

TRANSFER OF BUSINESS OPERATIONS AGREEMENT

**MENDOCINO COAST HEALTH CARE DISTRICT,
A Local Health Care District of the State of California
("District")**

AND

**ADVENTIST HEALTH MENDOCINO COAST,
A California Nonprofit Public Benefit Corporation
("AH Mendocino")**

AND

**STONE POINT HEALTH,
A California Nonprofit Public Benefit Corporation
("Stone Point Health")**

TRANSFER OF BUSINESS OPERATIONS AGREEMENT

This TRANSFER OF BUSINESS OPERATIONS AGREEMENT (the “**Agreement**”) is made and entered into as of May 5, 2020 (“**Execution Date**”), by and among MENDOCINO COAST HEALTH CARE DISTRICT, a local health care district of the State of California (the “**District**”), ADVENTIST HEALTH MENDOCINO COAST, a California nonprofit public benefit corporation (“**AH Mendocino**”), and STONE POINT HEALTH, a California nonprofit public benefit corporation (“**Stone Point Health**”), which is the sole corporate member of AH Mendocino and an affiliate of ADVENTIST HEALTH SYSTEM/WEST, d/b/a ADVENTIST HEALTH, a California nonprofit religious corporation. At times hereafter, AH Mendocino and District are referred to individually as a “**Party**” or collectively as the “**Parties**”.

RECITALS

- A. WHEREAS**, District is the owner of a critical access hospital located in Fort Bragg, California, known as Mendocino Coast District Hospital (the “**Hospital**”);
- B. WHEREAS**, District, on the one hand, and AH Mendocino and Stone Point Health, on the other hand, are parties to that certain Interim Management Services Agreement dated May 4, 2020, pursuant to which AH Mendocino and Stone Point Health provide certain management and administrative services to District related to the operations of the Hospital;
- C. WHEREAS**, concurrent with this Agreement, the Parties have entered into that certain lease agreement dated May 5, 2020 (“**Lease**”) under which AH Mendocino will lease from District all of the Premises and Existing FF&E (as defined in the Lease) to operate the Hospital upon satisfaction of the conditions described under the Lease;
- D. WHEREAS**, in connection with the Lease, the Parties are entering into this Agreement which sets forth the terms on which District will transfer and AH Mendocino will assume certain assets, liabilities, and other operational items from District to ensure continuous Hospital operations upon commencement of the Lease;
- E. WHEREAS**, the Board of Directors of the District has determined that the Lease and actions contemplated under this Agreement are desirable and in the best interest of the communities served by the District and has approved this Agreement;
- F. WHEREAS**, on March 3, 2020, the terms of the Lease and this Agreement were approved by the residents of the District by a ballot initiative measure (the “**Electorate Approval**”). The District residents approved the ballot initiative measure by the margin required by the California Local Health Care District Law (California Health and Safety Code Sections 32000 *et seq.*); and
- G. WHEREAS**, the purpose of this Agreement is to achieve the following:

 - 1.** Enhance the provision of quality health care to the communities served by the District;

2. Promote the development of new contracts for the benefit of the Hospital and other AH Mendocino providers, with a particular emphasis on developing systems that utilize the size and geographic scope arising from the resources of AH Mendocino and its affiliates to serve the general public residing in the communities served by the District;

3. Achieve efficiencies and economies of scale that cannot be obtained through the continued free-standing operation of the Hospital; and

4. Provide for integration of the Hospital into a regional health care system that will better serve the general public residing in the communities served by the District.

AGREEMENT

NOW, THEREFORE, in consideration of the recitals, covenants, conditions and promises herein contained, the Parties hereby agree as follows:

ARTICLE 1.

DEFINITIONS

1.1 Defined Terms. The defined terms of the Lease are incorporated by this reference as though the terms were fully set forth herein. In the event of a conflict of defined terms between the Lease and this Agreement, the defined terms set forth in this Agreement will prevail.

“**AH FF&E**” shall mean any and all FF&E acquired or leased by AH Mendocino during the term of the Lease using funds other than the Improvements Fund.

“**Ancillary District Operations**” shall mean the operations and businesses described on the attached **Schedule 1.1.**

“**Agency Settlements**” means the rights to settlements and retroactive adjustments, if any, whether arising under a cost report of District or otherwise, for cost reporting periods ending prior to the Closing Date, whether open or closed, arising from or against the United States government under the terms of the Medicare program, TRICARE or against the State of California under the Medi-Cal program, and against any third-party payor programs which settle upon a basis other than individual claims, for items and/or services rendered by Hospital and the Ancillary District Operations prior to the Closing Date.

“**Agreement**” means this Agreement and the Schedules and Exhibits hereto.

“**Books and Records**” means originals, or where not available, copies, of books and records maintained in connection with the Hospital, the Ancillary District Operations or the Transferred Assets, including books and records relating to books of account, ledgers and general financial accounting records, physician records, medical staff records (including peer review records), personnel records, machinery and equipment maintenance files, patient and

customer lists, price lists, distribution lists, supplier and vendor lists, quality control records and procedures, customer and patient complaints and inquiry files, research and development files, records and data (including all correspondence with any Government Entity), sales material and records, all architectural plans or design specifications, strategic plans, marketing plans, internal financial statements and marketing and promotional surveys, pricing and cost information, material and research that relate to the Hospital and the Ancillary District Operations.

“**Closing**” means the consummation of the transactions contemplated by this Agreement.

“**Closing Date**” means the time 12:01AM on the Commencement Date as defined under the Lease.

“**Code**” means the Internal Revenue Code of 1986, as amended, and the rules and regulations thereunder.

“**Contracts**” means all written commitments, contracts, leases, licenses, agreements and understandings relating to the Hospital or the Ancillary District Operations, including, without limitation, agreements with payors, physicians and other providers; agreements with health plans, health maintenance organizations, independent practice associations, preferred provider organizations and other managed care plans and alternative delivery systems; joint venture and partnership agreements; management, employment, retention and severance agreements; vendor agreements; real and personal property leases and schedules; maintenance agreements and schedules; agreements with municipalities and labor organizations; and bonds, mortgages and other loan agreements.

“**District Bonds**” means (i) Mendocino Coast Health Care District (Mendocino County, California) Insured Health Facility Refunding Revenue Bonds Series 2016; and (ii) Mendocino Coast Health Care District (Mendocino County, California) Election of 2000 General Obligation Refunding Bonds, Series 2016.

“**District Employee(s)**” shall refer to those individuals employed by the District in connection with its ownership or operation of the Hospital and/or the Ancillary District Operations.

“**District Employee Benefit Plans**” shall mean each material “employee benefit plan” (as defined in Section 3(3) of ERISA, but whether or not subject to ERISA) (i) sponsored, maintained or contributed to, or required to be sponsored, maintained or contributed to by District, (ii) in which any District Employee participates, or (iii) with respect to which District has any actual or contingent liability.

“**Employment Loss**” means (i) an employment termination, other than a discharge for cause, voluntary departure or retirement, (ii) a layoff; or (iii) a reduction in customary hours of work of more than fifty percent (50%).

“**Encumbrances**” means all liabilities, levies, claims, charges, assessments, mortgages, security interests, liens, pledges, conditional sales agreements, title retention contracts, leases, subleases, rights of first refusal, options to purchase, restrictions, purchase

money indebtedness and other encumbrances, and agreements or commitments to create or suffer any of the foregoing.

“**Employee Welfare Benefit Plan**” shall have the meaning set forth in Section 3(1) of ERISA (whether or not subject to ERISA).

“**GASB**” shall mean Governmental Accounting Standards Board accounting principles consistently applied, as in effect from time to time.

“**Government Authorizations**” shall mean all Permits, no objection letters, variances, clearances and other authorizations, consents and approvals of any Government Entity that are required to conduct the Hospital and the Ancillary District Operations.

“**Government Entity**” shall mean any local, state or federal government, including each of their respective branches, departments, agencies, commissions, boards, bureaus, courts, instrumentalities or other subdivisions, including but not limited to the California Department of Public Health (“**CDPH**”), California Board of Pharmacy, the Centers for Medicare and Medicaid Services (“**CMS**”), Department of Health Care Services, TRICARE and Medicare Administrative Contractors.

“**Government Healthcare Program**” shall mean Medicare, Medi-Cal and TRICARE, and any other federal health care program as defined in 42 U.S.C. § 1320a-7b(f) or any other state or local health care programs, including any participation agreements required for any such program.

“**Government Fundings**” shall mean the Disproportionate Share Replacement Payments program, Hospital Quality Assurance Fee program, intergovernmental transfer payments and any other form of federal or state funding or revenues Hospital or any Ancillary District Operations may be entitled to or is eligible for to support Hospital in providing access to healthcare services for Medi-Cal, low-income, indigent and/or uninsured populations.

“**Healthcare Laws**” shall mean the Laws applicable to the operations of the Hospital and Ancillary District Operations, including Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395lll (the Medicare statute), including specifically, the Ethics in Patient Referrals Act, as amended, or “**Stark Law**,” 42 U.S.C. § 1395nn; Title XIX of the Social Security Act, 42 U.S.C. §§ 1396-1396w-5 (the Medicaid statute); the Federal Health Care Program Anti-Kickback Statute (the “**Federal Anti-Kickback Statute**”), 42 U.S.C. § 1320a-7b(b); the False Claims Act, as amended (the “**False Claims Act**”), 31 U.S.C. §§ 3729-3733; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the Anti-Kickback Act of 1986, 41 U.S.C. §§ 51-58; the Civil Monetary Penalties Law, 42 U.S.C. §§ 1320a-7a and 1320a-7b; the Exclusion Laws, 42 U.S.C. § 1320a-7; the Clinical Laboratory Improvement Amendments of 1988 (42 U.S.C. § 263a et seq.); HIPAA; any similar state and local Laws that address the subject matter of the foregoing; any state Law or precedent relating to the corporate practice of the learned or licensed healthcare professions; any state Law concerning the splitting of healthcare professional fees or kickbacks; any state Law concerning healthcare professional self-referrals; kickbacks or false claims; any state healthcare professional licensure Laws, qualifications or requirements for the practice of medicine or other learned healthcare profession;

any applicable state requirements for business corporations or professional corporations or associations that provide medical services or practice medicine or related learned healthcare profession; workers compensation; any applicable state and federal controlled substance and drug diversion Laws, including, the Federal Controlled Substances Act (21 U.S.C. § 801, et seq.) and the regulations promulgated thereunder; and all applicable implementing regulations, rules, ordinances and Orders related to any of the foregoing.

“**HIPAA**” shall mean the Administrative Simplification provisions of title II, subtitle F, of the Health Insurance Portability and Accountability Act of 1996 (Public Law 104-191) and all regulations promulgated thereunder, including the Privacy Standards (45 C.F.R. Parts 160 and 164, Subparts A and E), the Electronic Transactions Standards (45 C.F.R. Parts 160 and 162), and the Security Standards (45 C.F.R. Parts 160 and 164, Subparts A and C), the Enforcement Rule (45 C.F.R. Part 160, Subparts C-E), and the Breach Notification Rule (45 C.F.R. Part 164, Subpart D), as amended by the Health Information Technology for Economic and Clinical Health Act, Title XIII of division A and Title IV of division B of the American Recovery and Reinvestment Act of 2009 (Public Law 111-5), as amended (“**HITECH Act**”), the final HIPAA/HITECH Omnibus Rules published by the U.S. Department of Health and Human Services on January 25, 2013, and as otherwise may be amended from time to time.

“**Intellectual Property Rights**” shall mean any of the following statutory and/or common law rights in, arising out of, or associated therewith (including variants of and applications for): (i) all patents and all reissues, divisions, extensions, provisionals, continuations and continuations in part thereof; (ii) all inventions (whether patentable or not), invention disclosures and improvements, all trade secrets, proprietary information, know-how and technology; (iii) all works of authorship, copyrights, copyright registrations and applications; (iv) all industrial designs and registered designs and any registrations and applications therefor; (v) all trade names, logos, trademarks, assumed and/or fictitious business names, and service marks; trademark and service mark registrations and applications; (vi) all databases and data collections (including knowledge databases); (vii) all rights in software; (viii) rights to uniform resource locations, web site address and domain names; (ix) any similar, corresponding or equivalent rights to any of the foregoing; and (x) any goodwill associated with any of the foregoing.

“**Law**” shall mean any applicable constitutional provision, statute, law, rule, regulation, code, ordinance, accreditation standard, resolution, Order, ruling, promulgation, policy, manual guidance, treaty directive, interpretation, or guideline adopted or issued by any Government Entity.

“**Lease**” shall mean that certain Lease dated May 4, 2020 by and between District, as landlord, and AH Mendocino, as tenant, pursuant to which District shall (i) lease to AH Mendocino the Premises and Existing FF&E; and (ii) grant to AH Mendocino an option to purchase the Premises and Existing FF&E in accordance with the terms and conditions thereunder.

“**Lease Termination**” shall mean the termination or expiration of the Lease, other than an expiration or termination resulting from AH Mendocino’s purchase of the Premises pursuant to Section 15 of the Lease.

“**Multiemployer Plan**” shall have the meaning set forth in Section 3(37) of ERISA or Section 4001(a)(3) of ERISA (whether or not subject to ERISA).

“**Order**” shall mean any judgment, order, writ, injunction, decree, determination, or award of any Government Entity.

“**OSHPD**” means the California Office of Statewide Health Planning and Development.

“**Permit**” means any consent, ratification, registration, waiver, authorization, license, permit, grant, franchise, concession, exemption, order, notice, certificate or clearance issued, granted, given, or otherwise made available by or under the authority of any Government Entity or pursuant to any Law.

“**Plan of Correction**” means the written plan of correction submitted by District to CMS on March 31, 2020, and as amended on April 29, 2020, in response to the complaint validation survey conducted by CDPH on February 4, 2020, which resulted in an immediate jeopardy determination and placed the Hospital on a ninety (90) day termination track of its Medicare certification, to be effective May 4, 2020, unless termination is averted as determined by CMS.

ARTICLE 2.

TRANSFER OF ASSETS

2.1 Transfer of Assets. Upon the terms and subject to the conditions contained herein, effective as of the Closing Date, District shall sell, convey, transfer, assign and deliver to AH Mendocino, and AH Mendocino shall acquire from District, the following assets (collectively, the “**Transferred Assets**”):

2.1.1 **Assumed Contracts.** All right, title and interest of District in and to each Contract set forth in **Schedule 2.1.1**, and all deposits and prepayments made by District under all such Contracts (the “**Assumed Contracts**”). From the Execution Date until the Closing Date, District and AH Mendocino shall cooperate in determining which Contracts held by District for the Hospital and the Ancillary District Operations shall become Assumed Contracts hereunder. For all Assumed Contracts, District shall give all contractually required notices and District and AH Mendocino shall, in good faith, cooperate to obtain all necessary consents from the other party to the Contract to the assignment of the Assumed Contracts from District to AH Mendocino.

2.1.2 **Inventory.** All of District’s inventories of supplies, raw materials, parts, merchandise, drugs, food, janitorial and office supplies, maintenance and shop supplies, and other disposables and consumables (collectively, the “**Inventory**”) located within the Premises or any location in which the Hospital and the Ancillary District Operations are conducted and used in connection with the Hospital and/or the Ancillary District Operations;

2.1.3 **Prepays.** All of District’s advance payments, prepayments, prepaid rentals, prepaid expenses and deposits (including any prepaid deposits for the Inventory) related

to the Transferred Assets made by or on behalf of District in the ordinary course of business for goods and services, including those set forth on **Schedule 2.1.3**, whether or not pursuant to an Assumed Contract, where such goods or services have not been received by District as of the Closing (the “**Prepays**”);

2.1.4 **Claims.** All claims, causes of action, rights of recovery and rights of setoff and recoupment of any kind (including rights to insurance proceeds and rights under and pursuant to all warranties, representations, and guarantees made by suppliers of services, products, materials, or equipment, or components thereof) that arise out of or inure to the benefit of the District with respect to the Transferred Assets (“**Claims**”);

2.1.5 **Intangible Property.** All of District’s intangible property (the “**Intangible Property**”) used in connection with the Hospital and the Ancillary District Operations, including the following:

1. all Government Authorizations, to the extent assignable or transferable, owned, utilized, licensed, or issued to District relating to the ownership, development and business or operation of the Hospital and the Ancillary District Operations or the Transferred Assets (including any pending Government Authorizations related to the Hospital and the Ancillary District Operations or the Transferred Assets);
2. all Intellectual Property Rights of District related to the Hospital and the Ancillary District Operations, licenses and sublicenses granted and obtained with respect thereto, copies of tangible embodiments thereof in whatever form or medium, all rights to sue and recover damages for infringement occurring on or after the Closing Date, misappropriation or breach thereof, rights to protection of interests therein under the Laws of all jurisdictions, and the goodwill associated therewith;
3. all goodwill associated with the Hospital and the Ancillary District Operations;
4. all warranties and guarantees of third parties relating to the Hospital and the Ancillary District Operations;
5. all Books and Records;
6. originals, or where not available, copies (including in electronic format), of all medical records, patient files, and other written accounts of the medical history of the Hospital’s patients maintained in connection with the Hospital and the Ancillary District Operations, to the extent transferable by Law (“**Medical Records**”);
7. all business phone numbers, advertising and all sales and promotional literature, samples, and catalogs used in the marketing of the Hospital and the Ancillary District Operations.

2.2 Excluded Assets. Notwithstanding any other provision of this Agreement, District shall retain all assets other than the Transferred Assets (the “**Excluded Assets**”), which shall not be transferred to AH Mendocino and include, but not be limited to, the following:

2.2.1 District Real Property and FF&E. All of the Fee Estate and Existing FF&E, each as defined in the Lease, including any other real property owned by District;

2.2.2 Personal Property. All of the District's personal property;

2.2.3 Accounts Receivable. All of the accounts, notes, interest and other receivables of District and all accounts receivable of District that have arisen, and not been collected, since prior to the Closing Date, in connection with the business and operation of the Hospital and Ancillary District Operations prior to the Closing Date, including: accounts, notes or other amounts receivable from a third-party, and all claims, rights, interests and proceeds related thereto; cost report settlements that relate to the period before the Closing Date; and any account receivable arising from Agency Settlements even if such adjustments occur after the Closing, for items and/or services rendered by District prior to the Closing Date while operator of Hospital and the Ancillary District Operations, whether payable by professional service providers, private pay patients, private insurance, third-party payors, Government Healthcare Programs, or by any other source (collectively, the "**Accounts Receivable**");

2.2.4 Government Fundings. All rights to receive payments from, or otherwise in connection with, the Government Fundings for any applicable period prior to the Closing Date;

2.2.5 Receivable Records. All documents, records, correspondence, work papers and other documents relating to the Accounts Receivable, the Agency Settlements or rights to settlements and retroactive adjustments on the District's cost reports (the "**Receivable Records**"), for the period prior to the Closing Date;

2.2.6 District Corporate Records. All bylaws, minute books and other governance documents and records of District;

2.2.7 District Business Records. All business records of the District that do not relate to the Transferred Assets and or that do not pertain primarily to Hospital and the Ancillary District Operations;

2.2.8 District Confidential and Privileged Materials. All records that District is required by Law to retain in its possession and any confidential corporate and financial books and records, marketing materials, attorney-client privileged communications and other confidential records or correspondence of District related to the operations of the Hospital and the Ancillary District Operations;

2.2.9 District Tax Revenues. All tax accruals or tax revenues of District, including, without limitation, any unexpended funds maintained by District as of the Closing Date and such accruals or revenues as of the Closing Date which are received by District after the Closing Date;

2.2.10 District Restricted Funds. All funds or assets that are restricted or otherwise precluded by applicable Law or contract from assignment or transfer, including, without limitation, all funds held from time to time by any indenture trustee and/or paying agent

under the documents that evidence, govern or otherwise secure District Bonds; and any proceeds thereof;

2.2.11 Employee Benefit Plan Assets. All rights in connection with, and assets of, the District Employee Benefit Plans;

2.2.12 Certain Insurance Claims. All rights to claims under or proceeds of Insurance Policies pertaining to the Transferred Assets prior to Closing Date;

2.2.13 Other Assets. All other assets of District that are not expressly included herein as Transferred Assets.

2.3 Purchase Price

2.3.1 Purchase Price. In exchange for the sale, transfer, assignment, conveyance and delivery of the Inventory and the Prepaids by District to AH Mendocino, AH Mendocino shall, upon the terms and subject to the conditions set forth herein, pay the amount equal to the fair market value of the Prepaids and the Inventory (the “**Purchase Price**”), which shall be agreed upon by the Parties pursuant to a written amendment to this Agreement, that has been approved by each Party’s respective governing boards as necessary and entered prior to the Closing Date. The Purchase Price shall be adjusted in accordance with Section 2.3.3.

2.3.2 Payment of Purchase Price. AH Mendocino shall remit the Purchase Price to the District at the Closing, subject to adjustment set forth under Section 2.3.3.

2.3.3 Adjustment to Purchase Price. At least three (3) business days but no more than ten (10) business days prior to the Closing Date, District shall prepare and deliver to AH Mendocino proposed calculation for the value of the Prepaids and the Inventory and for the Transition Liabilities (as defined in Section 4.1.8). The Parties will cooperate in good faith in the thirty (30) days following the Closing to validate the actual value of the Prepaids and the Inventory as of the Closing Date, and the Transition Liabilities and will adjust the Purchase Price accordingly. The Purchase Price shall be subject to offset by the Transferred PTO Value (as defined in Section 4.1.7), provided, that any portion of the Transferred PTO Value not offset against the Purchase Price shall be paid by District to AH Mendocino on a monthly basis, and shall be fully paid no later than six (6) months following the Closing Date.

2.4 Prorations

2.4.1 Prorations in General. All prorations shall be computed as of the Closing Date.

2.4.2 Assumed Contracts. The Parties shall prorate all rent and other payments payable by the District under all Assumed Contracts, including real estate and personal property taxes, assessments and other similar charges, for the calendar month during which the Closing Date occurs, as applicable.

2.4.3 Utilities. All utility costs and expenses related to Hospital and Ancillary District Operations shall be prorated between the Parties within thirty (30) days after the Closing

Date, based upon the latest available information, such that the District shall be responsible for all utility costs and expenses relating to the period up to and including the day prior to the Closing Date, and AH Mendocino shall be responsible for all such costs and expenses relating to the period from and after the Closing Date pursuant to the terms of the Lease. District shall endeavor to have all meters read for all utilities servicing the Hospital and Ancillary District Operations including, without limitation, water, sewer, gas and electricity for or the period to and including the day promptly following the Closing Date, and shall pay all bills rendered on the basis of such readings (provided that AH Mendocino shall be responsible for any and all fees and charges relating to the changeover of all such services and utilities into the name of AH Mendocino or its affiliates). If, on the Closing Date, District is unable to have any utility meters read, AH Mendocino and District shall estimate the amount of such bills based on the immediately preceding utility bills.

2.4.4 Other Prorations. To the extent not otherwise prorated pursuant to this Agreement, AH Mendocino and District shall prorate between them any periodic revenue or expense that is applicable to the time periods before and after the Closing Date.

2.4.5 Post-Closing Date Corrections. If any errors or omissions are made regarding adjustments and prorations as aforesaid, the Parties shall make the appropriate corrections promptly upon the discovery thereof. If any estimations are used to prepare the proration amounts used for the Closing Date, the Parties shall make the appropriate corrections promptly when accurate information becomes available. Any corrected adjustment or proration shall be paid in cash to the Party entitled thereto.

2.5 General Assignment of Rights. Concurrent with the execution and delivery of this Agreement, each Party shall deliver to the other Party an executed copy of the General Assignment of Rights (“**General Assignment of Rights**”), substantially in the form attached hereto as **Exhibit A**, and other written assignments or consents, in a form reasonably acceptable to AH Mendocino or to any designated assignee of AH Mendocino, including all obtained consents to said assignments of all of District’s right, title and interest in all Assumed Contracts and Assumed Liabilities assumed by and assigned to AH Mendocino pursuant to this Agreement. By the Closing Date, District shall have delivered or made available to AH Mendocino the true and correct originals, or true and correct photocopies of originals if such originals are not available to District after due inquiry, of all Assumed Contracts and other Assumed Liabilities, if applicable, and all amendments to such Assumed Contracts and other Assumed Liabilities, if applicable.

ARTICLE 3.

ASSUMPTION OF LIABILITIES

3.1 Assignment of Liabilities. Effective as of the Closing Date, subject to and in accordance with the terms of this Agreement, AH Mendocino shall assume and agree to perform and discharge when due, the following liabilities and obligations (except to the extent that such liabilities constitute Excluded Liabilities) (collectively, the “**Assumed Liabilities**”):

3.1.1 Assumed Contracts. All liabilities and obligations of District arising on or after the Closing Date under any Assumed Contract other than liabilities or obligations arising in connection with the breach of any such arrangement on or prior to the Closing Date; and

3.1.2 Post-Closing Date Liabilities. All liabilities and obligations of District arising on or after the Closing Date under any Assumed Contract other than liabilities or obligations arising in connection with the breach of any such arrangement on or prior to the Closing Date; and

3.1.3 Government Healthcare Program and Related Participation Agreements. Subject to Section 3.2.5, all obligations and liabilities of District related to the operations of the Hospital and Ancillary District Operations on or after the Closing Date under Government Healthcare Programs and related Participation Agreements that AH Mendocino agrees to take assignment of, but only to the extent any such program may require assumption of District's obligations and liabilities as a condition of participation or as otherwise required by any such program for approval of Hospital's change in ownership from District to AH Mendocino.

3.2 Excluded Liabilities. Notwithstanding any other provision of this Agreement, AH Mendocino shall not assume, or otherwise be responsible for, any liabilities or obligations of District, whether actual or contingent, matured or unmatured, liquidated or unliquidated, or known or unknown, and not expressly assumed hereunder as Assumed Liabilities or otherwise agreed to in writing by AH Mendocino, including, without limitation, the following (collectively, the "**Excluded Liabilities**"):

3.2.1 Professional and Comprehensive General Liability Claims. Professional liability or general liability that relates to incidents, actions or omissions occurring prior to the Closing Date with respect to the Hospital and the Ancillary District Operations.

3.2.2 Medical Staff Claims. Professional, general, or directors and officers liability claims that relate to incidents, actions or omissions of the medical staff or governing body prior to the Closing Date.

3.2.3 Employment Liabilities. Other than Transition Liabilities, any liability relating to, resulting from, or arising out of (and whether or not such liabilities arise prior to, on or following the Transition Date) (i) District's actual or prospective employment or engagement, retention and/or termination of any current or former employee or service provider of District or any affiliate of District (including liabilities for compensation, benefits, accrued paid time off or liabilities with respect to a claim of an unfair labor practice or under any employment Law or regulation), (ii) any District Employee Benefit Plan (including, without limitation, any liability to make any payment or payments to any third party as a result of the transactions contemplated by this Agreement or worker's compensation claims), and (iii) due to District's, or an affiliate of District's, status as an ERISA Affiliate of any other entity.

3.2.4 Tort and Contract Claims. Any other claim or liability (including litigation identified in **Schedule 3.2.4**), whether in contract or tort, which arises from the conduct of District or in the operation of the Hospital and the Ancillary District Operations prior to the Closing Date.

3.2.5 Liabilities under Laws and Government Healthcare Programs. Any debts, obligations or liabilities of District related to the operations of the Hospital and Ancillary District Operations prior to the Closing Date (i) under applicable Laws, including Healthcare Laws (whether known or unknown to District as of the Closing Date, fixed, absolute, accrued, contingent or otherwise); (ii) in connection with the Government Healthcare Programs and related Participation Agreements as held by District prior to the Closing Date (subject to Section 3.1.3), specifically any Medicare, TRICARE and any Medi-Cal liabilities, including, but not limited to, retroactive payment adjustments, refunds or overpayments, arising from District's acts or omissions prior to the Closing Date; or (iii) otherwise in connection with any other Government Entity arising from District's acts or omissions prior to the Closing Date, and (iv) including those set forth on **Schedule 3.2.5**.

3.2.6 District Bonds. Any and all obligations or liabilities of District relating to the District Bonds, except as expressly agreed upon in writing by District, AH Mendocino and Stone Point Health.

3.2.7 Other Claims. Any other debts, obligations or liabilities of District that relate to incidents, actions or omissions of District or District's directors, officers, employees, contractors, agents or representatives occurring prior to the Closing Date that is not expressly assumed by AH Mendocino under the terms of this Agreement.

ARTICLE 4.

TRANSFER OF OTHER BUSINESS OPERATIONS

4.1 Employment Transition. It is the intent of the Parties to create an orderly employment transition of District's employees from District to AH Mendocino. The Parties recognize the inherent disruption this may cause the employees and have agreed on the following process with the following terms in order to minimize this disruption.

4.1.1 Termination of Employees. District shall terminate the employment of District Employees effective as of the end of the day immediately following the Closing Date or such later date mutually agreed in writing between the Parties (the "**Transition Date**" and the period between the Closing Date and the Transition Date, if any, the "**Transition Period**"). Subject to this Section 4 and the terms of any collective bargaining agreement, District shall terminate the active participation of District's Employees in the Mendocino Coast District Hospital 403(b) Plan effective as of the end of the day immediately prior to the Transition Date, and all other District Employee Benefit Plans covering such employees shall be terminated by District on a date as determined by AH Mendocino in its sole discretion, provided that AH Mendocino provides District at least thirty (30) days' prior notice of such determination. District shall cause each District Employee Benefit Plan to comply with all applicable Laws and the terms and conditions of such District Employee Benefit Plans in connection with such termination of District's Employees.

4.1.2 WARN Notices. District shall take any and all action which may be necessary to comply with any WARN Act (as defined in Section 4.1.4) obligations as a result of the transactions contemplated by this Agreement.

4.1.3 Notice to AH Mendocino. District shall promptly provide AH Mendocino written notice (each, an “**Update**”) of (a) any of District’s Employees whose employment with District is terminated between the Execution Date and the Closing Date or who otherwise incurs an Employment Loss, indicating the nature and date of any such Employment Loss, as well as (b) any person who is hired by District between the Execution Date and the Closing Date, and the reason for such hire. AH Mendocino shall maintain employee information and Updates in strict confidence, shall not disclose any such employee information or Updates to any third person or entity, and shall not use any such employee information or Updates for any purpose other than in connection with the transactions contemplated herein, unless legally compelled by a court of competent jurisdiction to do so.

4.1.4 Continued Liability of District. Any liability relating to, resulting from, or arising out of (and whether or not such liabilities arise prior to, on or following the Transition Date) (i) District’s actual or prospective employment or engagement, retention and/or termination of any current or former employee or service provider of District or any affiliate of District (including liabilities for compensation or benefits or liabilities with respect to a claim of an unfair labor practice, Union activities or under any employment Law or regulation), (ii) any District Employee Benefit Plan (including, without limitation, any liability to make any payment or payments to any third party as a result of the transactions contemplated by this Agreement or worker’s compensation claims), (iii) due to District’s, or an affiliate of District’s, status as an ERISA Affiliate of any other entity, (iv) District’s compliance or failure to comply with the notification requirements under the Worker Adjustment and Retraining Notification Act 29 U.S.C. Section 2100 *et seq.* or any similar state Law, including California Labor Code Section 1400 *et seq.* (collectively, the “**WARN Act**”) and any liability under the WARN Act related to AH Mendocino’s not offering employment to or not hiring any of District’s employees, shall remain that of District and AH Mendocino shall have no obligation with respect to any such liability. District will provide its employees and former employees with continuous coverage during the Transition Period in accordance with the terms of its Employee Welfare Benefit Plans, and District shall comply with the continuation coverage requirements of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and any similar state laws.

4.1.5 AH Mendocino Offers of Employment. AH Mendocino shall provide an offer of employment to each “Active District Employees” no later than five (5) business days prior to the Closing Date, such offer to be effective as of the Transition Date and to include an annual base salary or base wage rate consistent with the annual base salary or base wage rate set forth in any governing collective bargaining agreement or, solely in respect of any Active District Employees not covered by a collective bargaining agreement, consistent with the annual base salary or base wage rate provided by AH Mendocino to similarly situated employees of AH Mendocino, subject to AH Mendocino’s determination that such Active District Employees meet AH Mendocino’s usual and customary hiring practices and policies. For purposes of this Agreement, “Active District Employees” shall mean District Employees who are actually providing services to District in connection with the operation of the Hospital or the Ancillary District Operations as of the Transition Date and who are in good standing, and shall exclude any District Employee (a) whose employment status has been suspended or restricted as a result of disciplinary or other action, (b) who is otherwise not providing services to District for any reason as of the Transition Date or (c) who is listed on Schedule 4.1.5 (the “**Excluded Employees**”)

(but “**Active District Employees**” shall include District Employees on ordinary course absences due to such events as vacation or illness or on any legally protected absence or leave of absence).

4.1.6 Employment Acceptance by District Employees. As of the Transition Date, AH Mendocino shall hire those District employees who notify AH Mendocino prior to the Transition Date of their acceptance of AH Mendocino’s offer of employment and who successfully complete AH Mendocino’s standard pre-employment processes, including background checks in accordance with AH Mendocino’s policies and procedures (the “**Newly Hired Employees**”). Notwithstanding anything to the contrary in this Agreement, AH Mendocino covenants and agrees that it shall continue to employ in comparable positions (including the same or better job title and responsibilities and the better of the annual base salary or wage rate included in the applicable offer letter or the annual base salary or wage rate paid by District prior to the Transition Date) the Newly Hired Employees for a period of no less than ninety (90) days following the Transition Date, unless AH Mendocino sooner terminates the employment of any Newly Hired Employee for cause or in the event any Newly Hired Employee voluntarily resigns or retires.

4.1.7 Transfer of PTO. AH Mendocino shall provide each Active District Employee an opportunity to transfer the Active District Employee’s accrued but unused paid time off balance as of the Transition Date to AH Mendocino, and AH Mendocino shall permit any such Active District Employee who elects to transfer the Active District Employee’s accrued but unused paid time off balance as of the Transition Date (the aggregate value (based on annual base salary and wage rates in effect as of immediately prior to the Transition Date) of such elected transfer balances, the “**Transferred PTO Value**”) to use the transferred balance in accordance with AH Mendocino’s standard paid time off policies. For the avoidance of doubt, District shall pay to any Active District Employee who, prior to the Transfer Date, does not elect to transfer the Active District Employee’s accrued but unpaid paid time off balance as of the Transition Date the value of such Active District Employee’s accrued but unpaid paid time off balance on the Transition Date.

4.1.8 Employee Transition Services. During the Transition Period, District shall continue to employ the Active District Employees on substantially the same terms and conditions as in effect as of immediately prior to the Closing Date, including the same job title, responsibilities, annual base salary or wage rate and eligibility to participate in District Employee Benefit Plans (the aggregate base salaries and wages incurred in respect of the Active District Employees during the Transition Period together with the prorated amount of the employer-portion of the premiums paid by the District in the month or pay period immediately preceding the Transition Date for each Active District Employee for participation in the District Employee Benefit Plans (other than premiums for coverage that AH Mendocino is financially responsible for under Section 4.1.11), the “**Transition Liabilities**”).

4.1.9 AH Mendocino’s Rights and Obligations. The understandings set forth in this Section 4 are solely for the purpose of defining the obligations between AH Mendocino and District and shall not be construed as creating any employment contract or other agreement between either AH Mendocino or District, on the one hand, and any District Employee, on the other hand. The terms and provisions of this Section 4 are intended solely for the benefit of District and AH Mendocino and their respective permitted successors or assigns, and it is not the

intention of the parties to confer, and this Agreement shall not confer, third-party beneficiary rights upon any other person, including any District Employee or Active District Employee. All District Employees or Active District Employees shall remain terminable “at-will” by AH Mendocino (or its designated affiliate) or District, as the case may be, except to the extent otherwise required by law or by any preexisting employment or other agreement which has been specifically assumed by AH Mendocino under this Agreement. Nothing in this Agreement shall modify or amend any District Employee Benefit Plan or other agreement, plan, program, or document unless this Agreement explicitly states that the provision “amends” such District Employee Benefit Plan or other agreement, plan, program, or document.

4.1.10 Credit for Service to District. AH Mendocino shall include, as part of each employment offer to an Active District Employee, credit for service rendered with District for purposes of determining vesting and participation in AH Mendocino retirement plans and other employee benefits. District shall calculate paid time accruals of all employees, which will carry over with their employment transition to AH Mendocino.

4.1.11 Ongoing Employee Health Costs at Closing Date. To the extent feasible, as determined by AH Mendocino, District and AH Mendocino shall work cooperatively with one another to continue the District provided employee health plan once AH Mendocino becomes the employer of the District employees. District shall be responsible for employee health costs, including those costs that have been incurred but not yet reported, (to the extent of any District Employee Benefit Plan limitation) incurred by District’s employees prior to the Closing Date. AH Mendocino shall be responsible for the health costs (to the extent of AH Mendocino’s employee benefit plan limitations) of Newly Hired Employees incurred on and after the Closing Date. To the extent that a District employee who becomes a Newly Hired Employee is receiving ongoing health care services for a specific diagnosis made prior to the Closing Date, District and AH Mendocino shall allocate the health costs of treating such Newly Hired Employee between them based on whether the item or service generating a specific cost was provided to the Newly Hired Employee before or after the Closing Date, and each such Party shall pay that cost accordingly. District shall pay all costs of providing health care services to District employees who are inpatients and receiving health care services up to the Closing Date, but AH Mendocino shall be liable for all such costs on and after the Closing Date with respect to such persons who are Newly Hired Employees on and after the Closing Date and shall reimburse District for reasonable payments made by District pertaining to the charges for items and services provided on and after the Closing Date.

4.1.12 Unions. Except as set forth on **Schedule 4.1.12**, District has not been for the past three (3) years, a party to, bound by, or negotiating any collective bargaining agreement or other Contract with a union, works council or other labor organization (collectively, “**Union**”), and there is not, and has not been for the past three (3) years, any Union representing, or purporting to represent any employee of District, and, to District’s knowledge, no Union or group of employees is seeking or has sought to organize or represent employees for the purpose of collective bargaining. Except as set forth on **Schedule 4.1.12**, there has never been, nor has there been any threat of, any strike, slowdown, sick out, work stoppage, lockout, concerted refusal to work, or other similar labor disruption or dispute affecting District or any of its employees.

ARTICLE 5.

CLOSING

5.1 Closing. The Closing shall take place on the Closing Date.

5.2 Deliveries by District. At or before the Closing, District shall deliver to AH Mendocino the following (duly executed where appropriate):

5.2.1 District's Certificates. Certificates of District, executed by District's duly authorized officers, confirming the completeness and truthfulness in all material respects of the representations, warranties and covenants made herein, and incumbency certificates identifying the officers of District as of the Closing Date.

5.2.2 Certified Resolutions. A certified copy of the resolution of District's board of directors authorizing and approving the transactions contemplated by this Agreement, the execution and delivery of this Agreement and the consummation of transactions provided herein.

5.2.3 Bill of Sale. A Bill of Sale, substantially in the form attached hereto as **Exhibit B.**

5.2.4 Bondholders' Consent. Appropriate documentation evidencing consent of the bondholders of the District Bonds pursuant to Section 9.1.8, in a form reasonably acceptable to AH Mendocino.

5.2.5 Evidence of Title. Appropriate documents evidencing District's title to the Transferred Assets, if applicable, subject only to the Assumed Liabilities assumed by and assigned to AH Mendocino pursuant to this Agreement. A copy of the original of such documents shall, if available and upon AH Mendocino's written request, be procured and delivered by District to AH Mendocino on or before the Closing Date.

5.2.6 Assignment of Contracts and Other Assumed Liabilities. A General Assignment of Rights, substantially in the form attached hereto as **Exhibit A,** and other written assignments or consents, in a form reasonably acceptable to AH Mendocino or to any designated assignee of AH Mendocino, including all obtained consents to said assignments of all of District's right, title and interest in all Assumed Contracts and other Assumed Liabilities assumed by and assigned to AH Mendocino. By the Closing Date, District shall have delivered to AH Mendocino the true and correct originals, or true and correct photocopies of originals if such originals are not available to AH Mendocino after due inquiry, of all Assumed Contracts and other Assumed Liabilities, if applicable, and all amendments to such Assumed Contracts and other Assumed Liabilities, if applicable.

5.2.7 Other Documents. Such other documents as (i) may be reasonably requested by AH Mendocino prior to the Closing Date to effect the closing of the transactions as they are herein contemplated, or (ii) are required to effect the closing of the transactions as they are herein contemplated, whether or not requested by AH Mendocino.

5.2.8 Certificate of Election. Certificate of Election from the office of the clerk of the County of Mendocino, California certifying the results of the Approval Election.

5.3 Deliveries by AH Mendocino and Stone Point Health. At or before the Closing, AH Mendocino and/or Stone Point Health shall deliver to District the following (duly executed where appropriate):

5.3.1 Purchase Price. Payment of the Purchase Price, offset against the Transferred PTO Value as described above in Section 2.3.3.

5.3.2 AH Mendocino and Stone Point Health Certificates. Certificates of AH Mendocino and Stone Point Health, executed by their respective duly authorized officers, confirming the completeness and truthfulness in all material respects of the representations, warranties and covenants made herein, and incumbency certificates identifying the respective officers of AH Mendocino and Stone Point Health as of the Closing Date.

5.3.3 Certified Resolutions. Certified copies of the resolutions board of directors of Stone Point Health and AH Mendocino authorizing and approving the transactions contemplated by this Agreement, the execution and delivery of this Agreement and the consummation of transactions provided herein.

5.3.4 Assignment of Contracts and Other Assumed Liabilities. A General Assignment of Rights, substantially in the form attached hereto as **Exhibit A**.

5.3.5 Other Documents. Such other documents as (i) may be reasonably requested by District prior to the Closing Date to effect the Closing, or (ii) are required to effect the Closing whether or not requested by District.

5.4 Tax Clearances, Closing Tax Returns, Notices and Reports.

5.4.1 Tax Clearances and Releases. District shall secure and deliver to AH Mendocino, concurrently with the Closing, tax clearance certificates from the California Employment Development Department, the California Franchise Tax Board, the California Board of Equalization, the County of Mendocino, California, and the Internal Revenue Service, to the extent such certificates are applicable to District.

5.4.2 Returns, Notices and Reports. District shall promptly file all Closing returns, notices and reports of every kind and nature required by federal, state, county and municipal governments, or any subdivision thereof, with respect to the Transferred Assets, as applicable, and pay any and all sums payable in connection therewith.

5.5 Other Expenses. Except as otherwise provided herein, each of the Parties shall bear its own costs and expenses incurred in connection with the transactions described herein, including, without limitation, the fees and expenses of its respective counsel and accountants.

ARTICLE 6.

REPRESENTATIONS AND WARRANTIES OF DISTRICT

The following representations, warranties and agreements are made by District for the purpose of inducing AH Mendocino to enter into this Agreement and consummate the transfer of the Transferred Assets. The representations based on the knowledge of District (“**District’s Knowledge Representations**”) shall be limited to the actual knowledge of Wayne Allen (Interim Chief Executive Officer & Chief Financial Officer), Judy Hougland (Controller), Dan Camp (Chief Human Resources Officer), and Jessica Grinberg (President, District Board of Directors) obtained within the ordinary course of such officer’s position and role on behalf of the District. AH Mendocino acknowledges that District has not undertaken any investigation related to District’s Knowledge Representations out of the ordinary course of business.

6.1 Organization and Standing. District is a political subdivision of the State of California, organized, existing and acting under and pursuant to the Local Health Care District Law of the State of California, constituting Division 23 of the California Health and Safety Code. District possesses all requisite power and authority necessary to own and operate the Transferred Assets and carry on its business as the same is now being conducted.

6.2 Authority, Validity and Binding Effect. The execution and delivery of this Agreement, and each of the documents to be executed by or on behalf of the District pursuant to this Agreement, and the performance of the transactions contemplated hereby, have been duly authorized by the board of directors of the District. The District has all requisite power and authority to enter into, consummate and perform this Agreement and carry out all of the terms and provisions of this Agreement, subject to Electorate Approval, and receipt of consents which the Parties contemplate will be obtained prior to the Closing Date. This Agreement is a legal, valid and binding obligation of District, enforceable against the District in accordance with its terms.

6.3 No Violation or Bar.

6.3.1 Governing Documents. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby violates or conflicts with any material provision of the governing documents of the District.

6.3.2 Laws, Regulations, Orders and Decrees. Except for the Electorate Approval, neither the execution and the delivery of this Agreement by the District, nor the consummation of the transactions contemplated hereby violates or conflicts with any order of any governmental or regulatory authority, any judgment, decree, order or award of any court, arbitrator, administrative agency or governmental authority or, to the knowledge of District, any material Government Authorization, or any applicable Law.

6.4 Contracts and Other Obligations. District is not a party to any material contract or agreement or subject to any restriction, respecting the Transferred Assets or otherwise, which would prevent or restrict the power or authority of District to enter into this Agreement and to consummate the transactions contemplated hereby, except for the Electorate Approval, and such

contracts or agreements for which consent to the transfer of the Transferred Assets contemplated hereby is expected to be obtained prior to the Closing Date.

6.5 Required Governmental Consents and Public Meetings. Except for the Electorate Approval, approvals which may be required in connection with the transfer of Government Authorizations, the assumption and assignment of the Assumed Contracts, which the Parties contemplate will be obtained prior to the Closing Date, no consent, approval, authorization of or filing or registration with any Government Entity is required to be obtained or made by District in order for District to consummate the sale of the Transferred Assets to AH Mendocino pursuant to this Agreement.

6.6 Changes to Operations. Except as identified on **Schedule 6.6**, Since November 22, 2019, there has been no material adverse change that has occurred in the financial condition, results of operations, assets, liabilities, income or prospects of the Hospital, the Ancillary District Operations or Transferred Assets, and there has been no material change in any accounting method, policy or practice of District, with respect to the same.

6.7 Title to Transferred Assets. Except as specifically set forth in this Agreement, District has, or will have on the Closing Date, title to all of the Transferred Assets, free and clear of all liens, judgments, pledges, title defects, Encumbrances, leases, security interests, actions, claims, charges, conditions or restrictions of any nature whatsoever. Notwithstanding the foregoing, title to the Transferred Assets shall be subject to all Assumed Liabilities assumed by AH Mendocino pursuant to Section 3.1. To the District's knowledge, District has not entered into any contract, commitment or arrangement that would cause any of the Transferred Assets to be subject to any security interest, claim, equity, pledge, mortgage, lien (including, without limitation, mechanics' and materialmen's liens) or Encumbrances whatsoever which will exist or come into existence after the Closing Date. Since November 22, 2019, District has not sold, assigned, transferred, distributed, disposed of any of the Transferred Assets outside of the ordinary course of business and no material damage, destruction or loss (whether or not covered by insurance) has occurred affecting the Transferred Assets.

6.8 Employees.

6.8.1 Employee Status. District represents and warrants that District will provide AH Mendocino with a complete and accurate list of all District Employees prior to the Closing Date. District shall provide AH Mendocino with access to the District's files for the District Employees, which shall include for each such employee: (i) such employee's name, job title, department, and location; (ii) leave status (including type of leave), expected date of return for non-disability related leaves and expiration dates for disability-related leaves; (iii) whether such employee is classified as exempt from overtime requirements; and (iv) such employee's date of hire Except as disclosed in writing to AH Mendocino, since November 22, 2019, District has not increased or agreed to increase the compensation payable to any of the employees, contractors or service providers of District or made or agreed to make any bonus or severance payment to any of the employees, contractors or service providers of District and District has not employed any additional management personnel in respect of the Hospital or the Ancillary District Operations. On the Transition Date, District shall provide AH Mendocino in writing the annualized compensation and base salary as of the Transition Date, separately identifying any

bonus payments and accrued paid time off. District has made available or delivered accurate and complete copies of all disclosure materials, policy statements and other materials relating to the employment of the current District Employees.

6.8.2 Employee Loss. District has made or, no later than ten (10) business days after the Execution Date, will make available to AH Mendocino the name, job title, job site and unit, date of Employment Loss (as defined below), and type of Employment Loss (e.g., termination, layoff or reduction in work hours) of each District Employee who has experienced an Employment Loss in the ninety (90) days preceding the Execution Date and describing the events giving rise to each such Employment Loss. Except as set forth in this Agreement, District does not currently intend to take any action that would result in an Employment Loss by any of its employees between the Execution Date and the Closing Date outside the ordinary course of business. At the Closing Date, District shall provide an update to such information that discloses all employees who have experienced an Employment Loss on or before the Closing Date.

6.8.3 Claims. There are either no claims pending or, to District's knowledge, threatened against District before the U.S. Equal Employment Opportunity Commission or any federal, foreign, state or local court or agency, or arbitrator, relating to any labor, safety, employee benefit, or employment matters or under any workers' compensation or long-term disability plan or policy, or any such claims will not have a material adverse effect on the Hospital or the Ancillary District Operations on or after the Closing Date. To District's knowledge, District either does not have any unsatisfied obligations to any employees or qualified beneficiaries pursuant to COBRA, HIPAA, or any state Law governing health care coverage extension or continuation other than the payment of benefits in the ordinary course of business, or any such obligations will not have material adverse effect on the Hospital or Ancillary District Operations on or after the Closing Date.

6.8.4 Compliance with Employment Laws. To District's knowledge, District is either in compliance in all material respects with all applicable Laws as of the date of this Agreement respecting terms and conditions of employment including, but not limited to, those relating to plant closure or mass layoff issues, affirmative action, wage and hour Law, or any noncompliance with a Law will not adversely affect the Hospital and the Ancillary District Operations on or after the Closing Date. To District's knowledge, District is either not liable for any arrearage of wages or any taxes or penalties for failure to comply with any of the foregoing, or such will not have a material adverse effect on the Hospital or the Ancillary District Operations on or after the Closing Date. Since November 22, 2019, no labor dispute or to District's knowledge, enactment of state or local Law, promulgation of state or local regulation, or other event or condition has occurred that would have a material adverse effect on the Hospital, Ancillary District Operations or the Transferred Assets. District is not, and has never been, engaged in any unfair labor practice of any nature, or such labor practice will not have a material adverse effect on the Hospital or the Ancillary District Operations on or after the Closing Date.

6.9 Employee Plans

6.9.1 District Employee Benefit Plans. **Schedule 6.9.1** contains a true and complete list of each District Employee Benefit Plans.

6.9.2 Compliance with District Employee Benefit Plans. To District's knowledge, District has complied, and currently is in compliance, both as to form and operation, in all material respects, with the terms of each District Employee Benefit Plan and all applicable provisions of each other Law or regulation imposed or administered by any Government Entity with respect to each of the District Employee Benefit Plans. There is, and in the future will be, no liability to AH Mendocino or any of its benefit plans with respect to the District Employee Benefit Plans.

6.9.3 Code Requirements. To District's knowledge, no District Employee Benefit Plan is, and none of District, any affiliate of District or any ERISA Affiliate thereof sponsors, maintains, contributes to, has within the past six years, sponsored, maintained, or contributed to or has any liability or obligation, whether fixed or contingent, with respect to (i) a Multiemployer Plan, (ii) a single employer plan or other pension plan that is subject to Title IV of ERISA or Section 302 of ERISA or Section 412 of the Code, (iii) a "multiple employer plan" (within the meaning of Section 413(c) of the Code), or (iv) a multiple employer welfare arrangement (within the meaning of Section 3(40) of ERISA).

6.9.4 Encumbrances. With respect to each welfare plan, all claims incurred by District are insured pursuant to a contract of insurance whereby the insurance company bears any risk of loss with respect to such claims. No District Employee Benefit Plan provides medical, health, dental or life benefits (whether or not insured), after an employee's or other service provider's termination of employment or service other than COBRA coverage and other coverage required by applicable Law, the full cost of which is borne by the former employee of District and/or his or her qualified beneficiaries.

6.9.5 Accelerated Payments. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, either alone or in combination with another event (whether contingent or otherwise) will (i) entitle any current or former employee or other service provider of District to any payment; (ii) increase the amount of compensation or benefits due to any such employee or other service provider or any such group of employees, consultants, directors or other service providers; (iii) accelerate the vesting, funding or time of payment of any compensation, equity award or other benefit; or (iv) result in any "parachute payment" under Section 280G of the Code (or any corresponding provision of state, local, or foreign tax Law).

6.10 Licenses and Permits. District has provided or made available to AH Mendocino a true, correct and complete list of all of District's Government Authorizations required for the Hospital and Ancillary District Operations. The Hospital is duly licensed as an acute care hospital and, to District's knowledge, holds in good standing all Government Authorizations required for the Ancillary District Operations by the appropriate Government Entities, such Government Authorizations are presently in full force and effect, and is in full compliance with the terms and conditions of the Government Authorizations District has knowledge of.

6.11 Insurance. Schedule 6.11 describes all insurance arrangements, including self-insurance, in place for the benefit of the Transferred Assets and the conduct of the Hospital and the Ancillary District Operations (collectively, the "**Insurance Policies**"). To District's

knowledge, all Insurance Policies are in full force and effect and are issued by insurers of recognized responsibility. The insurance coverage provided by the Insurance Policies (a) is on such terms, (b) covers such categories of risk, (c) contains such deductibles and retentions, and (d) is in such amounts as, with respect to each of the criteria set forth in the foregoing clauses (a) through (d), as adequate and suitable for the Transferred Assets and the conduct of the Hospital and the Ancillary District Operations. With respect to each Insurance Policy, (i) there are no claims pending as to which coverage has been questioned, denied or disputed by the underwriter(s) of such Insurance Policy, (ii) all premiums due have been paid, (iii) no notice of cancellation or termination has been given and (iv) District has complied in all material respects with the terms and provisions of such Insurance Policy.

6.12 Government Healthcare Programs. Hospital is qualified for participation in Government Healthcare Programs. District receives payment under the Government Healthcare Programs for services rendered to qualified beneficiaries. Neither the District or Hospital's respective officers, directors, employees or, to District's knowledge, agents, are excluded from participation in any Government Healthcare Program or to District's knowledge, have engaged in any activities which are cause for civil penalties or mandatory or permissive exclusion from any Government Healthcare Program. Neither Hospital nor District is a party to any corporate integrity agreements, deferred prosecution agreements, monitoring agreements, consent decrees, settlement orders, plans of correction or similar agreements imposed by any Government Entity.

6.13 Medical Staff; Physician Relations. District has made available to AH Mendocino true, correct and complete copies of the bylaws, policies, rules and regulations of the medical staff and medical executive committee of the Hospital. No member of the medical staff of the Hospital are excluded from participation in any Government Healthcare Program. Except as set forth in **Schedule 6.13**, since November 22, 2019, District has not entered into any agreement by or on behalf of District with any physician.

6.14 Material Contracts. District has made available to AH Mendocino a true, correct and complete copy of each material Contract, together with all amendments, waivers or other changes or modifications thereto to which District is a party or to which the Transferred Assets are bound (collectively, the "**Material Contracts**"). The Material Contracts are valid, legally binding and enforceable as to District and, as to the other parties thereto, in accordance with their respective terms. Each Material Contract is currently and will be in full force and effect in accordance with its terms upon the Closing Date. None of the Material Contracts have been nor will they be prior to the Closing Date, modified, amended or assigned. District, and to the knowledge of District, each other party thereto, has performed all obligations required to be performed by it and is not in default under or in breach of, or in receipt of any claim of default or breach under, any Material Contract. There has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute a default by District, or to the knowledge of District, any of the other parties to such Material Contracts. District has not received written notice that any party to any Material Contract intends to cancel or terminate any such Material Contract or to exercise or not to exercise any option to renew thereunder. Except as set forth in **Schedule 6.14**, since November 22, 2019, District has not entered into or agreed to enter into any transaction outside the ordinary course of business of District which may cause a liability or obligation of District in excess of Seventy-Five Thousand Dollars (\$75,000). As of the Closing

Date there will not exist any material Encumbrance on any Real Property governed by a Material Contract.

6.15 Litigation, Claims and Proceedings. District has not been served with any summons, complaint or written notice to arbitrate, and no suit, litigation, claim (equitable or legal), administrative arbitration, investigation or other proceeding is pending or to District's knowledge, threatened, against District or affecting the Transferred Assets, the Hospital, the Ancillary District Operations or the business of District by or before any Government Entity, mediator, arbitrator or other person or instrumentality.

6.16 Orders, Decrees and Rulings. District is not a party to any order, decree or ruling of any Government Entity, nor has District any contracts, formal or informal, with any such Government Entity that could materially and adversely affect the ability of District to perform its obligations hereunder or conduct its business or the ability of AH Mendocino to own the Transferred Assets and to conduct its business as previously conducted by District.

6.17 Compliance with Law. To District's knowledge, District is not in violation of any Laws, including Healthcare Laws, applicable to District, the operation of the Hospital, the Ancillary District Operations or the Transferred Assets, which would materially and adversely affect District's ability to perform its obligations hereunder or AH Mendocino's operation of the Hospital, the Ancillary District Operations or the Transferred Assets on and after the Closing Date.

6.18 Broker's and Finder's Fees. District has had no dealing with any agent, broker, representative or other person so as to entitle such agent, broker, representative or other person to any commission or finder's fee in connection with the transactions described herein.

6.19 Medical Records. To District's knowledge, District has maintained the confidentiality of all Medical Records as required by and in material conformance with all applicable Laws, including HIPAA, and regulations. To District's knowledge, no Medical Records have been transferred to any individual or entity against the request of any patient prohibiting Hospital from transferring his or her patient information or records.

6.20 Accuracy of Representations and Warranties. No representation or warranty of District contained in this Agreement, or any statement, document or certificate furnished or to be furnished to AH Mendocino, or in connection with the transactions contemplated hereby, is or will be, as of the Closing, incomplete, inaccurate, or contain any untrue statement of any material fact known to District, or intentionally omit to state any material fact known to District necessary to make the statements contained therein not misleading.

6.21 Survival of Representations and Warranties. The representations and warranties by the District set forth under this Agreement are true and complete on the Execution Date and shall be true and complete on and as of the Closing Date as though said representations, warranties and agreements were made on the Closing Date and shall survive for the full period of the applicable statutes of limitations, giving effect to any waiver, mitigation or extension thereof.

6.22 No Other Representations. Except for the representations and warranties contained in this Article 6 (as modified by the Schedules) and in any certificate delivered by or

on behalf of District hereunder, District makes no express or implied representation or warranty, and District hereby disclaims any such representation or warranty, with respect to the execution and delivery of this Agreement and the other transaction documents and the consummation of the transactions contemplated hereunder and thereunder. Notwithstanding anything herein to the contrary, AH Mendocino shall not be deemed to have waived the right to bring any claim or action based on actual fraud. Nothing contained in this Section 6.22 is intended to (i) negate or alter the indemnification obligations of any Party under this Agreement, or (ii) preclude any remedy for fraud or constitute an admission by any Party that any element of a claim for actual fraud cannot be established.

ARTICLE 7.

REPRESENTATIONS AND WARRANTIES OF AH MENDOCINO AND STONE POINT HEALTH

The following representations, warranties and agreements are made by AH Mendocino and Stone Point Health for the purpose of inducing District to enter into this Agreement and consummate the transfer of the Transferred Assets. The representations based on the knowledge of AH Mendocino and Stone Point Health (“**AH Mendocino’s Knowledge Representations**”) and shall be limited to the actual knowledge of AH Mendocino, Stone Point Health and/or Adventist Health, as the case may be. District acknowledges that AH Mendocino, Stone Point Health and Adventist Health has not undertaken any investigation related to AH Mendocino’s Knowledge Representations out of the ordinary course of their business.

7.1 Organization and Standing. AH Mendocino and Stone Point Health are both California nonprofit public benefit corporations duly formed and in good standing under the Laws of the State of California. AH Mendocino possesses all requisite power and authority necessary to carry on the operations of the Hospital and the Ancillary District Operations as the same are now being conducted.

7.2 Authority, Validity and Binding Effect. The execution and delivery of this Agreement, and each of the documents to be executed by or on behalf of AH Mendocino and Stone Point Health pursuant to this Agreement, and the performance of the transactions contemplated hereby, have been duly authorized by the respective Boards of Directors by all other necessary corporate actions on the part of AH Mendocino and Stone Point Health. AH Mendocino and Stone Point Health have all requisite power and authority to enter into, consummate, perform and carry out all of the terms and provisions of this Agreement. This Agreement is a legal, valid and binding obligation of AH Mendocino and Stone Point Health, enforceable against AH Mendocino and Stone Point Health respectively in accordance with its terms, except insofar as enforcement thereof may be limited by bankruptcy, moratorium, insolvency or similar Laws affecting creditor’s rights, and all general equitable principles.

7.3 No Violation or Bar.

7.3.1 Articles, Bylaws, and Corporate Documents. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby

violates or conflicts with any material provision of the articles of incorporation or bylaws of AH Mendocino or Stone Point Health.

7.3.2 **Laws, Regulations, Orders and Decrees.** AH Mendocino and Stone Point Health represent and warrant that neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby: (a) to the knowledge of AH Mendocino and Stone Point Health, violates or conflicts with any order of any governmental or regulatory authority, any judgment, decree, order or award of any court, arbitrator, administrative agency or Government Entity, or any Government Authorization; or (b) requires any Government Authorization which has not been obtained or will be obtained from any Government Entity.

7.3.3 **Contracts and Other Obligations.** Neither AH Mendocino or Stone Point Health is a party to any contract or agreement or subject to any restriction respecting the Transferred Assets or otherwise, including, without limitation any noncompetition or nonsolicitation covenants, which would prevent or restrict the power or authority of AH Mendocino or Stone Point Health to enter into this Agreement and to consummate the transactions contemplated hereby.

7.4 **Litigation, Claims and Proceedings.** Neither AH Mendocino or Stone Point Health has been served with any summons, complaint or written notice to arbitrate, and no suit, litigation, claim (equitable or legal), administrative arbitration, investigation or other proceeding is pending or threatened against AH Mendocino or Stone Point Health by or before any court, governmental department, commission, board, bureau, agency, mediator, arbitrator or other person or instrumentality, which would materially and adversely affect AH Mendocino or Stone Point Health's ability to perform its respective obligations hereunder and consummate the transactions contemplated by this Agreement.

7.5 **Broker's and Finder's Fees.** Neither AH Mendocino or Stone Point Health has had any dealing with any agent, broker, representative or other person so as to entitle such agent, broker, representative or other person to any commission or finder's fee in connection with the transactions described herein.

7.6 **Orders, Decrees and Rulings.** Neither AH Mendocino or Stone Point Health is a party to any order, decree or ruling of any court or administrative agency, federal, state or local, nor is either a party to any contracts, formal or informal, with any such agency that could materially and adversely affect the ability of AH Mendocino or Stone Point Health to perform its obligations hereunder.

7.7 **Compliance with Law.** To the knowledge of AH Mendocino and Stone Point Health, neither AH Mendocino nor Stone Point Health is in violation of any Laws, including Healthcare Laws, applicable to AH Mendocino or Stone Point Health that could materially and adversely affect the ability of AH Mendocino or Stone Point Health to perform its obligations hereunder.

7.8 **Accuracy of Representations and Warranties.** No representation or warranty of AH Mendocino or Stone Point Health contained in this Agreement, or any statement, document or certificate furnished or to be furnished to District, or in connection with the

transactions contemplated hereby, is or will be, as of the Closing, incomplete, inaccurate, or contain any untrue statement of any material fact known to AH Mendocino or Stone Point Health, or intentionally omit to state any material fact known to AH Mendocino or Stone Point Health necessary to make the statements contained therein not misleading.

7.9 Survival of Warranties, Representations and Agreements. The warranties, representations and agreements by AH Mendocino and Stone Point Health set forth in this Article 7 are true and complete on the Execution Date and shall be true and complete on and as of the Closing Date as though said representations, warranties and agreements were made on and as of the Closing Date. Except as may be expressly noted otherwise herein, the representations and warranties set forth in this Article 7 shall expire and terminate as of the Closing.

7.10 No Other Representations. Except for the representations and warranties contained in this Article 7 (as modified by the Schedules) and in any certificate delivered by or on behalf of AH Mendocino hereunder, AH Mendocino makes no express or implied representation or warranty, and AH Mendocino hereby disclaims any such representation or warranty, with respect to the execution and delivery of this Agreement and the other transaction documents and the consummation of the transactions contemplated hereunder and thereunder. Notwithstanding anything herein to the contrary, District shall not be deemed to have waived the right to bring any claim or action based on actual fraud. Nothing contained in this Section 7.10 is intended to (i) negate or alter the indemnification obligations of any Party under this Agreement, or (ii) preclude any remedy for fraud or constitute an admission by any Party that any element of a claim for actual fraud cannot be established.

ARTICLE 8.

PRE-CLOSING COVENANTS OF THE PARTIES

8.1 Operation of the Hospital, Ancillary District Operations and Transferred Assets Pending Closing. During the period from the Execution Date until the Closing Date, the board of directors of District has not and will not, without the consent of AH Mendocino (which consent may not be unreasonably withheld):

8.1.1 Sale or Transfer. Other than under the Lease, authorize or approve the transfer, sale or other disposition of any of the Transferred Assets or the Premises other than in the ordinary and usual course of business with an aggregate value of One Hundred Thousand Dollars (\$100,000) or less, as heretofore conducted, except for such items as are no longer useful, or obsolete, worn out or incapable of any further use, and as will be replaced in accordance with District's usual practice with other items of substantially the same value and utility as the items transferred, sold, exchanged or otherwise disposed of.

8.1.2 Liens. Authorize or approve the creation, participation in or agreement to the creation of any liens, encumbrances or hypothecations of any of the Transferred Assets or the Premises, except any liens for current taxes not yet due and payable and liens created in the ordinary and usual course of its business in the amount of One Hundred Thousand Dollars (\$100,000) or less, as heretofore conducted.

8.1.3 Leases and Contracts. Other than the Lease, authorize or approve the execution of any lease, contract or agreement of any kind or character with respect to the Hospital or the Ancillary District Operations, or incur any liabilities in connection therewith, save and except (a) those which will terminate or expire prior to the Closing Date; and (b) those to which it is presently committed or that arise in the ordinary and usual course of business that result in revenue or expenses of One Hundred Thousand Dollars (\$100,000) or less as heretofore conducted.

8.1.4 Termination of License. Authorize or approve the termination of any Government Authorization concerning the Hospital or the Ancillary District Operations.

8.1.5 Waiver of Right. Authorize or approve the waiver or release of any right or claim of District with respect to the Hospital or the Ancillary District Operations except in the ordinary course of business with a value of One Hundred Thousand Dollars (\$100,000) or less.

8.1.6 Employee Matters. Except in the ordinary and usual course of business as heretofore conducted, (i) hire or terminate any employee, (ii) pay, announce, promise or grant, whether orally or in writing, any increase in or establishment of (as applicable) any wages, base pay, fees, salaries, compensation, bonuses, incentives, deferred compensation, pensions, severance or termination payments, retirement, profit sharing, fringe benefits, equity or equity-linked awards, employee benefit plans, or any other form of compensation or benefits payable by District, including, without limitation, any increase or change pursuant to any District Employee Benefit Plan (except as required by any applicable Law) that in the aggregate result in payment or payments of more than One Hundred Thousand Dollars (\$100,000) or (iii) enter into, adopt or materially amend any District Employee Benefit Plan.

8.2 Contracts and Process for Assumption

8.2.1 Modification of Assumed Contracts. AH Mendocino shall have the right to negotiate at any time after the Execution Date with any party to an Assumed Contract for modification of or an earlier termination of such Assumed Contract, provided that such modifications or terminations are effective only on or after the Closing Date and the Parties mutually agree to a resolution with respect to any material termination fees as applicable.

8.2.2 Third-Party Consents. Notwithstanding any provision to the contrary contained in this Agreement, District shall use its best efforts and work cooperatively with AH Mendocino to obtain any required consent for assignment of the Assumed Contracts prior to the Closing, and any and all liability resulting from the failure to obtain any required consent for assignment of the Assumed Contracts shall rest with District, subject to Section 8.2.1. Notwithstanding the foregoing, to the extent consent to assignment of any Assumed Contract is not obtained as of the Closing, District and AH Mendocino shall use their reasonable commercial good faith efforts to mitigate any costs, losses or damages associated with the failure to obtain such consents prior to the Closing.

8.3 Material Changes. During the period from the Execution Date to the Closing Date, District shall promptly notify AH Mendocino in writing of any event of which District obtains knowledge which has had or might reasonably be expected to cause any representation or

warranty to be untrue or inaccurate in any material respect and of any event reasonably expected to have a material and adverse effect on the Transferred Assets, the Hospital, the Ancillary District Operations, the Assumed Liabilities or the Premises. From time to time prior to the Closing Date, District will promptly supplement or amend the Exhibits and Schedules hereto with respect to any matter hereafter arising or not known to District, which, if existing or occurring at or prior to the Execution Date of this Agreement would have been required to be set forth or described in an Exhibit or Schedule or in any representation or warranty of District which has been rendered inaccurate thereby.

8.4 Government Authorizations.

8.4.1 Government Authorizations. The Parties shall promptly apply for and use commercially reasonable efforts to obtain, as promptly as practicable, all Government Authorizations required to carry out the transactions contemplated under this Agreement (including those of Government Entities) or which the Party reasonably deems necessary or appropriate.

8.4.2 Cooperation. Each Party shall reasonably cooperate with the other: (i) in the efforts to obtain all Government Authorizations in Section 8.4.1 and (ii) in the preparation of any document or other material which may be required by any Government Entity as a predicate to or result of the transactions contemplated under this Agreement.

8.5 Exhibits and Schedules.

8.5.1 Modification. From time to time prior to the Closing Date, District shall supplement or amend (in each case, a “**Modification**”) the Exhibits and Schedules hereto in order to keep the information therein timely, complete and accurate. Each Modification of the Exhibits and Schedules will be deemed to amend the Exhibits and Schedules as of that date. All Exhibits and Schedules attached to this Agreement shall be binding on the Parties unless and until amended or supplemented pursuant to this Section, if at all, or until termination of this Agreement. The ability to include a Modification to the Exhibits and Schedules shall continue until the Closing, at which time all Exhibits and Schedules must be final.

8.5.2 AH Mendocino Discretion. During the period from the Execution Date to the Closing Date, if District obtains knowledge of (i) any fact or condition that existed on the date hereof that causes or constitutes a material breach of District’s representations and warranties as of the Execution Date or (ii) any event reasonably expected to have a material and adverse effect on the Transferred Assets, the Hospital, the Ancillary District Operations, the Assumed Liabilities or the Premises, District shall promptly notify AH Mendocino in writing of such fact or condition and deliver to AH Mendocino a proposed Modification to any applicable Exhibit or Schedule, AH Mendocino may, at its sole discretion, add such Modification to the final Exhibit or Schedule or terminate this Agreement.

ARTICLE 9.

CONDITIONS PRECEDENT TO CLOSING

9.1 Conditions Precedent to AH Mendocino's Obligations. AH Mendocino's obligation to consummate the transactions contemplated hereby is conditioned and contingent upon each of the following:

9.1.1 Casualty to Transferred Assets. The absence of the occurrence, during the period from the Execution Date to the Closing Date, of any (a) loss or damage to the Transferred Assets (including, without limitation, by reason of casualty or condemnation) or the Premises which would materially impair, AH Mendocino's ability to operate the Hospital and the Ancillary District Operations on and after the Closing Date, or (b) except as otherwise provided for in this Agreement, changes in the liabilities (contingent or otherwise), business, employee relations, or staff relations of District, other than changes which are in the aggregate not material and adverse to AH Mendocino. The foregoing condition shall be conclusively deemed satisfied unless AH Mendocino, prior to the Closing Date, gives District written notice of the failure of this condition.

9.1.2 Compliance with Agreement. District's performance of and compliance with all covenants, agreements, conditions, terms and provisions required by this Agreement and the Lease to be performed or complied with by District prior to the Closing Date.

9.1.3 Accuracy of Representations and Warranties. The accuracy and completeness as of the Closing of all representations and warranties made by the District.

9.1.4 Approvals. Procurement, prior to the Closing, and without conditions which materially and adversely affect the operations of the Hospital and the Ancillary District Operations, of approvals of applicable Government Entities and the Approval Election necessary to legally consummate the transfer of the Transferred Assets and the effectiveness of the Lease as of the Closing Date.

9.1.5 Licensure. AH Mendocino shall have received reasonable assurances from CDPH, customary to such transactions, that a license will be issued to AH Mendocino to operate the Hospital and the Ancillary District Operations effective as of the Closing Date. Further, AH Mendocino shall have received reasonable assurances from any other Government Entities as may be necessary to own, operate and maintain the Transferred Assets as owned, operated and maintained by District prior to Closing.

9.1.6 Medicare Certification. Procurement, prior to the Closing, and without conditions which materially and adversely affect the operations of the Hospital and the Ancillary District Operations, of approval by both CDPH and CMS in a form reasonably acceptable to AH Mendocino that (i) the Plan of Correction has been accepted; and (ii) the resurvey to validate compliance with the Plan of Correction and Medicare conditions of participation (a) has not yet occurred or (b) been completed successfully, without the identification of any new deficiencies.

9.1.7 Board Approval. Procurement, prior to the Closing, and without conditions that materially and adversely affect the operations of the Hospital and the Ancillary

District Operations, of approval of the boards of directors of AH Mendocino and Stone Point Health.

9.1.8 Bond Condition. Prior to the Closing, and without conditions which materially and adversely affect the operations of the Hospital and the Ancillary District Operations, (i) any amendments required to be made to the Agreement and the Lease as a result of any requirements of OSHPD and the Cal-Mortgage Loan Insurance Program, the trustee(s) for the District Bonds or any other party with respect to the District Bonds are acceptable to AH Mendocino; (ii) AH Mendocino and District shall have determined that transactions contemplated under the Agreement and by the Lease (as amended) will not impair the tax-exempt status of the District Bonds or constitute an event of default under any of the District Bonds; (iii) amendments requested by AH Mendocino to any of the documents related to the District Bonds shall have been made; and (iv) any amendments otherwise required to any of the documents pertaining to the District Bonds as a result of this Agreement or the Lease are acceptable to AH Mendocino.

9.1.9 Release of Liens. All Encumbrances against the Transferred Assets have been released or insured against such that AH Mendocino shall acquire the Transferred Assets free and clear of all Encumbrances.

9.2 Conditions Precedent to District's Obligations. The obligation of District to consummate the transaction contemplated by this Agreement is conditioned and contingent upon:

9.2.1 AH Mendocino's Performance. AH Mendocino's performance and compliance with all covenants, agreements, conditions, terms and provisions required by this Agreement and the Lease, to be performed or complied with prior to the Closing Date.

9.2.2 Accuracy of Representations and Warranties. The accuracy and completeness as of the Closing of all representations and warranties made by AH Mendocino and Stone Point Health in this Agreement.

9.2.3 Approvals. Procurement, prior to the Closing, and without conditions which materially and adversely affect the operations of the Hospital and the Ancillary District Operations, of necessary approvals of applicable Government Entities necessary to consummate legally the transfer of the Transferred Assets and the effectiveness of the Lease as of the Closing Date.

9.2.4 Board Approval. Procurement, prior to the Closing, and without conditions that materially and adversely affect the operations of the Hospital and the Ancillary District Operations, of approval of the District board of directors.

9.3 Waiver of Conditions. The conditions set forth in Section 9.1 are solely for the benefit of AH Mendocino and may be waived in writing by AH Mendocino at any time. The conditions set forth in Section 9.2 are solely for the benefit of District and may be waived in writing by District at any time.

9.4 Electorate Approval. The clerk of the County of Mendocino, California shall have certified the results of an election called by District in which the voters of the District shall have approved the proposed transfer of assets contemplated hereby.

9.5 Change of Law. No Law or Order shall have been enacted, promulgated or enforced by any Government Entity, nor shall any legal or regulatory action have been instituted and remain pending and threatened that prohibits or materially restricts the Agreement or the transactions contemplated hereby.

9.6 Satisfaction of Conditions. The Parties agree to use reasonable efforts and due diligence to satisfy in a timely manner all of the foregoing conditions and contingencies.

ARTICLE 10.

POST-CLOSING COVENANTS

10.1 Restrictive Covenants. During the term of the Lease, District's activities shall be subject to the restrictive covenants as set forth under the Lease.

10.2 Severability of Provisions. In the event that the provisions of this Section 10.2 should ever be adjudicated by a court of competent jurisdiction to exceed the time or geographic or other limitations permitted by applicable Law, then such provisions shall be deemed reformed to the maximum time or geographic or other limitations permitted by applicable Law, as determined by such court in such action. Each breach of the covenants set forth in Section 10.1 shall give rise to a separate and independent cause of action.

10.3 Transition Services; Transition Patients.

10.3.1 AH Mendocino acknowledges that there will be patients located in the Hospital and the Ancillary District Operations on the Closing Date. AH Mendocino shall accept such patients as patients of AH Mendocino, and AH Mendocino shall assume responsibility and liability for treating such patients on and after the Closing Date. All revenue, expenses and liabilities incurred on and after the Closing Date in connection with such patients shall become revenue, expenses and liabilities of AH Mendocino, and all liability arising from treatment and care rendered to such patients prior to the Closing Date shall be borne solely by District, regardless of whether a liability is asserted prior to, on or after the Closing Date. The services rendered and medicine, drugs and supplies provided to patients who were admitted to the Hospital prior to the Closing Date but who are not discharged until after the Closing Date shall be referred to as the "**Transition Services**" and such patients shall be referred to as the "**Transition Patients.**" AH Mendocino shall be responsible for obtaining all necessary consents as required by Law from all Transition Patients.

10.3.2 The Parties shall document the transfer of all Transition Patients ("**Transferred Transition Patients**") from District to AH Mendocino as of the Closing Date. District and AH Mendocino shall each bill the applicable payor, including Medicare and Medi-Cal, in accordance with applicable payor procedures for Transition Services provided by such party to each Transferred Transition Patient. AH Mendocino shall provide to District copies of all medical records and other information reasonably required by District in order for District to

bill for Transition Services and both Parties shall reasonably cooperate with each other to facilitate billing activities with respect to items and services rendered to such Transferred Transition Patients.

10.3.3 In the event that either District or AH Mendocino is denied reimbursement in whole or in part as a result of any such Transition Patient transfer (including transfers of Medicare or Medi-Cal Transition Patients), the Parties shall apportion the aggregate reimbursement received by either or both District and AH Mendocino with respect to Transition Services provided to each such patient (“**Denied Transition Patient**”) as follows: (i) the amount due to District shall be determined based on the ratio of (A) the total charges for the Transition Services provided to the Denied Transition Patient by District prior to the Closing Date over (B) the sum of total charges for the Transition Services provided to the Denied Transition Patient by District prior to the Closing Date plus the total charges for the Transition Services provided to the Denied Transition Patient by AH Mendocino on and after the Closing Date, and (ii) the remaining portion of the aggregate reimbursement received by either or both District and AH Mendocino with respect to Transition Services provided to the Denied Transition Patient shall be due to AH Mendocino. In connection with any such allocation, each Party shall provide the other with copies of any applicable remittance advice and in cooperate good faith with respect to the calculation of the foregoing allocation.

10.3.4 In the event that following an allocation pursuant to Section 10.3.3 above, (i) any Party receives additional amounts following a successful appeal (which appeal, if any, would be undertaken in the discretion of the Party who is entitled to the greater share of the claimed reimbursement under the apportionment methodology described in Section 10.3.3 above, with the cost of such appeal apportioned between District and AH Mendocino in a like manner) or (ii) any payor reopens and adjusts such reimbursement determination, the Parties shall re-apportion the aggregate reimbursement received by District and AH Mendocino in the manner described in Section 10.3.3.

10.3.5 It is the intention of the Parties that payment for Transition Services shall be made in compliance with applicable Medicare, Medi-Cal or payor requirements, so that District and AH Mendocino each are appropriately paid in accordance with applicable payor rules. In the event that CMS, the Hospital’s Medicare administrative contractor, Medi-Cal or another payor requires a methodology that differs from that provided in this Section 10.3, the Parties will make payments for Transition Services in compliance with the methodology specified by the applicable payor.

10.3.6 From the Closing Date and through the date AH Mendocino receives written notification from the CMS fiscal intermediary issuing the “tie-in” notice for the approval of AH Mendocino’s CMS Form 855A change of ownership application, District agrees to cooperate in good faith with AH Mendocino so that AH Mendocino will be able to bill and collect for all services, goods and other items provided to Medicare beneficiaries under District’s existing Medicare provider number and District shall remit all reimbursement it receives related to services, goods and other items provided to Medicare beneficiaries on and after the Closing Date to AH Mendocino.

10.4 Misdirected Payments. To the extent there are any misdirected funds forwarded to District (or any of its affiliates, if any) by any third parties, which misdirected funds are paid in respect of the performance of services by or on behalf of the Hospital or any Ancillary District Operations from and after the Closing Date or with respect to the Transferred Assets, District shall remit such misdirected funds to AH Mendocino within ten (10) Business Days after receipt thereof, to an account designated by AH Mendocino.

10.5 Withholds. If and to the extent that Medicare or any other payor withholds funds from AH Mendocino due to claims which are attributable to District for any period prior to the Closing Date, or AH Mendocino is required to refund any payments because of claims which are attributable to District for any period prior to the Closing Date and which payment AH Mendocino did not receive and retain after the Closing Date, AH Mendocino shall notify District of any deficient payment and provide any supporting information as requested by District. District shall, within ten (10) Business Days, reimburse AH Mendocino for any uncontested deficient payment or refund payment made by AH Mendocino and take any such action as may be required to satisfy Medicare or any other payor with respect to that matter. In the event that District is successful in appealing any adverse decisions by Medicare or any other payor that caused the payments contemplated by this Section, AH Mendocino shall, within ten (10) Business Days, pay to District any amount received by AH Mendocino attributable to such appeal.

10.6 Cooperation Related to Government Fundings. The Parties shall cooperate and take all actions necessary to maximize and collect any Government Fundings, including notifying each other if one Party becomes aware of any such available Government Fundings program or receives notice of acceptance of any award or grant of any such Government Fundings for Hospital and any Ancillary District Operations and providing copies of all relevant information related to such Government Fundings. To the extent District receives any such Government Fundings related to periods in time on or after the Closing Date, District shall promptly remit such amounts to AH Mendocino. To the extent AH Mendocino receives any such Government Fundings related to periods in time prior to the Closing Date, AH Mendocino shall promptly remit such amounts to District.

10.7 Indemnification of AH Mendocino.

10.7.1 General Indemnification. Except for any Assumed Contracts and Assumed Liabilities assumed by AH Mendocino, District hereby agrees to protect, indemnify, defend and hold AH Mendocino and Stone Point Health, their respective members, officers, directors, trustees, agents, legal representatives, successors and assigns, and each of them, free and harmless from and against any and all claims, debts, liabilities, obligations, losses, damages, fines, penalties, judgments, assessments, costs and expenses (including but not limited to reasonable attorneys' fees and expenses), liens and encumbrances accruing, based upon, resulting from or directly or indirectly arising out of (a) any breach or default hereunder by District or (b) District's operation of the Hospital and Ancillary District Operations prior to the Closing and (c) with respect to the liabilities retained by District under this Agreement. This indemnification shall include any and all liabilities and obligations of District. Nothing in this Section shall supersede the limitations on District's liability set forth elsewhere in this Agreement.

10.7.2 Remedies. Upon the occurrence of any event for which AH Mendocino or Stone Point Health is entitled to indemnification under this Agreement, AH Mendocino and/or Stone Point Health shall notify District of the type of damage and its amount, and District shall pay AH Mendocino and/or Stone Point Health, in a manner agreed upon by the Parties, the full amount of such damage. AH Mendocino and Stone Point Health shall have all of the rights and remedies available to it at law, in equity, in bankruptcy or otherwise and, in addition, shall have the right to offset the amount of any damage for which it is entitled to indemnification against all amounts which AH Mendocino and/or Stone Point Health may at any time owe District.

10.7.3 Third Party Claims. AH Mendocino and/or Stone Point Health shall give reasonable notice to District after AH Mendocino and/or Stone Point Health has knowledge of any third party claim or the commencement of any third party legal proceedings (“**Third Party Claim**”), arising after the date against AH Mendocino and/or Stone Point Health for which it is entitled to indemnification by District hereunder. Except as set forth in the immediately following sentence, District shall have the right to assume, at its expense, the defense of any Third Party Claim and to control the Third Party Claim and any settlement thereof, provided that it promptly assumes such defense and acknowledges in writing its obligation to indemnify AH Mendocino and/or Stone Point Health in accordance with the terms of this Agreement. Notwithstanding the foregoing, AH Mendocino and/or Stone Point Health, at their expense, may assume primary responsibility for, or participate with District in the defense of, any Third Party Claim which may have a material impact on the business of AH Mendocino, Stone Point Health, the Hospital, the Ancillary District Operations or any of the affiliates of AH Mendocino.

10.7.4 Failure by District to Defend. If District fails to assume promptly the defense of any Third Party Claim at its expense and acknowledge its obligation to indemnify AH Mendocino and Stone Point Health as provided herein within fifteen (15) days after written notice thereof, District shall nonetheless reasonably cooperate with AH Mendocino and Stone Point Health at District’s expense, but such claim may be defended, paid, settled or otherwise disposed of in such manner as AH Mendocino and Stone Point Health shall, in their sole discretion, determine, in any manner without impairing the indemnification obligations of District arising under this Agreement. In the event of settlement, AH Mendocino shall provide notice of the terms thereof to District within ten (10) days after settlement, subject to AH Mendocino giving District not less than ten (10) business days prior written notice of the terms of the proposed settlement before it is executed.

10.7.5 Obligations of District in Defending Claims. If District assumes the defense of any such Third Party Claim, District shall take all reasonable steps necessary in the defense or settlement of such Third Party Claim, and shall furnish to AH Mendocino, Stone Point Health and indenture trustee a copy of all written communications concerning such Third Party Claim, including, without limitation, a copy of all pleadings, motions, judgments and other documents filed in court. AH Mendocino and Stone Point Health agree to cooperate reasonably with District in such defense, at AH Mendocino’s and/or Stone Point Health expense. District shall not, in the defense of such Third Party Claim, consent to the entry of any judgment (except with the prior written consent of AH Mendocino and/or Stone Point Health) or enter into any settlement (except with the prior written consent of AH Mendocino and/or Stone Point Health) which does not include as an unconditional term thereof the giving by any claimant a release from all liability in respect of such Third Party Claim to AH Mendocino and Stone Point Health.

10.7.6 Insurance Coverage. To be effective on the Closing Date, District shall for all claims made policies that is terminating obtain an extended reporting period endorsement (i.e., “tail” coverage) for the Insurance Policies listed in **Schedule 10.7.6**, all with limits not less than the applicable individual and aggregate coverage limits then in effect for such Insurance Policy for an unlimited reporting period (or if an unlimited reporting period is unavailable, then for the longest reporting period); provided that for the Hospital’s Property Insurance, the Parties agree to the terms for coverage as described in the Lease.

10.8 Indemnification of District

10.8.1 General Indemnification. Except as specifically provided in this Agreement, AH Mendocino and Stone Point Health hereby agree to protect, indemnify, defend and hold District, its members, officers, directors, trustees, agents, legal representatives, successors and assigns, and each of them, free and harmless from and against any and all claims, debts, liabilities, obligations, losses, fines, penalties, judgments, assessments, damages, costs and expenses (including, but not limited to, reasonable attorneys’ fees and expenses), liens and encumbrances accruing, based upon, resulting from or directly or indirectly arising out of (a) any breach or default hereunder by AH Mendocino or Stone Point Health; (b) AH Mendocino’s operation of the Hospital and the Ancillary District Operations after the Closing and (c) the Assumed Liabilities. This indemnification shall include any breach by AH Mendocino of any Assumed Contracts or Assumed Liabilities to the extent assumed by AH Mendocino; however, said indemnity shall not apply to any liability arising prior to the Closing Date in accordance with the terms of the Contracts and Assumed Liabilities assumed by AH Mendocino.

10.8.2 Remedies. Upon an occurrence of any event for which District is entitled to indemnification under this Agreement, District shall have all remedies and rights available to it as AH Mendocino or Stone Point Health has against District under the terms of Article 10 of this Agreement, subject to the same limitations and procedures set forth therein.

10.9 Further Assurances. Each of the Parties agrees that it will, at any time, and from time to time after the Execution Date, upon the request of the appropriate Party, do, execute, acknowledge and deliver, or will cause to be done, executed, acknowledged and delivered, all such further acts, deeds, assignments, transfers, conveyances, powers of attorney and assurances as may be required to complete the transactions contemplated by this Agreement, including, without limitation, prompt payment of any amounts due payable from one Party to another.

10.10 Change of Ownership Applications. AH Mendocino agrees to use reasonable efforts to obtain any and all Government Authorizations required to operate the Hospital and the Ancillary District Operations effective as of the Closing Date, including but not limited to the issuance of a California general acute care hospital license in AH Mendocino’s name, where such issuance may occur after the Closing Date. District agrees to cooperate with AH Mendocino in connection with any and all change of ownership applications required by the preceding sentence.

10.11 AH Mendocino Services to District. The Parties recognize that while the District is transferring control of substantially all of its current business operations and physical assets to AH Mendocino in connection with this Agreement and the Lease, for a transition period

following the Closing Date the District will continue to require access to certain personnel and support services. AH Mendocino agrees to provide the District with access to those certain services described on the attached **Schedule 10.11** (the “**Post-Closing Services**”) for a reasonable period of time as mutually agreed upon by the Parties following the Closing Date. Any Post-Closing Services used by the District pursuant to this Section shall be reimbursed at AH Mendocino’s cost of providing such Post-Closing Services, which will be calculated in the same manner as District’s Transition Liabilities in Section 4.1.8. District shall provide AH Mendocino with a written request for Post-Closing Services with sufficient information for AH Mendocino to determine the number of personnel and period of time the Post-Closing Services will be needed. Upon receiving a request for Post-Closing Services from the District, AH Mendocino shall provide an estimated cost for such services to ensure the rates are acceptable to the District. AH Mendocino shall invoice the District on a monthly basis for Post-Closing Services rendered pursuant to this Section (the “**Post-Closing Services Fee**”), which District shall pay within forty-five (45) days of receipt. To the extent AH Mendocino has a balance due to District for Transition Liabilities after adjustment against the Purchase Price in accordance with Section 2.3.3, the amount District owes as the Post-Closing Services Fee shall be offset against such remaining balance.

ARTICLE 11.

DISPUTE RESOLUTION

11.1 Dispute Resolution. Except as otherwise provided in this Agreement, any dispute, claim or controversy arising out of or relating to this Agreement, or the breach, termination, enforcement, interpretation, or validity thereof, including the determination of the scope or applicability of this Agreement to arbitrate (collectively, a “**Dispute**”) shall be settled in accordance with the following procedures. Notwithstanding anything that may be construed to the contrary herein, each of the Parties expressly acknowledges that (i) it has an affirmative duty to expedite the process and procedures described below to the extent reasonably practical in order to facilitate a prompt resolution of any Dispute and (ii) each Party has a mission of serving their communities, and all communications and proposed resolutions of the Dispute shall take these missions into consideration.

11.1.1 Dispute Notice. Notice by either Party of the existence of a Dispute shall (i) be delivered in writing, (ii) specify what provision of the Agreement such Party believes is under Dispute and (iii) recommend a course of action to resolve the Dispute (the “**Dispute Notice**”).

11.1.2 Meet and Confer. If, within fifteen (15) days after receipt by the applicable Party of a Dispute Notice, the Parties do not resolve such dispute, then the Dispute shall be referred to the designated senior executives with authority to resolve the Dispute from each Party for further negotiation (the “**Meet and Confer**”). The obligation to conduct a Meet and Confer pursuant to this Section 11.1.2 does not obligate any Party to agree to any compromise or resolution of the Dispute that such Party does not determine, in its sole and absolute discretion, to be a satisfactory resolution of the Dispute. The Meet and Confer shall be considered a settlement negotiation for the purpose of all applicable laws protecting statements, disclosures, or conduct in such context, and any offer in compromise or other statements or

conduct made at or in connection with any Meet and Confer shall be protected under such laws, including California Evidence Code Section 1152.

11.1.3 Arbitration. If any Dispute is not resolved to the mutual satisfaction of the Parties within thirty (30) days after delivery of the Dispute Notice (or such other period as may be mutually agreed upon by the Parties in writing), the Dispute shall be determined by arbitration in Mendocino County, California. The arbitration shall be administered by Judicial Arbitration and Mediation Services, Inc. (“**JAMS**”) pursuant to its Comprehensive Arbitration Rules and Procedures. Judgment on the award may be entered in any court having jurisdiction.

1. Either Party may commence arbitration by giving written notice to the other Party demanding arbitration (the “**Arbitration Notice**”). The Arbitration Notice shall specify the Dispute, the particular claims and/or causes of action alleged by the Party demanding arbitration, and the factual and legal basis in support of such claims and/or causes of action.

2. The parties shall cooperate in good faith to identify one person that is acceptable to both Parties to act as an arbitrator within fifteen (15) days after the commencement of arbitration. In the event the Parties are unable or fail to agree upon the arbitrator within the allotted time, the arbitrator shall be appointed by JAMS in accordance with its rules. All arbitrators shall serve as neutral, independent and impartial arbitrators, and they shall have the authority to grant any relief permitted by law, including equitable relief.

3. The Parties shall be entitled to reasonable production of relevant, non-privileged documents, carried out expeditiously. If the Parties are unable to agree upon same, the arbitrator shall have the power, upon application of any Party, to make all appropriate orders for production of documents by any Party. Depositions shall be permitted only upon a showing of substantial need.

4. The substantive internal law (and not the conflict of laws) of the State shall be applied by the arbitrator to the resolution of the Dispute.

5. The following time limits are to apply to any arbitration arising out of or related to this Agreement: The evidentiary hearing on the merits (“**Hearing**”) is to commence within six (6) months of the service of the arbitration demand. A brief, reasoned award is to be rendered within forty-five (45) days of the close of the Hearing or within forty-five (45) days of service of post-hearing briefs if the arbitrator directs the service of such briefs. The arbitrator must agree to the foregoing deadlines before accepting appointment. Failure to meet any of the foregoing deadlines will not render the award invalid, unenforceable or subject to being vacated.

6. The Parties shall maintain the confidential nature of the arbitration proceeding and the award, including the Hearing, except as may be necessary to prepare for or conduct the arbitration hearing on the merits, or except as may be necessary in connection with a court application for a preliminary remedy, a judicial challenge to an award or its enforcement, or unless otherwise required by law or judicial decision.

7. The award of the arbitrator shall be final and binding upon the Parties without appeal or review except as permitted by applicable law.

11.1.4 Provisional Measures. Nothing in this Agreement shall prevent either Party from seeking provisional measures from any court of competent jurisdiction, and any such request shall not be deemed incompatible with the agreement to arbitrate or a waiver of the right to arbitrate.

11.1.5 Attorneys' Fees and Costs. The arbitrator(s) shall award to the prevailing Party, if any, the costs and attorneys' fees reasonably incurred by the prevailing Party in connection with the arbitration. In addition, the prevailing Party shall be entitled to its reasonable attorneys' fees and other costs for any other action, including court proceedings for provisional measures or for the enforcement of any arbitral award.

ARTICLE 12.

TERMINATION

12.1 Termination Prior to Closing. This Agreement may be terminated and the transactions described herein abandoned at any time prior to the Closing in accordance with the following:

12.1.1 Mutual Written Consent. By the mutual written consent of the respective boards of directors of the Parties.

12.1.2 Condition Not Fulfilled. By either Party, if a condition to the performance of the other Party shall not be fulfilled or waived.

12.1.3 Default. A material default under or breach of this Agreement or of any representation, warranty or covenant of a party set forth in this Agreement shall have occurred and shall not have been cured prior to the Closing Date. A termination shall be effected by transmitting written notice of such occurrence to the other Party (in accordance with Section 14.5 below) in the form of a certified copy of resolutions of the board of directors of that Party.

12.1.4 Failure to Finalize Schedules. By either Party.

12.1.5 Failure of Condition. By either Party, if the Closing has not occurred within one hundred eighty (180) days of the Execution Date (the "**Drop Dead Date**"); provided, however, that (i) AH Mendocino shall not be permitted to terminate this Agreement if the Closing is delayed beyond the Drop Dead Date by the breach of a covenant by AH Mendocino or the failure of a condition which was AH Mendocino's responsibility to fulfill; and (ii) District shall not be permitted to terminate this Agreement if the Closing is delayed beyond the Drop Dead Date by the breach of a covenant by District or the failure of a condition which was District's responsibility to fulfill.

12.2 Liability in Event of Termination. In the event of a termination of this Agreement prior to the Closing, no Party or its board of directors shall be liable to the other or its board of directors. The sole and exclusive remedy under this Section shall be the termination of this Agreement prior to the Closing.

12.3 Fees and Expenses in Event of Termination. In the event of a termination of this Agreement or abandonment of the transfer of the Transferred Assets prior to the Closing, each Party shall pay the fees and expenses of its own advisors, including accountants and attorneys, in preparing and negotiating this Agreement.

12.4 Extension, Waiver. At any time prior to the Closing, AH Mendocino and Stone Point Health, on the one hand, and District, on the other, by action taken by their respective boards of directors, may (a) extend the time for the performance of any of the obligations or other acts of the other, (b) in whole or in part, waive any inaccuracy in or breach of the representations and warranties of the other contained herein or in any schedule hereto in any document delivered by the other pursuant hereto, and (c) in whole or in part, waive compliance with any of the agreements by the other or conditions contained herein. Any agreement on the part of the Parties hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed and delivered on behalf of such Party to the other Parties in accordance with this Agreement.

ARTICLE 13.

TRANSFER OF HOSPITAL ASSETS AND OPERATIONS AT END OF LEASE TERM

13.1 Transfer of Hospital Assets and Operations. AH Mendocino shall transfer the assets described in Article 2 and operations of the Hospital and the Ancillary District Operations back to the District and the District shall assume the liabilities described in Article 3 at the Lease Termination on the terms and conditions contained in this Agreement. AH Mendocino, Stone Point Health and District shall negotiate and execute a Transfer of Business Operations Agreement on substantially the same terms and conditions as this Agreement (the “**AHMC Business Transfer Agreement**”), except with respect to the specific items described in Section 13.2. AH Mendocino, Stone Point Health and District shall commence negotiations and drafting of the AHMC Business Transfer Agreement to reflect the then current circumstances applicable to the Parties, the Hospital, and Ancillary District Operations no later than ninety (90) days prior to the anticipated Lease Termination date. AH Mendocino, Stone Point Health and District shall execute and deliver the AHMC Business Transfer Agreement no later than sixty (60) days before the effective date of the Lease Termination. The AHMC Business Transfer Agreement closing date (the “**Transfer Back Closing Date**”) will be the Lease Termination date, unless otherwise agreed by the Parties.

13.2 Treatment of AH FF&E and Electronic Medical Records at End of Lease Term.

13.2.1 **AH FF&E.** In anticipation of a Lease Termination, except for AH Mendocino’s electronic medical records system, AH Mendocino shall provide District the option to purchase the AH FF&E in its then existing condition at net book value. If District elects to purchase the AH FF&E, the terms of such purchase shall be set forth in the AHMC Business Transfer Agreement, and District shall deliver the purchase price for the AH FF&E on the Transfer Back Closing Date.

13.2.2 Electronic Medical Records System. With respect to AH Mendocino's electronic medical record system, District may purchase the use of AH Mendocino's electronic medical record system used at the Hospital and the Ancillary District Operations as a service ("**EHR Shared Service**") from AH Mendocino, Stone Point Health or an Affiliate (the "**AH Shared Service Provider**") for the earlier of (a) a period of two (2) years after the Lease Termination date or (b) when AH Mendocino's electronic medical record system used at the Hospital and the Ancillary District Operations is no longer a product used by the AH Shared Service Provider. District shall notify AH Mendocino of its desire to purchase the EHR Shared Service no later than thirty (30) days before the Transfer Back Closing Date. The terms of the EHR Shared Service shall be set forth in a separate services agreement, and the cost of the EHR Shared Service shall be determined by the AH Shared Service Provider using its usual and customary methodology for determining the cost of shared services across its affiliated health system. At no time will the AH Shared Service Provider be required to provide the EHR Shared Service to District at a loss. District shall deliver the first payment of the EHR Shared Service to the AH Shared Service Provider in accordance with the terms of the services agreement, but no later than forty-five (45) days of District providing notice to AH Mendocino of its desire to purchase the EHR Shared Service.

13.3 Transition of AH Mendocino Employees. It is the intent of the Parties to create an orderly employment transition of AH Mendocino's employees from District to AH Mendocino at the Lease Termination. The Parties recognize the inherent disruption this may cause the employees and have agreed to cooperate in good faith to implement the same general process described in Article 4 of this Agreement to transfer the employees back to the District at the Lease Termination.

13.4 Transition Period. The Parties acknowledge District's need to take reasonable actions during the last year of AH Mendocino's tenancy of the Premises in the event of a Lease Termination to prepare to assume control and/or the operation of the Hospital Assets and the Ancillary District Operations (the "**Transition Period**"). During the Transition Period, AH Mendocino will cooperate on a commercially reasonable basis and to the extent allowed by law and AH Mendocino's contractual obligations, will provide the District with: (a) reasonable rights of entry to the Premises; (b) reasonable access to AH Mendocino's employees/personnel, the medical staff of the Hospital, and AH Mendocino's vendors and payers; (c) reasonable assistance with the orderly transition of all managed care/payor/ medical insurance contracts to District; (d) reasonable assistance with the orderly retention/transition of AH Mendocino's employees at the Premises to employment with District, including payroll, employee benefits and collective bargaining agreements; (e) reasonable assistance with the orderly transition to District of all business and accounting systems and services for the Hospital and Ancillary District Operations, including without limitation accounting, billing and collections, and information systems; (f) coordination of transition of insurance coverage, including "tail coverage" or similar arrangements for claims arising during AH Mendocino's operation of the Hospital and the Ancillary District Operations but not made until after the Transfer Back Closing Date; (g) assignment of business contracts; (h) proper allocation of responsibility for all litigation with respect to the Hospital and the Ancillary District Operations; (i) ensuring that a proper level of inventory necessary for the operation of the Hospital is in place as of the Transfer Back Closing Date, and (j) without limiting any of the foregoing, the cooperation required for the orderly transition of the Hospital assets and operations and the Ancillary District Operations to District.

13.5 Transition of Capitated Lives and Payor Contracts. In anticipation of a Lease Termination, AH Mendocino shall cooperate in good faith with the District to transfer to District the capitated lives (i) of individuals who reside in zip codes that make up the District's then-current service area and (ii) attributed to AH Mendocino-affiliated primary care physicians under managed care risk contracts with commercial and government payors to which AH Mendocino or an Affiliate is a party to at the time of the anticipated Lease Termination, subject to the terms of such payor agreements, payor rules and policies, and applicable Law.

13.6 Third-Party Operator. To the extent a third-party will take over operations of the Hospital and the Ancillary District Operations upon a Lease Termination, AH Mendocino shall use commercially reasonable efforts to cooperate with District in the transition of Hospital and Ancillary District Operations assets and operations to such third-party operator, and to the extent AH Mendocino and such third-party operator will have to enter into a separate transfer and/or purchase agreement, AH Mendocino will not be required to use the same form, terms and conditions as this Agreement or the AHMC Business Transfer Agreement with respect to an agreement with such third-party operator.

ARTICLE 14.

MISCELLANEOUS PROVISIONS

14.1 Waiver of Personal Liability. No member, director, officer, agent, or employee of any of the Parties shall be individually or personally liable for the obligations of any such Party hereunder or subject to personal liability or accountability by reason of approval, execution or delivery of this Agreement or the performance of any of the obligations arising under or in connection herewith.

14.2 Entire Agreement and Amendment. This Agreement embodies the entire agreement and understanding of the Parties regarding its subject matter and supersedes all prior agreements, correspondence, arrangements and understandings relating to the subject matter herein. No representation, promise, inducement or statement of intention has been made by any Party which has not been embodied in this Agreement. This Agreement may be amended, modified, superseded, or canceled only by a written instrument signed by all of the Parties, and any of the terms, provisions, and conditions of this Agreement may be waived, only by a written instrument signed by the waiving Party. Failure of any Party at any time or times to require performance of any provision hereof shall not be considered to be a waiver of any succeeding breach of such provision by any Party.

14.3 Benefit and Assignment.

14.3.1 Benefit. All the terms, provisions and conditions of this Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the Parties, as well as the successors and permitted assigns of AH Mendocino and District.

14.3.2 Assignment. No party shall have the power or authority to assign any of its rights or interests herein or delegate any duties or obligations hereunder without first procuring the written consent of the other Party. Notwithstanding the foregoing, however, AH

Mendocino shall be allowed to assign any of its rights or interests herein or delegate any duties or obligations hereunder without the written consent of District if AH Mendocino assigns such rights or interests or delegates such duties or obligations to an entity that constitutes an affiliate of AH Mendocino with the financial and administrative capacity to perform such duties and obligations. The covenants, conditions and promises contained herein shall, subject to the foregoing limitations, inure to the benefit of and bind the legal representatives, successors and assigns of all of the Parties. Any purported assignment in violation of this provision shall be void and of no force and effect.

14.4 No Third Party Interest. This Agreement is entered into by and between the Parties signatories only for their benefit. The Parties hereby expressly agree that there is no intent by any party to create or establish third party beneficiary status rights or the equivalent in any other referenced individual, entity or third party, and no such individual, entity or third party shall have any right to enforce any right or enjoy any benefit created or established under this Agreement with respect to the rights and obligations of the Parties.

14.5 Notices. All notices, requests, demands and other communications required or permitted to be given or made under this Agreement shall be in writing and shall be deemed to have been given (a) on the date of personal delivery or (b) provided that such notice, request, demand or communication is actually received by the party to which it is addressed in the ordinary course of delivery, one (1) Business Day after the date of deposit to a nationally recognized overnight courier service, in each case, addressed as follows, or to such other address, person or entity as either party shall designate by notice to the other in accordance herewith:

District: Mendocino Coast Health Care District
Attn: Jessica Grinberg
700 River Drive
Fort Bragg, CA 95437

With a copy to: Craig Cannizzo, Esq.
101 Montgomery Street, 11th Floor
San Francisco, CA 94104

AH Mendocino: Adventist Health Mendocino Coast
ONE Adventist Health Way
Roseville, California 95661
Attention: President

Stone Point Health: Stone Point Health
ONE Adventist Health Way
Roseville, California 95661
Attention: Office of General Counsel

With a copy to: Latham & Watkins LLP
355 South Grand Avenue, Suite 100

Los Angeles, California 90071-1560
Attention: Daniel K. Settelmayer, Esq.

14.6 Construction.

14.6.1 Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall to any extent be held in any proceeding to be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it was held to be invalid or unenforceable, shall not be affected thereby, and shall be valid and be enforceable to the fullest extent permitted by Law, but only if and to the extent such enforcement would not materially and adversely frustrate the Parties' essential objectives as expressed herein.

14.6.2 Number and Gender. Unless the context clearly states otherwise, the use of the singular or plural in this Agreement shall include the other and the use of any gender shall include all others.

14.6.3 Captions. The captions in this Agreement are included for purposes of convenience only and shall not be considered a part of the Agreement in construing or interpreting any provision.

14.7 Governing Law. This Agreement shall be governed by, and shall be construed and enforced in accordance with, the internal Laws (not the choice of law) of the State of California. Any action or proceeding to enforce or interpret any provision of this Agreement shall be brought, commenced or prosecuted in the County of Mendocino, California.

14.8 Public Announcements. Neither Party shall issue any press release or make any public announcement of the transaction subject to this Agreement without the prior written consent of the other Party, provided that either Party may make any such announcement as may be required by Law.

14.9 Attorneys' Fees. Each Party shall be responsible for its respective attorneys' fees associated with this Agreement.

[signature page follows]

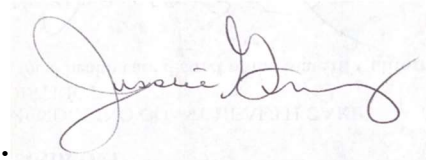
EXECUTION VERSION

IN WITNESS WHEREOF, District, AH Mendocino and Stone Point Health have executed this Transfer of Business Operations Agreement on the Execution Date.

**Adventist Health Mendocino
Coast**

Mendocino Coast Health Care District

By:



By:

Title:

Title: Board of Directors President

Stone Point Health

By:

Title:

ADVENTIST HEALTH MENDOCINO COAST
a California nonprofit public benefit corporation

By: _____

Name:

Title:

STONE POINT HEALTH

a California nonprofit public benefit corporation

By: _____

Name:

Title:

Exhibit A

GENERAL ASSIGNMENT OF RIGHTS

THIS GENERAL ASSIGNMENT (this “**Assignment**”) is executed as of _____, 2020, by and between MENDOCINO COAST HEALTH CARE DISTRICT, a local health care district of the State of California (“**Assignor**”), and ADVENTIST HEALTH MENDOCINO COAST, a California nonprofit public benefit corporation (“**Assignee**”).

RECITALS

A. Pursuant to and in accordance with that certain Lease dated as of _____, 2020 (the “**Lease**”), by and between Assignor as Landlord, and Assignee as Tenant, Assignee is leasing from Assignor the Premises and Existing FF&E of the Hospital as defined in the Lease.

B. In connection with the Lease, Assignor and Assignee have executed a Business Operations Transfer Agreement (the “**Agreement**”) whereby all of Assignor’s right, title and interest in certain operational assets are conveyed to Assignee.

AGREEMENT

THE PARTIES AGREE AS FOLLOWS:

1. Capitalized Terms. All capitalized terms not otherwise defined in this Assignment shall have the same meaning given to such terms in the Agreement or the Lease. In the event of a conflict between terms, the definitions in the Agreement will prevail over the definitions in the Lease.

2. Assignment. On the Closing Date, Assignor hereby assigns to Assignee, its successors and assigns, free and clear of any and all adverse claims of right, title or interest, the following assets (collectively, the “**Assigned Assets**”):

(a) Assumed Contracts. All of Assignor’s right, title and interest in and to all of the Assumed Contracts;

(b) Inventory. All of Assignor’s right, title and interest in and to all of the Inventory;

(c) Government Healthcare Programs Participation Agreements. All of Assignor’s right, title and interest in and to all Participation Agreements for Government Healthcare Programs. Assignee agrees to take assignment of, but only to the extent any such program may require assumption of Assignor’s obligations and liabilities as a condition of participation or as otherwise required by any such program for approval of Hospital’s change in ownership from Assignor to Assignee;

(d) Prepays. All of Assignor’s right, title and interest in and to all of the Prepays;

(e) Claims. All of Assignor's right, title and interest in and to all of the Claims;

(f) Intangible Property. All of Assignor's right, title and interest in and to all of the Intangible Property.

3. Acceptance and Assumption of Certain Liabilities.

(a) Assignee hereby accepts the foregoing assignments and agrees to assume and keep, perform and fulfill all of the terms, covenants, conditions, duties and obligations which are required, from and after the Closing Date, to be kept, performed and fulfilled by the Assignee (as successor in interest to the Assignor) in connection with the Assigned Assets.

(b) Pursuant to the Agreement, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Assignee assumes the Assumed Liabilities as such term is defined in the Agreement. Except as expressly assumed in this Section 3 of this Assignment, Assignee does not assume and shall not in any manner be responsible for any liability (including any contingent liability), obligation, lien or encumbrance of Assignor.

4. Indemnification. Assignor and Assignee shall each indemnify, defend and hold the other harmless, upon the terms and conditions and to the extent provided in the Agreement. Assignor shall indemnify and hold harmless Assignee from and against damages that arise out of or result from Assignor's acts or omissions with respect to the Assigned Assets. Assignee shall indemnify and hold harmless Assignor from and against damages that arise out of or result from Assignee's acts or omissions with respect to the Assigned Assets.

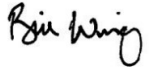
5. Miscellaneous. Assignor and Assignee agree to execute such other documents and perform such other acts as may be necessary or desirable to effectuate this Assignment. If any action or suit by either Party to this Assignment against the other arises from or interprets this Assignment, the prevailing Party in such action or suit shall, in addition to such other relief as may be granted, be entitled to recover its costs of suit and actual attorneys' fees, whether or not the action or suit proceeds to final judgment. This Assignment shall be governed by and construed in accordance with the Laws of the State of California, and shall be binding upon and inure to the benefit of Assignor and Assignee and their respective successors and assigns. This Assignment may be executed in multiple counterparts, all of which when duly delivered taken together, shall be binding on the Parties. Each of the schedules attached to this Assignment is incorporated by reference into this Assignment.

[signature page follows]

IN WITNESS WHEREOF, Assignor and Assignee have executed this General Assignment of Rights as of the date set forth above.

**Adventist Health Mendocino
Coast**

Mendocino Coast Health Care District

By: 

By:

Title: Chair of the Board

Title:

Exhibit B

BILL OF SALE

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, MENDOCINO COAST HEALTH CARE DISTRICT, a local health care district of the State of California (“**District**”), does hereby grant, bargain, transfer, sell, assign, convey and deliver to ADVENTIST HEALTH MENDOCINO COAST, a California nonprofit public benefit corporation (“**AH Mendocino**”), all right, title and interest in and to the Inventory as such term is defined in the Transfer of Business Operations Agreement dated as of _____, 2020 by and between District and AH Mendocino (the “**Agreement**”). AH Mendocino acknowledges that District is making no representation or warranty with respect to the Inventory being conveyed by this Bill of Sale except as specifically set forth in the Agreement. District for itself, its successors and assigns covenants and agrees that, upon the written request of AH Mendocino, District will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, each and all of such further acts, deeds, assignments, transfers, conveyances, powers of attorney and assurances as may reasonably be required by AH Mendocino in order to assign, transfer, set over, convey, assure and confirm unto and vest in AH Mendocino, its successors and assigns, title to the Inventory sold, conveyed, transferred and delivered by this Bill of Sale.

This Bill of Sale is executed at Mendocino, California, this ____ day of _____, 2020, and shall be effective as of 12:01 a.m. _____, 2020.

DISTRICT

MENDOCINO COAST HEALTH CARE
DISTRICT, a local health care district of the State
of California

By:
Its

Schedule 1.1**ANCILLARY DISTRICT OPERATIONS**

FACILITY/SERVICE	LOCATION
Mendocino Coast District Hospital <ul style="list-style-type: none"> • Intensive/Coronary Care Unit • Medical/Surgical Unit • Swing Bed Unit • Emergency Room • Ambulances • Surgery Rooms • Recovery Rooms • Laboratory-Clinical • Laboratory-Pathology • Blood Bank • EK • Radiology • Nuclear Medicine • MRI • CAT Scan • Mammograph • Ultrasound • Pharmacy • Respiratory Therapy • Physical Therapy • Speech Therapy • Occupational Therapy • Hematology/Oncology Clinic • Infusion Services 	700 River Drive Fort Bragg, CA 95437
Mendocino Coast Home Health Service	700 River Drive Fort Bragg, CA 95437
Mendocino Coast Ambulance Service	700 River Drive Fort Bragg, CA 95437
North Coast Family Health Center	721 River Drive Fort Bragg, CA 95437
Mendocino Coast Hospice Thrift Store	155 Boatyard Drive Fort Bragg, CA 95437

Schedule 2.1.1

ASSUMED CONTRACTS

[To be provided by AH]

Schedule 2.1.3

PREPAIDS

See attached.

PREPAID INSURANCE #1101.0010 FISCAL YEAR 19-20

PROG BETA AUTO COV (AMB/TRUCK) 8840.8201	PROGRAM BETA DIR LIAB 8840.8201	BETA SPECIAL DIVIDEND 2039.0070-(15,208.67) 8830.8101-(23,098.83)	ALLIANT CRIME 8840.8201	ALLIANT DIFFERENCE IN CONDITION 8840.8201	INSTA COVER 8840.8201	AGCS MARINE INSURANCE CO INLAND MARINE 8840.8201	MONTHLY EXPENSE	GRAND TOTAL
---	--	--	-------------------------------	--	--------------------------	---	--------------------	----------------

FWD BAL		-	(0.00)	-	3,877.00	-	-	-	-	3,877.00
07/19	A	16,630.00	95,414.00			183,617.97		2,575.00	299,719.36	303,596.36
07/19		(1,385.87)	(7,951.13)		(323.12)	(15,301.47)		(214.62)	(25,299.74)	278,296.62
08/19	A						3,639.00		3,639.00	281,935.62
08/19		(1,385.83)	(7,951.17)		(323.08)	(15,301.50)	(606.50)	(214.58)	(25,906.19)	256,029.43
09/19	A								-	256,029.43
09/19		(1,385.83)	(7,951.17)	57,461.46	(323.08)	(15,301.50)	(303.25)	(214.58)	31,858.52	287,887.95
10/19	A			(172,383.50)					(170,966.27)	116,921.68
10/19		(1,385.83)	(7,951.17)	19,153.04	(323.08)	(15,301.50)	(303.25)	(214.58)	(7,910.58)	109,011.10
11/19	A								-	109,011.10
11/19		(1,385.83)	(7,951.17)	38,307.50	(323.08)	(15,301.50)	(303.25)	(214.58)	12,355.68	121,366.78
12/19	A								-	121,366.78
12/19		(1,385.83)	(7,951.17)	38,307.50	(323.08)	(15,301.50)	(303.25)	(214.58)	12,355.68	133,722.46
01/20	A								1,444.38	135,166.84
01/20		(1,385.83)	(7,951.17)	38,307.50	(323.08)	(15,301.50)	(303.25)	(214.58)	12,346.63	147,513.47
02/20	A								-	147,513.47
02/20		(1,385.83)	(7,951.17)	38,307.50	(323.08)	(15,301.50)	(303.25)	(214.58)	12,346.63	159,860.10
03/20	A								-	159,860.10
03/20		(1,385.83)	(7,951.17)	38,307.50	(323.08)	(15,301.50)	(303.25)	(214.58)	12,346.63	172,206.73
04/20	A			(172,383.50)					(172,383.50)	(176.77)
04/20		(1,385.83)	(7,951.17)		(323.08)	(15,301.50)	(303.25)	(214.58)	(25,479.41)	(25,656.18)
05/20	A			38,307.50					38,307.50	12,651.32
05/20		(1,385.83)	(7,951.17)		(323.08)	(15,301.50)	(303.25)	(214.58)	(25,479.41)	(12,828.09)
06/20	A			38,307.50					38,307.50	25,479.41
06/20		(1,385.83)	(7,951.17)		(323.08)	(15,301.50)	(303.25)	(214.58)	(25,479.41)	(0.00)
		0.00	0.00	-	0.00	0.00	-	0.00		

FYE 19-20		PREPAID MAINTENANCE							
1106.0000		IATRIC	BAYER	TLIC	AVAYA	SHAMS	ADV	ELSEVIER	NEXTGEN
		SYSTEMS	7630- 40%,7680 31%	WORLDWIDE		GROUP	SECURITY		
		8480.9001	7660 29%	8480.9001	8470.6201	8480.9001	8450.6901	7013.9001	7072.9001
BAL FWD		2,963.48	0.00	2,347.92	19,369.20	-	5,307.75	578.84	(4,572.65)
7-19	A	6,966.68	14,980.42			21,195.00			16,802.52
7-19		(1,847.85)	(1,248.35)	(234.81)	(2,152.16)	(7,065.00)	(589.75)	(289.42)	(4,076.63)
8-19	A	3,372.66							
8-19									
9-19	A							3,716.00	
9-19		(3,419.39)	(2,496.74)	(469.58)	(4,304.26)	(14,130.00)	(1,179.50)	(599.05)	(8,153.24)
10-19	A					21,195.00			16,802.52
10-19		(861.62)	(1,248.37)	(234.79)	(2,152.13)	(7,065.00)	(589.75)	(309.67)	(5,600.84)
11-19	A								
11-19		(861.62)	(1,248.37)	(234.79)	(2,152.13)	(7,065.00)	(589.75)	(309.67)	(5,600.84)
12-19	A	3,270.47							
12-19		(1,134.16)	(1,248.37)	(234.79)	(2,152.13)	(7,065.00)	(589.75)	(309.67)	(5,600.84)
1-20	A					21,195.00			18,875.97
1-20		(1,134.16)	(1,248.37)	(234.79)	(2,152.13)	(7,065.00)	(589.75)	(309.67)	(6,291.99)
2-20	A								
2-20		(1,134.16)	(1,248.37)	(234.79)	(2,152.13)	(7,065.00)	(589.75)	(309.67)	(6,291.99)
3-20	A								
3-20		(1,134.16)	(1,248.37)	(234.79)	(2,152.13)	(7,065.00)	(589.75)	(309.67)	(6,291.99)
4-20	A								
4-20		(1,134.16)	(1,248.37)	(234.79)				(309.67)	
5-20	A								
5-20		(1,134.16)	(1,248.37)					(309.67)	
6-20	A								
6-20		(1,134.16)	(1,248.37)					(309.67)	
		1,643.69	0.00	0.00	0.00	-	(0.00)	619.34	(0.00)

SIEMENS	TOUCH POINT (prev intermetro)	IBM	LENOVO	T.WONG	ABBOTT PT OF CARE	QUADRAM ED	NANOSONIC	CLARITY HEALTH	CLOUDWAVE HARDWARE	COVIDIEN 7720.6201
7500.6201	8390.9001	8480.6201	8480.6201	8530.9001	7500.6201	8490.9001	7670.9001	8752.9001	8480.6201	
6,552.07	736.50	0.00	3,546.32	-	1,324.70	2,579.82	4,082.80		8,364.16	3,639.15
		4,596.06								
(1,638.01)	(736.50)	(1,532.02)	(886.58)		(132.47)	(429.97)	(453.60)	(416.67)	(1,194.88)	(519.87)
	2,205.00									
				4,500.00				5,000.00		
(3,276.04)	(2,205.00)	(3,064.04)	(1,773.17)	(4,125.00)	(264.94)	(859.94)	(907.30)	(833.30)	(2,389.76)	(1,039.76)
		4,596.06								
(1,638.02)	(736.50)	(1,532.02)	(886.58)	(375.00)	(132.47)	(429.97)	(453.65)	(416.67)	(1,194.88)	(519.88)
7,862.50	2,205.00		10,639.02	2,250.00						6,238.55
(2,620.83)	(735.00)	(1,532.02)	(886.59)	(375.00)	(132.47)	(429.97)	(453.65)	(416.67)	(1,194.88)	(519.88)
(2,620.83)	(733.50)	(1,532.02)	(886.59)	(375.00)	(132.47)	(429.97)	(453.65)	(416.67)	(1,194.88)	(519.88)
		2,124.18				5,366.03				
(2,620.84)	(735.00)	(708.06)	(886.59)	(375.00)	(132.47)	(447.17)	(453.65)	(416.67)	(1,194.88)	(519.88)
7,862.50									16,097.47	
(2,620.82)	(735.00)	(708.06)	(886.59)	(375.00)	(132.47)	(447.17)	(453.65)	(416.67)	(1,341.41)	(519.88)
(2,620.84)		(708.06)	(886.59)	(375.00)	(132.47)	(447.17)	(453.65)	(416.67)	(1,341.46)	
(2,620.84)			(886.59)	(375.00)	(132.47)	(447.17)		(416.67)	(1,341.46)	
			(886.59)	(375.00)		(447.17)		(416.67)	(1,341.46)	
			(886.59)	(375.00)		(447.17)		(416.67)	(1,341.46)	
-	(1,470.00)	0.00	3,546.29	(750.00)	0.00	2,683.01	-	(0.00)	9,390.22	5,718.67

GE HEALTH	NIDEK	MONTHLY	GRAND
7630.6201	7074.6201		
-	2,083.29		51,147.55
3,487.50		68,028.18	119,175.73
(871.86)	(208.23)	(26,524.63)	92,651.10
		5,577.66	98,228.76
		-	98,228.76
		13,216.00	111,444.76
(1,743.76)	(416.68)	(57,650.45)	53,794.31
3,487.50		46,081.08	99,875.39
(871.88)	(208.34)	(27,458.03)	72,417.36
		29,195.07	101,612.43
(1,162.50)	(208.34)	(28,729.97)	72,882.46
		3,270.47	76,152.93
(1,162.50)	(208.34)	(29,001.01)	47,151.92
3,487.50		51,048.68	98,200.60
(1,162.50)	(208.34)	(28,886.91)	69,313.69
		23,959.97	93,273.66
(1,162.50)	(208.34)	(29,033.42)	64,240.24
		-	64,240.24
(1,162.50)	(208.34)	(27,778.61)	36,461.63
		-	36,461.63
(1,162.50)	(208.34)	(10,518.03)	25,943.60
		-	25,943.60
		(6,159.09)	19,784.51
		-	19,784.51
		(6,159.09)	13,625.42

EXPENSES	BRIDGEHEAD	DEPT OF	MILLIMAN	NRC/PICKER	3M	UCSF	BLUE	UPTODATE	MC EMS	OLLECTIVE HLT	IMO	HLTH-LIC FEE	INSIGHT
FYE 2020	SFTWR	PUB HEALTH	CARE GUIDE	PT SURVEY		PERINATAL	ELM CO					7630	8480.9001
MONTH / YR	8480.9001	8610.8301	8750.6901	8630.6901	8700.9001	6380.8701	8480.9001	8710.9001	7040.8301	7013.9001	7072.9001		
1108.0020													
balance fwd	2,644.27	18,374.20	15,462.29	-	20,956.94	(7,386.00)	-	4,700.32			787.50	14,728.00	3,874.28
07/19	A			(9,000.00)	<<SHIP GRANT								
07/19	(1,322.14)	(2,245.83)	(1,405.69)	(5,818.74)	(2,619.60)	(615.50)	(288.67)	(1,175.08)			(262.50)	(1,227.37)	(1,937.16)
08/19	A												20,921.74
08/19													
09/19	A	10,231.06		17,456.26		7,386.00			10,994.00	1,467.81			
09/19	(2,174.70)	(2,245.83)	(2,811.32)	9,879.16	(5,239.24)	(1,231.00)	(577.35)	(2,350.16)	(2,748.47)	(489.27)	(525.00)	(2,454.66)	(5,432.92)
10/19	A										3,150.00	5,820.00	
10/19	(852.59)	(1,543.02)	(1,405.66)	(4,172.22)	(2,619.62)	(615.50)	(288.67)	(1,175.08)	(916.17)	(489.27)	(262.50)	(1,227.33)	(1,747.90)
11/19	A							14,947.00			2,250.00		(378.87)
11/19	(852.59)	(1,542.44)	(1,405.66)	(4,172.23)	(2,619.62)	(615.50)	(1,149.36)	(1,175.08)	(916.17)	(489.27)	(825.00)	(1,227.33)	(1,369.03)
12/19	A									1,467.82			
12/19	(852.59)	(1,542.44)	(1,405.66)	(4,172.23)	(2,619.62)	(615.50)	(1,149.36)	(1,175.08)	(916.17)	(489.27)	(450.00)	(1,227.33)	(1,747.90)
01/20	A			17,456.26			3,307.00						11,984.54
01/20	(852.59)	(1,542.44)	(1,405.66)	(5,818.76)	(2,619.62)	(615.50)	(1,149.36)	(1,175.08)	(916.17)	(489.27)	(450.00)	(1,712.33)	(4,744.03)
02/20	A												
02/20	(852.59)	(1,542.44)	(1,405.66)	(5,818.75)	(2,619.62)	(615.50)	2,122.51	(1,269.12)	(916.17)	(489.28)	(450.00)	(1,712.33)	(2,746.07)
03/20	A												
03/20	(852.59)	(1,542.44)	(1,405.66)	(5,818.75)			275.58	(1,269.08)	(916.17)		(450.00)	(1,712.33)	(2,746.07)
04/20	A												
04/20	(852.59)	(1,542.44)	(1,405.66)				275.58	(1,269.08)	(916.17)		(450.00)	(1,712.33)	(2,746.07)
05/20	A												
05/20	(852.59)	(1,542.44)	(1,405.66)				275.58	(1,269.08)	(916.17)		(450.00)	(1,712.33)	(2,746.07)
06/20	A												
06/20	(852.59)	(1,542.44)					275.58	(1,269.08)	(916.17)		(450.00)	(1,712.33)	(2,746.07)
TOTAL	1,705.18	(0.00)	0.00	-	(0.00)	(4,924.00)	1,929.06	5,076.32	-	-	1,162.50	2,910.00	5,692.40

INSTITUTE	CRANEWEAR	SCIENTIFIC	DATABANK	MED NET	ABILITY	CLIA	PAPERLESS	MEDISOLV	WOLTERS	DHS	FORM FAST	BOX	ACCURENT
7500.8301	8570.9001	8390.9001	8390.9001	8480.9001	7299.6901	7500.8301	8510.9001	8510.9001	8390.9001	MCAL DEMO			
										7072.6901	8510.9001	8700.9001	8450.9001
6,360.00	6,999.88	1,296.00	1,126.00	1,750.00	2,836.40	-	924.00	9,384.87	1,643.31	1,633.35	750.00	1,050.00	2,291.64
(1,590.00)	(1,749.97)	(144.00)	(563.00)	(250.00)	(354.90)	(185.25)	(308.00)	(853.57)	(328.63)	(233.37)	(125.00)	(175.00)	(416.67)
							3,959.00						
			3,941.00										
(3,180.00)	(3,499.94)	(288.00)	(1,126.00)	(500.00)	(709.80)	(370.50)	(616.00)	(1,706.26)	(657.34)	(466.66)	(250.00)	(350.00)	(1,874.97)
12,625.00													
(1,590.00)	(1,749.97)	(144.00)	(563.00)	(250.00)	(354.50)	(185.25)	(329.92)	(853.13)	(328.67)	(233.33)	(125.00)	(175.00)	(416.67)
(1,052.08)	(1,749.97)	(144.00)	(563.00)	(250.00)	(354.50)	(185.25)	(329.92)	(853.13)	(328.67)	(233.33)	(125.00)	(175.00)	(416.67)
									4,181.00				
(1,052.08)	(1,749.97)	(144.00)	(563.00)	(250.00)	(354.50)	(185.25)	(329.92)	(853.13)	(348.42)	(233.33)	(125.00)	(175.00)	(416.67)
											3,000.00		
(1,052.08)	(1,749.97)	(144.00)	(563.00)	(250.00)	(354.50)	(185.25)	(329.92)	(853.13)	(348.42)	(233.33)	(250.00)	(175.00)	(416.67)
	26,217.45			3,000.00									
(1,052.08)	(3,489.22)	(144.00)	(563.00)	(250.00)	(354.50)	1,296.75	(329.92)	(853.13)	(348.42)		(250.00)	(175.00)	(416.67)
(1,052.08)	(2,184.79)	(144.00)	(563.00)	(250.00)			(329.92)	(853.13)	(348.42)		(250.00)		
(1,052.08)	(2,184.79)			(250.00)			(329.92)	(853.13)	(348.42)		(250.00)		
(1,052.08)	(2,184.79)			(250.00)			(329.92)	(853.13)	(348.42)		(250.00)		
(1,052.08)	(2,184.79)			(250.00)			(329.92)	(853.13)	(348.42)		(250.00)		
4,208.36	8,739.16	-	0.00	1,750.00	(0.80)	-	989.72	-	1,742.06	0.00	1,500.00	(350.00)	(2,083.35)

I2I	CTN	NAVEX	DHS LAB	NOVARAD	EQ2	ICU MED	CARE	DR FIRST	IMAGETREND	EBSCO	MONTHLY	GRAND
8480.9001	8480.9001	8720.9001	7500.8301	7630.9001	8460.9001	8390.9001	8650.8301		7040.9001	8480.9001	EXPENSE	TOTAL
14,400.00	0.00	3,549.39	935.00	30,982.94	4,030.40	2,410.78	2,737.50	19,500.00				\$ 187,278.77
	4,000.00										(5,000.00)	\$ 182,278.77
(1,800.00)	(333.37)	(1,185.13)	(233.75)	(4,426.16)	(503.80)	(265.94)	(456.25)	(1,625.00)			(37,025.04)	\$ 145,253.73
											24,880.74	\$ 170,134.47
											-	\$ 170,134.47
											51,476.13	\$ 221,610.60
(3,600.00)	(666.66)	(2,364.26)	(467.50)	(8,852.26)	(1,007.60)	(531.88)	(912.50)	(3,250.00)			(55,648.89)	\$ 165,961.71
									8,000.00		29,595.00	\$ 195,556.71
(1,800.00)	(333.33)	(1,185.13)	(233.75)	(4,426.13)	(503.80)	(265.94)	(456.25)	(1,625.00)	(3,999.98)		(39,443.28)	\$ 156,113.43
		15,440.51								6,955.00	39,213.64	\$ 195,327.07
(1,800.00)	(333.33)	(1,187.95)	(233.75)	(4,426.13)	(503.80)	(265.94)	(456.25)	(1,625.00)	(666.67)	(1,159.16)	(37,777.78)	\$ 157,549.29
											5,648.82	\$ 163,198.11
(1,800.00)	(333.33)	(1,187.95)	(233.75)	(4,426.13)	(503.80)	(265.94)	(456.25)	(1,625.00)	(666.67)	(579.58)	(37,221.82)	\$ 125,976.29
											35,747.80	\$ 161,724.09
(1,800.00)	(333.33)	(1,187.95)	(233.75)	(4,426.13)	(503.80)	(265.94)	(456.25)	(1,625.00)	(666.67)	(579.58)	(42,474.48)	\$ 119,249.61
				53,113.59	6,265.60						88,596.64	\$ 207,846.25
(1,800.00)	(333.33)	(1,187.95)	701.25	(4,426.16)	(1,025.97)	(265.97)	456.25	(1,625.00)	(666.67)	(579.58)	(35,997.34)	\$ 171,848.91
											-	\$ 171,848.91
	(333.33)	(1,187.95)		(4,426.13)	(522.13)			(1,625.00)	(666.67)	(579.58)	(31,753.64)	\$ 140,095.27
											-	\$ 140,095.27
	(333.33)	(1,187.95)		(4,426.13)	(522.13)			(1,625.00)	(666.67)	(579.58)	(25,227.89)	\$ 114,867.38
											-	\$ 114,867.38
	(333.33)	(1,187.95)		(4,426.13)	(522.13)			(1,625.00)		(579.58)	(24,561.22)	\$ 90,306.16
											-	\$ 90,306.16
	(333.33)	(1,187.95)		(4,426.13)	(522.13)			(1,625.00)		(579.58)	(22,302.43)	\$ 68,003.73
-	0.00	4,751.78	-	30,982.91	3,654.91	283.23	-	-	-	1,738.78		\$ 68,003.73

Schedule 3.2.4¹

LITIGATION, CLAIMS AND PROCEEDINGS

See attached.

¹ Note to HLB: Schedule was missing from disclosure schedules packet.

Schedule 3.2.5

**DEBTS, OBLIGATIONS OR LIABILITIES OF DISTRICT UNDER FEDERAL
HEALTH CARE PROGRAMS**

See attached.

[Under review by AH]

RUN DATE: 04/21/20
 RUN TIME: 1412
 RUN USER: JHOUGLAND

Mendocino Coast Dist Hspl GL **LIVE**
 SUMMARY TRIAL BALANCE

		FEB 2020					Round Money: 0.01
		FINAL					
		From Account	Thru Account				
		20.2061.0015	20.2064.0019				
ACCOUNT	DESCRIPTION	OPEN	DEBITS	CREDITS	NET	CLOSE	
20.2061.0015	MCDH MCARE SETTLEMENT-FYE 15	-0.01			0.00	-0.01	
20.2061.0016	MCDH MCARE SETTLEMENT-FYE 16	0.03			0.00	0.03	
20.2061.0017	MCDH MCARE SETTLEMENT - FYE 17	-0.13			0.00	-0.13	
20.2061.0018	MCDH MCARE SETTLEMENT-FYE 18	0.13			0.00	0.13	
20.2061.0020	MCDH MCARE SETTLEMENT-FYE 20	424,000.00		967,000.00	-967,000.00	-543,000.00	
20.2064.0016	MCDH MCAL RHC RECONCILIATION-FYE'16	-475,914.00			0.00	-475,914.00	
20.2064.0017	MCDH MCAL RAC RECONCILIATION-FYE'17	-281,596.00			0.00	-281,596.00	
20.2064.0018	MCDH MCAL RAC RECONCILIATION-FYE'18	-422,426.00			0.00	-422,426.00	
20.2064.0019	MCDH MCAL RAC RECONCILIATION-FYE'19	-472,678.00			0.00	-472,678.00	
GRAND TOTALS		-1,228,613.98		967,000.00	-967,000.00	-2,195,613.98	

Schedule 4.1.5

EXCLUDED EMPLOYEES

[To be provided by AH]

Schedule 4.1.12

UNION CONTRACTS; UNION MATTERS

Memorandum of Understanding, by and between United Food & Commercial Workers Union 8-Golden State and Mendocino Coast District Hospital dated as of July 1, 2018, as amended.

[Under review by AH]

Schedule 6.6

CHANGES TO OPERATIONS

The COVID-19 pandemic and the associated limitations on the Hospital's ability to perform elective procedures has negatively impacted the Hospital's financial performance.

The Hospital's Medicare certification is not in good standing. On February 4, 2020, the California Department of Public Health ("CDPH") on behalf of CMS, completed a complaint validation survey during which it identified an immediate jeopardy ("IJ") finding due to Hospital's violation of the infection control condition of participation under 42 CFR s 482.42. The IJ was abated prior to survey completion, but the Hospital's Medicare certification remains on a 90-day termination track, subject to termination on May 4, 2020, unless District is able to submit an acceptable plan of correction to CMS and obtain subsequent verification of compliance through a recertification survey conducted by CDPH. The Hospital's emergency department has been temporarily closed on at least two occasions since February 4, 2020 in order to address CDPH's survey findings and prepare for a CDPH resurvey.

Schedule 6.9.1

DISTRICT EMPLOYEE BENEFIT PLANS

See attached.



**FULL-TIME AND PART-TIME
BARGAINING UNIT EMPLOYEE BENEFIT SUMMARY**

BENEFIT	DESCRIPTION
HEALTH INSURANCE	MCDH PAYS 100% of monthly premium for you. You are responsible for paying 10% of the premium for your eligible dependents. Coverage begins first of month following date of hire. <i>*A Premier Health Plan (Blue Shield EPO) is available for a monthly premium cost to employees*</i>
DENTAL INSURANCE	MCDH PAYS 100% of monthly premium for you. You are responsible for paying 10% of the premium for eligible dependents. Coverage begins first of month following date of hire.
VISION CARE INSURANCE	MCDH PAYS 100% of monthly premium for you. You are responsible for paying 10% of the premium for eligible dependents. Coverage begins first of month following date of hire.
LIFE/ACCIDENTAL DEATH INSURANCE	MCDH PAYS 100% of monthly premium for you and eligible dependents. \$50,000 life insurance policy for employee; \$5,000 for spouse and dependents age 0 months to 25 years. Coverage begins first of month following date of hire.
LONG-TERM DISABILITY INSURANCE	EMPLOYEES have the option to purchase long-term disability insurance at our group rate. Premiums are conveniently deducted from your paycheck and the benefit is paid out to you tax-free.
AIRMEDCARE AIR AMBULANCE MEMBERSHIP	MCDH PAYS 100% of annual premiums for air ambulance memberships for benefited employees and their household members.
AFLAC SUPPLEMENTAL BENEFITS	Employees can choose to supplement their insurance: AFLAC pays you directly! Ex: Personal accident plan; Disability Income Protector; Cancer Indemnity plan. These are pre-payroll tax benefits!
EMPLOYEE ASSISTANCE PROGRAMS	Two Employee Assistance Programs through VOYA and MHN offering confidential counseling services, financial information and resources, legal support, work-life solutions, funeral planning services, travel assistance, etc.
PENSION PLAN 401(a) 403(b)	MCDH contributes 5% of your gross fiscal year earnings. Must work at least 1,000 hours in fiscal year for contribution. Fully vested after 5 years of service. Voluntary contributions can be made (tax deferred) into a 403(b) plan at any time.
FLEXIBLE BENEFIT PLAN (Health Savings Account)	Allows an employee to pay for out-of-pocket medical expenses and/or child/elder dependent care with pre-tax dollars. Coverage begins first of month following date of hire.
PAID TIME OFF (PTO)	Full-time employees accrue 192 Hours of PTO for years 0-4; 232 Hours of PTO for years 5-9; 272 Hours of PTO for years 10+ years (part time employees accrue on a pro-rated basis). Maximum accrual is 400 hours.
EDUCATIONAL LEAVE	Twenty-four Hours of Paid Educational Leave per year for clinical positions only (those needing CEUs). Maximum accrual is 48 hours.
HOLIDAYS	Seven paid holidays (56 hours) per year: New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving, and Christmas. Holiday hours are added to PTO accrual.
EMPLOYEE DISCOUNTS	Discounted memberships at local fitness clubs with initiation fees waived; discounted tickets for Six Flags, Santa Cruz Beach Boardwalk; corporate discounts with AT&T, Verizon, Office Max; local discount at Kemgas (propane service).



FULL-TIME AND PART-TIME NON-BARGAINING UNIT EMPLOYEE BENEFIT SUMMARY

BENEFIT	DESCRIPTION
HEALTH INSURANCE	MCDH PAYS 100% of monthly premium for you. You are responsible for paying 10% of the premium for your eligible dependents. Coverage begins first of month following date of hire. <i>*A Premier Health Plan (Blue Shield EPO) is available for a monthly premium cost to employees*</i>
DENTAL INSURANCE	MCDH pays 100% of monthly premium for you. You are responsible for paying 10% of the premium for eligible dependents. Coverage begins first of month following date of hire.
VISION CARE INSURANCE	MCDH pays 100% of monthly premium for you. You are responsible for paying 10% of the premium for your eligible dependents. Coverage begins first of month following date of hire.
LIFE/ACCIDENTAL DEATH INSURANCE	MCDH pays 100% of monthly premium for you and eligible dependents Three times annual salary up to \$300,000 for employee; \$5,000 for spouse and dependents to 25 years old. Coverage begins first of month following date of hire.
LONG-TERM DISABILITY INSURANCE	MCDH pays 100% of your monthly premium. Coverage begins first of month following date of hire.
AIRMEDCARE AIR AMBULANCE MEMBERSHIP	MCDH PAYS 100% of annual premiums for air ambulance memberships for benefited employees and their household members.
AFLAC SUPPLEMENTAL BENEFITS	Employees can choose to supplement their insurance: AFLAC pays you directly! Ex: Personal accident plan; Disability Income Protector; Cancer Indemnity plan. These are pre-payroll tax benefits.
EMPLOYEE ASSISTANCE PROGRAMS	Two Employee Assistance Programs through VOYA and MHN offering confidential counseling services, financial information and resources, legal support, work-life solutions, funeral planning services, travel assistance, etc.
PENSION PLAN 401(a) 403(b)	MCDH contributes 5% of your gross fiscal year earnings. Must work at least 1,000 hours in fiscal year for contribution. Fully vested after 5 years of service. Voluntary contributions can be contributed (tax deferred) into a 403(b) plan at any time.
FLEXIBLE BENEFIT PLAN (Health Savings Account)	Allows an employee to pay for out-of-pocket medical expenses and/or child/elder dependent care with pre-tax dollars. Coverage begins first of month following date of hire.
PAID TIME OFF (PTO)	Full-time employees accrue 192 Hours of PTO for years 0-4; 232 Hours of PTO for years 5-9; 272 Hours of PTO for years 10+ years (part time employees accrue on a pro-rated basis). Maximum accrual is 400 hours.
HOLIDAYS	Seven paid holidays (56 hours) per year: New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving, and Christmas. Holiday hours are added to your PTO accrual.
EMPLOYEE DISCOUNTS	Discounted memberships at local fitness clubs with initiation fees waived; discounted tickets for Six Flags, Santa Cruz Beach Boardwalk; corporate discounts with AT&T, Verizon, Office Max; local discount at Kemgas (propane service).

Schedule 6.11

INSURANCE POLICIES

<u>Provider</u>	<u>Type of Insurance</u>
Beta Healthcare	Auto
Beta Healthcare	Directors & Officers
Beta Healthcare	HCL
Beta Healthcare	Workers Comp
Alliant Crime	
Alliant Property	
Alliant Boiler & Machinery	

[Under review by AH]

Schedule 6.13

PHYSICIAN AGREEMENTS

Physician Contracts since November 22, 2019

Name of Physician	Effective Date	Description of Agreement
Zoe Berna, M.D.	March 6, 2020	Telecommunications Payment
Sandra Fleming, M.D.	March 6, 2020	Telecommunications Payment
Akbar Khan, D. O.	March 6, 2020	Telecommunications Payment
Jason Kirkman, M.D.	March 6, 2020	Telecommunications Payment
James Sandys, M.D.	March 6, 2020	Telecommunications Payment
Jennifer Kreger, M.D.	March 6, 2020	Telecommunications Payment
Jennifer Kreger, M.D.	April 14, 2020	Extension
Akbar Khan, D. O.	February 1, 2020	Professional Services Agreement
Stewart Kerr, M.D.	December 30, 2019	Locum Tenens Coverage
Sandra Mendel, M.D.	February 10, 2020	Locum Tenens Coverage

Schedule 6.14

MATERIAL CONTRACTS

None.

[Under review by AH]

Schedule 10.7.6

INSURANCE – “TAIL” COVERAGE

1. Hospital Professional & General Liability
2. Privacy (Cyber Risk) liability coverage (to the extent obtained by District)
3. Pollution liability coverage (to the extent obtained by District)
4. Employment Practices Liability

[Under review by AH]

Schedule 10.11

TRANSITION SERVICES

- (1) Billing and collection services for patient services rendered prior to the Closing Date
- (2) General accounting services
- (3) Assistance with cost reports
- (4) Accounts payable services.