMA VALLEY HEALTH CARE DISTRICT has caused this Note to be executed in its name and on its behalf by the manual signature of its Chief Executive Officer and attested by the manual signature of the Secretary of its Board of Directors, all as of the Dated Date stated above.

SONOMA VALLEY HEALTH CARE  
DISTRICT

By: \_\_\_\_\_  
Chief Executive Officer

ATTEST:

\_\_\_\_\_  
Secretary

**CLERK'S CERTIFICATE**

I, \_\_\_\_\_, Clerk of the Governing Board of the Sonoma Valley Health Care District of the County of Sonoma, State of California, do hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a special/regular meeting of the Governing Board of said District, regularly held at the regular meeting place thereof, on September 6, 2018 of which meeting all the members of said Governing Board had due notice.

I further certify that said resolution has not been amended, modified, or rescinded since the date of its adoption and the same is now in full force and effect.

ATTEST: This \_\_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
Stacey J. Finn, Clerk of the Governing Board of  
the Sonoma Valley Health Care District

County of Sonoma, State of California

-----  
**COUNTY TREASURER'S AUTHORIZATION**

(Per County of Sonoma Resolution 91-0271)

The attached request for borrowing is in compliance with the requirements of Article XVI, Section 6, of the State Constitution and with Resolution 91-0271 of the County of Sonoma.

Approved By:

\_\_\_\_\_  
Erick Roeser  
Auditor-Controller/Treasurer-Tax Collector  
County of Sonoma

Date: \_\_\_\_\_

-----  
Amount to be collected on Property Tax Bill \_\_\_\_\_

Amount requested \_\_\_\_\_

Percent of Property Tax Bill Requested \_\_\_\_\_

(Not to exceed 85% of outstanding property taxes)

10.

**ADMINISTRATIVE REPORT  
SEPTEMBER 2018**



**To:** SVHCD Board of Directors  
**From:** Kelly Mather  
**Date:** 8/30/18  
**Subject:** Administrative Report

**Summary**

We have had a very busy summer with much of the discussion centering around the future structure of SVH. The OB closure is moving forward with an effective date of 10/31/18. Most everyone has been understanding and very professional. The Home Care transfer to Hospice by the Bay has been discussed with the public with great support and many appreciate keeping the service in the community with a great organization. The SNF task force has begun and we are now awaiting the SNF expert consultants’ report. A special meeting is tentatively scheduled for October.

**Strategic Update from FY 2019 Strategic Plan:**

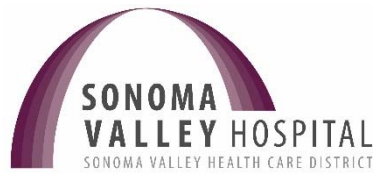
Strategic Priorities	Update
Highest levels of health care safety, quality and value	<ul style="list-style-type: none"> <li>➤ With the planned consolidation of Inpatient Services, we are starting to develop a plan to become one of the only 5 Star hospitals in the Bay Area.</li> <li>➤ The new dashboard is attached to this report.</li> <li>➤ Our mid-cycle accreditation survey is still due any day now with CIHQ.</li> <li>➤ We continue to work on the Stroke Certification program and are now including UCSF through Tele-neurology.</li> <li>➤ We have found several options for the HIE (Health Information Exchange) but none address the local connections needed. UCSF is using one that we’re considering.</li> </ul>
Be the preferred hospital for patients, physicians, employers and health plans	<ul style="list-style-type: none"> <li>➤ We have completed the design of a Cardiology Center.</li> <li>➤ Dr. Brown is moving into the hospital this month. This will be great for all!</li> <li>➤ We are starting the Rural Health Center at Sonoma Family Practice.</li> <li>➤ We are starting the Centralized Scheduling project which should include texting and email reminders for outpatient appointments.</li> </ul>
Implement new and enhanced revenue strategies as measured by increased direct margins in each service unit	<ul style="list-style-type: none"> <li>➤ We are starting to do TEE (Transesophageal Echocardiograms) here at the hospital this month.</li> <li>➤ Working with the Health Center on a possible Pain Management Specialty Clinic.</li> <li>➤ The business plan for a Cancer Screening Clinic with Dr. Peter Carroll is underway.</li> <li>➤ Marketing, direct mail and advertisements for physicians continue to bring in patients from outside of the community.</li> </ul>
Continue to improve financial stability as measured by margin	<ul style="list-style-type: none"> <li>➤ We are managing through the OB closure and plan to sell some equipment.</li> <li>➤ The Cardiologists have moved into a large portion of the time share suite and this will increase rent revenue.</li> <li>➤ We are doing a Master Facility Plan for the campus which addresses the future of the East, Central and West Wing. None will be in compliance for 2030.</li> <li>➤ We are starting to provide HR services to the Health Center this fall.</li> </ul>
Lead progress toward being a healthier community as measured by community benefit	<ul style="list-style-type: none"> <li>➤ We are doing several physician talks this fall through “GirlTalk”, “Conversations with a Doctor” and “Active Aging.”</li> <li>➤ The hospital was an active leader in the annual “Back to School Health Fair” and the SVH team donated over 40 backpacks.</li> </ul>



# JULY 2018

			National Benchmark
<b>Patient Experience</b>	<b>Current Performance</b>	<b>FY 2019 Goal</b>	
Would Recommend Hospital	57 <sup>th</sup>	> 60th percentile	50th percentile
Inpatient Overall Rating	56 <sup>th</sup>	>60th percentile	50th percentile
Home Health	92%	> 90%	> 80%
Outpatient Services	4.82	Rate My Hospital	4.5
Emergency	4.49	Rate My Hospital	4.5
<b>Quality &amp; Safety</b>	<b>YTD Performance</b>	<b>FY 2019 Goal</b>	<b>Benchmark</b>
CLABSI	0	<1	<.51
CAUTI	0	<1	<1.04
SSI – Colon Surgery	0	<1	N/A
SSI – Total Joint	0	<1.5%	N/A
MRSA Bacteremia	0	<.13	<.13
C. Diff	9.9	3.5	7.4/10,000 pt days
PSI – 90 Composite	.046	<1	<1
Heart Failure Mortality Rate	12.5%	TBD	17.3%
Pneumonia Mortality Rate	18.1%	TBD	23.6%
Stroke Mortality Rate	14.7%	TBD	19.7%
Sepsis Mortality Rate	10.2%	<18%	25%
30 Day All- Cause Readmissions	9.30%	< 10 %	< 18.5%
Serious Safety Events	0	0	0
Falls	2	< 2.3	2.3
Pressure Ulcers	0	<3.7	3.7
Injuries to Staff	1	< 10	17
Adverse Drug Events with Harm	0	0	0
Reportable HIPAA Privacy Events	0	0	0
SNF Star Rating	4	4	3
Hospital Star Rating	4	4	3
<b>Our People</b>	<b>YTD Performance</b>	<b>FY 2019 Goal</b>	<b>Benchmark</b>
Press Ganey Engagement Survey	61 <sup>st</sup> percentile	75th percentile	50th percentile
Turnover	1.6%	< 10%	< 15%
<b>Financial Stability</b>	<b>YTD Performance</b>	<b>FY 2019 Goal</b>	<b>Benchmark</b>
EBDA	0%	1%	3%
FTE's/AOB	3.62	4.3	5.3
Days Cash on Hand	19.1	20	30
Days in Accounts Receivable	41	49	50
Length of Stay	3.6	3.85	4.03
Funds raised by SVHF	>\$10 million	\$20 million	\$1 million
<b>Strategic Growth</b>	<b>YTD Performance</b>	<b>FY 2019 Goal</b>	<b>Benchmark</b>
Inpatient Discharges	81/972	1000	1000
Outpatient Visits	4501/54,012	53,000	51,924
Emergency Visits	901/10,812	10,000	11,040
Surgeries + Special Procedures	228/1800	2500	2,568
Community Benefit Hours	197/2364	1200	1200

Note: Colors demonstrate comparison to National Benchmark



Healing Here at Home

## TRENDED MONTHLY RESULTS

MEASUREMENT	Goal FY 2018	Jul 2018	Aug 2017	Sep 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	Jun 2018
FY YTD Turnover	<10%	1.6	3.1	5.3	6.8	9.7	9.7	11.3	12.9	14.2	16.2	17.8	20.3
Leave of Absences	<12	13	10	11	11	11	9	10	15	13	15	12	11
EBDA	>3%	0	-9	-1.1	.1	-1.2	-1.4	2.2	-6	-1.7	-1.8	-1.2	.4
Operating Revenue	>5m	4.5	4.8	4.6	4.6	4.5	4.5	4.9	4.7	4.2	4.4	4.8	5.2
Expense Management	<5m	5.1	5.3	5.2	4.8	5.3	5.1	5.3	5.2	5.1	5.0	5.1	4.9
Net Income	>50k	214	-164	-230	62	-379	-226	125	-174	-395	220	369	543
Days Cash on Hand	>20	19.1	10	9	12.5	14	17.4	23.5	14.1	6.7	6.8	6.2	10.6
A/R Days	<50	41	43	47	45	48	51	51	47	43	43	47	42
Total FTE's	<320	310	314	316	304	329	307	312	305	302	307	306	298
FTEs/AOB	<4.0	3.62	3.75	4.19	4.04	4.86	3.85	3.68	3.87	4.17	4.06	4.35	3.82
Inpatient Discharges	>90	81	94	87	87	99	96	111	82	106	103	108	99
Outpatient Revenue	>\$13m	14.8	15.5	14.3	11.9	12.9	14.1	14.7	12.5	13.1	14.1	15.2	13.6
Surgeries	>150	150	164	187	120	155	160	141	139	151	144	175	151
ER	>900	901	894	921	827	816	919	996	811	871	864	934	856
Home Health	>950	760	713	789	871	630	798	801	821	684	755	747	871
Births	>11	8	10	5	12	11	10	7	11	8	6	9	16
SNF days	>550	664	500	479	624	468	563	646	494	566	525	423	545
MRI	>120	99	134	128	100	80	105	106	112	122	154	153	148
Cardiology (Echos)	>50	88	93	73	54	80	93	96	65	84	95	84	78
Laboratory	>12	12.4	12.2	11.6	10.8	12.0	11.4	12.9	10.6	12.3	11.5	12.5	13.0
Radiology	>850	894	966	870	757	882	891	1072	829	968	905	968	877
Rehab	>2700	2414	2872	2502	2078	2945	2884	2593	2773	3091	2455	2586	2670
CT	>300	359	390	354	271	272	386	346	288	305	367	394	358
Mammography	>200	280	235	201	191	253	249	190	155	<b>363</b>	202	220	221
Ultrasound	>300	181	326	265	188	236	258	274	221	258	293	311	267
Occupational Health	>600	570	705	552	707	588	416	504	555	734	774	822	625
Wound Care	>200	290	263	287	287	203	277	204	122	182	210	237	225

12.

FY19 THREE MONTH  
BUDGET  
OCT-DEC



**To:** SVH Board of Directors  
**From:** Sonoma Valley Hospital Administration  
**Date:** September 6, 2018  
**Subject:** Proposed FY 2019 Budget for the 3-Months of October 2018 through December 2018

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During the middle part of Fiscal Year 2018 operating budget, management needed time to review the then current operating structure before proposing an annual budget for Fiscal Year 2019. To give management time to adequately formulate a new hospital structure, the Board was presented with an approved budget for the first three months of the new fiscal year with the remaining nine months to be presented at a later time. Since the Skilled Nursing Facility and the transfer of Home Health are still under review, management is presenting a proposed budget for the next three months of October 2018 through December 2018. The significant assumptions are:

- Volume is based upon a 12 month rolling average and adjusted for current volume.
- Revenue includes a 6% price increase
- Contractual discounts/Bad debt are based upon actual experience
- A significant increase in reimbursement for capitated Medi-Cal
- Board approved closing of the Obstetrical Service unit at 10/31/2018

The Net operating loss for the 6-months ending at December 31, 2018 is budgeted at (\$3,084,401). After accounting for Non-Operating income, the net loss prior to restricted donations and GO bond activity is (\$1,540,742). Including all other activity the Net loss for the 6-months ending December 31, 2018 is (\$169,606) with an EBDA of 0.7%.

**ATTACHMENTS:**

- Attachment A - Approved FY 2019 3-Month Budget for July 2018 through September 2018
- Attachment B - FY 2019 3-Month Budget for October 2018 through December 2018
- Attachment C - FY 2019 6-Month Budget for July 2018 through December 2018
- Attachment D - FY 2019 3-Month Budget Preliminary Cost Savings for Oct. 2018 through Dec.2018
- Attachment E - FY 2019 3-Month Budget Payer Mix for Oct. 2018 through Dec. 2018
- Attachment F - FY 2019 6-Month Budget Cash Flow for July 2018 through December 2018



# APPROVED

**Sonoma Valley Health Care District  
Statement of Revenue and Expenses  
Comparative Results  
FY 2019 Budget - 3 Months  
July 2018, August 2018, and September 2018**

**Schedule A**

	<u>July 31, 2018</u>	<u>August 31, 2018</u>	<u>September 30, 2018</u>	<u>FY 2019 Budget - 3 Months</u>
<b>Volume Information</b>				
Acute Discharges	93	91	91	275
Patient Days	324	317	316	957
SNF Days	528	500	479	1,507
Emergency Room Visits	920	894	921	2,735
Surgeries - Inpatient	30	21	29	81
Surgeries - Outpatient	133	142	154	429
Special Procedures	52	77	75	204
Home Care Visits	803	724	801	2,328
Gross O/P Revenue (000's)	\$ 14,282	\$ 14,922	\$ 14,072	\$ 43,276
<b>Financial Results</b>				
<b>Gross Patient Revenue</b>				
Inpatient	\$ 5,959,378	\$ 5,598,200	\$ 6,010,199	\$ 17,567,777
Outpatient	7,659,897	8,582,690	7,720,462	23,963,049
Emergency	6,338,348	6,082,430	6,068,637	18,489,415
SNF	1,870,791	1,988,548	1,789,202	5,648,541
Home Care	283,762	256,586	283,075	823,423
<b>Total Gross Patient Revenue</b>	<b>\$ 22,112,176</b>	<b>\$ 22,508,454</b>	<b>\$ 21,871,575</b>	<b>\$ 66,492,205</b>
<b>Deductions from Revenue</b>				
Contractual Discounts	\$ (17,722,494)	\$ (18,094,029)	\$ (17,533,340)	\$ (53,349,863)
Bad Debt	(100,000)	(100,000)	(100,000)	(300,000)
Charity Care Provision	(24,730)	(24,730)	(24,730)	(74,190)
Prior Period Adj/Government Program Revenue	352,555	352,555	352,555	1,057,665
<b>Total Deductions from Revenue</b>	<b>\$ (17,494,669)</b>	<b>\$ (17,866,204)</b>	<b>\$ (17,305,515)</b>	<b>\$ (52,666,388)</b>
<b>Net Patient Service Revenue</b>	<b>\$ 4,617,507</b>	<b>\$ 4,642,250</b>	<b>\$ 4,566,060</b>	<b>\$ 13,825,817</b>
Risk contract revenue	\$ 125,798	\$ 125,798	\$ 125,798	\$ 377,394
Net Hospital Revenue	\$ 4,743,305	\$ 4,768,048	\$ 4,691,858	\$ 14,203,211
Other Op Rev & Electronic Health Records	\$ 13,968	\$ 13,968	\$ 13,968	\$ 41,904
<b>Total Operating Revenue</b>	<b>\$ 4,757,273</b>	<b>\$ 4,782,016</b>	<b>\$ 4,705,826</b>	<b>\$ 14,245,115</b>
<b>Operating Expenses</b>				
Salary and Wages and Agency Fees	\$ 2,239,729	\$ 2,273,563	\$ 2,196,490	\$ 6,709,782
Employee Benefits	856,632	863,685	851,075	2,571,392
Total People Cost	\$ 3,096,361	\$ 3,137,248	\$ 3,047,565	\$ 9,281,174
Med and Prof Fees (excl Agency)	\$ 503,741	\$ 503,741	\$ 503,334	\$ 1,510,816
Supplies	596,968	509,614	550,697	1,657,279
Purchased Services	370,803	372,398	370,487	1,113,688
Depreciation	285,255	285,255	285,255	855,765
Utilities	119,631	120,931	120,931	361,493
Insurance	33,429	33,429	33,429	100,287
Interest	49,872	49,872	49,598	149,342
Other	126,483	126,219	126,477	379,179
Matching Fees (Government Programs)	88,403	88,403	88,403	265,209
<b>Operating expenses</b>	<b>\$ 5,270,946</b>	<b>\$ 5,227,110</b>	<b>\$ 5,176,176</b>	<b>\$ 15,674,232</b>
<b>Operating Margin</b>	<b>\$ (513,673)</b>	<b>\$ (445,094)</b>	<b>\$ (470,350)</b>	<b>\$ (1,429,117)</b>
<b>Non Operating Rev and Expense</b>				
Miscellaneous Revenue/(Expenses)	\$ (5,133)	\$ (5,133)	\$ (4,836)	\$ (15,102)
Donations	2,672	2,672	2,672	8,016
Physician Practice Support-Prima	(56,766)	(56,766)	(56,766)	(170,298)
Parcel Tax Assessment Rev	316,667	316,667	316,667	950,001
<b>Total Non-Operating Rev/Exp</b>	<b>\$ 257,440</b>	<b>\$ 257,440</b>	<b>\$ 257,737</b>	<b>\$ 772,617</b>
<b>Net Income / (Loss) prior to Restricted Contributions</b>	<b>\$ (256,233)</b>	<b>\$ (187,654)</b>	<b>\$ (212,613)</b>	<b>\$ (656,500)</b>

**Sonoma Valley Health Care District  
Statement of Revenue and Expenses  
Comparative Results  
FY 2019 Budget - 3 Months  
July 2018, August 2018, and September 2018**

**APPROVED**

**Schedule A**

	<u>July 31, 2018</u>	<u>August 31, 2018</u>	<u>September 30, 2018</u>	<u>FY 2019 Budget - 3 Months</u>
Capital Campaign Contribution	\$ 20,949	\$ 20,949	\$ 20,949	\$ 62,847
Restricted Foundation Contributions	\$ 55,003	\$ 55,003	\$ 55,003	\$ 165,009
<b>Net Income / (Loss) w/ Restricted Contributions</b>	<b>\$ (180,281)</b>	<b>\$ (111,702)</b>	<b>\$ (136,661)</b>	<b>\$ (428,644)</b>
GO Bond Tax Assessment Rev	253,911	253,911	253,911	761,733
GO Bond Interest	(105,777)	(100,768)	(100,768)	(307,313)
<b>Net Income/(Loss) w GO Bond Activity</b>	<b>\$ (32,147)</b>	<b>\$ 41,441</b>	<b>\$ 16,482</b>	<b>\$ 25,776</b>
<b>EBIDA - Not including Restricted Contributions</b>	<b>\$ 78,894</b> 1.7%	<b>\$ 147,473</b> 3.1%	<b>\$ 122,240</b> 2.6%	<b>\$ 348,607</b> 2.4%
<b>EBDA - Not including Restricted Contributions</b>	<b>\$ 29,022</b> 0.6%	<b>\$ 97,601</b> 2.0%	<b>\$ 72,642</b> 1.5%	<b>\$ 199,265</b> 1.4%

**Sonoma Valley Health Care District**  
**Statement of Revenue and Expenses**  
**FY 2019 Budget**  
**October 2018, November 2018, and December 2018**

**Schedule B**

	<u>October 31, 2018</u>	<u>November 30, 2018</u>	<u>December 31, 2018</u>	<u>FY 2019 Budget</u> <u>October - December 2018</u>
<b>Volume Information</b>				
Acute Discharges	87	85	92	264
Patient Days	310	295	318	923
SNF Days	552	528	563	1,643
Emergency Room Visits	893	902	919	2,714
Surgeries - Inpatient	20	31	20	71
Surgeries - Outpatient	127	127	132	386
Special Procedures	61	75	43	179
Home Health Visits	800	709	803	2,312
Gross O/P Revenue (000's)	\$ 13,981	\$ 13,969	\$ 14,865	\$ 42,816
<b>Financial Results</b>				
<b>Gross Patient Revenue</b>				
Inpatient	\$ 5,726,236	\$ 5,838,200	\$ 5,564,205	\$ 17,128,641
Outpatient	7,332,415	7,522,165	7,790,036	22,644,616
Emergency	6,366,021	6,202,735	6,798,645	19,367,401
SNF	2,115,827	1,743,595	1,931,966	5,791,388
Home Health	282,730	244,429	276,765	803,924
<b>Total Gross Patient Revenue</b>	<b>\$ 21,823,229</b>	<b>\$ 21,551,124</b>	<b>\$ 22,361,617</b>	<b>\$ 65,735,970</b>
<b>Deductions from Revenue</b>				
Contractual Discounts	\$ (17,566,285)	\$ (17,401,498)	\$ (18,068,030)	\$ (53,035,813)
Bad Debt	(100,000)	(100,000)	(100,000)	(300,000)
Charity Care Provision	(24,730)	(24,730)	(24,730)	(74,190)
Prior Period Adj/Government Program Revenue	352,555	352,555	352,555	1,057,665
<b>Total Deductions from Revenue</b>	<b>\$ (17,338,460)</b>	<b>\$ (17,173,673)</b>	<b>\$ (17,840,205)</b>	<b>\$ (52,352,338)</b>
<b>Net Patient Service Revenue</b>	<b>\$ 4,484,769</b>	<b>\$ 4,377,451</b>	<b>\$ 4,521,412</b>	<b>\$ 13,383,632</b>
Risk contract revenue	\$ 95,999	\$ 95,999	\$ 95,999	\$ 287,997
Net Hospital Revenue	\$ 4,580,768	\$ 4,473,450	\$ 4,617,411	\$ 13,671,629
Other Op Rev & Electronic Health Records	\$ 13,968	\$ 13,968	\$ 13,968	\$ 41,904
<b>Total Operating Revenue</b>	<b>\$ 4,594,736</b>	<b>\$ 4,487,418</b>	<b>\$ 4,631,379</b>	<b>\$ 13,713,533</b>
<b>Operating Expenses</b>				
Salary and Wages and Agency Fees	\$ 2,324,272	\$ 2,089,762	\$ 2,184,448	\$ 6,598,482
Employee Benefits	883,046	806,769	826,413	2,516,228
Total People Cost	\$ 3,207,318	\$ 2,896,531	\$ 3,010,861	\$ 9,114,710
Med and Prof Fees (excl Agency)	\$ 503,741	\$ 502,434	\$ 502,841	\$ 1,509,016
Supplies	533,209	542,326	527,531	1,603,066
Purchased Services	369,208	367,525	367,842	1,104,575
Depreciation	290,727	290,727	290,727	872,181
Utilities	115,231	104,131	82,131	301,493
Insurance	35,320	35,320	35,320	105,960
Interest	49,769	49,494	49,768	149,031
Other	114,883	114,177	114,516	343,576
Matching Fees (Government Programs)	88,403	88,403	88,403	265,209
<b>Operating expenses</b>	<b>\$ 5,307,809</b>	<b>\$ 4,991,068</b>	<b>\$ 5,069,940</b>	<b>\$ 15,368,817</b>
<b>Operating Margin</b>	<b>\$ (713,073)</b>	<b>\$ (503,650)</b>	<b>\$ (438,561)</b>	<b>\$ (1,655,284)</b>
<b>Non Operating Rev and Expense</b>				
Miscellaneous Revenue/(Expenses)	\$ (5,658)	\$ (5,361)	\$ (5,658)	\$ (16,677)
Donations	2,672	2,672	2,672	8,016
Physician Practice Support-Prima	(56,766)	(56,766)	(56,766)	(170,298)
Parcel Tax Assessment Rev	316,667	316,667	316,667	950,001
<b>Total Non-Operating Rev/Exp</b>	<b>\$ 256,915</b>	<b>\$ 257,212</b>	<b>\$ 256,915</b>	<b>\$ 771,042</b>
<b>Net Income / (Loss) prior to Restricted Contributions</b>	<b>\$ (456,158)</b>	<b>\$ (246,438)</b>	<b>\$ (181,646)</b>	<b>\$ (884,242)</b>

**Sonoma Valley Health Care District**  
**Statement of Revenue and Expenses**  
**FY 2019 Budget**  
**October 2018, November 2018, and December 2018**

**Schedule B**

	<u>October 31, 2018</u>	<u>November 30, 2018</u>	<u>December 31, 2018</u>	<u>FY 2019 Budget</u> <u>October - December 2018</u>
Capital Campaign Contribution	\$ 20,949	\$ 20,949	\$ 20,949	\$ 62,847
Restricted Foundation Contributions	\$ 55,003	\$ 55,003	\$ 55,003	\$ 165,009
<b>Net Income / (Loss) w/ Restricted Contributions</b>	<b>\$ (380,206)</b>	<b>\$ (170,486)</b>	<b>\$ (105,694)</b>	<b>\$ (656,386)</b>
GO Bond Tax Assessment Rev	254,436	254,436	254,436	763,308
GO Bond Interest	(100,768)	(100,768)	(100,768)	(302,304)
<b>Net Income/(Loss) w GO Bond Activity</b>	<b>\$ (226,538)</b>	<b>\$ (16,818)</b>	<b>\$ 47,974</b>	<b>\$ (195,382)</b>
<b>EBIDA - Not including Restricted Contributions</b>	\$ (115,662) -2.5%	\$ 93,783 2.1%	\$ 158,849 3.4%	\$ 136,970 1.0%
<b>EBDA - Not including Restricted Contributions</b>	\$ (165,431) -3.6%	\$ 44,289 1.0%	\$ 109,081 2.4%	\$ (12,061) -0.1%



**Sonoma Valley Health Care District  
Statement of Revenue and Expenses  
FY 2019 Budget - 6 Months  
July 1, 2018 to December 31, 2018**

**Schedule C**

	Approved		FY 2019 Budget - 6 Months July 2018 to December 2018
	July 2018 - September 2018	October 1, 2018 - December 31, 2018	
<b>Volume Information</b>			
Acute Discharges	275	264	539
Patient Days	957	923	1,880
SNF Days	1,507	1,643	3,150
Emergency Room Visits	2,735	2,714	5,449
Surgeries - Inpatient	81	71	152
Surgeries - Outpatient	429	386	815
Special Procedures	204	179	383
Home Care Visits	2,328	2,312	4,640
Gross O/P Revenue (000's)	\$ 43,276	\$ 42,816	\$ 86,093
<b>Financial Results</b>			
<b>Gross Patient Revenue</b>			
Inpatient	\$ 17,567,777	\$ 17,128,641	\$ 34,696,418
Outpatient	23,963,049	22,644,616	46,607,665
Emergency	18,489,415	19,367,401	37,856,816
SNF	5,648,541	5,791,388	11,439,929
Home Care	823,423	803,924	1,627,347
<b>Total Gross Patient Revenue</b>	<b>\$ 66,492,205</b>	<b>\$ 65,735,970</b>	<b>\$ 132,228,175</b>
<b>Deductions from Revenue</b>			
Contractual Discounts	\$ (53,349,863)	\$ (53,035,813)	\$ (106,385,676)
Bad Debt	(300,000)	(300,000)	(600,000)
Charity Care Provision	(74,190)	(74,190)	(148,380)
Prior Period Adj/Government Program Revenue	1,057,665	1,057,665	2,115,330
<b>Total Deductions from Revenue</b>	<b>\$ (52,666,388)</b>	<b>\$ (52,352,338)</b>	<b>\$ (105,018,726)</b>
<b>Net Patient Service Revenue</b>	<b>\$ 13,825,817</b>	<b>\$ 13,383,632</b>	<b>\$ 27,209,449</b>
Risk contract revenue	\$ 377,394	\$ 287,997	\$ 665,391
Net Hospital Revenue	\$ 14,203,211	\$ 13,671,629	
Other Op Rev & Electronic Health Records	\$ 41,904	\$ 41,904	\$ 83,808
<b>Total Operating Revenue</b>	<b>\$ 14,245,115</b>	<b>\$ 13,713,533</b>	<b>\$ 27,958,648</b>
<b>Operating Expenses</b>			
Salary and Wages and Agency Fees	\$ 6,709,782	\$ 6,598,482	\$ 13,308,264
Employee Benefits	2,571,392	2,516,228	5,087,620
Total People Cost	\$ 9,281,174	\$ 9,114,710	\$ 18,395,884
Med and Prof Fees (excl Agency)	\$ 1,510,816	\$ 1,509,016	\$ 3,019,832
Supplies	1,657,279	1,603,066	3,260,345
Purchased Services	1,113,688	1,104,575	2,218,263
Depreciation	855,765	872,181	1,727,946
Utilities	361,493	301,493	662,986
Insurance	100,287	105,960	206,247
Interest	149,342	149,031	298,373
Other	379,179	343,576	722,755
Matching Fees (Government Programs)	265,209	265,209	530,418
<b>Operating expenses</b>	<b>\$ 15,674,232</b>	<b>\$ 15,368,817</b>	<b>\$ 31,043,049</b>
<b>Operating Margin</b>	<b>\$ (1,429,117)</b>	<b>\$ (1,655,284)</b>	<b>\$ (3,084,401)</b>
<b>Non Operating Rev and Expense</b>			
Miscellaneous Revenue/(Expenses)	\$ (15,101)	\$ (16,677)	\$ (31,778)
Donations	8,016	8,016	16,032
Physician Practice Support-Prima	(170,298)	(170,298)	(340,596)
Parcel Tax Assessment Rev	950,000	950,001	1,900,001
<b>Total Non-Operating Rev/Exp</b>	<b>\$ 772,617</b>	<b>\$ 771,042</b>	<b>\$ 1,543,659</b>
<b>Net Income / (Loss) prior to Restricted Contributions</b>	<b>\$ (656,500)</b>	<b>\$ (884,242)</b>	<b>\$ (1,540,742)</b>
Capital Campaign Contribution	\$ 62,847	\$ 62,847	\$ 125,694
Restricted Foundation Contributions	\$ 165,009	\$ 165,009	\$ 330,018
<b>Net Income / (Loss) w/ Restricted Contributions</b>	<b>\$ (428,644)</b>	<b>\$ (656,386)</b>	<b>\$ (1,085,030)</b>

**Sonoma Valley Health Care District  
Statement of Revenue and Expenses  
FY 2019 Budget - 6 Months  
July 1, 2018 to December 31, 2018**

**Schedule C**

	<b>Approved</b>		<b>FY 2019 Budget - 6 Months</b>
	<b><u>July 2018 - September 2018</u></b>	<b><u>October 1, 2018 - December 31, 2018</u></b>	<b><u>July 2018 to December 2018</u></b>
GO Bond Tax Assessment Rev	761,733	763,308	1,525,041
GO Bond Interest	(307,313)	(302,304)	(609,617)
<b>Net Income/(Loss) w GO Bond Activity</b>	<b>\$ 25,776</b>	<b>\$ (195,382)</b>	<b>\$ (169,606)</b>
<b>EBIDA - Not including Restricted Contributions</b>	\$ 348,607 2.4%	\$ 136,970 1.0%	\$ 485,577 1.7%
<b>EBDA - Not including Restricted Contributions</b>	\$ 199,265 1.4%	\$ (12,061) -0.1%	\$ 187,204 0.7%

**Sonoma Valley Health Care District**  
**Schedule of Preliminary Cost Savings & Additions**  
**FY 2019 Budget**  
**October 1, 2018 through December 31, 2018**

**Schedule D**

		<b>FY 2019 Budget</b>	
		<b>October 1, 2018 - December 31, 2018</b>	
<hr/>			
<b>Peliminary Cost Savings &amp; Additions:</b>			
1. Closure of Obstetrics Department at 10/31/2018:			
	Net Revenue	(204,757)	
	Direct and Attributable Costs	<u>313,163</u>	108,406
2. Bariatric surgeries - Additional 8 cases annually			
	Direct Margin - \$144,000 annually = \$12,000/Monthly		36,000
3. Reduction in Administration - Contracted labor			
			5,304
4. Reduction in Finance Overhead Departments - Salaries			
			3,644
5. Partnership Healthcare - Increase in Contract (\$650,000/Annual)			
			162,500
6. Disproportionate Share Hospital (DSH)			
	Based on reduction of Medi-Cal Days		(36,000)
7. 6% Price increase, net			
			172,606
8. Severance Pay and Retention Bonuses - October 2018			
			(54,455)
9. Costs of closing/moving units			
			<u>(15,000)</u>
<b>Total Preliminary Cost Savings &amp; Additions</b>			<b><u><u>383,005</u></u></b>

Note: Items #1 and #2 are based on Administrations analysis

**Sonoma Valley Health Care District**  
**Schedule of Payor Mix**  
**FY 2019 Budget**  
**October 1, 2018 to December 31, 2018**

**Schedule E**

	<b>FY 2019 Budget</b>		
	<u>October 1, 2018 - December 31, 2018</u>	<u>Fiscal YTD at 6/30/2018</u>	<u>Variance</u>
Medicare	43.1%	44.4%	1.3%
Medicare Managed Care	12.6%	13.3%	0.7%
Medi-Cal	17.8%	17.9%	0.1%
Self Pay	1.3%	1.2%	-0.1%
Commercial	20.8%	19.0%	-1.8%
Worker's Comp.	2.4%	2.1%	-0.3%
Capitated	2.0%	2.1%	0.1%
	<hr/> 100.0%	<hr/> 100.0%	

Sonoma Valley Health Care District  
Cash Forecast - FY 2019 Budget  
Six Months July 1, 2018 to December 31, 2018

Schedule F

		FY 2019 Budget	
		July 1, 2018 - September 30, 2018	October 1, 2018 - December 31, 2018
<b>Hospital Operating Sources</b>			
1	Patient Payments Collected	12,732,267	12,290,081
2	Capitation Revenue	377,394	287,997
3	Napa State	35,886	35,886
4	Other Operating Revenue	41,904	41,904
5	Other Non-Operating Revenue	89,019	89,019
6	Unrestricted Contributions	8,016	8,016
7	Line of Credit	-	-
<b>Sub-Total Hospital Sources</b>		<b>13,284,486</b>	<b>12,752,903</b>
<b>Hospital Uses of Cash</b>			
8	Operating Expenses	14,827,677	14,507,420
9	Add Capital Lease Payments	238,525	238,525
10	Additional Liabilities	-	-
11	Capital Expenditures	227,856	227,856
<b>Total Hospital Uses</b>		<b>15,294,058</b>	<b>14,973,801</b>
<b>Net Hospital Sources/Uses of Cash</b>		<b>(2,009,572)</b>	<b>(2,220,898)</b>
<b>Non-Hospital Sources</b>			
12	Restricted Cash/Capital Donations	227,856	282,311
13	Parcel Tax Revenue	1,500,000	400,000
14	Other:	-	-
15	IGT	870,165	870,165
16	IGT - AB915 (Net)	-	-
17	PRIME (Net)	187,500	187,500
<b>Sub-Total Non-Hospital Sources</b>		<b>2,785,521</b>	<b>1,739,976</b>
<b>Non-Hospital Uses of Cash</b>			
18	Matching Fees	265,209	265,209
<b>Sub-Total Non-Hospital Uses of Cash</b>		<b>265,209</b>	<b>265,209</b>
<b>Net Non-Hospital Sources/Uses of Cash</b>		<b>2,520,312</b>	<b>1,474,767</b>
<b>Net Sources/Uses</b>		<b>510,740</b>	<b>(746,131)</b>
Cash and Equivalents at beginning of period		1,671,426	2,182,166
<b>Cash and Equivalents at end of period</b>		<b>2,182,166</b>	<b>1,436,035</b>

13.

FINANCIAL REPORT  
MONTH END  
JULY 31, 2018



**To:** SVH Finance Committee  
**From:** Ken Jensen, CFO  
**Date:** August 28, 2018  
**Subject:** Financial Report for the Month Ending July 31, 2018

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July's actual loss of (\$541,897) from operations was (\$28,223) unfavorable to the budgeted loss of (\$513,674). After accounting for all other activity; the July net income was \$213,878 vs. the budgeted net loss of (\$32,147) with a monthly EBIDA of 1.0% vs. a budgeted 1.6%.

**Gross patient revenue** for July was \$23,141,481; \$1,029,305 over budget. Inpatient gross revenue was under budget by (\$244,772). Inpatient days were under budget by (33) days and inpatient surgeries were under budgeted expectations by (7) cases. Outpatient revenue was under budget by (\$22,408). Outpatient visits were over budgeted expectations by 113 visits, and outpatient surgeries were under budgeted expectations by (6) cases. The Emergency Room gross revenue was over budget by \$567,088 with ER visits close to budgeted expectations at 901 visits. SNF gross charges were over budgeted expectations by \$731,768 and SNF patient days were over budget by 136 days. Home Health was under budget by (\$2,371) with visits under budget by (43) visits.

Gross revenue from surgical implants in July is \$590,532 with \$381,354 from inpatient surgeries and \$209,178 from outpatient surgeries, and total implant costs were (\$170,568). The net, before any revenue deductions, is \$419,964.

**Deductions from revenue** were unfavorable to budgeted expectations by (\$1,184,147). Of the variance, (\$290,055) is from the prior period adjustments or IGT payments. Without the IGT variance, the deductions from revenue variance is unfavorable by (\$894,092) which is due to gross revenue being over budgeted expectation.

Furthermore, July was an unusual month in that acute admissions were up but the length of stay was down. In addition, SNF days were up dramatically due to what appears to be early discharges from the acute unit. The net result is that a number of SNF days will not be covered resulting in a higher than expected contractual allowance and expense for salaries and registry.

After accounting for all other operating revenue, the **total operating revenue** was unfavorable to budgeted expectations by (\$185,108).

**Operating Expenses** of \$5,114,062 were favorable to budget by \$156,885. Salaries and wages and agency fees were over budget by (\$60,265). Salaries and wages were under budget by \$28,834 and agency fees were over budget by (\$89,099). Physician and contracted labor were under budget by \$42,038 with physician's costs being under budget by \$37,357 and contracted labor under budget by \$4,681. There was no matching fee in the July.

After accounting for all income and expenses, but not including Restricted Contributions and GO bond activity, the net loss for July was (\$292,230) vs. a budgeted net loss of (\$256,759). In the month of July the hospital received \$331,168 in restricted donations from the Foundation for the Outpatient Diagnostic Center. The total net income for July after all activity was \$213,878 vs. a budgeted net loss of (\$32,147).

EBIDA for the month of July was 1.0% vs. the budgeted 1.6%.

#### Patient Volumes – July

	ACTUAL	BUDGET	VARIANCE	PRIOR YEAR
Acute Discharges	81	93	-12	76
Newborn Discharges	8	6	2	6
Acute Patient Days	291	324	-33	240
SNF Patient Days	664	528	136	528
Home Care Visits	760	803	-43	870
OP Gross Revenue	\$14,801	\$14,270	\$531	\$14,175
Surgical Cases	150	163	-13	162

#### Gross Revenue Overall Payer Mix – July

	ACTUAL	BUDGET	VARIANCE	YTD ACTUAL	YTD BUDGET	VARIANCE
Medicare	37.7%	42.7%	-5.0%	37.7%	42.7%	-5.0%
Medicare Mgd Care	17.7%	12.7%	5.0%	17.7%	12.7%	5.0%
Medi-Cal	17.8%	17.9%	-0.1%	17.8%	17.9%	-0.1%
Self Pay	1.1%	1.4%	-0.3%	1.1%	1.4%	-0.3%
Commercial	21.3%	20.8%	0.5%	21.3%	20.8%	0.5%
Workers Comp	1.7%	2.5%	-0.8%	1.7%	2.5%	-0.8%
Capitated	2.7%	2.0%	0.7%	2.7%	2.0%	0.7%
Total	100.0%	100.0%		100.0%	100.0%	



**Cash Activity for July:**

For the month of July the cash collection goal was \$3,969,775 and the Hospital collected \$3,823,843 or under the goal by (\$145,932). Days of cash on hand are 19.1 days at July 31, 2018, this calculation includes the cash in the Money Market account. Accounts Receivable decreased from June, from 41.7 days to 40.6 days in July. Accounts Payable decreased by \$453,732 from June and Accounts Payable days are at 42.1.

**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 July 31, 2018**

ATTACHMENT A

**July-18**

**YTD**

<b>Gross Revenue:</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>% Variance</b>
Medicare	8,685,058	9,437,594	-752,536	-8.0%
Medicare Managed Care	4,102,916	2,796,447	1,306,469	46.7%
Medi-Cal	4,121,896	3,961,149	160,747	4.1%
Self Pay	259,286	300,835	-41,549	-13.8%
Commercial & Other Government	4,940,195	4,609,102	331,093	7.2%
Worker's Comp.	397,699	561,388	-163,689	-29.2%
Capitated	634,431	445,661	188,770	42.4%
<b>Total</b>	<b>23,141,481</b>	<b>22,112,176</b>	<b>1,029,305</b>	

	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>% Variance</b>
Medicare	8,685,058	9,437,594	-752,536	-8.0%
Medicare Managed Care	4,102,916	2,796,447	1,306,469	46.7%
Medi-Cal	4,121,896	3,961,149	160,747	4.1%
Self Pay	259,286	300,835	-41,549	-13.8%
Commercial & Other Government	4,940,195	4,609,102	331,093	7.2%
Worker's Comp.	397,699	561,388	-163,689	-29.2%
Capitated	634,431	445,661	188,770	42.4%
<b>Total</b>	<b>23,141,481</b>	<b>22,112,176</b>	<b>1,029,305</b>	

<b>Net Revenue:</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>% Variance</b>
Medicare	1,283,804	1,368,894	-85,090	-6.2%
Medicare Managed Care	594,561	442,844	151,717	34.3%
Medi-Cal	626,019	517,326	108,693	21.0%
Self Pay	121,864	176,861	-54,997	-31.1%
Commercial & Other Government	1,677,612	1,626,432	51,180	3.1%
Worker's Comp.	79,937	120,249	-40,312	-33.5%
Capitated	16,368	12,346	4,022	32.6%
Prior Period Adj/IGT	62,500	352,555	-290,055	-82.3%
<b>Total</b>	<b>4,462,665</b>	<b>4,617,507</b>	<b>(154,842)</b>	<b>-3.4%</b>

	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>% Variance</b>
Medicare	1,283,804	1,368,894	-85,090	-6.2%
Medicare Managed Care	594,561	442,844	151,717	34.3%
Medi-Cal	626,019	517,326	108,693	21.0%
Self Pay	121,864	176,861	-54,997	-31.1%
Commercial & Other Government	1,677,612	1,626,432	51,180	3.1%
Worker's Comp.	79,937	120,249	-40,312	-33.5%
Capitated	16,368	12,346	4,022	32.6%
Prior Period Adj/IGT	62,500	352,555	-290,055	-82.3%
<b>Total</b>	<b>4,462,665</b>	<b>4,617,507</b>	<b>(154,842)</b>	<b>-3.4%</b>

<b>Percent of Net Revenue:</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>% Variance</b>
Medicare	28.8%	29.7%	-0.9%	-3.0%
Medicare Managed Care	13.3%	9.6%	3.7%	38.5%
Medi-Cal	15.4%	18.8%	-3.4%	-18.1%
Self Pay	2.7%	3.8%	-1.1%	-28.9%
Commercial & Other Government	37.6%	35.2%	2.4%	6.8%
Worker's Comp.	1.8%	2.6%	-0.8%	-30.8%
Capitated	0.4%	0.3%	0.1%	33.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>

	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>% Variance</b>
Medicare	28.8%	29.7%	-1.0%	-3.4%
Medicare Managed Care	13.3%	9.6%	3.7%	38.5%
Medi-Cal	15.4%	18.8%	-3.4%	-18.1%
Self Pay	2.7%	3.8%	-1.1%	-28.9%
Commercial & Other Government	37.6%	35.2%	2.4%	6.8%
Worker's Comp.	1.8%	2.6%	-0.8%	-30.8%
Capitated	0.4%	0.3%	0.1%	33.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-0.1%</b>	<b>-0.1%</b>

<b>Projected Collection Percentage:</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>% Variance</b>
Medicare	14.8%	14.5%	0.3%	2.1%
Medicare Managed Care	14.5%	15.9%	-1.4%	-8.7%
Medi-Cal	16.7%	22.0%	-5.3%	-24.1%
Self Pay	47.0%	58.8%	-11.8%	-20.1%
Commercial & Other Government	34.0%	35.3%	-1.3%	-3.7%
Worker's Comp.	20.1%	21.4%	-1.3%	-6.1%
Capitated	2.6%	2.8%	-0.2%	-7.1%

	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>% Variance</b>
Medicare	14.8%	14.5%	0.3%	2.1%
Medicare Managed Care	14.5%	15.9%	-1.4%	-8.7%
Medi-Cal	16.7%	22.0%	-5.3%	-24.1%
Self Pay	47.0%	58.8%	-11.8%	-20.1%
Commercial & Other Government	34.0%	35.3%	-1.3%	-3.7%
Worker's Comp.	20.1%	21.4%	-1.3%	-6.1%
Capitated	2.6%	2.8%	-0.2%	-7.1%

**SONOMA VALLEY HOSPITAL  
OPERATING INDICATORS  
For the Period Ended July 31, 2018**

**ATTACHMENT B**

	<u>CURRENT MONTH</u>				<u>YEAR-TO-DATE</u>			<u>YTD</u>
	<u>Actual 07/31/18</u>	<u>Budget 07/31/18</u>	<u>Favorable (Unfavorable) Variance</u>		<u>Actual 07/31/18</u>	<u>Budget 07/31/18</u>	<u>Favorable (Unfavorable) Variance</u>	<u>Prior Year 07/31/17</u>
				<b>Inpatient Utilization</b>				
				<b>Discharges</b>				
1	71	82	(11)	Acute	71	82	(11)	57
2	10	11	(1)	ICU	10	11	(1)	19
3	81	93	(12)	Total Discharges	81	93	(12)	76
4	8	6	2	Newborn	8	6	2	8
5	89	99	(10)	Total Discharges inc. Newborns	89	99	(10)	84
				<b>Patient Days:</b>				
6	208	253	(45)	Acute	208	253	(45)	159
7	83	71	12	ICU	83	71	12	81
8	291	324	(33)	Total Patient Days	291	324	(33)	240
9	13	11	2	Newborn	13	11	2	7
10	304	335	(31)	Total Patient Days inc. Newborns	304	335	(31)	247
				<b>Average Length of Stay:</b>				
11	2.9	3.1	(0.2)	Acute	2.9	3.1	(0.2)	2.8
12	8.3	6.5	1.8	ICU	8.3	6.5	1.8	4.3
13	3.6	3.5	0.1	Avg. Length of Stay	3.6	3.5	0.1	3.2
14	1.6	1.8	(0.2)	Newborn ALOS	1.6	1.8	(0.2)	0.9
				<b>Average Daily Census:</b>				
15	6.7	8.2	(1.5)	Acute	6.7	8.2	(1.5)	5.1
16	2.7	2.3	0.4	ICU	2.7	2.3	0.4	2.6
17	9.4	10.5	(1.1)	Avg. Daily Census	9.4	10.5	(1.1)	7.7
18	0.4	0.4	0.1	Newborn	0.42	0.35	0.1	0.23
				<b>Long Term Care:</b>				
19	664	528	136	SNF Patient Days	664	528	136	528
20	31	30	1	SNF Discharges	31	30	1	23
21	21.4	17.0	4.4	Average Daily Census	21.4	17.0	4.4	17.0
				<b>Other Utilization Statistics</b>				
				<b>Emergency Room Statistics</b>				
22	901	920	(19)	Total ER Visits	901	920	(19)	920
				<b>Outpatient Statistics:</b>				
23	4,501	4,388	113	Total Outpatients Visits	4,501	4,388	113	4,327
24	23	30	(7)	IP Surgeries	23	30	(7)	29
25	127	133	(6)	OP Surgeries	127	133	(6)	133
26	78	52	26	Special Procedures	78	52	26	52
27	760	803	(43)	Home Health Visits	760	803	(43)	870
28	311	347	(36)	Adjusted Discharges	311	347	(36)	301
29	2,654	2,405	250	Adjusted Patient Days (Inc. SNF)	2,654	2,405	250	2,332
30	85.6	77.6	8.1	Adj. Avg. Daily Census (Inc. SNF)	85.6	77.6	8.1	75.2
31	1.3200	1.4000	(0.080)	Case Mix Index -Medicare	1.3200	1.4000	(0.080)	1.6512
32	1.4620	1.4000	0.062	Case Mix Index - All payers	1.4620	1.4000	0.062	1.5037
				<b>Labor Statistics</b>				
33	270	272	2.2	FTE's - Worked	270	272	2.2	271
34	310	308	(1.1)	FTE's - Paid	310	308	(1.1)	318
35	42.07	41.11	(0.96)	Average Hourly Rate	42.07	41.11	(0.96)	40.85
36	20.6	22.7	2.1	Manhours / Adj. Pat Day	20.6	22.7	2.1	24.1
37	175.6	156.9	(18.7)	Manhours / Adj. Discharge	175.6	156.9	(18.7)	186.9
38	23.1%	23.4%	0.3%	Benefits % of Salaries	23.1%	23.4%	0.3%	23.8%
				<b>Non-Labor Statistics</b>				
39	12.9%	12.6%	-0.3%	Supply Expense % Net Revenue	12.9%	12.6%	-0.3%	11.0%
40	1,891	1,720	(171)	Supply Exp. / Adj. Discharge	1,891	1,720	(171)	1,832
41	16,950	15,651	(1,298)	Total Expense / Adj. Discharge	16,950	15,651	(1,298)	19,161
				<b>Other Indicators</b>				
42	19.1			Days Cash - Operating Funds				
43	40.6	50.0	(9.4)	Days in Net AR	40.6	50.0	(9.4)	44.8
44	96%			Collections % of Net Revenue	96%			99.5%
45	42.1	55.0	(12.9)	Days in Accounts Payable	42.1	55.0	(12.9)	51.7
46	19.7%	21.5%	-1.7%	% Net revenue to Gross revenue	19.7%	21.5%	-1.7%	23.6%
47	20.7%			% Net AR to Gross AR	20.7%			23.6%

**Sonoma Valley Health Care District**  
**Balance Sheet**  
**As of July 31, 2018**

**ATTACHMENT C**

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
<b>Assets</b>			
Current Assets:			
1 Cash	\$ 1,488,418	\$ 1,671,423	\$ 2,817,486
2 Trustee Funds	4,437,878	4,431,932	3,966,031
3 Net Patient Receivables	7,795,112	7,792,665	8,591,450
4 Allow Uncollect Accts	(1,310,228)	(1,210,340)	(1,388,210)
5 Net A/R	6,484,884	6,582,325	7,203,240
6 Other Accts/Notes Rec	6,733,100	6,904,040	6,992,879
7 3rd Party Receivables, Net	1,174,889	1,800,325	1,571,553
8 Inventory	851,198	852,689	832,480
9 Prepaid Expenses	933,855	776,242	866,556
10 Total Current Assets	<u>\$ 22,104,222</u>	<u>\$ 23,018,976</u>	<u>\$ 24,250,225</u>
12 Property, Plant & Equip, Net	\$ 51,953,983	\$ 51,965,266	\$ 52,992,569
13 Specific Funds/ Money Market	1,481,343	671,315	918,789
14 Other Assets	-	-	-
15 Total Assets	<u><u>\$ 75,539,548</u></u>	<u><u>\$ 75,655,557</u></u>	<u><u>\$ 78,161,583</u></u>
<b>Liabilities &amp; Fund Balances</b>			
Current Liabilities:			
16 Accounts Payable	\$ 3,360,608	\$ 3,814,340	\$ 3,169,107
17 Accrued Compensation	4,224,271	4,071,080	4,617,538
18 Interest Payable	634,649	528,873	661,595
19 Accrued Expenses	1,545,520	1,320,048	1,640,488
20 Advances From 3rd Parties	110,058	124,882	474,728
21 Deferred Tax Revenue	6,282,132	6,853,235	6,240,850
22 Current Maturities-LTD	1,133,596	1,166,918	1,307,131
23 Line of Credit - Union Bank	6,973,734	6,973,734	6,973,734
24 Other Liabilities	201,386	201,386	1,386
25 Total Current Liabilities	<u>\$ 24,465,954</u>	<u>\$ 25,054,496</u>	<u>\$ 25,086,557</u>
26 Long Term Debt, net current portion	\$ 34,847,171	\$ 34,592,737	\$ 37,132,265
Fund Balances:			
28 Unrestricted	\$ 10,806,005	\$ 10,945,354	\$ 12,063,627
29 Restricted	5,420,418	5,062,970	3,879,134
30 Total Fund Balances	<u>\$ 16,226,423</u>	<u>\$ 16,008,324</u>	<u>\$ 15,942,761</u>
31 Total Liabilities & Fund Balances	<u><u>\$ 75,539,548</u></u>	<u><u>\$ 75,655,557</u></u>	<u><u>\$ 78,161,583</u></u>

**Sonoma Valley Health Care District  
Statement of Revenue and Expenses  
Comparative Results  
For the Period Ended July 31, 2018**

ATTACHMENT D

	Month				Volume Information	Year-To-Date				YTD	
	This Year		Variance			This Year		Variance			Prior Year
	Actual	Budget	\$	%		Actual	Budget	\$	%		
<b>1</b>	81	93	(12)	-13%	Acute Discharges	81	93	(12)	-13%	76	
<b>2</b>	664	528	136	26%	SNF Days	664	528	136	26%	528	
<b>3</b>	760	803	(43)	-5%	Home Care Visits	760	803	(43)	-5%	870	
<b>4</b>	14,801	14,270	530	4%	Gross O/P Revenue (000's)	\$ 14,801	\$ 14,270	530	4%	\$ 14,175	
					<b>Financial Results</b>						
					<b>Gross Patient Revenue</b>						
<b>5</b>	\$ 5,714,606	\$ 5,959,378	(244,772)	-4%	Inpatient	\$ 5,714,606	\$ 5,959,378	(244,772)	-4%	\$ 5,006,287	
<b>6</b>	7,637,489	7,659,897	(22,408)	0%	Outpatient	7,637,489	7,659,897	(22,408)	0%	7,385,263	
<b>7</b>	6,905,436	6,338,348	567,088	9%	Emergency	6,905,436	6,338,348	567,088	9%	6,513,046	
<b>8</b>	2,602,559	1,870,791	731,768	39%	SNF	2,602,559	1,870,791	731,768	39%	1,956,071	
<b>9</b>	281,391	283,762	(2,371)	-1%	Home Care	281,391	283,762	(2,371)	-1%	303,473	
<b>10</b>	\$ 23,141,481	\$ 22,112,176	1,029,305	5%	<b>Total Gross Patient Revenue</b>	\$ 23,141,481	\$ 22,112,176	1,029,305	5%	\$ 21,164,140	
					<b>Deductions from Revenue</b>						
<b>11</b>	\$ (18,627,334)	\$ (17,722,494)	(904,840)	-5%	Contractual Discounts	\$ (18,627,334)	\$ (17,722,494)	(904,840)	-5%	\$ (17,160,706)	
<b>12</b>	(100,000)	(100,000)	-	0%	Bad Debt	(100,000)	(100,000)	-	0%	(100,000)	
<b>13</b>	(13,982)	(24,730)	10,748	43%	Charity Care Provision	(13,982)	(24,730)	10,748	43%	(22,869)	
<b>14</b>	62,500	352,555	(290,055)	-82%	Prior Period Adj/Government Program Revenue	62,500	352,555	(290,055)	*	974,238	
<b>15</b>	\$ (18,678,816)	\$ (17,494,669)	(1,184,147)	7%	<b>Total Deductions from Revenue</b>	\$ (18,678,816)	\$ (17,494,669)	(1,184,147)	7%	\$ (16,309,337)	
					<b>Net Patient Service Revenue</b>						
<b>16</b>	\$ 4,462,665	\$ 4,617,507	(154,842)	-3%	Net Patient Service Revenue	\$ 4,462,665	\$ 4,617,507	(154,842)	-3%	\$ 4,854,803	
<b>17</b>	\$ 94,582	\$ 125,798	(31,216)	-25%	Risk contract revenue	\$ 94,582	\$ 125,798	(31,216)	-25%	\$ 133,404	
<b>18</b>	\$ 4,557,247	\$ 4,743,305	(186,058)	-4%	Net Hospital Revenue	\$ 4,557,247	\$ 4,743,305	(186,058)	-4%	\$ 4,988,207	
<b>19</b>	\$ 14,918	\$ 13,968	950	7%	Other Op Rev & Electronic Health Records	\$ 14,918	\$ 13,968	950	7%	\$ 10,971	
<b>20</b>	\$ 4,572,165	\$ 4,757,273	(185,108)	-4%	<b>Total Operating Revenue</b>	\$ 4,572,165	\$ 4,757,273	(185,108)	-4%	\$ 4,999,178	
					<b>Operating Expenses</b>						
<b>21</b>	\$ 2,299,994	\$ 2,239,729	(60,265)	-3%	Salary and Wages and Agency Fees	\$ 2,299,994	\$ 2,239,729	(60,265)	-3%	\$ 2,294,823	
<b>22</b>	856,181	856,632	451	0%	Employee Benefits	856,181	856,632	451	0%	918,812	
<b>23</b>	\$ 3,156,175	\$ 3,096,361	(59,814)	-2%	Total People Cost	\$ 3,156,175	\$ 3,096,361	(59,814)	-2%	\$ 3,213,635	
<b>24</b>	\$ 461,703	\$ 503,741	42,038	8%	Med and Prof Fees (excl Agency)	\$ 461,703	\$ 503,741	42,038	8%	\$ 370,653	
<b>25</b>	588,553	596,968	8,415	1%	Supplies	588,553	596,968	8,415	1%	550,625	
<b>26</b>	349,264	370,803	21,539	6%	Purchased Services	349,264	370,803	21,539	6%	355,742	
<b>27</b>	290,874	285,255	(5,619)	-2%	Depreciation	290,874	285,255	(5,619)	-2%	285,332	
<b>28</b>	105,019	119,631	14,612	12%	Utilities	105,019	119,631	14,612	12%	113,051	
<b>29</b>	35,320	33,429	(1,891)	-6%	Insurance	35,320	33,429	(1,891)	-6%	31,819	
<b>30</b>	49,337	49,873	536	1%	Interest	49,337	49,873	536	1%	47,200	
<b>31</b>	77,817	126,484	48,667	38%	Other	77,817	126,484	48,667	38%	114,591	
<b>32</b>	-	88,402	88,402	*	Matching Fees (Government Programs)	0	88,402	88,402	100%	509,543	
<b>33</b>	\$ 5,114,062	\$ 5,270,947	156,885	3%	<b>Operating expenses</b>	\$ 5,114,062	\$ 5,270,947	156,885	3%	\$ 5,592,191	
<b>34</b>	\$ (541,897)	\$ (513,674)	(28,223)	-5%	<b>Operating Margin</b>	\$ (541,897)	\$ (513,674)	(28,223)	-5%	\$ (593,013)	

**Sonoma Valley Health Care District  
Statement of Revenue and Expenses  
Comparative Results  
For the Period Ended July 31, 2018**

ATTACHMENT D

	Month					Year-To- Date				YTD	
	This Year		Variance			This Year		Variance			Prior Year
	Actual	Budget	\$	%		Actual	Budget	\$	%		
<b>35</b>	\$ (10,637)	\$ (5,658)	(4,979)	88%						\$ (5,211)	
<b>36</b>	403	2,672	(2,269)	-85%						0	
<b>37</b>	(56,766)	(56,766)	-	0%						(56,766)	
<b>38</b>	316,667	316,667	-	0%						316,667	
<b>39</b>	0	0	-	0%							
<b>40</b>	<b>\$ 249,667</b>	<b>\$ 256,915</b>	<b>(7,248)</b>	<b>-3%</b>						<b>\$ 254,690</b>	
<b>41</b>	<b>\$ (292,230)</b>	<b>\$ (256,759)</b>	<b>(35,471)</b>	<b>14%</b>	<b>Net Income / (Loss) prior to Restricted Contributions</b>	<b>\$ (292,230)</b>	<b>\$ (256,759)</b>	<b>(35,471)</b>	<b>14%</b>	<b>\$ (338,323)</b>	
<b>42</b>	\$ 26,280	\$ 20,949	5,331	25%	Capital Campaign Contribution	\$ 26,280	\$ 20,949	5,331	25%	\$ -	
<b>43</b>	\$ 331,168	\$ 55,003	276,165	0%	Restricted Foundation Contributions	\$ 331,168	\$ 55,003	276,165	100%	\$ -	
<b>44</b>	<b>\$ 65,218</b>	<b>\$ (180,807)</b>	<b>246,025</b>	<b>-136%</b>	<b>Net Income / (Loss) w/ Restricted Contributions</b>	<b>\$ 65,218</b>	<b>\$ (180,807)</b>	<b>246,025</b>	<b>-136%</b>	<b>\$ (338,323)</b>	
<b>45</b>	254,436	254,436	-	0%	GO Bond Tax Assessment Rev	254,436	254,436	-	0%	250,683	
<b>46</b>	(105,776)	(105,776)	-	0%	GO Bond Interest	(105,776)	(105,776)	-	0%	(110,266)	
<b>47</b>	<b>\$ 213,878</b>	<b>\$ (32,147)</b>	<b>246,025</b>	<b>-765%</b>	<b>Net Income/(Loss) w GO Bond Activity</b>	<b>\$ 213,878</b>	<b>\$ (32,147)</b>	<b>246,025</b>	<b>-765%</b>	<b>\$ (197,906)</b>	
	\$ 47,981	\$ 78,369			<b>EBIDA - Not including Restricted Contributions</b>	\$ 47,981	\$ 78,369			\$ (5,791)	
	1.0%	1.6%				1.0%	1.6%			-0.1%	
	\$ (1,356)	\$ 28,496			<b>EBDA - Not including Restricted Contributions</b>	\$ (1,356)	\$ 28,496				
	0.0%	0.6%				0.0%	0.6%				

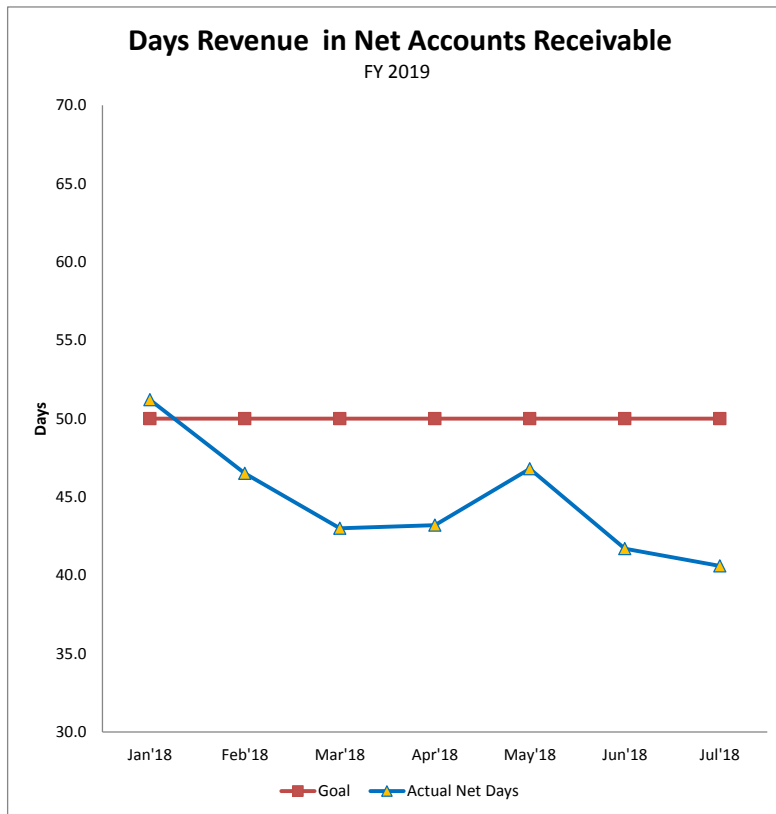
**Sonoma Valley Health Care District**  
**Statement of Revenue and Expenses Variance Analysis**  
**For the Period Ended July 31, 2018**

	YTD	MONTH	
Description	Variance	Variance	
<b>Volume Information</b>			
1 Acute Discharges	(12)	(12)	
2 SNF Days	136	136	
3 Home Care Visits	(43)	(43)	
4 Gross O/P Revenue (000's)	530	530	
<b>Financial Results</b>			
<b>Gross Patient Revenue</b>			
5 Inpatient	(244,772)	(244,772)	Inpatient days are 291 days vs. budgeted expectations of 324 days and inpatient surgeries are 23 vs. budgeted expectations 30.
6 Outpatient	(22,408)	(22,408)	Outpatient visits are 4,501 vs. budgeted expectations of 4,388 visits and outpatient surgeries are 127 vs. budgeted expectations 133.
7 Emergency	567,088	567,088	ER visits are 901 vs. budgeted visits of 920.
8 SNF	731,768	731,768	SNF patient days are 664 vs. budgeted expected days of 528.
9 Home Care	(2,371)	(2,371)	HHA visits are 760 vs. budgeted expectations of 803.
10 <b>Total Gross Patient Revenue</b>	<b>1,029,305</b>	<b>1,029,305</b>	
<b>Deductions from Revenue</b>			
11 Contractual Discounts	(904,840)	(904,840)	
12 Bad Debt	-	-	
13 Charity Care Provision	10,748	10,748	
14 Prior Period Adj/Government Program Revenue	(290,055)	(290,055)	Accrual of \$62,500 for the prime grant - No IGT's in the month of July.
15 <b>Total Deductions from Revenue</b>	<b>(1,184,147)</b>	<b>(1,184,147)</b>	
16 <b>Net Patient Service Revenue</b>	<b>(154,842)</b>	<b>(154,842)</b>	
17 Risk contract revenue	(31,216)	(31,216)	
18 <b>Net Hospital Revenue</b>	<b>(186,058)</b>	<b>(186,058)</b>	
19 Other Op Rev & Electronic Health Records	950	950	
20 <b>Total Operating Revenue</b>	<b>(185,108)</b>	<b>(185,108)</b>	
<b>Operating Expenses</b>			
21 Salary and Wages and Agency Fees	(60,265)	(60,265)	Salaries and Wages are under budget by \$28,834 and the Agency fees are over budget by (\$89,099).
22 Employee Benefits	451	451	
23 <b>Total People Cost</b>	<b>(59,814)</b>	<b>(59,814)</b>	
24 Med and Prof Fees (excl'd Agency)	42,038	42,038	Physician fees under budget by \$37,357 and contracted labor under budget by \$4,681.
25 Supplies	8,415	8,415	
26 Purchased Services	21,539	21,539	
27 Depreciation	(5,619)	(5,619)	
28 Utilities	14,612	14,612	
29 Insurance	(1,891)	(1,891)	
30 Interest	536	536	
31 Other	48,667	48,667	
32 Matching Fees (Government Programs)	88,402	88,402	No matching fee in July
33 <b>Operating expenses</b>	<b>156,885</b>	<b>156,885</b>	
34 <b>Operating Margin</b>	<b>(28,223)</b>	<b>(28,223)</b>	
<b>Non Operating Rev and Expense</b>			
35 Miscellaneous Revenue	(4,979)	(4,979)	
36 Donations	(2,269)	(2,269)	Foundation grants for employee education
37 Physician Practice Support-Prima	-	-	
38 Parcel Tax Assessment Rev	-	-	
39 Extraordinary Items	-	-	
40 <b>Total Non-Operating Rev/Exp</b>	<b>(7,248)</b>	<b>(7,248)</b>	
41 <b>Net Income / (Loss) prior to Restricted Contributions</b>	<b>(35,471)</b>	<b>(35,471)</b>	

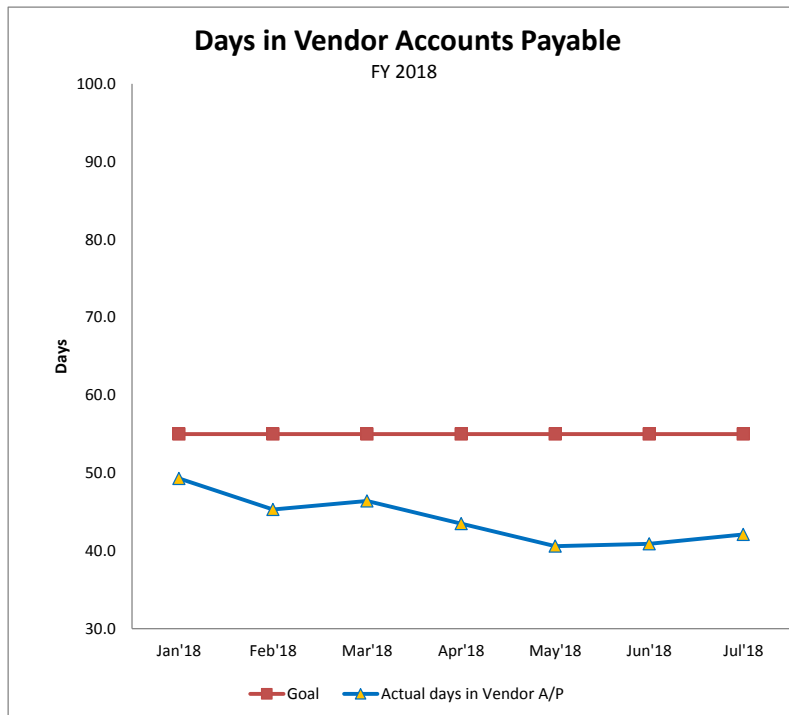
**Sonoma Valley Health Care District**  
**Statement of Revenue and Expenses Variance Analysis**  
**For the Period Ended July 31, 2018**

	YTD	MONTH	
Description	Variance	Variance	
		-	
42 Capital Campaign Contribution	5,331	5,331	
43 Restricted Foundation Contributions	276,165	276,165	Foundation donation for OP Diagnostic Center
44 <b>Net Income / (Loss) w/ Restricted Contributions</b>	<b>246,025</b>	<b>246,025</b>	
45 GO Bond Tax Assessment Rev	-	-	
46 GO Bond Interest	-	-	
47 <b>Net Income/(Loss) w GO Bond Activity</b>	<b>246,025</b>	<b>246,025</b>	





Days in A/R	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	Jul'18
Actual days in A/R	51.2	46.5	43.0	43.2	46.8	41.7	40.6
Goal	50.0	50.0	50.0	50.0	50.0	50.0	50.0



Days in A/P	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	Jul'18
Actual days in Vendor A/P	49.3	45.3	46.4	43.5	40.6	40.9	42.1
Goal	55.0	55.0	55.0	55.0	55.0	55.0	55.0

**Sonoma Valley Hospital**  
**Statistical Analysis**  
**FY 2019**

ATTACHMENT G

	ACTUAL		BUDGET		ACTUAL													
	Jul-18	Jul-18	Jul-18	Jul-18	Jun-18	May-18	Apr-18	Mar-18	Feb-18	Jan-18	Dec-17	Nov-17	Oct-17	Sep-17	Aug-17	Jul-17	Jun-17	
<b>Statistics</b>																		
<b>Acute</b>																		
Acute Patient Days	291	324	354	374	341	335	289	394	386	321	315	325	325	240	346			
Acute Discharges (w/o Newborns)	81	93	99	108	103	106	82	111	96	99	87	87	94	76	87			
<b>SNF Days</b>	664	528	545	423	525	566	494	646	563	468	624	479	500	528	458			
<b>HHA Visits</b>	760	803	871	747	755	684	821	801	798	630	871	789	713	870	940			
<b>Emergency Room Visits</b>	901	920	856	934	864	871	811	996	919	816	827	921	894	920	964			
<b>Gross Outpatient Revenue (000's)</b>	\$14,801	\$14,270	\$13,677	\$15,188	\$14,170	\$13,064	\$12,519	\$14,741	\$14,051	\$12,952	\$11,864	\$14,364	\$15,524	\$14,175	\$15,454			
<b>Equivalent Patient Days</b>	2,654	2,405	2,343	2,178	2,265	2,272	2,212	2,629	2,471	2,030	2,334	2,266	2,591	2,332	2,328			
<b>Births</b>	8	6	16	9	6	8	11	7	10	11	12	5	10	6	15			
<b>Surgical Cases - Inpatient</b>	23	30	28	29	30	34	16	32	24	34	23	33	22	29	36			
<b>Surgical Cases - Outpatient</b>	127	133	123	146	114	117	123	109	136	121	97	154	142	133	161			
<b>Total Surgical Cases</b>	150	163	151	175	144	151	139	141	160	155	120	187	164	162	197			
<b>Total Special Procedures</b>	78	52	97	72	87	75	75	65	59	73	52	75	77	52	66			
<b>Medicare Case Mix Index</b>	1.32	1.40	1.45	1.46	1.48	1.45	1.34	1.50	1.57	1.55	1.49	1.54	1.57	1.65	1.66			
<b>Income Statement</b>																		
Net Revenue (000's)	\$4,557	\$4,743	\$5,265	\$4,817	\$4,389	\$4,218	\$4,590	\$4,909	\$4,466	\$4,474	\$4,543	\$4,518	\$4,775	\$4,988	\$5,188			
Operating Expenses (000's)	\$5,114	\$5,271	\$4,968	\$5,134	\$5,053	\$5,179	\$5,270	\$5,357	\$5,122	\$5,332	\$4,872	\$5,206	\$5,380	\$5,592	\$5,250			
Net Income (000's)	\$214	(\$32)	\$ 859	\$ 369	\$ 221	\$ (395)	\$ (175)	\$ 125	\$ (226)	\$ (380)	\$ 62	\$ (230)	\$ (165)	\$ (198)	\$ 690			
<b>Productivity</b>																		
Total Operating Expense Per Equivalent Patient Day	\$1,927	\$2,192	\$2,120	\$2,357	\$2,231	\$2,280	\$2,382	\$2,038	\$2,073	\$2,627	\$2,087	\$2,297	\$2,076	\$2,398	\$2,255			
Productive FTEs	270	272	259	279	281	279	274	276	255	316	246	289	279	271	278			
Non-Productive FTE's	40	36	39	27	26	23	31	36	52	13	58	27	35	47	43			
Total FTEs	310	308	298	306	307	302	305	312	307	329	304	316	314	318	321			
FTEs per Adjusted Occupied Bed	3.62	3.98	3.82	4.35	4.06	4.17	3.87	3.68	3.85	4.86	4.04	4.19	3.75	4.23	4.14			
<b>Balance Sheet</b>																		
Days of Expense In General Operating Cash	19.1		11	6	7	7	14	24	18	14	12	9	11	16	20			
Net Days of Revenue in AR	41	50	42	47	43	43	47	51	51	48	45	47	43	45	45			

Sonoma Valley Hospital  
Cash Forecast  
FY 2019

ATTACHMENT H

	Actual July	Forecast Aug	Forecast Sept	Forecast Oct	Forecast Nov	Forecast Dec	Forecast Jan	Forecast Feb	Forecast Mar	Forecast Apr	Forecast May	Forecast Jun	TOTAL
<b>Hospital Operating Sources</b>													
1 Patient Payments Collected	4,372,057	4,343,233	4,267,043										12,982,333
2 Capitation Revenue	94,582	125,798	125,798										346,178
3 Napa State	12,295	11,962	11,962										36,219
4 Other Operating Revenue	40,299	13,968	13,968										68,235
5 Other Non-Operating Revenue	45,944	26,673	26,673										99,290
6 Unrestricted Contributions	403	2,672	2,672										5,747
7 Line of Credit													-
<b>Sub-Total Hospital Sources</b>	<b>4,565,580</b>	<b>4,524,306</b>	<b>4,448,116</b>	-	-	-	-	-	-	-	-	-	<b>13,538,002</b>
<b>Hospital Uses of Cash</b>													
8 Operating Expenses	4,897,828	4,945,024	4,893,793										14,736,645
9 Add Capital Lease Payments	44,847												44,847
10 Additional Liabilities													-
11 Capital Expenditures	331,168	75,952	75,952										483,072
<b>Total Hospital Uses</b>	<b>5,273,843</b>	<b>5,020,976</b>	<b>4,969,745</b>	-	-	-	-	-	-	-	-	-	<b>15,264,564</b>
<b>Net Hospital Sources/Uses of Cash</b>	<b>(708,263)</b>	<b>(496,670)</b>	<b>(521,629)</b>	-	-	-	-	-	-	-	-	-	<b>(1,726,562)</b>
<b>Non-Hospital Sources</b>													
12 Restricted Cash/Money Market	(809,886)												(809,886)
13 Restricted Capital Donations	357,448	75,952	75,952										
14 Parcel Tax Revenue	207,015												207,015
15 Payment - South Lot													-
16 Other:													-
17 IGT (Net)													-
18 IGT - AB915	20,681												20,681
19 PRIME	750,000												750,000
<b>Sub-Total Non-Hospital Sources</b>	<b>525,258</b>	<b>75,952</b>	<b>75,952</b>	-	-	-	-	-	-	-	-	-	<b>167,810</b>
<b>Non-Hospital Uses of Cash</b>													
20 Matching Fees													-
<b>Sub-Total Non-Hospital Uses of Cash</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Non-Hospital Sources/Uses of Cash</b>	<b>525,258</b>	<b>75,952</b>	<b>75,952</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>167,810</b>
<b>Net Sources/Uses</b>	<b>(183,005)</b>	<b>(420,718)</b>	<b>(445,677)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash and Equivalents at beginning of period	1,671,423	1,488,418	1,067,700	622,023	622,023	622,023	622,023	622,023	622,023	622,023	622,023	622,023	622,023
<b>Cash and Equivalents at end of period</b>	<b>1,488,418</b>	<b>1,067,700</b>	<b>622,023</b>	<b>622,023</b>	<b>622,023</b>	<b>622,023</b>	<b>622,023</b>	<b>622,023</b>	<b>622,023</b>	<b>622,023</b>	<b>622,023</b>	<b>622,023</b>	<b>622,023</b>