

CONFIDENTIAL

Confidential information has been redacted from this version of the notice in accordance with 11 Cal. Code Reg. 999.5(c)(3). Specifically redacted are (a) Schedules 4.21, 4.21(a) and 4.22 to the Affiliation Agreement that is attached as being responsive to the request set forth in 11 Cal. Code Reg. Section 999.5(d)(1)(B) and (b) all signatures on documents included as part of the notice. Schedules 4.21 and 4.21(a) to the Affiliation Agreement have been redacted to maintain privacy regarding sensitive employee information, including employee names and compensation. Schedule 4.22 to the Affiliation Agreement has been redacted to avoid creating any potential prejudice or damage to the applicant relative to any pending or potential litigation. And all signatures have been redacted to help protect the individual signatories against potential identity theft.

NOTICE OF PROPOSED SUBMISSION

AND REQUEST FOR CONSENT BY

EAST BAY INTEGRATED CARE, INC.

D/B/A HOSPICE EAST BAY

IN CONNECTION WITH ITS AFFILIATION AGREEMENT

WITH

CHAPTERS HEALTH SYSTEM, INC.

PREPARED FOR THE OFFICE OF THE ATTORNEY GENERAL

CALIFORNIA DEPARTMENT OF JUSTICE

CHARITABLE TRUSTS DIVISION

NOVEMBER 22, 2024

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November 22, 2024

VIA OVERNIGHT DELIVERY

Office of the Attorney General
Healthcare Rights and Access Section
455 Golden Gate Avenue, Suite 11000
San Francisco, California 94102-7004
Attn: Emilio Varanini,
Supervising Deputy Attorney General

Re: Affiliation Agreement Between East Bay Integrated Care, Inc. (d/b/a) Hospice East Bay and Chapters Health System, Inc.

Dear Mr. Varanini:

This letter and all attachments hereto shall serve as written notice to the California Office of Attorney General of the proposed affiliation (the “Affiliation”) of East Bay Integrated Care, Inc. d/b/a Hospice East Bay, a California nonprofit public benefit corporation (“HEB”) and Chapters Health System, Inc., a Florida not for profit corporation (“Chapters”), as well as a request for written consent from the Attorney General for approval of the Affiliation.

California Corporations Code Section 5920 requires that any nonprofit corporation that operates or controls a health facility, as defined in Section 1250 of the Health and Safety Code, provide written notice to and obtain the written consent of the Attorney General prior to entering into any agreement that transfers control, responsibility, or governance of a material amount of assets or the operations of the nonprofit corporation to another nonprofit corporation. Pursuant to these requirements, HEB, as a nonprofit corporation that operates a health facility, provides this notice to obtain the Attorney General’s written consent prior to the finalization of the Affiliation.

HEB and Chapters have entered into an Affiliation Agreement under which Chapters will become HEB’s sole corporate member and, accordingly, HEB will become a part of Chapters’ healthcare system. The Affiliation reflects the long-term goals of both organizations that are focused on the preservation of comprehensive, community-based, not-for-profit hospice care. HEB and Chapters believe that the Affiliation will enable their organizations to work collaboratively together to adapt to the ever-changing healthcare environment for the benefit of the communities served by HEB.

Office of the Attorney General
November 22, 2024
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We respectfully request that the Attorney General provide written consent to the Affiliation as described in more detail by the attachments provided with this letter. We appreciate your consideration of this request and look forward to your reply.

Very truly yours,

A large black rectangular redaction box covering the signature of Dale S. Webber.

Dale S. Webber

Enclosures

Title 11, California Code of Regulations, § 999.5(d)(1)

DESCRIPTION OF THE TRANSACTION

11 Cal. Code Reg. Section 999.5(d)(1)(A)

Full description of the proposed agreement and transaction

This Description of Proposed Affiliation Transaction has been prepared to provide the California Office of Attorney General with information regarding the proposed affiliation between Chapters Health System, Inc., a Florida not for profit corporation (“Chapters”) and East Bay Integrated Care, Inc. d/b/a Hospice East Bay, a California nonprofit public benefit corporation (“Hospice East Bay”). The terms of the proposed affiliation are set forth in an Affiliation Agreement signed by Chapters and Hospice East Bay on October 2, 2024 (the “Affiliation Agreement”). Set forth below is background information on Chapters and Hospice East Bay, as well as a description of the proposed transaction structure and other key terms of the proposed affiliation (the “Transaction”).

I. Description of the Parties:

A. Hospice East Bay:

Founded in 1977, Hospice East Bay has served Bay Area patients and their families for over 47 years. Hospice East Bay’s care teams provide relief from pain and other symptoms, emotional and spiritual support, and practical assistance with end-of-life challenges as they arise, while honoring the needs and wishes of each patient and family. Care teams include physicians, registered nurses, case managers, medical social workers, home health aides, spiritual care and bereavement counselors, and trained volunteers. These team members ensure that family members feel confident in the care provided to their loved one and understand the expected course of end-of-life illness. Hospice East Bay provides grief support and counseling for patients and families from the time of admission through 13 months following the death of the patient. Hospice East Bay’s bereavement services are also made available to the greater community, regardless of whether they have a connection to the hospice. In conjunction with these programs, Hospice East Bay also operates a licensed hospice facility called the Bruns House. The Bruns House offers privacy and quiet that cannot be found in a hospital, and intensive round-the-clock care that cannot be achieved at home.

In 2023 Hospice East Bay served a total of 1,710 patients; achieved overall quality scores of 83% (from Medicare); benefitted from a total of 3,896 volunteer hours; served 3,211 bereavement support clients; and provided a total of \$265,287 in charity care to the Bay Area community. Hospice East Bay is a charitable organization that is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code.

B. Chapters:

Chapters is the largest not-for-profit chronic illness management and hospice organization in the country. Chapters currently provides hospice and palliative care through its affiliated hospice organizations operating throughout Florida, as well as in Georgia, Virginia, Maryland and Washington D.C.

Chapters is a premier health system solution and partner for addressing today’s personal, social and financial healthcare issues. The organization is on a quest to redefine care for those

with demanding health conditions and help families enjoy a better quality of life long before the end. Through the combination of a business model across the continuum of care, operational enhancements that leapfrog competitors and a brand position that redefines how we think about healthcare needs, Chapters seeks to become the provider of choice in every region it serves.

Chapters is dedicated to delivering innovative care throughout chronic illness progression and beyond. The organization offers choices in palliative medicine, hospice care, grief services and a medical staffing company and pharmacy via affiliate companies.

Grief services provide support to family members and friends navigating the loss of a loved one, while Chapters' Centers for Wellbeing offer behavioral health counseling to individuals facing various life challenges. Additionally, PACE Centers provide older clients with a comprehensive, conveniently located healthcare solution. Chapters' Center for Health Equity is dedicated to ensuring equitable advanced illness care for all regardless of race, ethnicity or sexual orientation. A medical staffing company and pharmacy help increase efficiencies across Chapters' footprint of affiliated healthcare organizations.

Chapters also offers unique services to patients and their families such as children's bereavement camps, the Valor Program honoring Veterans and First Responders, and robotic pet therapy. Through a variety of unique resources, culture shifts, technology and a strong team that believes in the power of change, Chapters is transforming care in the communities served.

Open communication for the more than 3,500 Chapters team members is evidenced by the successful participation in the Great Place to Work Survey. In 2024, the survey yielded resounding results for employee trust and satisfaction, securing the Great Place to Work accolade for the seventh consecutive year. In addition, Chapters was honored with the 2023 Top Workplace USA award by Energage, validated by 15 culture drivers crucial for organizational success. Additionally, Chapters has earned recognition for work-life flexibility for two consecutive years.

Chapters is a charitable organization exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code.

II. Structure of Affiliation Transaction:

The Hospice East Bay Board of Directors has approved a transaction by which Chapters would become the sole member of Hospice East Bay upon the satisfaction of all closing conditions, including obtaining all regulatory consents and approvals. As such sole member, Chapters will hold certain reserved governance powers relative to Hospice East Bay as set forth in Article XIII of the proposed Amended and Restated Bylaws of Hospice East Bay (attached to the Affiliation Agreement as Exhibit 2.2B). Except for the reserved governance powers held by Chapters, Hospice East Bay's operations and affairs will continue to be governed by Hospice East Bay's Board of Directors. The Transaction also would result in few changes to the current composition of Hospice East Bay's Board of Directors. The individuals serving on the Hospice East Bay Board at the time of the closing of the Transaction (the "Closing") are expected to continue to serve on such Board after the Closing. After the Closing, the Chairperson of such Board will be an individual who served on the Hospice East Bay Board immediately prior to the Closing. To help facilitate the integration of Hospice East Bay into the Chapters health system, the Chapters

President/CEO, Chapters Chief Administrative Officer and Chapters Chief Financial Officer will be added to the post-Closing Hospice East Bay Board of Directors. These same Chapters officers also will become the officers of Hospice East Bay.

Hospice East Bay will benefit significantly from Chapters' support services that will be made available to Hospice East Bay after the Closing. These services include financial and accounting; information and telecommunications; regulatory and corporate compliance; human resources; marketing, communications and public affairs; legal; facilities management; development and fundraising; chief medical officer support; and executive management and consulting. As the post-Closing integration process moves forward, Chapters will include Hospice East Bay in Chapters' corporate level shared service contracts, such as those relating to electronic medical records and ancillary health services. These efficiencies will result in lower post-Closing operational costs for Hospice East Bay, which means more resources will be available to support programs and services focused on patient care.

After the Closing Chapters will work with Hospice East Bay to develop additional health services in Hospice East Bay's geographic market that supplement those services now provided by Hospice East Bay. Chapters and Hospice East Bay will evaluate opportunities for such expanded services taking into account Chapters' significant experience providing expanded services in other geographic markets.

III. Primary Transaction Documents; Conditions to Closing:

The primary documents that will govern the Transaction are as follows:

- A. **Affiliation Agreement:** The Affiliation Agreement sets forth the terms of the Transaction between Chapters and Hospice East Bay, the commitments being made by both Chapters and Hospice East Bay, and standard representations, warranties, covenants, and conditions that are consistent with transactions of this nature. Attached to the Affiliation Agreement are numerous disclosure schedules containing information related to Hospice East Bay and Chapters and their respective operations that support the representations and warranties in the Affiliation Agreement.
- B. **Amended and Restated Articles of Incorporation and Amended and Restated Bylaws:** The Articles of Incorporation and Bylaws of Hospice East Bay will be amended and restated to reflect the terms of Hospice East Bay's affiliation with Chapters. The Amended and Restated Articles of Incorporation of Hospice East Bay are attached to the Affiliation Agreement as Exhibit 2.2A and the Amended and Restated Bylaws of Hospice East Bay are attached to the Affiliation Agreement as Exhibit 2.2B.

The conditions to the Closing of the Transaction include the following: (a) obtaining all required consents and approvals of government agencies necessary to close the Transaction (including from the California Office of Attorney General); (b) Chapters and Hospice East Bay shall have complied with all their respective obligations under the Affiliation Agreement; (c) all legal documents shall have been signed and other required actions of Chapters and Hospice East

Bay shall have been taken; and (d) no material adverse change in the financial condition or results of operations of Hospice East Bay shall have occurred.

IV. Protection of Charitable Assets:

Chapters and Hospice East Bay recognize the critical importance of assuring that the charitable assets of Hospice East Bay continue to be used for the benefit of the citizens residing in Hospice East Bay's service area. The Affiliation Agreement specifically provides that Chapters and Hospice East Bay will continue to be bound by and honor the terms of all endowments and/or donor-restricted funds, and the beneficial interests of such parties in any gifts or bequests shall continue. In addition, future contributions to each of the parties whether under will, deed of trust or otherwise, will be treated as contributions to the named party.

In anticipation of the California Attorney General's review, Section 7.3 of the Affiliation Agreement sets forth more specific protections for Hospice East Bay's assets and specialty programs, providing as follows:

"After the Effective Time all assets of Hospice East Bay will continue to be used for qualifying healthcare and charitable purposes. All assets on Hospice East Bay's balance sheet as of the Closing and any proceeds from the sale of any real property or health facility owned by Hospice East Bay as of the Closing net of any gains or losses on invested assets, including, without limitation (i) that certain real property located at 3470 Buskirk Avenue, Pleasant Hill, California 94523 and (ii) the Bruns House inpatient hospice facility located at 2849 Miranda Avenue, Alamo, California 94507, will, unless otherwise decided by vote of the Hospice East Bay board (excluding board members who are also Chapters officers or employees), be irrevocably dedicated to use in [Hospice East Bay's] Service Area. A copy of Hospice East Bay's balance sheet as of the Closing will be attached hereto and made a part hereof as Schedule 7.3. For five (5) years after the Closing, Chapters shall not take any action to restrict, prohibit or limit Hospice East Bay's ability to maintain existing "specialty" programs that include the Bruns House, Veterans Program, Bridge Program (grief services for children and teens) and Music Therapy as long as any operating losses from those programs can be funded through a combination of Hospice East Bay's fundraising efforts and non-reserved investments."

The Affiliation Agreement also provides in Section 7.4 thereof that if, after the Closing, Hospice East Bay engages in retail thrift store operations designed to support local programs, or local fundraising or receives charitable contributions or grants, the net income of all such efforts will, unless otherwise decided by vote of the Hospice East Bay board (excluding board members who are also Chapters officers or employees), be irrevocably dedicated for use in Hospice East Bay's service area.

Chapters recognizes the significant contributions that Hospice East Bay has made to its local community and will work together with Hospice East Bay in connection with the Transaction to honor Hospice East Bay's legacy, continue its tradition of excellence, and grow its ability to have a positive impact on the local community.

V. Formation of Chapters West Region:

In addition to the Affiliation Agreement signed with Hospice East Bay, Chapters recently announced that it has signed agreements to affiliate with Hospice of Santa Cruz County, a California nonprofit public benefit corporation; Willamette Valley Hospice, Inc., an Oregon nonprofit corporation; and The Nathan Adelson Hospice, a Nevada nonprofit corporation. It is anticipated that such three hospices, together with Hospice East Bay, will be the initial hospices operating as part of a new “Chapters West Region.” As part of the formation of Chapters Health West, a new “Chapters West Region Advisory Council” will be created and be comprised of representatives from the four hospices affiliating with Chapters. The primary purpose of the Chapters West Region Advisory Council will be to provide a forum for Chapters and the Chapters West hospices to coordinate and plan on matters of strategic and regional importance.

VI. Closing:

At the present time it is expected that Closing will occur in early 2025, or as soon as all conditions to Closing are satisfied.

11 Cal. Code Reg. Section 999.5(d)(1)(B)

Complete copy of all written agreements or contracts to be entered into by the applicant and the transferee that relate to or effectuate any part of the proposed transaction

Attached to this Section are the following documents:

- **Exhibit 1**, a copy of the Affiliation Agreement including all exhibits, schedules, and attachments thereto.
- **Exhibit 2.2A to Affiliation Agreement**, a copy of the Amended and Restated Articles of Incorporation of Hospice East Bay
- **Exhibit 2.2B to Affiliation Agreement**, a copy of the Amended and Restated Bylaws of Hospice East Bay
- **Exhibit 3**, a copy of the Side Letter to the Affiliation Agreement re Enhanced Severance Policies

EXECUTION VERSION

AFFILIATION AGREEMENT

BY AND BETWEEN

CHAPTERS HEALTH SYSTEM, INC.,

and

EAST BAY INTEGRATED CARE, INC.

d/b/a HOSPICE EAST BAY

Dated as of October 2, 2024

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Exhibits

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AFFILIATION AGREEMENT

THIS AFFILIATION AGREEMENT (the "Agreement") is made and entered into to be effective as of October 2, 2024, by and among Chapters Health System, Inc., a Florida not for profit corporation ("Chapters") and East Bay Integrated Care, Inc. d/b/a Hospice East Bay, a California nonprofit public benefit corporation ("Hospice East Bay"). Chapters and Hospice East Bay are collectively referred to herein as the "Parties" and each is referred to as a "Party".

RECITALS

A. WHEREAS, Hospice East Bay owns and operates a not for profit hospice licensed to operate in the Counties of Contra Costa, Alameda, and Solano, State of California;

B. WHEREAS, Chapters owns and operates not for profit hospices through its Affiliates in several states throughout the United States;

C. WHEREAS, Chapters and Hospice East Bay have reviewed each other's mission statements and believe that there is fundamental alignment and compatibility in such statements; and

D. WHEREAS, the Parties believe that an affiliation between Chapters and Hospice East Bay (the "Transaction") will allow them to accomplish a number of mutual goals, including the following:

- (a) Preservation of the comprehensive, community-based, not for profit hospice care;
- (b) Promotion of best practices in the provision of hospice, home health and other healthcare services;
- (c) Development and implementation of enhanced quality care systems and oversight;
- (d) Efficient management of key areas of operation;
- (e) Cost effective management of key administrative functions;
- (f) Cost effective and efficient purchasing and distribution of supplies and pharmaceuticals;
- (g) Effective public policy development;
- (h) Increased opportunities for research, analysis and planning for health care innovation;
- (i) Minimize disruption to patients and employees; and

- (j) Enhanced understanding, preparedness and leadership in future health care delivery reform.

NOW, THEREFORE, for and in consideration of the premises, the agreements, covenants, representations and warranties herein set forth, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound hereby, the Parties hereto agree as follows:

ARTICLE 1

DEFINITIONS; INCORPORATION OF RECITALS

1.1 Definitions.

In addition to the terms defined elsewhere in this Agreement, the terms defined below as used in this Agreement (including the above-referenced recitals) shall have the following meanings:

“Affiliate” means, as to the Person in question, any Person that directly or indirectly controls, is controlled by, or is under common control with, the Person in question and any successors or assigns of such Person.

“Agreement” means this Agreement as may be amended or supplemented together with all Exhibits and Schedules attached or delivered with respect hereto or expressly incorporated herein by reference.

“AHLA” shall have the meaning set forth in Section 11.3.

“Approval” means any approval, authorization, consent, notice, qualification or registration, or any extension, modification, amendment or waiver of any of the foregoing, of or from, or any notice, statement, filing or other communication to be filed with or delivered to, any Governmental Authority.

“Arbitration Notice” has the meaning set forth in Section 11.3.

“Benefit Program and Agreement” is defined in Section 4.20(a)(ii).

“Business” means the ownership and operation of the Hospice East Bay Assets, and all assets and operations ancillary to or associated with any of the foregoing, as currently conducted as of the date hereof and as of the Effective Time.

“CERCLA” means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 et seq.

“Chapters” is defined in the preamble in this Agreement.

“Chapters Historical Financial Information” is defined in Section 5.4(a) of this Agreement.

"Chapters West" refers to a group of not for profit hospices, including Hospice East Bay, operating in the western United States that are independently negotiating to affiliate with Chapters.

"Closing" is defined in Section 3.1.

"Closing Date" is defined in Section 3.1.

"CMS" means the Centers for Medicare and Medicaid Services.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, the Public Health Service Act, codified as 42 USC §§ 300bb-1 through 300bb-8, and any similar state or federal continuation of coverage laws.

"Code" means the Internal Revenue Code of 1986, as amended, and the Treasury Regulations.

"Confidentiality Agreement" is defined in Section 11.2.

"Contract" means any legally binding oral or written commitment, contract, lease (including Tenant Leases and Third Party Leases), sublease, license, sublicense or other agreement of any kind relating to the Business, the Hospice East Bay Assets or the operation thereof to which Hospice East Bay is a party or by which any of the Hospice East Bay Assets is bound.

"EEOC" means the Equal Employment Opportunity Commission.

"Effective Time" is defined in Section 3.1.

"Encumbrance" means any claim, charge, easement, encumbrance, encroachment, security interest, mortgage, lien or pledge, whether imposed by Contract, Law, equity or otherwise.

"Environmental Condition" means any event, circumstance or condition related in any manner whatsoever to: (a) the current or past presence or spill, emission, discharge, disposal, pumping, leakage, migration, abandonment, release or threatened release of any Hazardous Materials, into the environment; (b) the on-site treatment, storage, disposal or other handling of any Hazardous Material originating on or from the Real Property; (c) the placement of structures or materials into waters of the United States; (d) the presence of any Hazardous Materials in any building, structure or workplace or on any portion of the Real Property; or (e) any violation of Environmental Laws at or on any part of the Real Property or arising from the activities of Hospice East Bay or any other Person involving Hazardous Materials.

"Environmental Laws" means any applicable Law, and any Governmental Order or binding agreement with any Governmental Authority: (a) relating to pollution (or the cleanup thereof) or the protection of natural resources, endangered or threatened species, human health or safety, or the environment; (b) concerning the presence of, exposure to, or the management, manufacture, use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, production, disposal or remediation of any Hazardous Materials; or (c) relating to the use, handling, storage, treatment, and disposal of medical, radiological and biological wastes. The term **"Environmental Law"** includes, without limitation,

the following (including their implementing regulations and any state analogs): CERCLA; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§ 6901 et seq.; the Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977, 33 U.S.C. §§ 1251 et seq.; the Toxic Substances Control Act of 1976, as amended, 15 U.S.C. §§ 2601 et seq.; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. §§ 11001 et seq.; and the Clean Air Act of 1966, as amended by the Clean Air Act Amendments of 1990, 42 U.S.C. §§ 7401 et seq., the Hazardous Material Transportation Act, 49 U.S.C. §§ 1801-1813, the Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. § 136 et seq., the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq. and all state and local environmental laws and regulations.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

“Executive Employees” with respect to any Party shall mean each of the persons then serving as the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Information Officer, Chief Medical Officer, Chief Human Resources Officer and Chief Compliance Officer, or in a similar capacity by whatever title.

“Exhibits” means the exhibits to this Agreement.

“Facilities” means any healthcare facility, healthcare operations or medical or other clinical practice owned, operated, managed or leased by Hospice East Bay.

“FTC” means the Federal Trade Commission.

“FTC Red Flags Rule” shall mean the regulations set forth in 16 C.F.R. Part 681.

“GAAP” means United States generally accepted accounting principles and practices as in effect from time to time.

“Government Programs” means Medicare, Medicaid, and CHAMPUS/TRICARE.

“Governmental Authority” means any government or any agency, bureau, board, directorate, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

“Governing Documents” means the documents by which any Person (other than an individual) establishes its legal existence or which govern its internal affairs, including, without limitation, articles of incorporation, bylaws, articles of organization, regulations, limited liability company agreements, operating agreements, partnership agreements, certificates of limited partnership, or similar documents, instruments, or agreements relating to the legal existence or governance of the internal affairs of such Person.

“Hazardous Materials” means (a) any material, substance, chemical, waste, product, derivative, compound, mixture, solid, liquid, mineral or gas, in each case whether naturally occurring or man-made, that is hazardous, acutely hazardous, toxic, or words of similar import or

regulatory effect under Environmental Laws; (b) any petroleum or petroleum-derived products, radon, radioactive materials or wastes, asbestos in any form, lead or lead-containing materials, urea formaldehyde foam insulation, per- and polyfluoroalkyl substances, medical waste, mold and polychlorinated biphenyls; and (c) any chemical, material or substance which is prohibited, limited or regulated under any Environmental Law.

“Healthcare Laws” means Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395hhh (the Medicare statute), including specifically, the Ethics in Patient Referrals Act, as amended (the Stark Law), 42 U.S.C. § 1395nn; Title XIX of the Social Security Act, 42 U.S.C. §§ 1396-1396v (the Medicaid statute); the Federal Health Care Program Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b); the False Claims Act, 31 U.S.C. §§ 3729-3733 (as amended); the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the Anti-Kickback Act of 1986, 41 U.S.C. §§ 8701-8707; the Civil Monetary Penalties Law, 42 U.S.C. §§ 1320a-7a; the Exclusion Laws, 42 U.S.C. § 1320a-7; HIPAA; the HITECH Act, all Legal Requirements relating to the provision of, or billing or payment for health care items or services, or relating to health care information; and all implementing regulations, rules, ordinances, judgments and order applicable to any Party, as the context of the Agreement may require; and any similar state and local statutes, regulations, rules, ordinances, judgments and orders applicable to any Party as the context of the Agreement may require; and all federal, state and local licensing, certificate of need, regulatory and reimbursement, corporate practice of medicine and fee splitting regulations, rules, ordinances, orders and judgments applicable to any Party, as the context of the Agreement may require, all of the foregoing as enacted or in effect as of the Closing Date.

“HIPAA” means the Health Insurance Portability and Accountability Act of 1996 (Pub. Law 104-191), as amended from time to time, and the regulations promulgated thereunder.

“HITECH” means the Health Information Technology for Economic Clinical Health Act, Division A, Title XIII § 1301 et seq. of the American Recovery and Reinvestment Act of 2009, as amended from time to time.

“Hospice East Bay” is defined in the preamble to this Agreement.

“Hospice East Bay Assets” means all assets of every description, whether real, personal or mixed, tangible or intangible, owned by Hospice East Bay whether used in the operation of the Business or otherwise.

“Hospice East Bay ERISA Affiliate” is defined in Section 4.20(c).

“Hospice East Bay Historical Financial Information” is defined in Section 4.7(a).

“Hospice East Bay Intellectual Property” means all Intellectual Property to the extent owned, licensed or used by Hospice East Bay.

“Hospice East Bay Taxable Debt” shall refer to outstanding financing debt issued for the benefit of or incurred by Hospice East Bay or for which Hospice East Bay is liable to pay that is not tax-exempt debt as identified on Schedule 4.26.

“Hospice East Bay Taxable Debt Documents” is defined in Section 4.26(a).

“Hospice East Bay Tax-Exempt Bond Documents” defined in Section 4.25(a).

“Hospice East Bay Tax-Exempt Bonds” shall refer to outstanding tax-exempt bonds for the benefit of or incurred by Hospice East Bay or for which Hospice East Bay is liable to pay as identified on Schedule 4.25.

“Immigration Act” means the Immigration Reform and Control Act of 1986, as amended, and the regulations promulgated thereunder.

“Information Privacy or Security Laws” means HIPAA and any other governing Law concerning the privacy or security of Personal Information, including state data breach notification laws, state health information privacy laws, the FTC Act, the FTC Red Flags Rule and state consumer protection laws.

“Intellectual Property” means, to the extent owned, licensed or used by Hospice East Bay in the Business and/or the Hospice East Bay Assets, all intellectual property or rights thereto, including patents, trademarks, trade names, service marks, symbols, copyrights and any applications therefor, mask works, net lists, schematics, technology, know-how, trade secrets, ideas, algorithms, processes, internet domain names, computer software programs and applications (in both source code and object code form), and tangible or intangible proprietary information or material and all choses in action arising from or related to the foregoing; provided, however, the term Intellectual Property does not include any open source software, shrink wrap software, or generally available commercial, licensable products.

“Inventory” means all usable inventory and supplies held or used in the Business.

“Justice Department” means the United States Department of Justice.

“Knowledge” when used in the context of knowledge of Chapters means the actual knowledge of any Executive Employee of Chapters within the scope of his or her responsibility. **“Knowledge”** when used in the context of knowledge of Hospice East Bay means the actual knowledge of any Executive Employee of Hospice East Bay within the scope of his or her responsibility.

“Law” means any constitutional provision, statute, law, rule, regulation, code, ordinance, resolution, Order, ruling, promulgation, published policy or guideline, or treaty directive, adopted or issued by any Governmental Authority.

“Leased Real Property” means all real property leased, subleased or licensed to, or for which a right to use or occupy has been granted to, Hospice East Bay.

“Material Adverse Effect” means any event, occurrence, fact, condition or change that is materially adverse to (a) the business, results of operations, financial condition or assets of Hospice East Bay, taken as a whole, or (b) the ability of Hospice East Bay to consummate the Transaction; provided, however, that it does not include any event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to: (A) general economic or political conditions; (B) conditions generally affecting the hospice or related industries; (C) any changes in financial, banking or securities markets in general, including any disruption thereof and any decline in the

price of any security or any market index or any change in prevailing interest rates; (D) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof; (E) any action required or permitted by this Agreement or any action taken (or omitted to be taken) with the written consent of or at the written request of Chapters; (F) any matter of which Chapters is aware as of the execution of this Agreement; (G) any changes in applicable laws, regulations or accounting rules (including GAAP) or the enforcement, implementation or interpretation thereof; (H) the announcement, pendency or completion of the Transaction, including losses or threatened losses of employees, patients, suppliers, distributors or others having relationships with Hospice East Bay; (I) any natural or man-made disaster or acts of God; (J) any epidemics, pandemics, disease outbreaks, or other public health emergencies; or (K) any failure by Hospice East Bay to meet any internal or published projections, forecasts or revenue or earnings predictions (provided that the underlying causes of such failures (subject to the other provisions of this definition) shall not be excluded).

“Material Contracts” is defined in Section 4.16.

“Material Licenses” is defined in Section 4.8.

“Most Recent Financial Statements” is defined in Section 4.7(a)(ii).

“Most Recent Fiscal Month End” is defined in Section 4.7(a)(ii).

“Notice” is defined in Section 12.1.

“OIG” means the United States Department of Health and Human Services Office of Inspector General.

“OFAC” is defined in Section 4.18(g).

“Order” means any judgment, order, writ, injunction, decree, determination, or award of any Governmental Authority.

“Ordinary Course of Business” means an action taken, or omitted to be taken, by any Person in the ordinary course of such Person’s business; provided, that any action taken, or omitted to be taken, that relates to, or arises out of, any pandemic, epidemic, or disease outbreak shall be deemed to be in the Ordinary Course of Business.

“OSHA” means the Occupational Safety and Health Act, 29 U.S.C. § 600, et seq., and the regulations promulgated thereunder.

“Overpayments” means any amount (a) due to a Government Program based on a final adjustment or (b) received from a Government Program in excess of the amount approximately billed.

“Owned Real Property” means all real property owned by Hospice East Bay, together with the interest of Hospice East Bay as landlord in all leases and subleases therein, improvements, buildings or fixtures located thereon or therein, all easements, rights of way, and other appurtenances thereto (including appurtenant rights in and to public streets), all architectural plans

or design specifications relating to the development thereof, and all claims and recorded or unrecorded interests therein, including any and all options to acquire real property.

“Party” and **“Parties”** are defined in the preamble to this Agreement.

“PBGC” is defined in Section 4.20(d)(v).

“Permit” means any license, permit, or certificate, required to be issued or granted by any Governmental Authority.

“Permitted Encumbrances” means (a) zoning and building laws, ordinances, resolutions and regulations, (b) liens for Taxes not due and payable on or before the Effective Time, or being contested in good faith by appropriate proceedings, (c) such other title and survey matters acceptable to Chapters that are shown on any Commitments obtained by Chapters, (d) liens that individually or in the aggregate do not materially detract from the value of, or impair in any material manner the use of the Real Property or other Hospice East Bay Assets and (e) Permitted Liens.

“Permitted Liens” means those liens described on the attached Schedule 1.1 which includes all (a) existing lines of credit disclosed to Chapters; (b) those liens identified in Hospice East Bay Historical Financial Information; and (c) other liens as Hospice East Bay may have incurred or incur in the Ordinary Course of Business and otherwise consistent with Sections 6.2 and 6.3 of this Agreement, if applicable (all of which shall qualify as Permitted Liens).

“Person” means an individual, association, corporation, limited liability company, partnership, limited liability partnership, trust, Governmental Authority or any other entity or organization.

“Personal Information” means any information that can reasonably be used to identify an individual, including “individually identifiable health information” as defined in 45 C.F.R. 160.103, demographic information, and social security numbers.

“Personal Property” means all tangible and intangible personal property owned, leased or used or held for use in connection with the Business, including all equipment, furniture, fixtures, machinery, vehicles, office furnishings, instruments, leasehold improvements, spare parts, and all rights in all warranties of any manufacturer or vendor with respect thereto.

“Plan” is defined in Section 4.20(a)(i).

“Proceeding” means any claim, action, arbitration, audit, hearing, investigation, litigation suit or other similar proceeding by or before a Governmental Authority.

“Program Agreements” is defined in Section 4.10(a).

“Proposed Change Notification” is defined in Section 6.2.

“Real Property” means the Owned Real Property and the Leased Real Property.

“Schedules” means, with respect to a specified Party, the disclosure schedules to this Agreement which have been delivered by such Party as the same may be modified, amended or supplemented in accordance with the applicable provisions of this Agreement.

“Service Area” means the Counties of Contra Costa, Alameda, and Solano, State of California, and any additional Counties within the State of California in which Hospice East Bay may be authorized in the future by the California Department of Public Health or any successor state licensing authority to provide hospice or other healthcare services.

“Shared Services” is defined in Section 2.4(b).

“Stark Law” is defined in Section 4.12(b).

“Support Center Services” is defined in Section 2.4(a).

“Taxes” means (a) any and all federal, state, local, foreign and other net income, gross income, gross receipts, sales, use, ad valorem, hospital, provider, unclaimed property, transfer, franchise, profits, license, lease, rent, service, service use, withholding, payroll, employment, excise, severance, privilege, stamp, occupation, premium, property, windfall profits, alternative minimum, estimated, customs, duties or other taxes, fees, assessments or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts with respect thereto, (b) any liability for payment of amounts described in clause (a) as a result of transferee liability or otherwise through operation of law, and (c) any liability for the payment of amounts described in clauses (a) or (b) as a result of any tax sharing, tax indemnity or tax allocation agreement or any other express or implied agreement to indemnify any other Person.

“Tax Returns” means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“Tenant Lease” means any lease, sublease, license or other contractual obligation pursuant to which Hospice East Bay, as tenant or subtenant, currently leases, subleases, licenses or otherwise occupies all or some portion of the Leased Real Property.

“Third Party Lease” means any lease, sublease, license or other contractual obligation pursuant to which Hospice East Bay, as landlord or sublandlord, currently leases, subleases, licenses or otherwise grants to a third party a right to use all or some portion of the Real Property.

“Title IV Plan” is defined in Section 4.20(d)(v).

“Transaction” means, collectively, the transactions referenced in the recitals to this Agreement as further described by the provisions of this Agreement, including in Article 2 hereof.

“Transaction Documents” means this Agreement and all documents to be delivered by the Parties in connection with the Closing.

“Transfer Taxes” means any real property, excise, sales, use, documentary, transfer, value added, stock transfer, and stamp Taxes, any transfer, recording, registration, and other fees, and

any similar Taxes imposed on the transactions (or deemed transactions) contemplated by, or related to, this Agreement.

“Treasury Regulations” means the income tax regulations promulgated under the Code.

1.2 Interpretation.

In this Agreement, unless the context otherwise requires:

- (a) references to this Agreement are references to this Agreement and the Schedules and Exhibits; each Schedule and Exhibit is hereby incorporated by reference into this Agreement and will be considered a part hereof as if fully set forth herein;
- (b) references to sections are references to sections of this Agreement;
- (c) references to any Party to this Agreement shall include references to its respective successors and permitted assigns;
- (d) the terms “hereof,” “herein,” “hereby,” and derivative or similar words will refer to this entire Agreement;
- (e) references to any document (including this Agreement) are references to that document as amended, consolidated or supplemented by the Parties from time to time;
- (f) unless the context requires otherwise, references to any Law are references to that Law as of the Closing Date, and shall also refer to all rules and regulations promulgated thereunder;
- (g) the word “including” shall be interpreted to mean including without limitation;
- (h) references to time are references to Eastern Standard or Daylight time (as in effect on the applicable day) unless otherwise specified herein;
- (i) the gender of all words herein includes the masculine, feminine and neuter, and the number of all words herein includes the singular and plural;
- (j) the terms “date hereof,” “date of this Agreement” and similar terms shall mean the date first written above; and
- (k) the phrases “Parties have delivered,” “Parties have provided,” “Parties have made available” and phrases of similar import shall mean that, prior to the date hereof, the applicable Parties have either (i) delivered to the other Parties a hard or electronic copy of the document or information in question or (ii) made such document or information available to the other Parties via an electronic data room.

1.3 Recitals.

The matters set forth in the Recitals are hereby incorporated into and made a part of this Agreement.

ARTICLE 2 **TRANSACTION STRUCTURE AND FUNDING COMMITMENTS**

2.1 Transfer of Control.

The Parties agree that the Transaction will be facilitated by the Hospice East Bay board of directors taking all such actions as may be necessary or appropriate to restructure Hospice East Bay as of the Effective Time to be a California nonprofit public benefit corporation with Chapters as Hospice East Bay's sole member (as defined in Cal. Corp. Code § 5056). As described in more detail in Section 2.2 and Section 2.3 below, the structure of the Transaction and the resulting allocation of corporate governance authority relating to Hospice East Bay will be facilitated through the Hospice East Bay board of directors' approval of membership rights with Chapters holding reserved powers (described below) with respect to Hospice East Bay as will be set forth in amended and restated Articles of Incorporation and Bylaws of Hospice East Bay.

2.2 Amendment of Articles of Incorporation and Bylaws.

Hospice East Bay agrees to take such actions, as necessary, to amend its Bylaws and Articles of Incorporation effective as of the Effective Time to reflect Chapters as the sole member of Hospice East Bay and grant to Chapters certain reserved powers as will be reflected in amended and restated Articles of Incorporation and Bylaws. As of the Effective Time the Articles of Incorporation and Bylaws of Hospice East Bay shall be amended and restated to be consistent with the forms of such documents set forth and attached as Exhibit 2.2A and Exhibit 2.2B, respectively.

2.3 Governance Structure and Board Composition.

2.3.1 Chapters Board of Directors.

As part of its process for nominating individuals to serve on its board of directors, Chapters will periodically communicate with representatives of Hospice East Bay and the other hospices that become part of Chapters West to identify candidates for the Chapters board of directors whose qualifications are consistent with Chapters' strategic plans. A key focus in nominating individuals to serve on the Chapters board will be the skills and abilities required to govern Chapters on a health system-wide, business enterprise level. Provided that the Transaction has been completed by April 1, 2025, Hospice East Bay will coordinate with the other Chapters West hospices whose affiliation transactions have closed by such date to collectively nominate one individual to serve on the Chapters board. The nomination will be submitted to Chapters as part of its April 2025 board nomination process and, provided that the nominee satisfies Chapters' criteria for board membership, Chapters management will work with the Chapters board to seek such nominee's approval to serve.

2.3.2 Hospice East Bay Board of Directors.

The initial post-Closing boards of directors of Hospice East Bay will consist of those individual serving on such Board immediately prior to the Closing and the following ex-officio voting members: (a) Chapters' President/Chief Executive Officer, Chief Administrative Officer, and Chief Financial Officer, respectively, and (b) non-voting, ex-officio individuals who shall include the following officers of Chapters: Chief Operating Officer, Chief Business Development Officer, Chief Medical Officer, Chief People Officer, Chief Information Officer, Chief Compliance Officer, and Vice President-Foundation. The Hospice East Bay board of directors will serve in accordance with the Bylaws of Hospice East Bay attached as Exhibit 2.2B and shall continue to exercise authority to oversee and direct the corporate activities and affairs of Hospice East Bay, subject to the reserved powers of Chapters.

2.4 Operational Enhancements.

After the Closing, Chapters' support center services and shared services will be made available for the benefit of Hospice East Bay, in accordance with the following:

- (a) Support Center Services. As soon as reasonably practicable after the Closing, Chapters will provide the services available through the Chapters support center office, both as currently offered and as may be offered in the future, for the benefit of Hospice East Bay. Costs associated with the provision of such services will be allocated through a corporate services allocation methodology that is consistent with the comparable methodology utilized from time to time throughout the health system governed by Chapters as will be set forth in a management agreement to be entered into between Chapters and Hospice East Bay, the form of which is attached hereto as Exhibit 2.4(a). The functions and/or departmental services provided through the Chapters support center office at the time of Closing will primarily consist of the following: financial and accounting; information and telecommunications; regulatory and corporate compliance; human resources; marketing, communications and public affairs; legal; facilities management; development and fundraising; chief medical officer support; and executive management and consulting ("Support Center Services").
- (b) Shared Services. After the Effective Time, Hospice East Bay will participate in Chapters' shared services ("Shared Services") programs consistent with the manner in which other of Chapters' affiliated hospices participate in such programs. Costs associated with participation in such Shared Services programs will be reimbursed to Chapters in the same manner as such reimbursements are paid by other Chapters affiliated hospices.

2.5 Preservation of Hospice East Bay's Legacy.

Chapters recognizes the significant contributions that Hospice East Bay has made to its local community and intends to work together with Hospice East Bay following the Effective Time to ensure that Hospice East Bay's legacy within its Service Area is preserved, including without limitation, by continuing to use "Hospice East Bay" as the primary brand for hospice services in

the Service Area; provided, however, that Hospice East Bay may also be publicly referred to after the Effective Time as an Affiliate of Chapters.

2.6 Proposed Chapters West Region.

- (a) The Parties acknowledge that Chapters is independently negotiating with each of the hospices proposed to form the Chapters West region by Chapters becoming the sole member of each such hospice. Subject to completing such affiliation transactions, Chapters anticipates that the Chapters West hospices, including Hospice East Bay, will be functionally structured as a region within Chapters with concomitant regional functions and services, as appropriate, and related regional job titles. The design of Chapters West will be determined by Chapters with substantial input from and collaboration with leadership of the Chapters West hospices, including Hospice East Bay.
- (b) In connection with the Parties' due diligence, Chapters will prior to the date of this Agreement provide Hospice East Bay with information on Chapters' plans to affiliate with other hospice organizations as part of the formation of Chapters West.

ARTICLE 3 **CLOSING**

3.1 Closing.

Subject to the satisfaction or waiver by the appropriate Party of all the conditions precedent to the Closing specified in ARTICLE 8 and ARTICLE 9 hereof, the consummation of the Transaction (the "Closing") shall occur and be effective at such date and time as the Parties hereto may mutually designate in writing (the "Closing Date" and the "Effective Time," respectively). The Parties will endeavor to have the Closing Date occur at the end of a month for ease of transition and the Effective Time at 12:01 a.m. prevailing Pacific Time.

3.2 Actions of Hospice East Bay at the Closing.

At or before the Closing, unless otherwise waived in writing by Chapters, Hospice East Bay shall deliver or cause to be delivered to Chapters (or such other Party as may be indicated below) the following, duly executed by Hospice East Bay, or take the other actions noted, as applicable:

- (a) Amended and Restated Articles of Incorporation and Amended and Restated Bylaws of Hospice East Bay consistent with the forms attached as Exhibit 2.2A and Exhibit 2.2B;
- (b) Copies of resolutions duly adopted by the board of directors of Hospice East Bay authorizing and approving Hospice East Bay's performance of the Transaction and the execution and delivery of this Agreement and the documents described herein, as applicable, certified as true and in full force and effect as of the Closing Date, by the appropriate officers of Hospice East Bay;

- (c) A certificate signed by an authorized officer of Hospice East Bay, certifying that the conditions set forth in Section 8.1 and Section 8.2 have been satisfied;
- (d) A certificate of incumbency for the respective officers of Hospice East Bay executing this Agreement or any other document contemplated herein dated as of the Closing Date;
- (e) A certificate of status for Hospice East Bay evidencing the active status of Hospice East Bay and certified by the California Department of State as of the most recent practicable date prior to the Closing Date;
- (f) Consents and waivers from third parties in form and substance reasonably satisfactory to Chapters from those parties from whom, in the reasonable opinion of Chapters such consents and waivers are required in order to give effect to the Transaction and to assure that all Hospice East Bay Assets and Contract rights remain with Hospice East Bay after the Closing;
- (g) The non-blocked person affidavits of Hospice East Bay as described in Section 4.18(g);
- (h) A roster of those individuals elected by Hospice East Bay to serve on the initial, post-Closing Hospice East Bay boards of directors, together with certified resolutions of the pre-Closing Hospice East Bay board of directors, approving such individuals to so serve, effective as of the Effective Date; and
- (i) Such other instruments and documents as Chapters deems reasonably necessary to complete the Transaction including evidence that all required approvals necessary for Hospice East Bay to be a party to this Agreement as of the Closing and participate in the Transaction have been obtained; provided, that such other instruments or documents shall be consistent with the Parties' existing agreements and covenants hereunder and shall not materially alter such agreements and covenants.

3.3 Actions of Chapters at the Closing.

At or before the Closing and unless otherwise waived in writing by Hospice East Bay, Chapters, as noted below, shall deliver or cause to be delivered to Hospice East Bay the following, duly executed by Chapters, or take the other actions noted, as applicable:

- (a) Copies of resolutions duly adopted by the board of directors of Chapters authorizing and approving Chapters' performance of the Transaction and the execution and delivery of this Agreement and the documents described herein, certified as true and in full force and effect as of the Closing Date by appropriate officers of Chapters;
- (b) A certificate signed by an authorized officer of Chapters certifying that the conditions set forth in Section 9.1 and Section 9.2 have been satisfied;

- (c) A certificate of incumbency for the officers of Chapters executing this Agreement or any other document contemplated herein dated as the Closing Date;
- (d) A certificate of active status of Chapters certified by the Florida Department of State dated the most practicable date prior to the Closing Date;
- (e) A roster of those Chapters representatives and other individuals designated by Chapters who will serve on the board of directors of Hospice East Bay, effective as of the Effective Date; and
- (f) Such other instruments and documents as Hospice East Bay deems reasonably necessary to complete the Transaction including evidence that all required approvals necessary for Chapters to be a party to this Agreement as of the Closing and participate in the Transaction have been obtained; provided, that such other instruments or documents shall be consistent with the Parties' existing agreements and covenants hereunder and shall not materially alter such agreements and covenants.

3.4 Additional Acts.

From time to time after the Closing, each Party shall execute and deliver such other instruments, and take such other actions as the other Party may reasonably request, to evidence the Transaction.

ARTICLE 4 **REPRESENTATIONS AND WARRANTIES OF** **HOSPICE EAST BAY**

As of the date hereof (except with respect to any information or disclosures that may or should be included on the Schedules, all of which are incomplete as of the date hereof) and as of the Closing Date (except to the extent any of the following refers to a specific date and subject to Section 12.13 of this Agreement), Hospice East Bay represents and warrants to Chapters as follows:

4.1 Organization; Capacity.

Hospice East Bay is a corporation duly organized, validly existing and with an active status under the laws of the State of California. Hospice East Bay has no members as described in Cal. Corp. Code §5056(a). All powers and activities of Hospice East Bay are governed and exercised under the authority of the Hospice East Bay board of directors. Hospice East Bay is qualified to do business under all applicable Laws of any Governmental Authority having jurisdiction over the Business and to own its properties and conduct its business in the place and manner now conducted. Hospice East Bay has the requisite power and authority to enter into this Agreement and the other Transaction Documents to which Hospice East Bay is (or at the Closing, will become) a party and to perform its obligations hereunder and thereunder. The execution and delivery by Hospice East Bay of this Agreement and documents described herein to which it is (or at the Closing, will become) a party, the performance by Hospice East Bay of its obligations hereunder and thereunder and the consummation by Hospice East Bay of the Transaction have been, or will

be prior to the Closing, duly and validly authorized and approved by all necessary corporate actions on the part of Hospice East Bay.

4.2 Authority; Noncontravention.

There are no outstanding powers of attorney executed by or on behalf of Hospice East Bay. The execution, delivery and performance of the Agreement and each other Transaction Document by Hospice East Bay thereto and the consummation by Hospice East Bay of the Transaction, as applicable:

- (a) are within the power of Hospice East Bay and are not in contravention or violation of the terms of the articles of incorporation or bylaws of Hospice East Bay and have been, or will be prior to the Closing, approved by all requisite corporate action;
- (b) except as set forth on Schedule 4.2(b), do not require that Hospice East Bay seek or obtain any Approval of, filing or registration with, the issuance of any Permit by, or give any notice to any Governmental Authority;
- (c) assuming the Approvals and Permits set forth on Schedule 4.2(b) are obtained, to the Knowledge of Hospice East Bay, will not conflict in any material respect with, or result in any violation of or default under (with or without notice or lapse of time or both), or give rise to a right of termination, cancellation, acceleration or augmentation of any obligation or to loss of a material benefit under, or result in the creation of any material Encumbrance (other than Permitted Encumbrances) upon any of the Hospice East Bay Assets under (i) any Contract, instrument, indenture, covenant, or understanding to which Hospice East Bay is a party, or (ii) any Order or Law applicable to any of the Hospice East Bay Assets or to which Hospice East Bay is subject; and
- (d) will neither conflict with, nor result in, a material breach or contravention of any agreement, lease, instrument, indenture, covenant, or understanding to which Hospice East Bay is bound or is a party.

4.3 Subsidiaries; Minority Interests.

Except as set forth on Schedule 4.3, Hospice East Bay does not directly or indirectly own any equity, membership or similar interest in, or any interest convertible into or exchangeable or exercisable for any equity, membership or similar interest in, any corporation, partnership, limited liability company, joint venture or other business association or entity other than publicly traded equities or other equity interests held solely for investment. Except as set forth in Schedule 4.3, each interest set forth on Schedule 4.3 is owned by Hospice East Bay free and clear of all Encumbrances except Permitted Encumbrances, is duly authorized, validly existing and non-assessable, and is not subject to any preemptive or subscription rights.

4.4 No Outstanding Rights.

There are no outstanding rights (including any right of first refusal), options, or Contracts giving any Person any current or future right to Hospice East Bay to sell or transfer to such Person or to any third party any interest in Hospice East Bay or any of the Hospice East Bay Assets.

4.5 Title to Assets.

- (a) Schedule 4.5(a) sets forth a materially complete and correct list of the Real Property owned, leased, licensed or operated by Hospice East Bay.
- (b) Hospice East Bay has good and marketable title to, or a valid leasehold interest in, all properties and assets, whether real, personal or mixed, or whether tangible or intangible, used by it, located on its premises, or shown on the Most Recent Balance Sheet, except for properties and assets disposed of in the Ordinary Course of Business for fair market value in arms' length transactions after the date of the Most Recent Balance Sheet.
- (c) The Hospice East Bay Assets (as well as assets leased or licensed by Hospice East Bay) consist of all of the material assets that are necessary to conduct the Business as it is currently conducted.

4.6 Binding Agreement.

This Agreement has been, and each Transaction Document to which Hospice East Bay is (or at the Closing, will become) a party has been, or upon execution thereof will be, duly executed and delivered by Hospice East Bay, and (assuming due authorization, execution, and delivery by Chapters and all other parties thereto) this Agreement and each Transaction Document to which Hospice East Bay is a party constitute legal, valid, and binding obligations of Hospice East Bay enforceable against Hospice East Bay in accordance with the respective terms hereof or thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other Laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity.

4.7 Financial Information.

- (a) Schedule 4.7(a) hereto contains the following financial statements and financial information of Hospice East Bay (collectively, the "Hospice East Bay Historical Financial Information"):
 - (i) the audited consolidated balance sheets, statements of operation, statements of changes in net assets, and statements of cash flow (including the accompanying combining schedules of balance sheet information and statement of operation information) for Hospice East Bay as of and for the 12-month periods ended December 31, 2022 and December 31, 2023; and
 - (ii) the most recent unaudited consolidated balance sheet (including the accompanying consolidating schedules of balance sheet information) and

unaudited consolidating statement of operations (including the accompanying combining schedules of statement of operation information) (the “Most Recent Financial Statements”) prepared in the Ordinary Course of Business for the fiscal period ending on a date which is not more than sixty (60) calendar days prior to the date of this Agreement (the “Most Recent Fiscal Month End”).

For purposes of this Agreement, as of the Closing Date, the term “Hospice East Bay Historical Financial Information” shall include in addition to the above, all financial statements comparable to those referenced in Sections 4.7(a)(i)-(ii) that have been prepared by or on behalf of Hospice East Bay during the period from the Most Recent Fiscal Month End through the Closing Date.

- (b) The Hospice East Bay Historical Financial Information has been prepared in accordance with GAAP throughout the periods covered thereby, applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and present fairly the financial condition of Hospice East Bay as of such dates and the results of operations of Hospice East Bay for such periods (subject, in the case of unaudited financial statements, to normal year-end adjustments, the absence of footnotes or complete footnotes, and to any other adjustments described therein, including any notes thereto, or with respect to pro-forma financial information, subject to the qualifications stated therein).
- (c) Except as otherwise referenced on Schedule 4.7(c), Hospice East Bay has not materially changed any accounting policy or methodology during the periods presented in the Hospice East Bay Historical Financial Information (including accounting policies and methodologies for determining the obsolescence of inventory or in calculating reserves, including reserves for uncollected accounts receivable).
- (d) Hospice East Bay has no Knowledge of any material liabilities or obligations of any nature (whether accrued, absolute, fixed, contingent, liquidated, unliquidated, recorded, unrecorded, or otherwise) that would be required by GAAP to be reflected or reserved against on a consolidated balance sheet (or notes thereto) of Hospice East Bay except for (i) liabilities or obligations with respect to or arising from the Transaction contemplated by this Agreement, (ii) liabilities or obligations that have arisen after the Most Recent Fiscal Month End in the Ordinary Course of Business, or (iii) that would not reasonably be expected to have a Material Adverse Effect.
- (e) Hospice East Bay has no liability (and, to Hospice East Bay’s Knowledge, there is no basis for any action, suit, proceeding, hearing, investigation, charge, complaint, claim, or deemed against any of them giving rise to any liability) with respect to any reimbursements from the Medicare program, the Medicaid program or any other third-party payment claimed or received by Hospice East Bay in excess of the amount permitted by Law, except as and to the extent that such liability for such

Overpayments has already been satisfied or for which adequate provision has been made in the Hospice East Bay Historical Financial Information.

4.8 Material Licenses.

- (a) Schedule 4.8 contains a materially accurate and complete list of all Permits and Approvals owned or held by Hospice East Bay as of the date of this Agreement (the "Material Licenses"). Hospice East Bay has made available to Chapters materially accurate and complete copies of all Material Licenses listed on Schedule 4.8.
- (b) As of the date of this Agreement, the Material Licenses constitute all of the Permits and Approvals that are necessary for Hospice East Bay to own, lease, or operate their properties and assets and to carry on the Business as currently conducted.
- (c) Hospice East Bay is in compliance in all material respects with the terms of such Material Licenses.
- (d) There are no provisions in, or agreements relating to, any Material Licenses that preclude or limit Hospice East Bay from operating the Hospice East Bay Assets and carrying on the Business as currently conducted.
- (e) There is no pending, or to the Knowledge of Hospice East Bay, threatened, Proceeding by or before any Governmental Authority to revoke, cancel, rescind, suspend, restrict, modify, or refuse to renew any such Material Licenses.
- (f) As of the date of this Agreement, Hospice East Bay has not received any written notice or communication from any Governmental Authority, alleging any violation of any Material Licenses other than any surveys or deficiency reports for which Hospice East Bay has submitted a plan of correction that has been accepted or approved by the applicable Governmental Authority. Hospice East Bay has made available to Chapters materially accurate and complete copies of all survey reports, deficiency notices, plans of correction, and related correspondence received by Hospice East Bay in connection with the Material Licenses.

4.9 Accreditation.

Hospice East Bay is accredited by the agencies or organizations listed on Schedule 4.9 hereto.

4.10 Government Program Participation; Reimbursement.

Except as set forth on Schedule 4.10, for the prior three (3) years:

- (a) The Facilities are certified or otherwise qualified for participation in the Government Programs and have current and valid provider agreements with such Programs (the "Program Agreements"). Hospice East Bay has delivered materially accurate and complete copies of all such Program Agreements to Chapters. The Facilities are in compliance in all material respects with the conditions of

participation in the Government Programs and with the terms, conditions, and provisions of the Program Agreements. The Program Agreements are each in full force and effect, and to the Knowledge of Hospice East Bay no events or facts exist that would cause any Program Agreement to be suspended, terminated, restricted, withdrawn, or subjected to an admissions hold or to not remain in force or effect after the Closing.

- (b) Hospice East Bay has received all approvals or qualifications necessary for reimbursement of the Facilities by the Government Programs. All billing practices of Hospice East Bay, including, but not limited to, those pertaining to Government Programs and private insurance companies, have been conducted in compliance with all applicable Laws and the billing guidelines of such third-party payors.
- (c) Hospice East Bay has not received notice of any Proceeding, survey, or other action pending, and to Hospice East Bay's Knowledge, no such Proceeding, survey, or other action is threatened, involving any of the Government Programs or any other third-party payor programs, including the Facilities' participation in and the reimbursement received by Hospice East Bay from the Government Programs or any such program.
- (d) No third-party payor has terminated any contract or arrangement with Hospice East Bay or modified or altered any such contract or arrangement in a manner materially adverse to Hospice East Bay. The consummation of the Transaction contemplated by this Agreement will not result in the termination or material modification or alteration of any contract or arrangement with any third-party payor.
- (e) Schedule 4.10(e) contains a list of all National Provider Identifiers and all provider numbers of Hospice East Bay under the Government Programs, all of which are in full force and effect.

4.11 Third-Party Payor Cost Reports.

Hospice East Bay has timely filed all required cost reports and all such cost reports accurately reflect the information required to be included therein.

4.12 Regulatory Compliance.

Except as set forth on Schedule 4.12, for the prior three (3) years:

- (a) Hospice East Bay has not been convicted of, or, to the Knowledge of Hospice East Bay, charged with, investigated for or engaged in any conduct that would reasonably be expected to constitute, a violation of Law related to the Medicare or other Federal Health Care Program (as defined in 42 U.S.C. § 1320a-7(b)(f)) or any Law related to fraud, theft, embezzlement, breach of fiduciary duty, kickbacks, bribes, other financial misconduct, obstruction of an investigation or controlled substances. To the Knowledge of Hospice East Bay, none of the officers, directors or employees of Hospice East Bay has been convicted of, charged with,

investigated for or engaged in conduct that would reasonably be expected to constitute a violation of any such Laws.

- (b) To the Knowledge of the Hospice East Bay, Hospice East Bay has complied in all material respects with all applicable Healthcare Laws, including, Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395hhh (the Medicare statute), including specifically, the Ethics in Patient Referrals Act, as amended (the "Stark Law"), 42 U.S.C. § 1395nn; Title XIX of the Social Security Act, 42 U.S.C. §§ 1396-1396v (the Medicaid statute); the Federal Health Care Program Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b); the False Claims Act, 31 U.S.C. §§ 3729-3733 (as amended); the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the Anti-Kickback Act of 1986, 41 U.S.C. §§ 8701-8707; the Civil Monetary Penalties Law, 42 U.S.C. §§ 1320a-7a; the Exclusion Laws, 42 U.S.C. § 1320a-7; HIPAA; the HITECH Act, the Controlled Substances Act, 21 U.S.C. §801 et seq.; Information Privacy or Security Laws; and any corresponding state statutes and applicable implementing regulations that address the subject matter of the foregoing.
- (c) Hospice East Bay has not received any written notice or other communication from a Governmental Authority or commercial payor that alleges that Hospice East Bay is not in compliance with any Law, other than statements of deficiencies from a Governmental Authority received in the Ordinary Course of Business.
- (d) To the Knowledge of Hospice East Bay, all of the contracts entered into by Hospice East Bay with physicians, other health care providers, or immediate family members of any physicians or other health care providers or entities in which physicians, other health care providers, or immediate family members of any physicians or other health care providers are equity owners involving services, supplies, payments, or any other type of remuneration, and all of the leases of personal or real property of Hospice East Bay with such physicians, health care providers, immediate family members or entities are in material compliance with all applicable Laws, and when required by such applicable Laws, are in writing, are signed by the appropriate parties, set forth the services to be provided, and provide for fair market value compensation in exchange for such services, space, or goods.
- (e) To the Knowledge of Hospice East Bay, except in compliance with applicable Law, neither Hospice East Bay nor any of its officers, directors or employees is a party to any contract, lease agreement or other arrangement (including any joint venture or consulting agreement) related to Hospice East Bay, or the Hospice East Bay Assets with any physician, physical or occupational therapist, health care facility, hospital, nursing facility, home health agency or other person or entity that is in a position to make or influence referrals to or otherwise generate business for Hospice East Bay.
- (f) To the Knowledge of Hospice East Bay, neither Hospice East Bay nor any of its officers, directors, or managing employees, have engaged in any activities that are prohibited under 42 U.S.C. §§ 1320a-7 et seq., or the regulations promulgated

thereunder, or under any other federal or state statutes or regulations, or which are prohibited by applicable rules of professional conduct.

- (g) Hospice East Bay has conducted its operations in all material respects in accordance with its compliance programs, and Hospice East Bay: (i) has no reporting obligations pursuant to any settlement agreement entered into with any Governmental Authority; (ii) to the Knowledge of Hospice East Bay, has not been the subject of any Government Program investigation conducted by any federal or state enforcement agency (not including routine or random surveys, audits or reviews which do not or reasonably should not be expected to result in findings materially adverse to Hospice East Bay); (iii) has not been a defendant in any qui tam/False Claims Act litigation (other than by reason of a sealed complaint of which Hospice East Bay has no Knowledge); (iv) has not been served with or received any search warrant, subpoena, or civil investigation demand by or from any federal or state enforcement agency (except in connection with medical services provided to third parties who may be defendants or the subject of investigations into conduct unrelated to the Business); and (v) Hospice East Bay is not a party to a corporate integrity agreement with the OIG.

4.13 Information Privacy and Security Compliance.

- (a) To the Knowledge of Hospice East Bay, Hospice East Bay's operations fully comply with HIPAA and the changes thereto imposed by HITECH and is in compliance with all other applicable Information Privacy or Security Laws.
- (b) Hospice East Bay has provided to Chapters materially accurate and complete copies of the compliance policies and/or procedures and privacy notices of Hospice East Bay relating to Information Privacy or Security Laws. To the extent required by Information Privacy or Security Laws, Hospice East Bay provides training to its workforce (as such term is defined in 45 C.F.R. § 160.103) with respect to compliance with Information Privacy or Security Laws.

4.14 Medical Staff Matters.

Hospice East Bay has made available to Chapters materially correct and complete copies of any bylaws and rules and regulations of the medical staff of the Facilities, as well as a materially correct and complete list of all current members of the Facilities' medical staffs. There are no (i) pending or threatened adverse actions with respect to any medical staff member of the Facilities or any applicant thereto, including any adverse actions for which a medical staff member or applicant has requested a judicial review hearing that has not been scheduled or that has been scheduled but has not been completed, (ii) pending or threatened disputes with applicants, staff members or health professional affiliates, and all appeal periods in respect of any medical staff member or applicant against whom an adverse action has been taken have expired, or (iii) medical staff members of the Facilities that have resigned or had their privileges revoked or suspended since the Most Recent Fiscal Month End.

4.15 Intellectual Property.

Except as set forth on Schedule 4.15, for the prior three (3) years:

- (a) Hospice East Bay owns, is licensed or otherwise has the right to use, all Intellectual Property necessary for or material to the conduct of the Business as currently conducted.
- (b) To the Knowledge of Hospice East Bay, Hospice East Bay has not infringed upon or otherwise violated, or is infringing upon or otherwise violating, the Intellectual Property rights of any Person.
- (c) To the Knowledge of Hospice East Bay, no Person or any products or services of any Person is infringing upon or otherwise violating any Intellectual Property rights of East Bay.
- (d) To the Knowledge of Hospice East Bay, there are no royalties, fees or other payments due with respect to any third-party Intellectual Property distributed or used in connection with products or services provided by Hospice East Bay to any Person.
- (e) Hospice East Bay is not, nor will be as a result of the execution and delivery of this Agreement or any of the documents described herein to which Hospice East Bay is (or at the Closing, will become) a party, in material breach of any Contract relating to the Intellectual Property or the Intellectual Property rights of any third party related to any of the Hospice East Bay Assets.
- (f) Hospice East Bay does not own any patents, registered trademarks, registered service marks or registered copyrights related to any of the Hospice East Bay Assets.
- (g) Hospice East Bay has not received written notice of any Proceeding involving a possible infringement or other violation by Hospice East Bay of any Intellectual Property rights by of any Person, and Hospice East Bay has not brought any Proceeding against any Person for infringement of Intellectual Property or breach of any license or Contract involving Intellectual Property.

4.16 Contracts.

- (a) Schedule 4.16 includes a materially complete and accurate description of all Contracts that (i) are entered into by Hospice East Bay with a physician or any other party which to Hospice East Bay's Knowledge is owned in whole or in part by a physician, (ii) contain any restrictive covenant, change of control or other Contract provision that would trigger any modification or termination of the Contract or that require the consent from or notice, to any third party to the Contract as a result of the Transaction, and/or (iii) involve a total financial commitment of more than \$200,000 annually and which cannot be terminated without cause upon less than ninety (90) calendar days' notice, (the Contracts described in Section 4.16(a)(i)-(iii) above are collectively referred to herein as the "Material Contracts"). Schedule

4.16 identifies with respect to each such Material Contract appearing thereon the applicable criteria noted in Section 4.16(a)(i)-(iii) above that requires listing on Schedule 4.16, the date and title of the Material Contract and the parties thereto. Hospice East Bay has delivered or otherwise made available to Chapters materially correct and complete copies of all Material Contracts.

- (b) Each Material Contract is in full force and effect and is a legal, valid and binding agreement of Hospice East Bay and, to the Knowledge of Hospice East Bay, of each other party thereto, enforceable against Hospice East Bay, and, to the Knowledge of Hospice East Bay, against the other party or parties thereto, in each case, in accordance with its terms, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other Laws affecting creditors' rights generally or by general principles of equity, and Hospice East Bay, is not (with or without notice or lapse of time or both) in breach or default thereunder and, to the Knowledge of Hospice East Bay, no other party to any of the Material Contracts is (with or without notice or lapse of time or both) in breach or default thereunder in any material respect.
- (c) Hospice East Bay has not given or received any written notice with respect to any actual, alleged or potential violation, breach or default under or any demand for renegotiation or termination with respect to any Material Contract.
- (d) No Material Contract contains any (i) non-competition restriction, (ii) take-or-pay arrangement, (iii) change of control or similar provision, or (iv) any term that requires the Business to deal exclusively with a particular party with respect to particular goods or services.
- (e) Each Material Contract was entered into in the Ordinary Course of Business and without the commission of any act, or any consideration having been paid or promised, which is or would reasonably be expected to result in a violation of any Law.

4.17 Personal Property.

To the Knowledge of Hospice East Bay, no Person other than Hospice East Bay owns any tangible personal property situated on the Real Property, except for the following all of which is excluded from the Transaction: (a) items leased by Hospice East Bay pursuant to a lease agreement; (b) furniture and equipment owned or leased by third parties leasing space in the Real Property pursuant to a lease agreement; (c) personal property of employees, patients or visitors of Hospice East Bay; and (d) property owned by third parties but in the possession of Hospice East Bay and held on a consignment basis for sale or other disposition.

4.18 Real Property.

- (a) Schedule 4.18(a) sets forth a materially correct and complete list of the addresses of each parcel of Owned Real Property and all such Owned Real Property is owned by Hospice East Bay free and clear of all Encumbrances, except for Permitted Encumbrances.

- (b) Schedule 4.18(b) sets forth a materially correct and complete list of the addresses of all the Leased Real Property and identifies each Tenant Lease under which such Leased Real Property is occupied or used by Hospice East Bay, including the date of, and name of each of the parties to, such Tenant Lease. Hospice East Bay holds good and marketable leasehold title to each parcel of the Leased Real Property.
- (c) Schedule 4.18(c) sets forth a materially correct and complete list of all existing Third Party Leases, including the following information with respect to each: (i) the premises covered; (ii) the date; (iii) the name of the record tenant, licensee or occupant; (iv) the commencement date and; (v) either the expiration date or its status as a month to month tenancy.
- (d) Hospice East Bay has made available to Chapters materially accurate and complete copies of the Tenant Leases and Third Party Leases, in each case as amended or otherwise modified and in effect, together with any extension notices, as applicable.
- (e) Hospice East Bay has not received written notice from any Governmental Authority of (and otherwise has no Knowledge of): (i) any pending or threatened condemnation Proceedings affecting the Owned Real Property, or any part thereof; or (ii) any material violations of any Laws (including zoning and land use ordinances) with respect to the Real Property, or any part thereof, which have not heretofore been cured.
- (f) Except as set forth on Schedule 4.18(f), as of the Closing there will be no incomplete construction projects affecting the Real Property.
- (g) Hospice East Bay is not, nor will become, a Person or entity with whom U.S. persons are restricted from doing business under regulations of the Office of Foreign Asset Control (“OFAC”) of the United States Department of the Treasury (including those named on OFAC’s Specially Designated and Blocked Persons list) or under any statute, executive Order (including Executive Order November 13224 on Terrorism Financing, effective September 24, 2001), or the United and Strengthening America by Providing Tools Required to Intercept and Obstruct Terrorism Act of 2001, H.R. 3162, Public Law 107-56, or any other governmental action. At the Closing, Hospice East Bay shall execute and deliver to Chapters an affidavit certifying that it is not a “blocked person” under Executive Order 13224, the form of which shall be acceptable to Chapters.
- (h) To the Knowledge of Hospice East Bay, all improvements, including all utilities which are a part of the Real Property, have been substantially completed and installed in accordance with the plans and specifications approved by the Governmental Authorities having jurisdiction, to the extent applicable, or to Hospice East Bay’s Knowledge will be completed and installed in accordance with the plans and specifications approved by the Governmental Authorities.
- (i) Except as set forth on Schedule 4.18(i), Hospice East Bay has not received written notice from any Governmental Authority that the improvements which are a part of

the Real Property, as designed and constructed, do not comply with all Laws applicable thereto, including but not limited to the Americans with Disabilities Act, as amended, and Section 504 of the Rehabilitation Act of 1973.

- (j) To the Knowledge of Hospice East Bay, the existing water, sewer, gas and electricity lines, storm sewer and other utility systems on the Real Property are, as of the date hereof, adequate to serve the utility needs of the Real Property. To the Knowledge of Hospice East Bay, all approvals, licenses and permits required for said utilities have been obtained and are in force and effect. All of said utilities are installed and operating, and all installation and connection charges have been paid in full.
- (k) Hospice East Bay has not received written notice from any Governmental Authority that the location, construction, occupancy, operation and use of the Real Property (including the improvements which are a part of the Real Property) violates any applicable Law or determination of any Governmental Authority or any board of fire underwriters (or other body exercising similar functions), judicial precedent or any restrictive covenant or deed restriction (recorded or otherwise) affecting the Real Property or the location, construction, occupancy, operation or use thereof, including, all applicable Laws.

4.19 Insurance.

Schedule 4.19 sets forth a materially correct and complete list and description of all insurance policies or self-insurance funds maintained by Hospice East Bay as of the date of this Agreement covering the Business and the Hospice East Bay Assets, including the following:

- (a) The name of the insurer, the name of the policyholder and the name of each covered insured;
- (b) The policy number and the period of coverage;
- (c) The scope (including an indication of whether the coverage was on a claims made, occurrence or other basis) and amount (including a description of how deductibles and ceilings are calculated and operate) of coverage; and
- (d) A description of any retroactive premium adjustments or other loss-sharing arrangements.

With respect to each such insurance policy: (A) the policy is legal, valid, binding, enforceable and in full force and effect; (B) neither Hospice East Bay, nor any other party to the policy is in breach or default (including with respect to payment or time that would constitute such a breach or default, or permit termination, modification or acceleration, under the policy); and (C) no party to the policy has repudiated any provision thereof. Hospice East Bay has been covered during the past five (5) years by insurance in scope and amount customary and reasonable for the Business. Schedule 4.19 also describes any self-insurance arrangements affecting Hospice East Bay.

4.20 Employee Benefit Plans.

- (a) Hospice East Bay has provided or made available to Chapters copies of each of the following that is sponsored, maintained or contributed to by Hospice East Bay, or any Hospice East Bay ERISA Affiliate, as defined below, for the benefit of the employees of Hospice East Bay:
 - (i) Each "employee benefit plan" for the benefit of the current or former employees of Hospice East Bay, as such term is defined in § 3(3) of ERISA, including employee benefit plans that are not subject to some or all of the provisions of ERISA (each, a "Plan"); and
 - (ii) To the extent applicable to the employees of Hospice East Bay, each material personnel policy, collective bargaining agreement, bonus plan, incentive award, vacation policy, severance pay plan, policy or agreement, deferred compensation agreement, form of consulting agreement, form of employment agreement, dependent care, life insurance program, and each other material employee benefit plan, agreement, arrangement, program, or practice that is not described in Section 4.20(a)(i) (each, a "Benefit Program and Agreement").
- (b) True, correct and complete copies of each of the Plans and Benefit Programs and Agreements, and related trusts, if applicable, including all amendments thereto, have been furnished or made available to Chapters. Hospice East Bay has also furnished or made available to Chapters, with respect to each Plan required to file such report and description, the most recent report on Form 5500 and the summary plan description.
- (c) For purposes of this Agreement, the term "Hospice East Bay ERISA Affiliate" shall mean any person (as defined in § 3(9) of ERISA) that together with Hospice East Bay would be treated as a single employer under § 4001(b) of ERISA, or would be aggregated with Hospice East Bay under § 414(b), (c), (m) or (o) of the Code or Section 4001(b)(1) of ERISA that includes or included the first entity, trade or business, or that is a member of the same "controlled group" as the first entity, trade or business pursuant to Section 4001(a)(14) of ERISA.
- (d) Except as otherwise set forth on Schedule 4.20(d):
 - (i) All obligations, whether arising by operation of law or by contract, required to be performed by Hospice East Bay in connection with the Plans and the Benefit Programs and Agreements have been performed in all material respects;
 - (ii) Hospice East Bay has provided to Chapters a copy of the most recent favorable determination or opinion letter from the Internal Revenue Service for each Plan intended to be qualified under § 401 of the Code. To the Knowledge of Hospice East Bay, since receipt of the most recent favorable determination letters, none of the Plans have been amended or operated in

a way that would reasonably be expected to affect adversely such qualified and exempt status;

- (iii) There are no actions, suits, or claims pending (other than routine claims for benefits) or, to the Knowledge of Hospice East Bay, threatened against, or with respect to, any of the Plans or Benefit Programs and Agreements or their assets, other than with regard to Plans, routine claims for benefits;
 - (iv) All contributions required to be made to the Plans and Benefit Programs and Agreements pursuant to their terms and provisions have been timely made or reserved;
 - (v) As to any Plan subject to Title IV of ERISA ("Title IV Plan"), there has been no event or condition that presents the material risk of any Title IV Plan termination, no funding deficiency, whether or not waived, within the meaning of § 302 of ERISA or §§ 412 and 430 of the Code has been incurred, no reportable event within the meaning of § 4043 of ERISA (for which the disclosure requirements of Regulation §4043.3 promulgated by the Pension Benefit Guaranty Corporation ("PBGC") have not been waived), other than as a result of the Transaction, has occurred, no notice of intent to terminate any Title IV Plan has been given under § 4041 of ERISA, no Proceeding has been instituted under § 4042 of ERISA to terminate any Title IV Plan, no liability to the PBGC has been incurred, and the assets of each Title IV Plan equal or exceed the actuarial present value of the benefit liabilities under the Plan, determined based on the actuarial assumptions set forth in the most recent actuarial valuation performed with respect to such Plan; and, provided further, there is no material risk that Hospice East Bay iate has any liability with respect to any plan subject to Title IV maintained by any former Hospice East Bay ERISA Affiliate (with respect to that period in which such former Hospice East Bay ERISA Affiliate was a Hospice East Bay ERISA Affiliate);
 - (vi) To the Knowledge of Hospice East Bay, there is no matter pending (other than routine qualification determination filings) with respect to any of the Plans or Benefit Programs or Agreements before the Internal Revenue Service, the Department of Labor or the PBGC;
 - (vii) Hospice East Bay has no any liability, contingent or otherwise, relating to a Title IV Plan that is a "multiemployer plan" as defined in § 3(37) and 4001(a) (3) of ERISA; and
 - (viii) Hospice East Bay does not maintain or contribute to any defined benefit pension plan that is not a Title IV Plan.
- (e) Hospice East Bay is not a party to any agreement, nor has any such entity established any policy or practice, requiring it to make a payment or provide any other form of compensation or benefit to any Person performing services for

Hospice East Bay which would not be payable or provided in the absence of the Transaction.

- (f) In connection with the consummation of the Transaction, no payments have or will be made under the Plans or Benefit Programs and Agreements which, in the aggregate, would result in imposition of the sanctions imposed under section 280G, 4999 or 409A of the Code.
- (g) Hospice East Bay does not maintain, contribute to or have any liability under any funded or unfunded medical, health or life insurance plan or arrangement for present or future retirees or future terminated employees for the benefit of the employees of Hospice East Bay, except as required by the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended. Neither Hospice East Bay nor any Hospice East Bay ERISA Affiliate maintains or contributes to a trust, organization or association for the benefit of the employees of Hospice East Bay or any Hospice East Bay ERISA Affiliate described in any of §§ 501(c)(9), 501(c)(17) or 501(c)(20) of the Code.

4.21 Employee Matters.

- (a) Schedule 4.21(a) contains a list of all current employees of Hospice East Bay, their current salary or wage rates, bonus and other compensation, benefit arrangements, accrued paid time off, periods of service, departments and job titles. Schedule 4.21(a) also indicates whether such employees are part-time, full-time, per diem or on a leave of absence and, if so, the type of leave. Hospice East Bay, and each of the Plans have properly classified individuals providing services to Hospice East Bay as independent contractors or employees, as the case may be. All current employees of Hospice East Bay are employees at-will, unless otherwise specified on Schedule 4.21(a). Except as disclosed on Schedule 4.21(a), Hospice East Bay is not a party to any oral (express or implied) or written employment agreement, severance agreement, or retention agreement with any individual.
- (b) Hospice East Bay is not delinquent in payments to any of its employees for any wages, salaries, commissions, bonuses or other direct compensation for any services performed for it or any other amounts required to be reimbursed to such employees (including accrued paid time off and other benefits) or in the payment to the appropriate Governmental Authority of all required Taxes, insurance, social security and withholding thereon, except to the extent that such delinquency in payment would not, individually or in the aggregate, materially and adversely affect Hospice East Bay.
- (c) Except as set forth on Schedule 4.21(c): (i) there is no pending or threatened employee strike, work stoppage or labor dispute at any of the Facilities; (ii) to the Knowledge of Hospice East Bay, no question exists respecting union representation of any employees of Hospice East Bay, no demand has been made for recognition by a labor organization by or with respect to any employees of Hospice East Bay, no union organizing activities by or with respect to employees of Hospice East Bay

are taking place, and no employees of Hospice East Bay are represented by any labor union or organization; (iii) no collective bargaining agreement exists or is currently being negotiated by Hospice East Bay; (iv) there is no unfair labor practice claim against Hospice East Bay before the National Labor Relations Board pending or, to the Knowledge of Hospice East Bay, threatened against or involving the Business; (v) to the Knowledge of Hospice East Bay, Hospice East Bay is in compliance in all material respects with all Laws and Contracts respecting employment and employment practices, labor relations, terms and conditions of employment, and wages and hours; (vi) Hospice East Bay is not engaged in any unfair labor practices; (vii) there are no material pending or, to the Knowledge of Hospice East Bay, threatened complaints or charges before any Governmental Authority regarding employment discrimination, safety or other employment-related charges or complaints, wage and hour claims, unemployment compensation claims or workers' compensation claims; and (viii) except as otherwise expressly provided in this Agreement, Hospice East Bay will not be subject to any claim or liability for severance pay as a result of the consummation of the Transaction. Hospice East Bay has no reason to believe that any Proceedings may be brought or threatened against Hospice East Bay.

4.22 Litigation.

Schedule 4.22 contains a materially correct and complete list and summary description of all ongoing Proceedings with respect to which Hospice East Bay is a party or that relates to Hospice East Bay, the Business or the Hospice East Bay Assets. Except as set forth on Schedule 4.22, for the prior three (3) years Hospice East Bay has not received written notice of any Proceeding by or before any Governmental Authority against or affecting (i) Hospice East Bay, the Business or the Hospice East Bay Assets, (ii) any current or former employee or agent of Hospice East Bay relating to obligations with respect to the Business or Hospice East Bay Assets, or (iii) any current or former medical staff member, supplier or contractor relating to obligations with respect to the Business or Hospice East Bay Assets.

4.23 Tax Matters.

Except as disclosed on Schedule 4.23:

- (a) To the Knowledge of Hospice East Bay, Hospice East Bay (i) is, and has been since the date of its incorporation, an organization exempt from federal income tax under § 501(a) of the Code an organization that is described in § 501(c)(3), (ii) is not, and has not been since the date of its incorporation, a private foundation within the meaning of § 509(a) of the Code because it is an organization described in §§ 509(a)(1), 509(a)(2) or 509(a)(3), and (iii) is in possession of a determination letter from the Internal Revenue Service to such effect, which determination letter has not been revoked or otherwise modified,
- (b) To the Knowledge of Hospice East Bay, Hospice East Bay (i) is in compliance in all material respects with all applicable Laws pertaining to the operation of an organization described in § 501(c)(3) of the Code, as applicable, and (ii) has not

entered into any transaction that would reasonably be expected to constitute an "excess benefit transaction" within the meaning of § 4958 of the Code.

- (c) To the Knowledge of Hospice East Bay, the interests in the Real Property of Hospice East Bay are, and shall be through the Closing Date, exempt from all real and personal property Taxes, sales and use Taxes and there are no municipal assessments on, related to or under consideration for any of the Real Property.
- (d) Hospice East Bay has filed all Tax Returns that it was required to file and has paid all Taxes shown thereon as owing. Except with respect to waivers or extensions that are no longer in force, Hospice East Bay has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency other than ordinary course extensions of time within which to file any Tax Return.
- (e) Hospice East Bay has withheld and paid all material Taxes required to have been withheld and paid by it in connection with amounts paid or owing to any employee, independent contractor, creditor or other third party, and all Internal Revenue Service Forms W-2 and 1099 required with respect thereto have been properly completed and timely filed (taking into account all extensions).
- (f) No Liens for Taxes exist with respect to any of the Hospice East Bay Assets, except for Permitted Encumbrances.
- (g) Hospice East Bay has not received any written notice from any Governmental Authority of deficiency or assessment, or proposed adjustment or assessment, in respect of Taxes of Hospice East Bay. To the Knowledge of Hospice East Bay, there are no pending or threatened Proceedings relating to any liability in respect of Taxes of Hospice East Bay.

4.24 Environmental Matters.

- (a) Except as disclosed on Schedule 4.24, for the prior three (3) years: (i) Hospice East Bay has no Knowledge that Hospice East Bay, the Real Property or any improvements on the Real Property are in violation of any Environmental Laws; (ii) Hospice East Bay has not received any written notice that remains outstanding from a Governmental Authority or any other Person that alleges that Hospice East Bay is in violation of or liable pursuant to applicable Environmental Laws; and (iii) Hospice East Bay has no Knowledge of any facts which would reasonably be expected to form the basis for any such liability.
- (b) Hospice East Bay has been duly issued, and currently has and will maintain through the Closing Date, all material Approvals and Permits required under any Environmental Law with respect to any of the Real Property.
- (c) To the Knowledge of Hospice East Bay, the Real Property contains no underground improvements, including treatment or storage tanks or underground piping associated with such tanks, used currently or in the past for the management of

Hazardous Materials, and Hospice East Bay has not used any portion of the Real Property as a dump or landfill.

- (d) Hospice East Bay will promptly furnish to Chapters written notice of any material Environmental Condition or of any actions or notices described in this Section 4.24 arising or received after the date hereof prior to the Effective Time.

4.25 Tax-Exempt Bond Debt.

- (a) Schedule 4.25 sets forth a materially correct and complete list of all of the Hospice East Bay Tax-Exempt Bonds, including any trust indenture, loan agreement or other agreement entered into in connection with the Hospice East Bay Tax-Exempt Bonds (the "Hospice East Bay Tax-Exempt Bond Documents"). Hospice East Bay has made available to Chapters correct and complete copies of the Hospice East Bay Tax-Exempt Bond Documents.
- (b) Except as set forth on Schedule 4.25, to the Knowledge of Hospice East Bay, Hospice East Bay is not in violation of any of the terms and conditions of any Hospice East Bay Tax-Exempt Bond Documents, and no event or condition exists that constitutes an event of default under any such documents or that with the passing of time or the giving of notice, or both, would constitute an event of default under any such documents.
- (c) Hospice East Bay is not aware of any event or condition, that has occurred or exists that would adversely affect the tax-exempt status under federal law of the interest payable on any Hospice East Bay Tax-Exempt Bonds and no inquiry or notice has been received from the Internal Revenue Service and no Proceeding by or before any Governmental Authority is pending or, to the Knowledge of Hospice East Bay, threatened, which challenges the tax-exempt status under federal law of the interest payable on any Hospice East Bay Tax-Exempt Bonds.
- (d) Any arbitrage rebate payments required to be paid with respect to the Hospice East Bay Tax-Exempt Bonds under § 148(f) of the Code and the Treasury Regulations thereunder have been paid to the United States, in the manner on the dates and in the amounts required by § 148(f) of the Code and the Treasury Regulations thereunder.
- (e) Between the date hereof and the Closing Date, Hospice East Bay will use its commercially reasonable efforts to ensure that Hospice East Bay does not take any action or fail to act if such action or failure to act would reasonably be expected to adversely affect the tax-exempt status under federal law of the interest payable on any Hospice East Bay Tax-Exempt Bonds or would, with the passage of time, reasonably be expected to constitute an event of default with respect to any Hospice East Bay Tax-Exempt Bond Documents. Nothing contained in this subsection will restrict the ability of Hospice East Bay to retire the Hospice East Bay Tax-Exempt Bonds.

- (f) Hospice East Bay has not entered into, and between the date of this Agreement and the Closing, Hospice East Bay will not enter into, any lease, management contract, service agreement, or other similar arrangement with a private entity or person which would be considered a private use of facilities financed with the proceeds of Hospice East Bay Tax-Exempt Bonds if such private use, combined with any other private uses with respect to the Hospice East Bay Tax-Exempt Bonds, would reasonably be expected to cause any Hospice East Bay Tax-Exempt Bonds to cease qualifying for tax-exempt status under Code § 103.

4.26 Other Indebtedness.

- (a) Schedule 4.26 sets forth a materially correct and complete list of all Hospice East Bay Taxable Debt, including any trust indenture, loan agreement or other agreement entered into in connection with Hospice East Bay Taxable Debt (the "Hospice East Bay Taxable Debt Documents"). Hospice East Bay has made available to Chapters correct and complete copies of the Hospice East Bay Taxable Debt Documents.
- (b) Except as set forth as Schedule 4.26, to the Knowledge of Hospice East Bay, Hospice East Bay is not in violation of any of the terms and conditions of any Hospice East Bay Taxable Debt Documents and no event or condition exists that constitutes an event of default under any such documents or that with the passing of time or the giving of notice, or both, would constitute an event of default under any such documents.

4.27 Absence of Changes.

Except as set forth on Schedule 4.27, since July 31, 2024, there has been no:

- (a) Material Adverse Effect;
- (b) material damage, destruction or loss with respect to or affecting any of the Hospice East Bay Assets, whether or not covered by insurance;
- (c) strike, work stoppage, lockout or other significant labor dispute or, to Hospice East Bay's Knowledge, commencement of organization activity with respect to the workforce of Hospice East Bay;
- (d) sale, transfer or other disposal of any of the Hospice East Bay Assets, except in the Ordinary Course of Business;
- (e) Encumbrance imposed on any of the Hospice East Bay Assets, except for Permitted Encumbrances;
- (f) change in any accounting policy or methodology, except as may have been required in accordance with GAAP;

- (g) transaction or other action by Hospice East Bay outside the Ordinary Course of Business or not otherwise permitted by this Agreement; or
- (h) agreement, whether in writing or otherwise, by Hospice East Bay to take any of the actions set forth in this Section 4.27 or not otherwise permitted by this Agreement.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF CHAPTERS

As of the date hereof and as of the Closing Date (except to the extent any of the following refers to any other specific date and subject to Section 12.13 of this Agreement), Chapters represents and warrants to Hospice East Bay, as follows:

5.1 Organization; Capacity.

Chapters is a corporation duly organized, validly existing and with an active status under the laws of the State of Florida. Chapters is qualified to do business under all applicable Laws of any Governmental Authority having jurisdiction over its businesses and to own its properties and conduct its business in the place and manner now conducted. Chapters has the requisite power and authority to enter into this Agreement and the other Transaction Documents to which Chapters is (or at the Closing, will become) a party and to perform its obligations hereunder and thereunder. The execution and delivery by Chapters of this Agreement and documents described herein to which it is (or at the Closing, will become) a party, the performance by Chapters of its obligations under this Agreement and documents described herein to which it is a (or at the Closing, will become) Party and the consummation by Chapters of the Transaction, as applicable, have been, or will be prior to the Closing, duly and validly authorized and approved by all necessary corporate actions on the part of Chapters, none of which actions have been modified or rescinded and all of which actions remain in full force and effect.

5.2 Authority; Noncontravention.

There are no outstanding powers of attorney executed by or on behalf of Chapters. The execution, delivery and performance of this Agreement and each other Transaction Document by Chapters thereto and the consummation by Chapters of the Transaction, as applicable:

- (a) are within Chapters' powers and are not in contravention or violation of the terms of the articles of incorporation or bylaws of Chapters and have been, or will be prior to the Closing, approved by all requisite corporate action;
- (b) except as set forth on Schedule 5.2(b), do not require that Chapters seek or obtain any Approval of, filing or registration with, the issuance of any material Permit by, or give any Notice to, any Governmental Authority;
- (c) assuming the Approvals and Permits set forth on Schedule 5.2(b) are obtained, to the Knowledge of Chapters, will not conflict in any material respect with, or result in any violation of or default under (with or without notice or lapse or both), or give

rise to a right of termination, cancellation, acceleration or augmentation of any obligation or to loss of any material benefit under, (i) any Contract, instrument, indenture, covenant, or understanding to which Chapters is bound or is a party, or (ii) any Order or Law to which Chapters may be subject; and

- (d) to the Knowledge of Chapters, will neither conflict with, nor result in, a material breach or contravention of any agreement, lease, instrument, indenture, covenant, or understanding to which Chapters is bound or is a party.

5.3 Binding Agreement.

This Agreement has been, and each Transaction Document to which Chapters is (or at the Closing, will become) a party has been, or upon execution thereof will be, duly executed and delivered by Chapters and (assuming due authorization, execution, and delivery by Hospice East Bay and all other parties thereto) this Agreement and each Transaction Document to which Chapters is a party constitute legal, valid, and binding obligations of Chapters enforceable against Chapters in accordance with the respective terms hereof and thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other Laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity.

5.4 Financial Information.

- (a) Schedule 5.4(a) hereto contains the following financial statements and financial information of Chapters (the "Chapters Historical Financial Information"):
 - (i) the audited consolidated balance sheets, statements of operation, statements of changes in net assets, and statements of cash flow (including the accompanying consolidating schedules of balance sheet information and statement of operation information) for Chapters as of, and for the twelve-month periods ended December 31, 2023, and December 31, 2022.
 - (ii) the unaudited consolidated balance sheet (including the accompanying consolidating schedules of balance sheet information) and unaudited consolidated statement of operations (including the accompanying consolidating schedules of statement of operation information) prepared in the Ordinary Course of Business for the fiscal period ending on a date which is not more than sixty (60) calendar days prior to the date of this Agreement.
- (b) The consolidated financial statements included in the Chapters Historical Financial Information have been prepared in accordance with GAAP, applied on a consistent basis throughout the periods indicated (subject, in the case of the unaudited Chapters Historical Financial Information, to the absence of notes and normal year-end audit adjustments, the effect of which is not material to Chapters), and are based on the information contained in the books and records of Chapters and its Affiliates. Chapters has not materially changed any accounting policy or methodology during the periods presented in the Chapters Historical Financial Information (including accounting policies and methodologies for determining the obsolescence of

inventory or in calculating reserves, including reserves for uncollected accounts receivable).

5.5 Litigation.

Except as set forth on Schedule 5.5: (i) there is no Proceeding or Order pending or, to the Knowledge of Chapters, threatened against or affecting Chapters before any court or Governmental Authority that has or would reasonably be expected to have a material adverse effect on Chapters' ability to perform this Agreement; and (ii) Chapters is not subject to any Order that would materially and adversely affect the consummation of the Transaction.

5.6 Regulatory Compliance.

Except as set forth on Schedule 5.6, for the prior three (3) years:

- (a) Neither Chapters, nor to Chapters' Knowledge, any of its respective officers, directors or employees, has been convicted of, charged with, investigated for, or has engaged in conduct that would reasonably be expected to constitute, a Medicare or other Federal Health Care Program (as defined in 42 U.S.C. § 1320a-7(b)(f)) related offense or convicted of, charged with, investigated for, or engaged in conduct that would constitute a violation of any Law related to fraud, theft, embezzlement, breach of fiduciary duty, kickbacks, bribes, other financial misconduct, obstruction of an investigation or controlled substances. Neither Chapters, nor to Chapters' Knowledge, any officer, director or employee of Chapters has been excluded from participating in any Government Program, subject to sanction pursuant to 42 U.S.C. § 1320a-7a or § 1320a-8 or been convicted of a crime described at 42 U.S.C. § 1320a-7b, nor are any such exclusions, sanctions or charges threatened or pending.
- (b) Chapters (i) is not a party to a corporate integrity agreement with the OIG; (ii) has no reporting obligations pursuant to any settlement agreement entered into with any Governmental Authority; (iii) has not been formally notified that it is the subject of any Government Program investigation conducted by any federal or state enforcement agency (not including routine or random surveys, audits or reviews which do not or reasonably should not result in findings materially adverse to the relevant Chapters); and (iv) has not been formally notified that it is a defendant in any qui tam/False Claims Act litigation (other than by reason of a sealed complaint of which Chapters may have no Knowledge).
- (c) Except in compliance with applicable Law, neither Chapters, nor to Chapters' Knowledge, any of their officers, directors or employees is a party to any contract, lease agreement or other arrangement (including any joint venture or consulting agreement) related to Chapters with any physician, physical or occupational therapist, health care facility, hospital, nursing facility, home health agency or other person or entity that is in a position to make or influence referrals to or otherwise generate business for Chapters with respect to its assets, to provide services or lease space or equipment.

5.7 Tax Matters.

Except as set forth on Schedule 5.7:

- (a) To the Knowledge of Chapters, Chapters (i) is, and has been since the date of its incorporation, an organization exempt from federal income tax under § 501(a) of the Code as an organization that is described in § 501(c)(3), (ii) is not, and has not been since the date of its incorporation, a private foundation within the meaning of § 509(a) of the Code because it is an organization described in §§ 509(a)(1), 509(a)(2) or 509(a)(3), (iii) is in possession of a determination letter from the Internal Revenue Service to such effect, which determination letter has not been revoked or otherwise modified, (iv) is in compliance in all material respects with all applicable Laws pertaining to the operation of an organization described in § 501(c)(3) of the Code, and (v) has not entered into any transaction that would reasonably be expected to constitute an “excess benefit transaction” within the meaning of § 4958 of the Code.
- (b) Chapters has filed all Tax Returns required to be filed by it. All Taxes due and owing by Chapters (whether or not shown on any Tax Return), have either been paid or are being contested in good faith by appropriate Proceedings for which adequate reserves have been established. Except with respect to waivers or extensions that are no longer in force, Chapters has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency other than ordinary course extensions of time within which to file any Tax Return.
- (c) Chapters has withheld and paid all material Taxes required to have been withheld and paid by it in connection with amounts paid or owing to any employee, independent contractor, creditor or other third party, and all Internal Revenue Service Forms W-2 and 1099 required with respect thereto have been properly completed and timely filed (taking into account all extensions).
- (d) Chapters has not received any written notice from any Governmental Authority of deficiency or assessment, or proposed adjustment or assessment, in respect of Taxes of Chapters. To the Knowledge of Chapters, there are no pending or threatened Proceedings relating to any liability in respect of Taxes of Chapters.

ARTICLE 6

PRE-CLOSING COVENANTS OF THE PARTIES

The covenants of the Parties set forth in this Article 6 shall apply to the period between the date of this Agreement and the Closing.

6.1 Access to Information.

Subject to the terms of the Confidentiality Agreement agreed upon by the Parties, (i) Hospice East Bay shall provide to Chapters and its authorized representatives such reasonable and customary access to and an opportunity to inspect, investigate and review all facilities, books and records of

Hospice East Bay and shall cause the directors, employees, accountants, and other agents and representatives of Hospice East Bay to reasonably cooperate in connection with Chapters' due diligence investigation of Hospice East Bay's assets, contracts, liabilities, operations, records and other aspects of the operations, business and affairs of Hospice East Bay, and (ii) Chapters shall provide to Hospice East Bay and its authorized representatives such reasonable and customary access to and an opportunity to inspect, investigate and review all facilities, books and records of Chapters and shall cause the directors, employees, accountants, and other agents and representatives of Chapters to reasonably cooperate with Hospice East Bay's due diligence investigation of Chapters' assets, contracts, liabilities, operations, records and other aspects of the operations, business and affairs of Chapters. All due diligence will be conducted by each Party in a manner that will not unreasonably interfere with the other Party's ongoing operations.

6.2 Conduct of Business.

From the date hereof until the Effective Time, except in the Ordinary Course of Business and consistent with past practices, or as otherwise approved in writing by Chapters, Hospice East Bay will:

- (a) carry on the Business in substantially the same manner as it has heretofore and not make any material change in operations, finance, accounting policies, or the Hospice East Bay Assets other than in the Ordinary Course of Business;
- (b) not make any change in employees or other personnel (excluding voluntary terminations and retirements) that is at a level of executive vice-president or above;
- (c) maintain the Hospice East Bay Assets and all parts thereof in as good working order and condition as at present, ordinary wear and tear excepted;
- (d) make all normal and planned capital expenditures and other capital expenditures for emergency repairs or replacement;
- (e) perform in all material respects all of its obligations and enforce the performance in all material respects of any party's obligations under the Material Contracts;
- (f) keep in full force and effect present insurance policies or other comparable insurance on the Hospice East Bay Assets;
- (g) use commercially reasonable efforts to maintain and preserve intact its business organizations with respect to the Hospice East Bay Assets, retain its present employees at the Facilities and maintain its relationships with physicians, medical staff, suppliers, customers and others having business relations with the Facilities;
- (h) permit and allow reasonable access by Chapters to physicians, medical staff and others that have business relations with Hospice East Bay;
- (i) use commercially reasonable efforts to correct any requirements for improvement cited by any Governmental Authority or accreditation agency in the most recent surveys conducted by each or develop and timely implement evidence of standards

compliance that is acceptable to any Governmental Authority or accreditation agency;

- (j) comply in all material respects with all Laws applicable to the conduct of the Business;
- (k) continue to collect accounts receivable and pay accounts payable with respect to the Business in the Ordinary Course of Business; and
- (l) comply with all obligations, covenants and requirements set forth in the Hospice East Bay Tax-Exempt Bond Documents and the Hospice East Bay Taxable Debt Documents.

From and after the date of this Agreement, Hospice East Bay shall notify Chapters as and when Hospice East Bay proposes to vary from, or to not take, any action described in subsections (a) through (1) of this Section 6.2 (each, a “Proposed Change Notification”). Thereafter, any such proposed change may be undertaken by Hospice East Bay as permitted by this Section 6.2 including if consented to in writing by Chapters, which consent shall be deemed to have been given if no objection by Chapters is received by Hospice East Bay within three (3) calendar days following the date of Chapters’ receipt of the Proposed Change Notification; for purposes of clarification, Andrew K. Molosky, President and CEO of Chapters and Rhonda White, COO of Chapters, are each independently authorized to approve of such action under the Proposed Change Notification. Each Proposed Change Notification shall be in writing (which may be in the form of email) addressed to Andrew Molosky at MoloskyA@chaptershealth.org and Rhonda White at RWhite@chaptershealth.org and shall identify the proposed change and set forth a description of the proposed change in sufficient detail to allow Chapters to make an informed determination. In the event Hospice East Bay takes an action described in subsections (a) through (1) of this Section 6.2 without first obtaining the consent of Chapters, Chapters shall have the right to terminate this Agreement within ten (10) calendar days after Chapters becomes aware of such action by Hospice East Bay. Under no event will an action of Hospice East Bay described in this Section 6.2 constitute a breach of this Agreement, and Chapters sole remedy shall be to terminate this Agreement during such ten (10) calendar day period.

6.3 Negative Covenants.

From the date hereof to the Effective Time, except in the Ordinary Course of Business, upon the written approval of Chapters (which approval shall not be unreasonably withheld, conditioned or delayed), as may be required by applicable Law, or as contemplated or permitted by this Agreement, Hospice East Bay will not, with respect to the Business or otherwise regarding the Hospice East Bay Assets:

- (a) enter into any Contract (i) that involves direct or indirect payments to or from physicians or, to the Knowledge of Hospice East Bay, other potential sources of referrals (or Persons owned or controlled, in whole or in part, by physicians or, to the Knowledge of Hospice East Bay, potential sources of referrals, including those

in a position to influence referrals) of a base compensation or fee of more than \$100,000 annually (or \$100,000 in the case of a Contract renewal), (ii) that is an employment agreement that commits to the payment of annual base compensation greater than \$100,000 and that is for a term greater than one year (regardless of whether such agreement satisfies the standards described in Section 6.3(a)(i)), (iii) that will restrict the ability of Hospice East Bay to compete in any manner in any geographic area, (iv) that is with a union or other collective bargaining group, or (v) that is with a managed care payor or other third-party payor;

- (b) enter into any other Contract except for Contracts that satisfy each of the following requirements: (i) the Contract does not contain any restrictive covenant, change of control or other Contract provision that would trigger any modification or termination of the Contract or that requires the consent from or notice to any third party to the Contract as a result of the Transaction, and (ii) the Contract does not involve the payment or receipt of more than \$100,000 annually (or \$100,000 in the case of a Contract renewal);
- (c) amend or terminate any Contract that is of the type referenced in either Section 6.3(a) or Section 6.3(b) above;
- (d) materially increase compensation payable to, or to become payable to, or make or agree to make a bonus payment to, any employee, physician, director, or officer or under any consulting or independent contractor Contract, except in the Ordinary Course of Business in accordance with existing personnel policies or as necessary to comply with Contracts that are binding on Hospice East Bay as of the date of this Agreement;
- (e) (i) by action or inaction, abandon, terminate, cancel, forfeit, waive or release any material rights of Hospice East Bay, in whole or in part, with respect to the Hospice East Bay Assets or encumber any of the Hospice East Bay Assets (other than purchase money security interests or vendor financing entered into in the Ordinary Course of Business); (ii) effect any corporate merger, business combination, reorganization or similar transaction or take any other action, corporate or otherwise; or (iii) settle any dispute or threatened dispute with any Governmental Authority regarding the Hospice East Bay Assets in a manner that materially and adversely affects the Business;
- (f) except for an emergency capital expenditure, make any material unbudgeted capital expenditure commitment for additions to property, plant, equipment, intangible or capital assets or for any other purpose, other than for emergency repairs or replacement;
- (g) fail to maintain the books, accounts and records of Hospice East Bay in accordance with GAAP consistently applied;

- (h) amend the Articles of Incorporation, Bylaws or other comparable charter or organizational documents of Hospice East Bay, except as required by this Agreement;
- (i) adopt or amend any new or existing Plans of Hospice East Bay (other than such routine amendments as may be necessary for regulatory compliance);
- (j) apply for or become subject to the appointment of a receiver, trustee or liquidator, make an assignment for benefit of its creditors, admit in writing its inability to pay its debts as they become due, or file a voluntary petition in any court of competent jurisdiction seeking protection from creditors or declaring itself insolvent and unable to meet its obligations when due;
- (k) incur any unbudgeted long-term indebtedness;
- (l) alter title to the Owned Real Property as it exists on the date of this Agreement, between the date of this Agreement and Closing; or
- (m) sell, assign or otherwise transfer any lease of the Leased Real Property or enter into any sublease, license or occupancy agreement with respect to all or any portion of the Leased Real Property.

6.4 Notification of Certain Matters.

- (a) From the date hereof to the Effective Time, Hospice East Bay shall give prompt written notice to Chapters of (i) the occurrence, or failure to occur, of any event that causes any representation or warranty of Hospice East Bay contained in this Agreement to be untrue in any material respect, and (ii) any failure of Hospice East Bay to comply with or satisfy, in any material respect, any covenant, condition or agreement to be complied with or satisfied by it under this Agreement.
- (b) From the date hereof to the Closing Date, Chapters shall give prompt notice to Hospice East Bay of (i) the occurrence, or failure to occur, of any event that causes any representation or warranty of Chapters contained in this Agreement to be untrue in any material respect, and (ii) any failure of Chapters to comply with or satisfy, in any material respect, any covenant, condition or agreement to be complied with or satisfied by it under this Agreement. Such notice shall provide a reasonably detailed description of the relevant circumstances, based on facts known to Chapters.

6.5 Restrictive Contracts.

- (a) With regard to any Material Contract that contains a restrictive covenant, change of control or other Material Contract provision that would trigger a modification or termination of the Material Contract or that requires consent from or notice to any third party to the Material Contract as a result of the Transaction, Hospice East Bay shall be responsible for and shall use its commercially reasonable efforts to obtain all such consents and provide all such notices. If any such consent cannot be

obtained despite such commercially reasonable best efforts, Hospice East Bay shall upon the reasonable request of Chapters cooperate in any reasonable arrangement designed to preserve benefits under any such Material Contract, including enforcement of any and all rights of Hospice East Bay against the other party or parties thereto arising out of the breach or cancellation by such other party or otherwise.

- (b) Anything contained in this Agreement to the contrary notwithstanding, this Agreement shall not be deemed to constitute an agreement that would restrict the actions, purchasing power or options, or other contracting rights of Chapters or its Affiliates with respect to any entity, facility, business or operations other than Hospice East Bay and the Hospice East Bay Assets. If a Contract contains such a restriction, Hospice East Bay shall reasonably cooperate in any reasonable arrangement designed to preserve benefits under any such Contract without the application of such restrictions or limitations to Chapters or its Affiliates.

6.6 Approvals.

Between the date hereof and the Closing Date, Hospice East Bay and Chapters shall use their respective commercially reasonable best efforts to obtain all Approvals and Permits and deliver all Notices necessary for the completion of the Transaction and the operation of the Business following the Closing. Chapters and Hospice East Bay agree to reasonably cooperate with each other and to provide such information and communications to each other or to any Governmental Authority as may be reasonably requested by one another or any Governmental Authority in order to obtain the Approvals and Permits and deliver the Notices contemplated above or as otherwise necessary to consummate the Transaction. Subject to any limitations required by applicable Law, Chapters and Hospice East Bay will, and will cause their respective counsel to, supply to each other copies of all material correspondence, filings or written communications by such Party with any Governmental Authority or staff members thereof, with respect to the Transaction.

6.7 Additional Financial Information.

Within thirty (30) days following the end of each calendar month prior to the Closing Date, Hospice East Bay will deliver to Chapters, copies of the unaudited consolidated balance sheets and the related unaudited combined income statements relating to the Business for each month then ended. Within ten (10) days of receipt, Hospice East Bay will deliver to Chapters for fiscal years ending prior to the Closing Date audited consolidated balance sheets, statements of operation, statements of changes in net assets, and statements of cash flow (including the accompanying consolidating schedules of balance sheet information and statement of operation information). Such financial statements shall have been prepared from and in accordance with Hospice East Bay's books and records, shall be true, correct and complete in all material respects and fairly present the financial position and results of operations of the Business as of the date and for the period indicated, and shall be prepared in accordance with GAAP, consistently applied, except that in the case of the unaudited monthly statements, such financial statements need not include required footnote disclosures, nor reflect normal year-end adjustments or adjustments that may be required as a result of the Transaction.

6.8 Closing Conditions.

Between the date of this Agreement and the Effective Time, Hospice East Bay and Chapters will use their commercially reasonable efforts (unless another standard is provided for herein) to cause the conditions specified in ARTICLE 8 and ARTICLE 9 hereof over which Hospice East Bay and Chapters, respectively, have control, including the receipt of all required Approvals and Permits set forth on Schedules 8.4 and 9.4, to be satisfied as soon as reasonably practicable, but in all events on or before the Effective Time.

ARTICLE 7 POST-CLOSING COVENANTS OF THE PARTIES

The covenants of the Parties set forth in this Article 7 shall apply to the period that commences on the Effective Time.

7.1 Employees.

- (a) Subject only to Chapters standard hiring practices and policies, Chapters shall offer employment to all of Hospice East Bay's employees who are employed and in good standing as of the Closing. All such employees will continue to be employed for an interim period of at least twelve (12) weeks after the Closing (except for any such employees who voluntarily resign). Subject to Section 7.1(c), for a period of fifty-two (52) weeks commencing with the date of this Agreement, all regular full-time and part-time non-exempt and exempt salaried employees of Hospice East Bay as of the Closing Date will in the event of termination of employment, other than termination due to performance or a voluntary termination, be eligible to receive severance benefits described as follows: (i) regular full-time and part-time non-management employees (excluding temporary or "PRN" employees), three (3) months; (ii) manager level employees, four (4) months; (iii) director level employees, six (6) months; and (iv) vice-president level employees, eight (8) months. Temporary or "PRN" employees will not be eligible for severance benefits. Any severance benefits potentially payable under this Section 7.1(a) to a Hospice East Bay employee will not be impacted by any post-Closing change in title or income level, nor will any such severance benefits become payable or adjusted solely because a Hospice East Bay managerial employee becomes employed by Chapters or a pre-Closing Chapters Affiliate (in which case severance benefits will be paid only if the managerial employee's position with Chapters or such pre-Closing Chapters Affiliate is eliminated). Eligibility of each manager, director and vice president level employee to potentially receive the severance benefits provided for in this Section 7.1(a) will be conditioned upon Chapters and Hospice East Bay receiving from such Hospice East Bay employee prior to the payment of any severance a duly executed and effective separation and release agreement in a form mutually acceptable to Chapters and Hospice East Bay in which such employee agrees to keep the terms associated with their severance benefits confidential and to fully release Hospice East Bay and Chapters from any and all liabilities and obligations upon the payment of severance benefits to which such employee may become entitled. Any severance benefits to be paid to

employees of Hospice East Bay pursuant to this Section 7.1(a) will be paid out of Hospice East Bay's pre-Closing assets. In anticipation of potentially paying the severance benefits described in this Section 7.1(a), Hospice East Bay will prior to the Closing reserve on its financial statements the following amounts: (a) five percent (5%) of the maximum potential aggregate amount of severance benefits that could become due and payable to Hospice East Bay's regular full-time and part-time non-management employees; and (b) fifty percent (50%) of the maximum potential aggregate amount of severance benefits that could become due and payable to Hospice East Bay's manager level, director level and vice-president level employees. Hospice East Bay's managerial employees that remain in good standing will continue to participate in any existing Hospice East Bay bonus incentive plan that may exist for 2024 and any bonus earned for 2024 will be paid in accordance with the terms of that plan. Commencing with calendar year 2025, Hospice East Bay's executive employees will participate in Chapters' bonus incentive plan and any bonuses that are paid will be in accordance with such plan.

- (b) Attached as Schedule 7.1(b) is a list of all employment agreements, severance agreements and plans, retention agreements, and plans, and all other similar agreements and plans of every kind and nature that create outstanding obligations owed by Hospice East Bay to any employee or former employee of Hospice East Bay.
- (c) Notwithstanding anything to the contrary, those employees represented by the National Union for Health Care Workers or any other labor union or organization shall receive the compensation, benefits, and other protections, including without limitation any severance benefits, as contemplated under the applicable collective bargaining agreement or similar agreement, if any. If no such collective bargaining agreement or similar agreement exists as of the Closing, then such employees represented by the National Union for Health Care Workers or any other labor union or organization shall be eligible for the severance benefits described in Section 7.1(a) until a collective bargaining agreement or similar agreement takes effect.

7.2 Restricted Funds.

Chapters and Hospice East Bay will continue to be bound by and honor the terms of all endowments and/or donor-restricted funds, and the beneficial interests of the Parties in any gifts or bequests shall continue. Future contributions to each of the Parties, whether under will, deed of trust or otherwise, shall be treated as contributions to the named Party.

7.3 Restrictions on Use of Hospice East Bay Assets; Maintenance of Specialty Programs.

After the Effective Time all assets of Hospice East Bay will continue to be used for qualifying healthcare and charitable purposes. All assets on Hospice East Bay's balance sheet as of the Closing and any proceeds from the sale of any real property or health facility owned by Hospice East Bay as of the Closing net of any gains or losses on invested assets, including, without limitation (i) that certain real property located at 3470 Buskirk Avenue, Pleasant Hill, California 94523 and (ii) the Bruns House inpatient hospice facility located at 2849 Miranda Avenue, Alamo,

California 94507, will, unless otherwise decided by vote of the Hospice East Bay board (excluding board members who are also Chapters officers or employees), be irrevocably dedicated to use in the Service Area. A copy of Hospice East Bay's balance sheet as of the Closing will be attached hereto and made a part hereof as Schedule 7.3. For five (5) years after the Closing, Chapters shall not take any action to restrict, prohibit or limit Hospice East Bay's ability to maintain existing "specialty" programs that include the Bruns House, Veterans Program, Bridge Program (grief services for children and teens) and Music Therapy as long as any operating losses from those programs can be funded through a combination of Hospice East Bay's fundraising efforts and non-reserved investments.

7.4 Local Fundraising; Charitable Contributions.

To the extent that after the Effective Time Hospice East Bay engages in retail thrift store operations designed to support local programs, or local fundraising or receives charitable contributions or grants, the net income of all such efforts will, unless otherwise decided by vote of the Hospice East Bay board (excluding board members who are also Chapters officers or employees), be irrevocably dedicated for use in the Service Area.

7.5 Access to Information.

The Parties acknowledge that, subsequent to the Effective Time, Chapters and Hospice East Bay may need access to information and documents in the control or possession of the other for purposes of completing the Transaction, audit preparation, compliance with Laws and other legitimate business purposes. The Parties agree that they will provide such information and documents in their possession or control to the other Parties, their attorneys and independent auditors as shall be reasonably necessary or appropriate for the purposes described in this Section 7.3, subject to all applicable Laws, specifically including the Laws pertaining to antitrust and competition.

ARTICLE 8 **CONDITIONS PRECEDENT TO OBLIGATIONS OF CHAPTERS**

The obligations of Chapters hereunder are subject to the satisfaction, on or prior to the Closing Date, of the following conditions unless waived in writing by Chapters:

8.1 Representations and Warranties.

The representations and warranties of Hospice East Bay contained in this Agreement and in any document, instrument or certificate delivered hereunder shall be true and correct in all material respects at and as of the date of this Agreement and on the Closing Date with the same force and effect as if made as of the Closing (except to the extent expressly made as of an earlier date, in which case as of such earlier date).

8.2 Performance.

Hospice East Bay shall have performed and complied, in all material respects, with all agreements, obligations and covenants contained in this Agreement that are required to be performed or complied with by Hospice East Bay at or prior to the Closing.

8.3 No Material Adverse Effect.

No Material Adverse Effect shall have occurred.

8.4 Pre-Closing Confirmations by Governmental Authorities.

Chapters shall have obtained documentation or other evidence reasonably satisfactory to Chapters that the Parties have received all those Approvals and Permits set forth on Schedule 8.4.

8.5 Action/Proceeding.

No court or any other Governmental Authority shall have issued an Order restraining or prohibiting the Transaction (that, if not permanent, has not been lifted or vacated or otherwise is no longer in effect); no Governmental Authority shall have commenced or threatened in writing to commence any Proceeding before any court of competent jurisdiction or other Governmental Authority that seeks to restrain or prohibit the consummation of the Transaction or otherwise seeks a remedy which would reasonably be expected to materially and adversely affect the operation of the Business; and none of the Justice Department, FTC, California Attorney General, California Department of Public Health, or California Office of Health Care Affordability shall have requested, orally or in writing, that Chapters delay, postpone or forebear from the Closing.

8.6 Closing Documents.

Hospice East Bay shall have executed and delivered to Chapters all of the documents and other items required to be delivered by Hospice East Bay as contemplated by Section 3.2 or otherwise pursuant to any term or provision of this Agreement.

8.7 Post-Closing Compliance with Laws and Regulations.

Chapters shall have received such reasonable assurances as it determines to be reasonably necessary to confirm that the Transaction described in this Agreement and the post-Closing operations and affairs of Chapters and Hospice East Bay will comply with all applicable Laws, including those relating to antitrust and competition, and that all other outstanding substantive and regulatory issues have been resolved to the satisfaction of Chapters.

8.8 Tax-Exempt Status of Hospice East Bay.

Chapters shall have received such reasonable assurances as it deems reasonably necessary to confirm that, since the date of this Agreement, (i) no changes in Law shall have occurred and (ii) no changes in facts and circumstances (excluding these that were either reasonably foreseeable or caused by or within the control of Chapters) shall have transpired, that in either case cause the

Code § 501(c)(3) federal income tax-exempt status of Hospice East Bay to be placed in jeopardy by the Closing of the Transaction.

8.9 Completion of Due Diligence.

Chapters shall have completed such due diligence of Hospice East Bay, and the Hospice East Bay Assets as it deems appropriate and shall be satisfied with the results thereof in its sole discretion.

8.10 Approvals.

All actions to be taken by Hospice East Bay in connection with the execution, delivery, and performance of this Agreement and the ancillary documents, the consummation of the Transaction contemplated hereby or thereby, and all consents, certificates, documents, instruments, agreements and government approvals required to effect the Transaction contemplated hereby or thereby shall be reasonably satisfactory in form and substance to Chapters.

8.11 Schedules, Exhibits, Attachments, and Ancillary Documents.

The Schedules delivered by Hospice East Bay shall be complete to the reasonable satisfaction of Chapters and all Exhibits, attachments, and ancillary documents shall be in the form and substance reasonably satisfactory to Chapters.

8.12 Further Assurances.

Chapters shall have received such consents, certificates, documents, instruments, and agreements as may reasonably be required by it to carry out and consummate the Transaction contemplated hereby and to evidence the fulfillment of the agreements herein contained and the performance of all the conditions to the consummation of the Transaction.

ARTICLE 9

CONDITIONS PRECEDENT TO OBLIGATIONS OF HOSPICE EAST BAY

The obligations of Hospice East Bay hereunder are subject to the satisfaction, on or prior to the Closing Date, of the following conditions unless waived in writing by Hospice East Bay:

9.1 Representations and Warranties.

The representations and warranties of Chapters contained in this Agreement and in any document, instrument or certificate delivered hereunder shall be true and correct in all material respects at and as of the date of this Agreement and on the Closing Date with the same force and effect as if made as of the Closing (except to the extent expressly made as of an earlier date, in which case as of such earlier date).

9.2 Performance.

Chapters shall have performed and complied, in all material respects, with all agreements, obligations and covenants contained in this Agreement that are required to be performed or complied with by Chapters at or prior to the Closing.

9.3 No Material Adverse Effect.

No Material Adverse Effect shall have occurred.

9.4 Pre-Closing Confirmations by Governmental Authorities.

Hospice East Bay shall have obtained documentation or other evidence reasonably satisfactory to Hospice East Bay that the Parties have received such Approvals and Permits as set forth on Schedule 9.4.

9.5 Action/Proceeding.

No court or any other Governmental Authority shall have issued an Order restraining or prohibiting the Transaction (that, if not permanent, has not been lifted or vacated or otherwise is no longer in effect); no Governmental Authority shall have commenced or threatened in writing to commence any Proceeding before any court of competent jurisdiction or other Governmental Authority that seeks to restrain or prohibit the consummation of the Transaction or otherwise seeks a remedy which would reasonably be expected to materially and adversely affect the operation of the Business; and none of the Justice Department, FTC, California Attorney General, or California Department of Public Health, or California Office of Health Care Affordability shall have requested, orally or in writing, that Hospice East Bay delay, postpone or forebear from the Closing.

9.6 Closing Documents.

Chapters shall have executed and delivered to Hospice East Bay all of the documents and other items required to be delivered by Chapters as contemplated by Section 3.3 or otherwise pursuant to any term or provision of this Agreement.

9.7 Post-Closing Compliance with Laws and Regulations.

Hospice East Bay shall have received such reasonable assurances as it determines to be reasonably necessary to confirm that the Transaction described in the Agreement and the post-Closing operations and affairs of Chapters and Hospice East Bay will comply with all applicable Laws, including those relating to antitrust and competition, and that all other outstanding substantive and regulatory issues have been resolved to the satisfaction of Hospice East Bay.

9.8 Tax-Exempt Status of Chapters.

Hospice East Bay shall have received such reasonable assurances as it deems reasonably necessary to confirm that, since the date of this Agreement, (i) no changes in Law shall have occurred and (ii) no changes in facts and circumstances (excluding those that were either reasonably foreseeable or caused by or within the control of Hospice East Bay) shall have

transpired, that in either case cause the Code § 501(c)(3) federal income tax-exempt status of Chapters, to be placed in jeopardy by the Closing of the Transaction.

9.9 Completion of Due Diligence.

Hospice East Bay shall have completed such due diligence of Chapters as Hospice East Bay deems appropriate and shall be satisfied with the results thereof in its sole discretion.

9.10 Approvals.

All actions to be taken by Chapters in connection with the execution, delivery, and performance of this Agreement and the ancillary documents, the consummation of the Transaction contemplated hereby or thereby, and all consents, certificates, documents, instruments, agreements and governmental approvals required to effect the Transaction contemplated hereby or thereby shall be reasonably satisfactory in form and substance to Hospice East Bay.

9.11 Schedules, Exhibits, Attachments, and Ancillary Documents.

The Schedules delivered by Chapters shall be complete to the reasonable satisfaction of Hospice East Bay and all Exhibits, attachments, and ancillary documents shall be in the form and substance reasonably satisfactory to Hospice East Bay.

9.12 Chapters West.

Hospice East Bay shall have received such evidence as it deems reasonably satisfactory to confirm that (i) at least two (2) independent not for profit hospice organizations in addition to Hospice East Bay have entered into binding affiliation agreements to affiliate with Chapters and participate in Chapters West and (ii) if such affiliation transactions have not closed by the Closing Date, Chapters has no Knowledge of any violation, breach, default or other condition related to such affiliation agreements that could reasonably be expected to result in a failure to close the transactions contemplated by such affiliation agreements.

9.13 Further Assurances.

Hospice East Bay shall have received such consents, certificates, documents, instruments and agreements as may reasonably be required by it to carry out and consummate the Transaction contemplated hereby and to evidence the fulfillment of the agreements herein contained and the performance of all of the conditions to the consummation of such Transaction.

ARTICLE 10

TERMINATION

10.1 Termination Prior to Closing.

This Agreement may be terminated and the Transaction may be abandoned at any time prior to the Closing only as follows:

- (a) by mutual consent in writing of Chapters and Hospice East Bay;
- (b) by Hospice East Bay, if Chapters breaches in any material respect any of the representations, warranties, covenants or other agreements of Chapters contained in this Agreement, which breach has not been waived in writing or cannot be or has not been cured within thirty (30) calendar days after the giving of written notice by Hospice East Bay to Chapters specifying such breach;
- (c) by Chapters, if Hospice East Bay breaches in any material respect any of the representations, warranties, covenants or other agreements of Hospice East Bay contained in this Agreement, which breach has not been waived in writing or cannot be or has not been cured within thirty (30) calendar days after the giving of written notice by Chapters to Hospice East Bay specifying such breach;
- (d) by Chapters or Hospice East Bay, if any court or any other Governmental Entity issues an order restraining or prohibiting such Party from consummating the Transaction and such order becomes final and non-appealable;
- (e) by Hospice East Bay, if satisfaction of any of the conditions in ARTICLE 9 is or becomes impossible and Hospice East Bay has not waived such condition in writing; provided that in each case the failure to satisfy the applicable condition or conditions has occurred by reason other than (A) through the failure of Hospice East Bay to comply with its obligations under this Agreement, or (B) Chapters' failure to provide its closing deliveries on the Closing Date is as a result of Hospice East Bay not being ready, willing and able to close the Transaction on the Closing Date;
- (f) by Chapters, if satisfaction of any of the conditions in ARTICLE 8 is or becomes impossible and Chapters has not waived such condition in writing; provided that in each case the failure to satisfy the applicable condition or conditions has occurred by reason other than (A) through the failure of Chapters to comply with their obligations under this Agreement, or (B) Hospice East Bay's failure to provide its closing deliveries on the Closing Date is as a result of Chapters not being ready, willing and able to close the Transaction on the Closing Date; or
- (g) by either Chapters or Hospice East Bay, if the Closing has not occurred (other than through the failure of any Party seeking to terminate this Agreement to comply in all material respects with its obligations under this Agreement) on or before December 31, 2024, or such other date as mutually agreed in writing by the Parties.

10.2 Effect of Termination Prior to Closing.

In the event that this Agreement is terminated by either Chapters or Hospice East Bay pursuant to Section 10.1, this Agreement shall forthwith become void and have no effect, and all rights and obligations of the Parties under this Agreement shall terminate, without any liability or obligation of any Party to any other Party of any nature or kind whatsoever (whether at law or in equity or otherwise), except that the provisions of this ARTICLE 10, ARTICLE 11 and Section 12.6 shall survive such termination, and nothing contained in this Agreement shall relieve any Party hereto from liability for damages resulting from any failure to perform any of its covenants or obligations set forth in this Agreement.

ARTICLE 11 **ADDITIONAL AGREEMENTS**

11.1 Exclusivity.

During the period from the date of this Agreement to the earlier of (i) the Closing Date or (ii) the date on which discussions with respect to a potential Transaction have been terminated by either Party pursuant to Section 10.1 and any applicable cure periods have expired:

- (a) Hospice East Bay will not (i) offer for lease, sale, divestiture or other disposition its assets and operations (or any material portion thereof), or any ownership or membership interest in Hospice East Bay; (ii) solicit offers to lease, sell, divest or otherwise dispose of its assets and operations (or any material portion thereof), or any ownership or membership interest in Hospice East Bay; (iii) hold discussions with any party (other than Chapters) looking toward any such transaction, offer or solicitation such as those referenced in subsections (i) and (ii) above; (iv) enter into any agreement with any party (other than Chapters) with respect to the lease, sale, divestiture or other disposition of its assets and operations (or any material portion thereof) or with respect to any ownership or membership interest in Hospice East Bay, or with respect to any merger, consolidation or other fundamental transaction, or (v) furnish or cause to be furnished any information with respect to Hospice East Bay, its assets or operations to any party that Hospice East Bay knows or has reason to believe is in the process of considering any such acquisition, lease, sale, membership substitution, merger, consolidation or other transaction. Hospice East Bay shall immediately cease and cause to be terminated any existing discussions or negotiations with any third parties conducted heretofore with regard to any of the foregoing.
- (b) Chapters, solely with respect to any transaction involving hospice services in the Counties of Contra Costa, Alameda or Solano in the State of California, will not (A) hold discussions with any other party (other than Hospice East Bay) looking toward any transaction, offer or solicitation such as the types of transactions referenced in subsections (i) and (ii) of the preceding sentence; (B) enter into any agreement with any party (other than Hospice East Bay) with respect to the lease, sale, divestiture or other disposition of its assets and operations (or any material portion thereof) or with respect to any ownership or membership interest in any

entity, or with respect to any merger, consolidation or other fundamental transaction, or (C) furnish or cause to be furnished any information with respect to Chapters, its assets or operations to any party that Chapters knows or has reason to believe is in the process of considering any such acquisition, lease, sale, membership substitution, merger, consolidation or other transaction. Chapters shall immediately cease and cause to be terminated any existing discussions or negotiations with any third parties conducted heretofore with respect to any of the foregoing.

11.2 Confidentiality.

Each Party agrees to remain subject to and bound by the terms of that certain mutual non-disclosure agreement dated as of March 1, 2024 (the "Confidentiality Agreement"), which is incorporated by reference into this Agreement, until the Closing; provided, however, that if this Agreement is terminated pursuant to Section 10.1 herein, the Confidentiality Agreement shall survive any such termination and shall continue in full force and effect thereafter in accordance with its terms, conditions, and other provisions with the exception of any exclusive dealing covenants which shall be deemed terminated and no longer of any force or effect. Neither Party will make any public disclosure or issue any press releases pertaining to the existence or terms and conditions of this Agreement or the Transaction between the Parties without having first obtained the written consent of the other Party, except for communications with governmental or regulatory agencies as may be legally required, necessary or appropriate solely with respect to the Transaction, and which are not inconsistent with the prompt consummation of a Transaction as contemplated by this Agreement. Neither Party will encourage any third party to make any public comment concerning the Transaction. All public communications regarding the Transaction will be made only in accordance with a mutually agreed upon communication plan. The Parties will coordinate with one another as to any communications to their respective employees and medical staff, as applicable, relating to the Transaction prior to the communication of the same.

11.3 Enforcement of Agreement.

- (a) To the extent that a dispute develops with regard to the Agreement and does not implicate issues related to compliance with law or concerns regarding patient safety or clinical care standards, the Parties agree that prior to filing a suit in court either Party may initiate arbitration by providing notice to the other Party (an "Arbitration Notice"), which shall specify the issues to be resolved in such arbitration. Unless otherwise agreed by the Parties, the arbitration will be before a single mutually acceptable independent, impartial and conflicts-free arbitrator selected in accordance with Rule 3.2 of the AHILA Rules of Procedure for Commercial Arbitration. The arbitration hearing will be conducted in the Service Area on a date that is no more than forty-five (45) calendar days after the selection of the arbitrator.
- (b) The arbitration process shall include a pre-hearing exchange of exhibits and summary of witness testimony upon which each Party is relying, proposed rulings and remedies on each issue, and a brief in support of each Party's proposed rules and remedies not to exceed twenty (20) pages in length. The pre-hearing exchange must be completed no later than ten (10) calendar days prior to the hearing date.

Any disputes relating to the pre-hearing exchange shall be resolved by the arbitrator. The arbitration shall be a "baseball style" arbitration by which the arbitrator shall not be required to adopt in its entirety the proposed ruling and remedy of one of the Parties on each disputed issue but may adopt one Party's proposed rulings and remedies on some issues and the other Party's proposed rulings and remedies on other issues. The arbitrator shall not have the power to commit errors of law or decline to enforce the terms of this Agreement. The arbitrator shall rule within fourteen (14) calendar days following the hearing and shall issue a written opinion sufficient to clearly inform the Parties of the arbitrator's decision.

- (c) The arbitrator shall be paid a reasonable fee plus expenses. Such fee and expenses, along with the AHILA's fees and the reasonable legal fees and the expenses of the prevailing Party (including all expert witness fees and expenses), the fees and expenses of a court reporter, and any expenses for a hearing room, shall be paid as follows: (i) if the arbitrator rules in favor of one Party on all disputed issues in the arbitration, the losing Party shall pay one hundred percent (100%) of all such fees and expenses; (ii) if the arbitrator rules in favor of one Party on some issues and the other Party on the other issues, the arbitrator shall issue with the rulings a written determination as to how such fees and expenses shall be allocated between the Parties. The arbitrator shall allocate fees and expenses in a way that bears a reasonable relationship to the outcome of the arbitration, with the Party prevailing on more issues, or on issues of greater value or gravity, recovering a relatively larger share of its legal fees and expenses.
- (d) The Parties agree that the Hospice East Bay board (excluding board members who are also Chapters officers or employees) may by majority vote authorize and direct Hospice East Bay to initiate arbitration proceedings in accordance with this Section 11.3.

11.4 Injunctive Relief.

- (a) Chapters agrees that Hospice East Bay would be damaged irreparably in the event that Chapters breaches any of the provisions of this Agreement or fails to perform such provisions in accordance with their specific terms. Accordingly, Chapters agrees that Hospice East Bay shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any state thereof, or in any arbitration, having jurisdiction over the Parties and the matter, in addition to any other remedy to which it may be entitled, at law or in equity.
- (b) Hospice East Bay agrees that Chapters would be damaged irreparably in the event that Hospice East Bay breaches any of the provisions of this Agreement or fails to perform such provisions in accordance with their specific terms. Accordingly, Hospice East Bay agrees that Chapters shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action

instituted in any court of the United States or any state thereof, or in any arbitration, having jurisdiction over the Parties and the matter, in addition to any other remedy to which it may be entitled, at law or in equity.

ARTICLE 12
GENERAL

12.1 Notice.

Any notice, demand or communication required, permitted, or desired to be given under this Agreement (“Notice”) shall be deemed effectively given (a) when personally delivered (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by email (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next business day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications, must be sent to the respective Parties at the following addresses (or at such other address as shall be specified in a Notice given in accordance with this Section 12.1):

If to Chapters:	Chapters Health System, Inc. 12470 Telecom Drive, Suite 300 West Temple Terrace, FL 33637 Attention: Andrew K. Molosky, President & CEO Email: moloskya@chaptershealth.org
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with copy to (which shall not constitute notice):	Buchanan Ingersoll & Rooney PC 401 E. Jackson Street, Suite 2400 Tampa, FL 33602 Attention: Dale S. Webber, Esquire Email: dale.webber@bipc.com
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If to Hospice East Bay:	East Bay Integrated Care, Inc. d/b/a Hospice East Bay 3470 Buskirk Avenue Pleasant Hill, CA 94523 Attention: Bill Musick, Interim President & CEO
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with a copy to: (which shall not constitute notice):	Hooper, Lundy & Bookman, P.C. 1875 Century Park East, Suite 1600 Los Angeles, CA 90067 Attention: Robert F. Miller, Esquire Email: rmiller@hooperlundy.com
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12.2 Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement, binding on all of the Parties hereto. One or more of such counterparts may be delivered via facsimile, email or other electronic format, and the Parties intend that they shall have the same legal force and effect as an original counterpart hereof.

12.3 Choice of Law; Waiver of Trial by Jury; Venue; Limitation on Damages.

- (a) The Parties agree that this Agreement shall be governed by and construed in accordance with the laws of the State of California without giving effect to any choice or conflicts of law provision or rule thereof (whether of the State of California or any other jurisdiction). Any legal proceeding, action or suit arising out of or related to the Transaction may be instituted in the federal courts of the United States of America located in the Northern District of California or the courts of the State of California located in the County of Contra Costa, and each Party irrevocably submits to the exclusive jurisdiction of such courts in any such proceeding, action or suit.
- (b) EACH PARTY ABSOLUTELY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHTS TO TRIAL BY JURY IN CONNECTION WITH ANY PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTION.
- (c) NOTWITHSTANDING ANYTHING TO THE CONTRARY ELSEWHERE IN THIS AGREEMENT, NO PARTY TO THIS AGREEMENT (OR ANY OF ITS AFFILIATES) SHALL, IN ANY EVENT, BE LIABLE TO THE OTHER PARTIES (OR ANY OF THEIR AFFILIATES) FOR SPECIAL, CONSEQUENTIAL, PUNITIVE, EXEMPLARY, INCIDENTAL OR INDIRECT DAMAGES, COSTS, EXPENSES, CHARGES OR CLAIMS.

12.4 Benefit; Assignment.

Subject to any specific provisions of this Agreement to the contrary, this Agreement is not assignable by any Party hereto without the prior written consent of the other Party.

12.5 Reproduction of Documents.

This Agreement and all documents relating hereto, including (a) consents, waivers and modifications which may hereafter be executed, (b) the documents delivered at the Closing, and (c) certificates and other information previously or hereafter furnished by one Party to the others, may, subject to the provisions of Section 11.2 hereof, be reproduced by any photographic, photostatic, microfilm, photographic or other similar process. Hospice East Bay and Chapters agree and stipulate that any such reproduction shall be admissible in evidence as the original itself

in any judicial, arbitral or administrative Proceeding (whether or not the original is in existence) and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

12.6 Costs of Transaction.

Except as otherwise provided herein, the Parties agree as follows:

- (a) whether or not the Transaction shall be consummated, Hospice East Bay will pay the fees, expenses and disbursements of Hospice East Bay and its agents, representatives, accountants, and counsel incurred in connection with the Transaction or this Agreement; and
- (b) whether or not the Transaction shall be consummated, Chapters will pay the fees, expenses and disbursements of Chapters and its agents, representatives, accountants, and counsel incurred in connection with the Transaction or this Agreement.

12.7 Waiver of Breach.

No waiver by any Party of any provision of this Agreement or any breach or violation of any provision of this Agreement, whether intentional or not, shall be valid unless the same shall be in writing and signed by the Party making such waiver. The waiver by any Party of any breach or violation of any provision of this Agreement shall not operate as, or be construed to constitute, a waiver of any subsequent breach of the same or other provision hereof.

12.8 Severability.

In the event any provision of this Agreement is held to be invalid, illegal or unenforceable for any reason and in any respect, such invalidity, illegality, or unenforceability shall in no event affect, prejudice or disturb the validity of the remainder of this Agreement, unless doing so would result in an interpretation of this Agreement that is manifestly unjust.

12.9 No Inferences.

Inasmuch as this Agreement is the result of negotiations between sophisticated Parties of equal bargaining power represented by counsel, no inference in favor of, or against, either Party shall be drawn from the fact that any portion of this Agreement has been drafted by or on behalf of such Party.

12.10 Sections and Headings.

The division of this Agreement into sections and subsections and the use of captions and headings in connection therewith are solely for convenience and shall have no legal effect in construing the provisions of this Agreement.

12.11 No Third-Party Beneficiaries.

The terms and provisions of this Agreement are intended solely for the benefit of Chapters and Hospice East Bay 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.

12.12 Entire Agreement; Amendment.

Except for the Confidentiality Agreement, this Agreement (together with the Schedules and Exhibits attached hereto) constitutes the entire agreement of the Parties with respect to the subject matter hereof, and supersedes all prior or contemporaneous statements, communications, disclosures, failures to disclose, agreements, understandings, representations, warranties, promises, or covenants, whether oral, written, or otherwise, between or among the Parties with respect to such subject matter hereof other than those expressly set forth in this Agreement and the Confidentiality Agreement, as applicable. No modification or amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by all of the Parties.

12.13 Schedules and Exhibits.

Schedules and Exhibits referred to in this Agreement shall be attached hereto and incorporated herein by reference. Notwithstanding any other provision hereof, should any Schedule or Exhibit not be completed and attached hereto as of the date hereof, Chapters and Hospice East Bay shall promptly and in good faith prepare and finalize such Schedule and Exhibit as soon as reasonably practical, but no later than ten (10) calendar days prior to the Closing. The Parties shall also have the right to modify their respective Schedules and Exhibits after being submitted to the reviewing Party, provided that any such update shall be provided to the reviewing Party at least ten (10) calendar days prior to the Closing. In the event that any Schedule or Exhibit, or updated Schedule or Exhibit materially changes the terms of the Transaction, the reviewing Party may terminate this Agreement by giving written notice thereof to the other Party within five (5) calendar days after such reviewing Party has received any such Schedule or Exhibit. If such reviewing Party does not terminate this Agreement in accordance with the provisions of this Section 12.13 after such reviewing Party has received any such Schedule or Exhibit, such reviewing Party shall have been deemed to have accepted such Schedule or Exhibit, and any representation or warranty to which it relates shall be deemed qualified and amended to include the matters contained in such Schedule or Exhibit, and to have cured any misrepresentation or breach thereof that otherwise might have existed or occurred hereunder or thereunder or in respect thereof. All Schedules and Exhibits and updated Schedules and Exhibits to be provided pursuant to this Section 12.13 shall be submitted to the reviewing Party in accordance with the notice provisions set forth in Section 12.1 of this Agreement. Nothing in this Section 12.13 is intended as a waiver of either Party's conditions precedent to Closing under ARTICLE 8 or ARTICLE 9, respectively.

12.14 Further Assurances.

On and after the Closing Date, Chapters and Hospice East Bay will take all appropriate action and execute all documents, instruments or conveyances of any kind which may be reasonably necessary or advisable to carry out the terms and conditions of this Agreement.

12.15 Waiver of Certain Damages.

In no event shall any Party be entitled to recover or make a claim under this Agreement for any amounts in respect of, and in no event shall any damages, liabilities, costs, expenses, losses, or other adverse consequences be deemed to include, (a) punitive damages (unless payable to a third party), (b) consequential, incidental, special, or indirect damages, or (c) lost profits, loss of future revenue or income, or any diminution of value or similar damages based on "multiple of profits" or "multiple of cash flow" or other valuation methodology, whether or not such damages were reasonably foreseeable or the Parties contemplated that such damages would be a probable result of a breach of this Agreement.

12.16 Survival.

None of the representations and warranties in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time. No Party shall have any liability (whether in contract or in tort or otherwise) from and after the Effective Time arising out of or relating to any representation or warranty of such Party contained herein or in any instrument delivered pursuant hereto; and, from and after the Effective Time, each Party hereby waives, to the fullest extent permitted by Law, any and all claims, rights or remedies such Party may have (whether at law or in equity or otherwise) against another Party arising out of or relating to any breach or misrepresentation by such other Party of any its representations or warranties in this Agreement or in any instrument delivered pursuant to this Agreement. This Section 12.16 shall not limit any covenant or agreement of the Parties which by its terms contemplates performance after the Effective Time.

[Remainder of Page Intentionally Left Blank]

[Signatures on the Following Page]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their authorized officers, all as of the date and year first above written.

CHAPTERS:

**CHAPTERS HEALTH SYSTEM, INC., a
Florida not for profit corporation**

DocuSigned by:
By: 
302F93DDE0A2...

Name:
Andrew K. Molosky

Title:
President and CEO

HOSPICE EAST BAY:

**EAST BAY INTEGRATED CARE, INC.
d/b/a HOSPICE EAST BAY, a California
nonprofit public benefit corporation**

DocuSigned by:

ABA1E4EA46C948E...

Name:
Bill Musick

Title:
Interim CEO

Certificate Of Completion

Envelope Id: 908EF55A1D2E4CF79B5B3D07994F239C
 Subject: Complete with DocuSign: Chapters Hospice East Bay Affiliation Agreement
 Source Envelope:
 Document Pages: 66
 Certificate Pages: 5
 AutoNav: Enabled
 EnvelopeId Stamping: Enabled
 Time Zone: (UTC-05:00) Eastern Time (US & Canada)

Status: Completed

Envelope Originator:
 Kelly Hahn
 kelly.hahn@bipc.com
 IP Address: 170.55.152.10

Record Tracking

Status: Original
 10/2/2024 10:16:04 AM


Holder: Kelly Hahn
 kelly.hahn@bipc.com

Location: DocuSign

Signer Events

Andrew K. Molosky
 Molosky@chaptershealth.org
 President and CEO
 Security Level: Email, Account Authentication
 (None)

Signature


DocuSigned by:

 Signature Adoption: Pre-selected Style
 Using IP Address: 163.116.250.48

Timestamp

Sent: 10/2/2024 10:26:36 AM
 Viewed: 10/2/2024 11:07:14 AM
 Signed: 10/2/2024 11:07:31 AM

Electronic Record and Signature Disclosure:
 Accepted: 10/2/2024 11:07:14 AM
 ID: 1f75bab7-f4e4-452e-aeb1-d71a280494c2

Bill Musick
 billm@hospiceeastbay.org
 Interim CEO
 Hospice East Bay
 Security Level: Email, Account Authentication
 (None)

DocuSigned by:

 Signature Adoption: Pre-selected Style
 Using IP Address: 12.172.78.2

Sent: 10/2/2024 10:26:36 AM
 Viewed: 10/3/2024 4:05:26 PM
 Signed: 10/4/2024 11:21:22 AM

Electronic Record and Signature Disclosure:
 Accepted: 10/3/2024 4:05:26 PM
 ID: 71287e2e-f7b9-41e4-b79c-5f35e0ab0079

In Person Signer Events**Signature****Timestamp****Editor Delivery Events****Status****Timestamp****Agent Delivery Events****Status****Timestamp****Intermediary Delivery Events****Status****Timestamp****Certified Delivery Events****Status****Timestamp****Carbon Copy Events****Status****Timestamp**

Dale Webber
 Dale.webber@bipc.com
 Security Level: Email, Account Authentication
 (None)

COPIED

Sent: 10/4/2024 11:21:23 AM
 Viewed: 10/4/2024 3:06:31 PM

Electronic Record and Signature Disclosure:
 Not Offered via DocuSign

Witness Events**Signature****Timestamp**

Notary Events	Signature	Timestamp
Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	10/2/2024 10:26:37 AM
Certified Delivered	Security Checked	10/3/2024 4:05:26 PM
Signing Complete	Security Checked	10/4/2024 11:21:22 AM
Completed	Security Checked	10/4/2024 11:21:23 AM
Payment Events	Status	Timestamps
Electronic Record and Signature Disclosure		

**DISCLOSURE SCHEDULES TO
AFFILIATION AGREEMENT**

by and between

CHAPTERS HEALTH SYSTEM, INC.,

and

**EAST BAY INTEGRATED CARE, INC.,
d/b/a HOSPICE EAST BAY**

September [●], 2024

THESE DISCLOSURE SCHEDULES (these “**Disclosure Schedules**”) have been prepared in connection with the execution and delivery of the Affiliation Agreement, dated as of September [●], 2024 (the “**Agreement**”), by and between Chapters Health System, Inc., a Florida not for profit corporation (“**Chapters**”) and East Bay Integrated Care, Inc. d/b/a Hospice East Bay, a California nonprofit public benefit corporation (“**Hospice East Bay**”). Chapters and Hospice East Bay are sometimes referred to individually in these Disclosure Schedules as a “**Party**” and collectively as the “**Parties**.” Capitalized terms used but not otherwise defined in these Disclosure Schedules have the respective meanings assigned to them in the Agreement.

These Disclosure Schedules are arranged according to the numbered sections contained in the Agreement, and the disclosure in any section of these Disclosure Schedules shall qualify (a) the corresponding section of the Agreement and (b) all other sections of the Agreement to which such disclosure may apply, so long as application to such section is reasonably apparent from such disclosure.

Nothing in these Disclosure Schedules constitutes an admission of any liability or obligation of either Party to any third party, nor an admission of any liability or obligation to any third party against the interests of either Party. In disclosing this information, the Parties do not waive any attorney-client privilege associated with any such information or any protection afforded by the “work product doctrine” with respect to any of the matters disclosed or discussed in these Disclosure Schedules.

Headings have been inserted on Sections of these Disclosure Schedules for the convenience of reference only and shall not affect the construction or interpretation of any of the provisions of the Agreement or these Disclosure Schedules. Any attachments to these Disclosure Schedules shall be deemed incorporated by reference into these Disclosure Schedules in their entirety.

Schedule 1.1

Permitted Liens

None.

Schedule 4.2(b)

Hospice East Bay Approvals and Permits

Notice or approval of the following agencies is expected to be required for this transaction:

- Change of ownership filings with the California Department of Public Health and the Centers for Medicare and Medicaid Services.
- Waiver or approval by California Attorney General
- Material change transaction filing with the California Office of Health Care Affordability
- Notice to Community Health Accreditation Partner

Schedules 4.2(c) and 4.2(d)

Hospice East Bay Exceptions to Noncontravention

None

Schedule 4.3

Subsidiaries; Minority Interests

None

Schedule 4.4

No Outstanding Rights

None

Schedule 4.5**Title to Assets**Owned Property:

- The office located at 3470 Buskirk Avenue, Pleasant Hill, CA 94523.
- The hospice inpatient facility located at 2849 Miranda Avenue, Alamo, CA 94507.

Leased Property:

1.	8th Amendment to Lease Premises: 444&442 Diablo Road (3700 SF) Dated: August 2, 2000 Signed: June 21, 2022 Green Valley Shopping Center Limited, a California Partnership ("Landlord") Hospice of East Bay ("Tenant")
2.	Standard Shopping Center Lease Premises: Green Valley Shopping Center, 444 Diablo Road, Danville, CA 94526 Green Valley Shopping Center, LTD ("Landlord") Hospice of Contra Costa Foundation ("Tenant")
3.	First Amendment to Lease (relative to Landlord's and Tenant's Work) Premises: Unit 1536, 1536-1560 Newell Avenue, Walnut Creek, California 94596 Dated: November 1, 2023 El Pinal Associates Newell, LLC ("Landlord") East Bay Integrated Care, Inc. ("Tenant")
4.	Lease Premises: Unit 1536, 1536-1560 Newell Avenue, Walnut Creek, California 94596 (3896 SF) Pro rata share: 18.9642% Dated: October 9, 2023 El Pinal Associates Newell, LLC ("Landlord") East Bay Integrated Care, Inc. ("Tenant")
5.	Morello/Martinez Shopping Center Lease Premises: 550 Morello Avenue, Suite A (4750 SF) Tenant's proportionate share shall be 55% Dated: September 28, 2012
6.	General Lease Triple Net Premises: 3162 Danville, Blvd., Suite A, Alamo, CA (2010 SF) Dated: December 1, 2005 The Lineweaver Trust ("Landlord") Hospice of Contra Costa Foundation ("Tenant")

7.	First Addendum to Lease Dated December 1, 2005 Dated: March 16, 2010 The Lineweaver Trust ("Landlord") Hospice of Contra Costa Foundation ("Tenant")
8.	Amendment to Lease Dated: August 10, 1998 Premises: Property #1155 – 5350 Clayton Road, Concord, CA Dated: March 25, 2013 *A copy of a letter dated November 28, 2007 extending the Term of the Lease until August 31, 2013 was attached. Kin Properties, Inc. ("Landlord") Hospice Foundation of the East Bay formerly known as Hospice of Contra Costa, Inc. ("Tenant")
9.	Air Commercial Real Estate Association Standard Industrial/ Commercial Multi-Tenant Lease – Gross Premises: 2355 Whitman Road, Suite C, Concord, CA 94518 2765 SF Pro rata share: 7.3% Dated: March 5, 2014 Hofmann Plastering Company ("Lessor") East Bay Integrated Care, Inc. ("Lessee")
10.	Office Lease Bay Center Offices Emeryville, CA Premises: Suite 265, consisting of the 2nd floor of the Building 2,200 SF. Pro rata share 1.81% Dated: April 24, 2020 Bay Center Investor LLC ("Landlord") East Bay Integrated Care, Inc. ("Tenant")
11.	First Amendment and Extension of Lease Premises: 2,550 square feet of floor space located at 959 Contra Costa Blvd. Dated: December 20, 2021 Marie Gomes Farms, Inc. ("Landlord") East Bay Integrated Care, Inc. dba Hospice of the East Bay ("Tenant")
12.	Retail Lease Agreement Premises: 2,550 square feet of floor space located at 959 Contra Costa Blvd. (Casa Del Sol Shopping Center) Pro rata share: 11.9% Dated: January 13, 2017 Marie Gomes Farms, Inc. ("Landlord") East Bay Integrated Care, Inc. dba Hospice of the East Bay ("Tenant")

Schedule 4.7

Financial Information

(i)

East Bay Integrated Care, Inc. Balance Sheets December 31, 2023 and 2022		
	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,980,962	\$ 2,814,765
Patient accounts receivable, net	4,559,962	4,210,407
Interest and dividends receivable	114,784	119,451
Prepaid expenses and other	607,697	470,627
Total current assets	8,263,405	7,615,250
Noncurrent Assets		
Beneficial interest in charitable trust	208,013	169,460
Investments	27,605,464	25,854,128
Property and equipment, net	7,124,993	7,364,542
Right of use assets - operating	2,097,652	2,172,761
Deposits	308,124	221,832
Total noncurrent assets	37,344,246	35,782,723
Total assets	\$ 45,607,651	\$ 43,397,973

East Bay Integrated Care, Inc. Balance Sheets December 31, 2023 and 2022		
	2023	2022
Liabilities and Net Assets		
Current Liabilities		
Line of credit	\$ -	\$ 338,508
Accounts payable	727,729	720,801
Accrued expenses	1,636,514	1,807,546
Funds held for others	4,851	5,078
Operating lease liability	632,804	703,555
Total current liabilities	3,001,898	3,575,488
Noncurrent Liabilities		
Operating lease liability, net of current portion	1,493,486	1,493,648
Total liabilities	4,495,384	5,069,136
Net Assets		
Without donor restrictions	39,459,039	36,737,660
With donor restrictions	1,653,228	1,591,177
Total net assets	41,112,267	38,328,837
Total liabilities and net assets	\$ 45,607,651	\$ 43,397,973

East Bay Integrated Care, Inc. Statements of Operations Years Ended December 31, 2023 and 2022		
	2023	2022
Revenue, Gains, and Other Support Without Donor Restrictions		
Patient service revenue	\$ 27,745,652	\$ 28,777,320
Retail revenue	3,188,288	3,242,546
Special events, net	156,452	176,983
Other income	152	42
Net assets released from restriction for operations	311,049	246,040
Total revenues, gains, and other support	31,401,593	32,442,931
Expenses		
Salaries and benefits	22,817,805	23,781,514
Contract labor and services	2,442,545	2,473,099
Occupancy	2,170,873	2,204,635
Medical supplies and equipment	1,211,893	1,404,104
Other expenses	887,489	845,827
Pharmacy, therapies, hospital and laboratory	794,631	824,570
Professional fees	959,269	556,401
Depreciation	604,512	553,140
Inpatient facility	251,535	242,834
Patient related transportation	228,052	268,350
General liability insurance	291,725	233,367
Printing and office supplies	159,969	183,106
Education	58,568	123,070
Total expenses	32,878,866	33,694,017
Operating Loss	(1,477,273)	(1,251,086)
Other Income (Expense)		
Rental income	17,971	63,029
Investment income (loss)	3,346,371	(2,316,909)
Unrestricted contributions and grants	834,310	1,050,147
Total other income, net	4,198,652	(1,203,733)
Revenues in Excess of (Less Than) Expenses and Change in Net Assets Without Donor Restrictions	\$ 2,721,379	\$ (2,454,819)

East Bay Integrated Care, Inc. Statements of Changes in Net Assets Years Ended December 31, 2023 and 2022		
	2023	2022
Net Assets Without Donor Restrictions		
Revenues in excess of (less than) expenses and change in net assets without donor restrictions	\$ 2,721,379	\$ (2,454,819)
Net Assets With Donor Restrictions		
Contributions restricted by donors	291,405	188,023
Change in beneficial interest in charitable trust	38,553	(41,667)
Investment income (loss)	43,142	(36,020)
Net assets released from restrictions	(311,049)	(246,040)
Change in net assets with donor restrictions	62,051	(135,704)
Change in Net Assets	2,783,430	(2,590,523)
Net Assets, Beginning of Year	38,328,837	40,919,360
Net Assets, End of Year	\$ 41,112,267	\$ 38,328,837

East Bay Integrated Care, Inc.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	\$ 2,783,430	\$ (2,590,523)
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized (gain) loss on investments	(2,504,662)	3,119,161
Depreciation	604,512	553,140
Gain on disposal of capital asset	(823)	-
Change in beneficial interest of charitable trust	(38,553)	41,667
Changes in assets and liabilities		
Patient accounts receivable, net	(349,555)	(709,362)
Interest and dividends receivable	4,667	(19,715)
Contributions receivable	-	100,000
Prepaid expenses and other	(137,070)	25,469
Deposits	(86,292)	25,533
Accounts payable	6,928	50,808
Accrued expenses	(171,032)	(120,870)
Funds held for others	(227)	(976)
Operating lease assets and liabilities	4,196	24,442
Unearned revenue	-	(21,874)
Net Cash from Operating Activities	<u>115,519</u>	<u>476,900</u>
Investing Activities		
Purchases of investments	(11,051,880)	(8,982,839)
Donated securities	(54,245)	(75,134)
Proceeds from sales of investments	11,859,451	6,387,799
Purchases of property and equipment	(390,865)	(767,589)
Proceeds from sales of property and equipment	<u>26,725</u>	<u>-</u>
Net Cash from (used for) Investing Activities	<u>389,186</u>	<u>(3,437,763)</u>
Financing Activity		
Increase (decrease) in line of credit	<u>(338,508)</u>	<u>338,508</u>
Net Change in Cash and Cash Equivalents	166,197	(2,622,355)
Cash and Cash Equivalents, Beginning of Year	<u>2,814,765</u>	<u>5,437,120</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,980,962</u>	<u>\$ 2,814,765</u>
Supplemental Disclosure of Non-cash Investing and Financing Activity		
Lease liabilities arising from obtaining right of use assets	<u>\$ 83,246</u>	<u>\$ -</u>

4.7(c) N/A

Schedule 4.8

Material Licenses

AGENCY	TYPE OF LICENSE / PERMIT	ENTITY HOLDING LICENSE	LICENSE NUMBER	EFFECTIVE DATE	EXPIRATION DATE
State of California Department of Public Health	Hospice Facility Bed Classification / Services / Stations "6 Hospice"	East Bay Integrated Care, Inc. - Bruns House 2849 Miranda Avenue Alamo, CA 94507-1443	020000650	03/25/2024	03/24/2025
State of California Department of Public Health	Hospice Approved Services: Palliative Care - Pilot	Hospice of the East Bay 3470 Buskirk Avenue Pleasant Hill, CA 94523- 4316 Approved Other Hospice Locations Hospice of the East Bay 6425 Christie Avenue, Suite 265 Emeryville, CA 94608	070000568	11/01/2022	10/31/2024
State of California Department of Public Health	Hospice	Hospice of the East Bay 3470 Buskirk Avenue Pleasant Hill, CA 94523- 4316 Approved Other Hospice Locations Hospice of the East Bay 6425 Christie Avenue, Suite 265 Emeryville, CA 94608	070000568	11/01/2022	10/31/2024
City of Emeryville	Administration Office	East Bay Integrated Care, Inc. 6425 Christie Ave. Suite 265 Emeryville, CA	18800062	01/01/2024	12/31/2024
City of Walnut Creek	Miscellaneous- Retail	The Hospice Shoppe - Walnut Creek 1345 Newell Ave. A Walnut Creek, CA 94596- 5317	16501257	07/01/2024	06/30/2025
City of Concord	Business license	Hospice Of The East Bay 5350 Clayton Rd. Concord, CA 94521-3205	98044478	8/31/2024	09/30/2025
Town of Danville	Retail	East Bay Integrated Care, Inc.	000057	07/01/2024	06/30/2025

		444 Diablo Rd. Danville, CA 94526-3503			
City of Martinez	Exempt-Non profit Activities	East Bay Integrated Care Inc. 550 Morello Ave. Martinez, CA 94553-6870	02503707	01/01/2024	12/31/2024
City of Pleasant Hill	8091 Health 7 Allied Services	Hospice of The East Bay 3470 Buskirk Ave. Pleasant Hill, CA 94523	35117	01/01/2024	12/31/2024

Schedule 4.9**Accreditation**

AGENCY	TYPE OF LICENSE / PERMIT	ENTITY HOLDING LICENSE	LICENSE NUMBER	EFFECTIVE DATE	EXPIRATION DATE
Community Health Accreditation Partner	Full Accreditation Hospice and Palliative Care Certification	<p>East Bay Integrated Care, Inc. dba Hospice of the East Bay 3470 Buskirk Avenue Pleasant Hill, CA 94523</p> <p>Bruns House (IPU) 2849 Miranda Avenue Alamo, CA 94507</p> <p>East Bay Integrated Care Inc. 6425 Christy Avenue, Suite 265 Emeryville, CA 94608</p>	<p>CCN/PTAN: 05-1547</p> <p>Customer ID 2011430</p>	10/18/2022	10/18/2025

Schedule 4.10

Government Program Participation; Reimbursement

(c) HEB received notice of a RAC audit in 2024. The details are below:

ADR Set	Number of Claims Requested	Initial Financial Risk	Current Status	Current Denial Financial Loss
RAC Audit	1	\$10,510	Approved	0
RAC Audit	2	\$39,182	Approved	0
RAC Audit	3	\$5,114	Pending	\$865

(e)

East Bay Integrated Care, Inc. d/b/a Hospice of the East Bay Home Health: 1205946555
East Bay Integrated Care, Inc. d/b/a Hospice of the East Bay Internal Medicine: 1659769826

Schedule 4.12**Hospice East Bay Regulatory Compliance***(a)*

HEB has been going through a Targeted Probe and Educate (TPE) review. The details are below:

ADR Set	Number of Claims Requested	Initial Financial Risk	Current Appeal Stage	Current Denial Financial Loss
NGS TPE, Round 1	25	\$193,592	Completed	\$33,814.
NGS TPE, Round 2	20	\$166,295	Completed	\$41,633
NGS TPE, Round 3	20	\$169,300	Pending ALJ submission	\$34,737
Noridian Audit	98	\$703,000	ALJ Submission	\$311,461

Schedule 4.13

Information Privacy and Security Compliance

None

Schedule 4.14

Medical Staff Matters

None

Schedule 4.15

Intellectual Property

None

Schedule 4.16

Material Contracts

#	Name / Type Agreement / Date	Parties	Notice Address	Applicable subsections of Section 4.16(a)
1.	Pharmacy Services Agreement (Exclusive Provider) Dated: November 25, 2019	Enclara Pharmacia, Inc. ("Enclara") Hospice of the East Bay ("Hospice")	Enclara Pharmacia, Inc. 1601 Cherry Street Suite 1800 Philadelphia, PA 19102 Attn: Andrew Horowitz, CEO With a copy to the Legal Department	(ii & iii)
2.	Horizon Oxygen and Medical Equipment Inc. Contract Amendment #1 Dated: September 1, 2023	Horizon Oxygen and Medical Equipment, Inc. ("Provider") East Bay Integrated Care, Inc. dba Hospice of the East Bay ("Hospice")	---	(ii & iii)
3.	Business Associate Agreement Dated: May 6, 2021	East Bay Integrated Care, Inc. dba Hospice of the East Bay ("Covered Entity") Medline Industries, Inc. ("Business Associate")	---	(ii & iii)
4.	John Muir Health Family Medicine Residency Program Independent Educational Sites – Program Letter of Agreement (uploaded twice to data room) Dated: December 11, 2017	John Muir Health ("JMH") East Bay Integrated Care, Inc. dba Hospice of the East Bay ("HEB")	---	(ii)
5.	Chief Medical Officer / Medical Director Services Agreement Dated: June 2, 2023	East Bay Integrated Care, Inc. dba Hospice of the East Bay and Palliative Care of the East Bay ("Hospice") Mina Chang, MD ("CMO")	Mina Chang, MD 222 Overhill Road Orinda, CA 94563	(iii)
6.	Provider Agreement • Dated: May 31, 2017	East Bay Integrated Care, Inc. dba Hospice of the East Bay ("Provider") Aetna Health of California Inc. and Aetna Health Management, LLC ("Company")	Aetna Regional Network Contracting and Operations, F953 2850 Shadelands Drive, Suite 200 Walnut Creek, CA 94598	(ii & iii)

7.	First Amendment to Medical Services Agreement between Alameda Alliance for Health and Hospice of the East Bay (to amend the Services to include Outpatient Adult Palliative Care Services to Medi-Cal Members)	Hospice of the East Bay ("HEB") Alameda Alliance for Health ("Alameda")	---	(ii & iii)
8.	Anthem Blue Cross Medi-Cal Management Care Program Ancillary Provider Agreement Location: Hospice of the East Bay 3470 Buskirk Avenue Pleasant Hill, CA 94523 Dated: February 18, 2019	Medicaid Division of Blue Cross of California dba Anthem Blue Cross ("Anthem") East Bay Integrated Care, Inc. ("Provider")	Blue Cross of California Dba Anthem Blue Cross 2221 Edward Holland Drive Richmond, VA 23230	(ii & iii)
9.	Anthem Blue Cross Facility Agreement with East Bay Integrated Care, Inc. Location: Hospice of the East Bay 3470 Buskirk Avenue Pleasant Hill, CA 94523 Dated: February 18, 2019	Blue Cross of California dba Anthem Blue Cross ("Anthem") East Bay Integrated Care, Inc. ("Facility")	Blue Cross of California Dba Anthem Blue Cross 2221 Edward Holland Drive Richmond, VA 23230	(ii & iii)
10.	Ancillary Provider Services Agreement (Agreement is subject to the Approval of the California Department of Managed Health Care and the Department of Health Care Services) Dated: November 18, 2019	Blue Shield of California Promise Health Plan ("Plan") Hospice of the East Bay ("Provider")	Blue Shield of California Promise Health Plan 601 Potrero Grande Drive Monterey Park, CA 91755 Attn: Director of Contracting	(ii & iii)
11.	Amendment #3 to HMO & PPO Hospice Agreement Location: 3470 Buskirk Avenue, Pleasant Hill, CA 94523 (Payment Premiums – Payment of Member premiums by Hospice	California Physicians' Service d/b/a Blue Shield of California ("Blue Shield") Hospice of the East Bay ("Hospice")	Blue Shield of California 6300 Canoga Avenue, 12 th Floor Woodland Hills, CA 91367 Attn: Vice President, Provider Network Management, Care 1 st and Specialty Networks	(ii & iii)

	shall be deemed a material breach of the Agreement) Dated: August 1, 2018			
12.	Memorandum of Understanding for adding Palliative Care Services and Rates Location: 3470 Buskirk Avenue, Pleasant Hill, CA 94523 Dated: December 29, 2017	Contra Costa Health Plan ("Plan") East Bay Integrated Care (Hospice of the East Bay)	---	(ii & iii)
13.	Amendment to Participating Provider Agreement dated July 1, 2020 Dated: January 27, 2017	Cigna HealthCare of California, Inc. and Cigna Health and Life Insurance Company (collectively "Cigna") Hospice of the East Bay ("Hospice")	---	(ii & iii)
15.	Contra Costa Health Plan reapplication to participate as an Organizational Provider has been approved letter dated July 29, 2013 (Health Plan Requirements dated August 29, 2016 attached but not signed)	Contra Costa Health Plan ("Plan") East Bay Integrated Care, Inc. ("Hospice")	---	(ii & iii)
16.	Coventry Health Care Provider Network Location: 2849 Miranda Street, Alamo, CA 94507 Dated: August 6, 2013	Coventry Health Care, Inc. ("Plan") East Bay Integrated Care, Inc. ("Hospice")	Coventry Health Care National Network, Inc. 750 Riverpoint Drive West Sacramento, CA 95605	(ii & iii)
17.	Provider Participation Agreement Location: 3470 Buskirk Pleasant Hill, CA 94523 Dated: March 15, 2019	East Bay Integrated Care, Inc. dba Hospice of the East Bay ("Provider") Health Net, Inc. ("Health Net")	Director, Provider Network Management, Ancillary Contracts Health Net of California, Inc. 101 N. Brand Blvd., 15 th Floor Glendale, CA 91203 With a copy to: Regional Health Plan Officer And	(ii & iii)

			Vice President and Deputy General Counsel Health Net of California, Inc. 21281 Burbank Blvd. Woodland Hills, CA 91367	
18.	Interim Agreement to Provide Services Dated: June 26, 1996	PriMed Management Consulting Services, Inc. on behalf of Hill Physicians Medical Group, Inc. and Summit Medical Center Bay Area Hospice Network ("Provider")	PriMed Management Consulting Services, Inc. 2401 Crow Canyon Road San Ramon, CA 94583-0980	(ii & iii)
19.	John Muir Select	---	---	(ii & iii)
20.	First Amendment to the Health Care Services Agreement dated January 1, 2012 Dated: September 12, 2014	Kaiser Foundation Hospitals ("KFH") East Bay Integrated Care, Inc.	---	(ii & iii)
21.	Health Care Services between Partnership Health Plan of California Dated: October 15, 2019	Partnership HealthPlan of California ("Partnership") East Bay Integrated Care, Inc. dba Palliative Care of the East Bay ("Provider")	---	(ii & iii)
22.	TriCare for Life Letter dated February 12, 2010 regarding new claims processing software	Department of Veterans Affairs VA Northern California Health Care System	Department of Veterans Affairs VA Northern California Health Care System 201 Walnut Ave. Marine Island, CA 94592	(ii & iii)
23.	Hospice All Payer Appendix Dated 05/15/2017	Hospice of the East Bay United Health Care	---	(ii & iii)
24.	Veteran's Care Agreement	Department of Veterans Affairs Veterans Health Administration Hospice East Bay	Office of VA Community Care Attn: Mail Code OCC 4150 Clement Street San Francisco, CA 94103	(ii & iii)
25.	8 th Amendment to Lease Premises: 444&442 Diablo Road (3700 SF) Dated: August 2, 2000 Signed: June 21, 2022	Green Valley Shopping Center Limited, a California Partnership ("Landlord") Hospice of East Bay ("Tenant")	---	(ii & iii)
26.	Standard Shopping Center Lease	Green Valley Shopping Center, LTD ("Landlord")	Green Valley Shopping Center, Ltd. 11750 Sorrento Valley Road	(ii & iii)

	Premises: Green Valley Shopping Center, 444 Diablo Road, Danville, CA 94526	Hospice of Contra Costa Foundation ("Tenant")	San Diego, CA 92121 Attn: President, Asset Management Group	
27.	First Amendment to Lease (relative to Landlord's and Tenant's Work) Premises: Unit 1536, 1536-1560 Newell Avenue, Walnut Creek, California 94596 Dated: November 1, 2023	El Pinal Associates Newell, LLC ("Landlord") East Bay Integrated Care, Inc. ("Tenant")	---	(ii & iii)
28	Lease Premises: Unit 1536, 1536-1560 Newell Avenue, Walnut Creek, California 94596 (3896 SF) Pro rata share: 18.9642% Dated: October 9, 2023	El Pinal Associates Newell, LLC ("Landlord") East Bay Integrated Care, Inc. ("Tenant")	El Pinal Associates Newell, LLC 655 3 rd Street #66 Oakland, CA 94607 Attn: Manager With a copy to: Kho & Patel Certified Public Accountants 160 E. Arrow Highway San Dimas, CA 91773 Attn: Jay Patel With a copy to: SPM Properties, Inc. 1330 North Broadway Suite C Walnut Creek, CA 94596 Attn: Sicily Calderon	(ii & iii)
29.	Morello/Martinez Shopping Center Lease Premises: 550 Morello Avenue, Suite A (4750 SF) Tenant's proportionate share shall be 55% Dated: September 28, 2012	Constantine and Jeanie B. Christopoulos as Trustee of the Christopoulos Family Trust Dated March 25, 1997 ("Landlord") Hospice of the East Bay ("Hospice")	C&H Development Co. 43 Panoramic Way Walnut Creek, CA 94595 Attn: Basil Christopoulos	(ii & iii)
30	Third Amendment to Lease Agreement Dated: May 19, 2023	Chestnut Martinez, LLC successor in interest to Jeanie B Christopoulos and Basil Christopoulos as Trustees of the Christopoulos Survivor's Trust dated June 10, 2017 ("Landlord")	---	(ii & iii)

		Hospice of the East Bay ("Tenant")		
31.	General Lease Triple Net Premises: 3162 Danville, Blvd., Suite A, Alamo, CA (2010 SF) Dated: December 1, 2005	The Lineweaver Trust ("Landlord") Hospice of Contra Costa Foundation ("Tenant")	The Lineweaver Trust PO Box 680 263 Stone Valley Way Alamo, CA 94507	(ii & iii)
32	First Addendum to Lease Dated December 1, 2005 Dated: March 16, 2010	The Lineweaver Trust ("Landlord") Hospice of Contra Costa Foundation ("Tenant")	---	(ii & iii)
33	Third Addendum to Lease Dated December 1, 2005 Dated: July 30, 2020	The Lineweaver Trust ("Landlord") Hospice of Contra Costa Foundation ("Tenant")	---	(ii & iii)
34.	Third Amendment to Lease dated August 10, 1998 Premises: Property #1155 – 5350 Clayton Road, Concord, CA Dated: November 7, 2018	Kin Properties, Inc. ("Landlord") Hospice Foundation of the East Bay formerly known as Hospice of Contra Costa, Inc. ("Tenant")	---	(ii & iii)
35	Amendment to Lease dated August 10, 1998 Premises: Property #1155 – 5350 Clayton Road, Concord, CA Dated: March 25, 2013 *A copy of a letter dated November 28, 2007 extending the Term of the Lease until August 31, 2013 was attached.	Kin Properties, Inc. ("Landlord") Hospice Foundation of the East Bay formerly known as Hospice of Contra Costa, Inc. ("Tenant")	---	(ii & iii)
36.	Air Commercial Real Estate Association Standard Industrial/ Commercial Multi-Tenant Lease – Gross	Hofmann Plastering Company ("Lessor") East Bay Integrated Care, Inc. ("Lessee")	Hofmann Plastering Company PO Box 907 Concord, CA 94522	(ii & iii)

	Premises: 2355 Whitman Road, Suite C, Concord, CA 94518 2765 SF Pro rata share: 7.3% Dated: March 5, 2014			
37.	Office Lease Bay Center Offices Emeryville, CA Premises: Suite 265, consisting of the 2 nd floor of the Building 2,200 SF Pro rata share 1.81% Dated: April 24, 2020	Bay Center Investor LLC ("Landlord") East Bay Integrated Care, Inc. ("Tenant")	Bay Center Investor LLC c/o Harvest Properties 180 Grand Avenue, Suite 1400 Oakland, CA 94610 Attn: Project Manager	(ii & iii)
38.	First Amendment and Extension of Lease Premises: 2,550 square feet of floor space located at 959 Contra Costa Blvd. Dated: December 20, 2021	Marie Gomes Farms, Inc. ("Landlord") East Bay Integrated Care, Inc. dba Hospice of the East Bay ("Tenant")	---	(ii & iii)
39.	Retail Lease Agreement Premises: 2,550 square feet of floor space located at 959 Contra Costa Blvd. (Casa Del Sol Shopping Center) Pro rata share: 11.9% Dated: January 13, 2017	Marie Gomes Farms, Inc. ("Landlord") East Bay Integrated Care, Inc. dba Hospice of the East Bay ("Tenant")	Cardoza Properties, Inc. 101 Ellinwood Drive Pleasant Hill, CA 94523	(ii & iii)
40.	Trella Health, LLC July 2024	Trella Health, LLC Hospice of the East Bay ("Hospice")	Trella Health, LLC PO. Box 19239, Atlanta GA, 31126	Neither 'i, ii, iii applies
41.	Overlook Networks Global Technology Solutions August 2024	Overlook Networks Global Technology Solutions Hospice of the East Bay ("Hospice")	Overlook Networks 16185 Los Gatos Blvd, Ste 205, Los Gatos, CA 95032	Neither 'i, ii, iii applies
42.	Netsmart Technologies, Inc April 2018	Netsmart Technologies, Inc Hospice of the East Bay ("Hospice")	Netsmart Technologies, Inc 11100 Nall Ave. Overland Park, KS 66211	(ii & iii)
43.	ADP, Inc July 2022	ADP, Inc Hospice of the East Bay ("Hospice")	ADP, Inc One ADP Boulevard Roseland, NJ 07068	(ii & iii)

44.	Omniceil, Inc April 2023	Omniceil, Inc Hospice of the East Bay ("Hospice")	Omniceil, Inc 500 Cranberry Woods Dr, Cranberry TSP., PA 16066	(ii)
45.	NorthStar Solutions Group June 2021	NorthStar Solutions Group Hospice of the East Bay ("Hospice")	NorthStar Solutions Group 2366 Oak Valley Dr. Ann Arbor, MI 48103	(ii & iii)

Schedule 4.17

Personal Property

None

Schedule 4.18

Real Property

Owned Property:

- The office located at 3470 Buskirk Avenue, Pleasant Hill, CA 94523.
- The hospice inpatient facility located at 2849 Miranda Avenue, Alamo, CA 94507.

Schedule 4.19

InsuranceNamed Insured:

- East Bay Integrated Care, Inc. d/b/a Hospice of the East Bay
- Palliative Care of the East Bay
- Hospice Foundation of the East Bay
- Hospice House d/b/a Bruns House
- The Hospice Shoppe
- Hospice Thrift Shoppe

LIMITS		DEDUCTIBLES	CARRIER	POLICY NO.	POLICY TERM
Commercial Property					
Property			Philadelphia	PHPK2574978-001	7/1/2024 - 7/1/2025
Blanket Building	\$ 16,268,028	\$ 2,500			
Blanket Business Personal Property	\$ 2,870,000	\$ 2,500			
Blanket Business Income and Extra Expense	\$ 300,000	72 Hours	the east bay		
Professional and General Liability					
General Liability			BETA	HCL241028	7/1/2024 - 7/1/2025
General Aggregate	\$ 10,000,000				
Each Claim	\$ 5,000,000				
Products Liability Aggregate	\$ 3,000,000				
Advertising & Personal Injury	\$ 1,000,000				
Fire Damage	\$ 1,000,000				
Medical Expense	\$ 5,000				
Professional Liability					
General Aggregate	\$ 10,000,000				
Each Claim	\$ 5,000,000				
Covered Physician Sublimit - each claim	\$ 1,000,000				
Covered Physician Sublimit - aggregate	\$ 3,000,000				
Employee Benefits Liability					
General Aggregate	\$ 10,000,000				
Each Claim	\$ 5,000,000				
Sexual Physical Abuse or Molestation					
Aggregate	\$ 3,000,000				
Each Claim	\$ 1,000,000				

Auto						
Liability				BETA	AL241028	7/1/2024 - 7/1/2025
Any Auto	\$ 5,000,000					
Uninsured Motorist	\$ 1,000,000					
Medical Payments	\$ 5,000					
Deductibles						
Comprehensive	\$ 250					
Collision	\$ 500					
Crime						
Employee Theft	\$ 250,000	\$ 5,000		Travelers	107283188	7/1/2024 - 7/1/2025
ERISA Fidelity	\$ 250,000					
Forgery or Alteration	\$ 50,000	\$ 1,000				
On Premises	\$ 50,000	\$ 1,000				
In Transit	\$ 50,000	\$ 1,000				
Money Orders and Counterfeit Money	\$ 50,000	\$ 1,000				
Computer Fraud	\$ 100,000	\$ 1,000				
Computer & Data Restoration Expense	\$ 50,000	\$ 1,000				
Funds Transfer Fraud	\$ 100,000	\$ 1,000				
Personal Accounts Forgery or Alteration	\$ 50,000	\$ 1,000				
Identity Fraud Expense Reimbursement	\$ 25,000					
Claim Expense	\$ 5,000					
Executive & Organization Liability Limit - Claims Made						
Combined Aggregate	\$ 2,000,000			Hudson	HFP-HHNP4363070124	7/1/2024 - 7/1/2025
Directors and Officers						
Aggregate	\$ 2,000,000	\$ 25,000				
Additional Side A Limit	\$ 500,000					
Employment Practices Liability						
Aggregate	\$ 2,000,000	\$ 100,000				
Workplace Violence Expenses Sublimit	\$ 250,000	\$ -				
Wage and Hour Sublimit	\$ 100,000	\$ -				
Immigration Claims Sublimit	\$ 100,000	\$ 50,000				
Fiduciary Liability						
Aggregate	\$ 2,000,000	\$ -				
Settlement Program Sublimit	\$ 100,000	\$ 25,000				
HIPPA Sublimit	\$ 25,000	\$ -				
Cyber - Claims Made						
General Aggregate Limit	\$ 1,000,000	\$ 15,000		Beazley	W3548F240201	7/1/2024 - 7/1/2025
Breach Response - In Addition to Aggregate	\$ 1,000,000	\$ 15,000				
Business Interruption Loss	\$ 1,000,000	\$ 8 Hours				
Dependent Business Loss	\$ 100,000	\$ 15,000				
Cyber Extortion	\$ 1,000,000	\$ 15,000				
Data Recovery Costs	\$ 1,000,000	\$ 15,000				
Data & Network Liability	\$ 1,000,000	\$ 15,000				
Regulatory Defense & Penalties	\$ 1,000,000	\$ 15,000				
Payment Card Liabilities & Costs	\$ 1,000,000	\$ 15,000				
Media Liability	\$ 1,000,000	\$ 15,000				
Fraudulent Instruction	\$ 250,000	\$ 15,000				
Funds Transfer Fraud	\$ 250,000	\$ 15,000				
Telephone Fraud	\$ 250,000	\$ 15,000				
Criminal Reward	\$ 50,000	\$ 15,000				
Workers' Compensation - CA						
Each Accident	Statutory	None		BETA	WC241028	7/1/2024 - 7/1/2025
Employer's Liability	\$ 2,000,000					
Workers' Compensation - NV/OR						
Statutory - NV, OR	Statutory	None		Safety National	PRP4064125	7/1/2024 - 7/1/2025
Employer's Liability	\$ 2,000,000					

Schedule 4.20

Employee Benefit Plans

(d)(vi)

The 2023 403(b) audit (completed in 2024) contained reportable findings related to internal control deficiencies. These findings are being addressed by HEB.

[illegible]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Level	Bonus %	Frequency
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Schedule 4.21(a) – Attachment 1: Employee Census

[illegible]

7597790.1

1	2	3	4	5	6	7	8	9	10
11	12	13	14	15	16	17	18	19	20
21	22	23	24	25	26	27	28	29	30
31	32	33	34	35	36	37	38	39	40
41	42	43	44	45	46	47	48	49	50
51	52	53	54	55	56	57	58	59	60
61	62	63	64	65	66	67	68	69	70
71	72	73	74	75	76	77	78	79	80
81	82	83	84	85	86	87	88	89	90
91	92	93	94	95	96	97	98	99	100

██████████

[illegible]

10/10/2016

[illegible]

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[illegible]

11 of 11

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114

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

Schedule 4.22

Hospice East Bay Litigation

[illegible]

Schedule 4.23

Tax Matters

None

Schedule 4.24

Environmental Matters

None

Schedule 4.25

Tax-Exempt Bond Debt

None

Schedule 4.26

Other Indebtedness

None

Schedule 4.27

Absence of Changes

None

Schedule 5.2**Chapters Authority; Noncontravention**

[There are no outstanding powers of attorney executed by or on behalf of Chapters. The execution, delivery and performance of this Agreement and each other Transaction Document by Chapters thereto and the consummation by Chapters of the Transaction, as applicable:]

[(a) are within Chapters' powers and are not in contravention or violation of the terms of the articles of incorporation or bylaws of Chapters and have been, or will be prior to the Closing, approved by all requisite corporate action;]

[(b) except as set forth on Schedule 5.2(b), do not require that Chapters seek or obtain any Approval of, filing or registration with, the issuance of any material Permit by, or give any Notice to, any Governmental Authority;]

[(c) assuming the Approvals and Permits set forth on Schedule 5.2(b) are obtained, to the Knowledge of Chapters, will not conflict in any material respect with, or result in any violation of or default under (with or without notice or lapse or both), or give rise to a right of termination, cancellation, acceleration or augmentation of any obligation or to loss of any material benefit under, (i) any Contract, instrument, indenture, covenant, or understanding to which Chapters is bound or is a party, or (ii) any Order or Law to which Chapters may be subject; and]

[(d) to the Knowledge of Chapters, will neither conflict with, nor result in, a material breach or contravention of any agreement, lease, instrument, indenture, covenant, or understanding to which Chapters is bound or is a party.]

Schedule 5.4**Chapters Financial Information**

[(a) Schedule 5.4(a) hereto contains the following financial statements and financial information of Chapters (the "Chapters Historical Financial Information"):

(i) the audited consolidated balance sheets, statements of operation, statements of changes in net assets, and statements of cash flow (including the accompanying consolidating schedules of balance sheet information and statement of operation information) for Chapters as of, and for the twelve-month periods ended December 31, 2023, and December 31, 2022.

(ii) the unaudited consolidated balance sheet (including the accompanying consolidating schedules of balance sheet information) and unaudited consolidated statement of operations (including the accompanying consolidating schedules of statement of operation information) prepared in the Ordinary Course of Business for the fiscal period ending on a date which is not more than sixty (60) calendar days prior to the date of this Agreement.]

[(b) The consolidated financial statements included in the Chapters Historical Financial Information have been prepared in accordance with GAAP, applied on a consistent basis throughout the periods indicated (subject, in the case of the unaudited Chapters Historical Financial Information, to the absence of notes and normal year-end audit adjustments, the effect of which is not material to Chapters), and are based on the information contained in the books and records of Chapters and its Affiliates. Chapters has not materially changed any accounting policy or methodology during the periods presented in the Chapters Historical Financial Information (including accounting policies and methodologies for determining the obsolescence of inventory or in calculating reserves, including reserves for uncollected accounts receivable).]

Schedule 5.5

Chapters Litigation

[Except as set forth on Schedule 5.5: (i) there is no Proceeding or Order pending or, to the Knowledge of Chapters, threatened against or affecting Chapters before any court or Governmental Authority that has or would reasonably be expected to have a material adverse effect on Chapters' ability to perform this Agreement; and (ii) Chapters is not subject to any Order that would materially and adversely affect the consummation of the Transaction.]

Schedule 5.6**Chapters Regulatory Compliance**

[Except as set forth on Schedule 5.6, for the prior three (3) years:]

[(a) Neither Chapters, nor to Chapters' Knowledge, any of its respective officers, directors or employees, has been convicted of, charged with, investigated for, or has engaged in conduct that would reasonably be expected to constitute, a Medicare or other Federal Health Care Program (as defined in 42 U.S.C. § 1320a-7(b)(f)) related offense or convicted of, charged with, investigated for, or engaged in conduct that would constitute a violation of any Law related to fraud, theft, embezzlement, breach of fiduciary duty, kickbacks, bribes, other financial misconduct, obstruction of an investigation or controlled substances. Neither Chapters, nor to Chapters' Knowledge, any officer, director or employee of Chapters has been excluded from participating in any Government Program, subject to sanction pursuant to 42 U.S.C. § 1320a-7a or § 1320a-8 or been convicted of a crime described at 42 U.S.C. § 1320a-7b, nor are any such exclusions, sanctions or charges threatened or pending.]

[(b) Chapters (i) is not a party to a corporate integrity agreement with the OIG; (ii) has no reporting obligations pursuant to any settlement agreement entered into with any Governmental Authority; (iii) has not been formally notified that it is the subject of any Government Program investigation conducted by any federal or state enforcement agency (not including routine or random surveys, audits or reviews which do not or reasonably should not result in findings materially adverse to the relevant Chapters); and (iv) has not been formally notified that it is a defendant in any qui tam/False Claims Act litigation (other than by reason of a sealed complaint of which Chapters may have no Knowledge).]

[(c) Except in compliance with applicable Law, neither Chapters, nor to Chapters' Knowledge, any of their officers, directors or employees is a party to any contract, lease agreement or other arrangement (including any joint venture or consulting agreement) related to Chapters with any physician, physical or occupational therapist, health care facility, hospital, nursing facility, home health agency or other person or entity that is in a position to make or influence referrals to or otherwise generate business for Chapters with respect to its assets, to provide services or lease space or equipment.]

Schedule 5.7**Chapters Tax Matters**

[Except as set forth on Schedule 5.7:]

[(a) To the Knowledge of Chapters, Chapters (i) is, and has been since the date of its incorporation, an organization exempt from federal income tax under § 501(a) of the Code as an organization that is described in § 501(c)(3), (ii) is not, and has not been since the date of its incorporation, a private foundation within the meaning of § 509(a) of the Code because it is an organization described in §§ 509(a)(1), 509(a)(2) or 509(a)(3), (iii) is in possession of a determination letter from the Internal Revenue Service to such effect, which determination letter has not been revoked or otherwise modified, (iv) is in compliance in all material respects with all applicable Laws pertaining to the operation of an organization described in § 501(c)(3) of the Code, and (v) has not entered into any transaction that would reasonably be expected to constitute an “excess benefit transaction” within the meaning of § 4958 of the Code.]

[(b) Chapters has filed all Tax Returns required to be filed by it. All Taxes due and owing by Chapters (whether or not shown on any Tax Return), have either been paid or are being contested in good faith by appropriate Proceedings for which adequate reserves have been established. Except with respect to waivers or extensions that are no longer in force, Chapters has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency other than ordinary course extensions of time within which to file any Tax Return.]

[(c) Chapters has withheld and paid all material Taxes required to have been withheld and paid by it in connection with amounts paid or owing to any employee, independent contractor, creditor or other third party, and all Internal Revenue Service Forms W-2 and 1099 required with respect thereto have been properly completed and timely filed (taking into account all extensions).]

[(d) Chapters has not received any written notice from any Governmental Authority of deficiency or assessment, or proposed adjustment or assessment, in respect of Taxes of Chapters. To the Knowledge of Chapters, there are no pending or threatened Proceedings relating to any liability in respect of Taxes of Chapters).]

Schedule 7.1(b)**Agreements That Create Employment Obligations**

Hospice East Bay's severance policy applies to all employees based on years of services (see below).

HUMAN RESOURCE POLICY MANUAL	Number:
Policy Section: Employment and Performance	Effective Date: 10/10/19
Subject: SEVERANCE	Revision Date:
	Page Number: 1 of 1

PURPOSE:

The purpose of this policy is to provide guidelines outlining Hospice of the East Bay's severance policy.

Eligibility

This policy applies to all exempt and nonexempt, full-time and part-time employees. Part-time employees will receive severance pay on a pro-rated basis in accordance with their scheduled hours.

Triggering Events

In the event of an involuntary termination due to a reduction in force/downsizing, change in company direction, or job elimination, Hospice of the East Bay provides a severance benefit for the affected employees. This does not apply to terminations for cause/performance/misconduct, refusal to be reassigned or refusal to be relocated.

Payment Amount

The rate of severance is based on length of service with Hospice of the East Bay (or as adjusted through acquisition).

Length of Service	Number of Weeks
Less than one year – less than 2	2
Two years - less than three	4
Three years - less than four	6
Four years - less than five	8

Five years - less than six	10
Six years - less than seven	12
Seven years or more	13
The maximum allowed severance is thirteen weeks. Severance is calculated on base pay only.	

Physician (independent contractor) and other employment agreements:

Physician Name	Date of Agreement	Last Addendum Date
Smita Chandra, MD	03.01.2023	03.01.2023
Mina Chang, MD , CMO	06.02.2023	
Robert Cole, MD	03.01.2023	
Russ Granich, MD	02.12.2023	
Michael Jensen-Akula, MD	01.01.2015	03.15.2024
Sonja Kassuba, MD	12.01.2021	04.01.2024
Tiffany King, MD	02.16.2023	
Stephanie Marquet, MD	02.03.2020	06.14.2021
Guy Micco, MD	03.01.23	
Walter Peters, MD	01.01.2015	04.01.2024
Sally Sample, MD	09.18.23	04.01.2024
Ann Stevens, MD	03.01.2023	
Clara Triane, MD	04.01.2022	03.15.2024
Natalia Zielkiewicz, MC	02.13.2023	04.01.2024
Bill Musick, Interim President & CEO	01.13.2023	05.01.2024

Schedule 7.3

Hospice East Bay Closing Balance Sheet

[This will be provided at closing as this requires the last balance sheet statement before Closing.]

Schedule 8.4

Chapters Pre-Closing Confirmations from Government Authorities

[Chapters shall have obtained documentation or other evidence reasonably satisfactory to Chapters that the Parties have received all those Approvals and Permits set forth on Schedule 8.4.]

Schedule 9.4

Hospice East Bay Pre-Closing Confirmations from Government Authorities

- Change of ownership filings with the California Department of Public Health and the Centers for Medicare and Medicaid Services.
- Waiver or approval by California Attorney General
- Material change transaction filing with the California Office of Health Care Affordability
- Notice to Community Health Accreditation Partner

**DISCLOSURE SCHEDULES OF CHAPTERS HEALTH SYSTEM, INC.
TO AFFILIATION AGREEMENT**

by and between

CHAPTERS HEALTH SYSTEM, INC.

and

EAST BAY INTEGRATED CARE, INC.,

d/b/a HOSPICE EAST BAY

as of October 2, 2024

THESE DISCLOSURE SCHEDULES (these “**Disclosure Schedules**”) have been prepared in connection with the execution and delivery of the Affiliation Agreement, dated as of October 2, 2024 (the “**Agreement**”), by and between Chapters Health System, Inc., a Florida not for profit corporation (“**Chapters**”) and East Bay Integrated Care, Inc. d/b/a Hospice East Bay, a California nonprofit public benefit corporation (“**Hospice East Bay**”). Chapters and Hospice East Bay are sometimes referred to individually in these Disclosure Schedules as a “**Party**” and collectively as the “**Parties**.” Capitalized terms used but not otherwise defined in these Disclosure Schedules have the respective meanings assigned to them in the Agreement.

These Disclosure Schedules are arranged according to the numbered sections contained in the Agreement, and the disclosure in any section of these Disclosure Schedules shall qualify (a) the corresponding section of the Agreement and (b) all other sections of the Agreement to which such disclosure may apply, so long as application to such section is reasonably apparent from such disclosure.

Nothing in these Disclosure Schedules constitutes an admission of any liability or obligation of either Party to any third party, nor an admission of any liability or obligation to any third party against the interests of either Party. In disclosing this information, the Parties do not waive any attorney-client privilege associated with any such information or any protection afforded by the “work product doctrine” with respect to any of the matters disclosed or discussed in these Disclosure Schedules.

Headings have been inserted on Sections of these Disclosure Schedules for the convenience of reference only and shall not affect the construction or interpretation of any of the provisions of the Agreement or these Disclosure Schedules. Any attachments to these Disclosure Schedules shall be deemed incorporated by reference into these Disclosure Schedules in their entirety.

SCHEDULE 5.2(b)

CHAPTERS APPROVALS AND PERMITS

- Change of ownership filings with the California Department of Public Health and the Centers for Medicare and Medicaid Services.
- Waiver or approval by California Attorney General
- Material change transaction filing with the California Office of Health Care Affordability

SCHEDULE 5.4(a)

CHAPTERS HISTORICAL FINANCIAL INFORMATION

1. Chapters Health System, Inc. and Affiliates Consolidated Financial Statements dated December 31, 2023 and 2022.
2. Chapters Health System, Inc. and Affiliates Unaudited Balance Sheet dated no more than 60 days prior to October 2, 2024.

(Copies of the above are attached to this Schedule 5.4(a))

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
Temple Terrace, Florida

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES

Temple Terrace, Florida

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Chapters Health System, Inc. and Affiliates
Temple Terrace, Florida

Opinion

We have audited the consolidated financial statements of Chapters Health System, Inc. and Affiliates, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Chapters Health System, Inc. and Affiliates as of December 31, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chapters Health System, Inc. and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Chapters Health System, Inc. and Affiliates' ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chapters Health System, Inc. and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chapters Health System, Inc. and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the 2023 consolidated financial statements as a whole. The 2023 obligated group and consolidating balance sheets, obligated group and consolidating statements of operations, and obligated group and consolidating statements of changes in net assets are presented for purposes of additional analysis of the 2023 consolidated financial statements rather than to present the financial position and operations and changes in net assets of the individual affiliates and are not a required part of the 2023 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2023 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2023 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2023 consolidated financial statements or to the 2023 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2023 consolidated financial statements as a whole.

Crowe LLP
Crowe LLP

Tampa, Florida
April 26, 2024

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATED BALANCE SHEETS
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 33,818,101	\$ 13,957,074
Short-term investments	11,572,539	9,291,149
Assets limited as to use, current portion	4,839,261	3,452,644
Patient accounts receivable, net	43,623,346	19,119,599
Capitated accounts receivable	6,516,439	7,099,173
Due from related party	675,980	5,729,953
Note receivable	-	5,000,000
Pledges receivable, current portion	423,454	480,305
Interest rate swap agreements	282,822	678,387
Other current assets	19,547,437	10,073,620
Total current assets	<u>121,299,379</u>	<u>74,881,904</u>
Assets limited as to use, net	5,608,228	1,788,383
Pledges receivable, net	3,667,088	1,116,880
Long-term investments	97,711,164	92,165,502
Property and equipment, net	164,962,290	93,968,878
Right-of-use assets	50,622,821	28,233,549
Beneficial interest in net assets of Comerstone Foundation	7,925,900	6,993,965
Goodwill and intangible assets, net	30,640,428	19,828,480
Other assets	<u>2,359,863</u>	<u>2,133,276</u>
Total assets	<u>\$ 484,797,161</u>	<u>\$ 321,110,817</u>

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATED BALANCE SHEETS
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 21,639,476	\$ 7,358,511
Accrued employee compensation and related benefits	25,132,183	12,425,829
Estimated patient care expenses payable	12,654,636	6,093,588
Third-party medical claims	2,462,980	1,612,982
Lease liabilities, current	7,548,904	4,149,085
Current portion of long-term debt	2,200,646	1,552,300
Annuity obligations, current portion	109,455	159,457
Third-party settlements	1,527,940	1,814,804
Deferred revenue	-	29,807
Total current liabilities	<u>73,276,220</u>	<u>35,196,363</u>
Long-term debt, net of current portion	27,372,177	22,542,808
Lease liabilities, net	44,708,347	25,624,707
Annuity obligations, net	367,552	258,825
Other long-term liabilities	3,011,719	2,765,560
Total liabilities	<u>148,736,015</u>	<u>86,388,263</u>
Net assets		
Without donor restrictions	316,096,599	221,336,505
Noncontrolling interest in subsidiaries	(3,352,699)	(1,042,752)
Total net assets without donor restrictions	312,743,900	220,293,753
With donor restrictions	23,317,246	14,428,801
Total net assets	<u>336,061,146</u>	<u>234,722,554</u>
	<u>\$ 484,797,161</u>	<u>\$ 321,110,817</u>

See accompanying notes to consolidated financial statements

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Net assets without donor restrictions		
Revenues and other support		
Net patient service revenue	\$ 423,243,012	\$ 215,191,792
Capitated non-risk revenue	38,982,807	31,212,715
Contributions	6,018,503	4,153,614
Net assets released from restrictions used for operations	9,642,515	5,490,085
Other operating revenue	9,640,256	6,317,296
Total revenue, gains and support	487,527,093	262,365,502
Expenses		
Salaries and benefits	311,988,176	164,746,108
Purchased services	46,859,869	22,342,452
Insurance and other	60,212,040	40,908,730
Durable medical equipment, medical supplies, and drugs	37,107,842	15,885,746
Medical claims expense	33,852,997	24,912,802
Depreciation and amortization	11,551,948	9,183,759
Interest	2,289,158	1,063,889
Affiliation expenses	1,188,528	375,000
Total expenses	505,030,558	279,418,486
Loss from operations	(17,503,465)	(17,052,984)
Nonoperating revenues and expenses		
Excess of fair value of assets acquired over liabilities assumed in acquisition of Hope Hospice and Community Services, Inc. (Hope) and Capital Caring Health and its affiliates (Capital) (See Note 2)	98,229,329	-
Excess of fair value of assets acquired over liabilities assumed in acquisition of Cornerstone Hospice and Palliative Care, Inc (Cornerstone) (See Note 2)	-	63,662,588
(Loss) gain on sale of property and equipment	(1,623,578)	112,817
Loss on disposal of license	(1,510,134)	-
Loss on sale of a business	-	(344,993)
Investment income (loss)	17,563,507	(18,009,439)
Change in fair value of interest rate swap agreements	(395,565)	1,316,804
Total nonoperating (loss) income	112,263,559	46,737,577
Change in net assets without donor restrictions before other changes	\$ 94,760,094	\$ 29,684,593
Change in net assets with donor restrictions before other changes		
Excess of fair value of assets acquired over liabilities assumed in acquisition of Hope Hospice and Community Services, Inc. (Hope) and Capital Caring Health and its affiliates (Capital) (See Note 2)	7,163,521	-
Excess of fair value of assets acquired over liabilities assumed in acquisition of Cornerstone Hospice and Palliative Care, Inc (Cornerstone) (See Note 2)	-	12,119,093
Contributions	10,153,137	4,789,698
Investment income (loss)	282,367	(308,609)
Change in beneficial interest in net assets of Cornerstone Foundation	931,935	(5,125,128)
Net assets released from restrictions	(9,642,515)	(5,490,085)
Change in net assets with donor restrictions before other changes	\$ 8,888,445	\$ 5,984,969

See accompanying notes to consolidated financial statements

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Net assets without donor restrictions - January 1	\$ 220,293,753	189,613,422
Change in net assets without donor restrictions before other changes	94,760,094	29,684,593
Member distributions	(3,079,562)	(1,571,622)
Change in non-controlling interest	769,615	2,567,360
	<u>(2,309,947)</u>	<u>995,738</u>
Change in net assets without donor restrictions	<u>92,450,147</u>	<u>30,680,331</u>
Net assets without donor restrictions - December 31	<u>\$ 312,743,900</u>	<u>220,293,753</u>
 Net assets with donor restrictions - January 1	 \$ 14,428,801	 8,443,832
Change in net assets with donor restrictions before other changes	<u>6,888,445</u>	<u>5,984,969</u>
Net assets without donor restrictions - December 31	<u>\$ 23,317,248</u>	<u>14,428,801</u>

See accompanying notes to consolidated financial statements

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flow from operating activities		
Change in net assets before other changes	\$ 103,648,539	\$ 35,889,562
Adjustments to reconcile change in net assets to net cash from operating activities		
Excess of fair value of assets over liabilities assumed acquired less cash acquired	(92,955,216)	(49,951,291)
Depreciation and amortization	11,551,948	9,183,759
Change in beneficial interest in net assets of Cornerstone Foundation	(931,935)	5,125,128
Net realized and unrealized (gains) losses on investments	(13,883,811)	21,541,502
Change in fair value of interest rate swap agreements	395,565	(1,316,804)
Loss on sale of a business	-	344,993
Change in non controlling interest	789,815	2,587,360
Loss (gain) on sale/disposal of assets	3,133,712	(112,817)
Change in assets and liabilities		
Patient accounts receivable	(7,848,339)	2,798,137
Capitation receivable	3,809,418	(4,395,437)
Due from related party	5,053,973	(4,237,650)
Hedges receivable	(101,357)	(129,808)
Other current assets	(9,473,817)	1,961,584
Other assets	3,966,355	349,174
Reduction in carrying amount of right-of-use assets	6,144,674	4,560,494
Change in operating lease liabilities	(6,080,760)	(3,825,208)
Accounts payable and accrued expenses	(1,922,235)	(1,337,900)
Estimated patient care expenses payable	6,561,048	1,704,964
Third party medical claims	849,998	(828,522)
Accrued employee compensation and related benefits	(1,296,213)	(2,841,081)
Third-party settlements	(502,508)	(472,282)
Deferred revenue	(29,807)	(7,943)
Other liabilities	(16,585)	(126,402)
Net cash from operating activities	10,642,253	16,223,712
Cash flow from investing activities		
Proceeds from sale of property and equipment	996,201	710,388
Purchase of property and equipment	(3,257,802)	(9,399,671)
Proceeds from sales of investments	49,769,555	41,471,483
Purchases of investments	(19,627,732)	(45,824,545)
Proceeds from sale of a business	-	1,000,000
Note receivable advances converted to consideration (see Notes 2 and 7)	(2,000,000)	(5,000,000)
Net cash from investing activities	25,880,222	(16,442,345)
Cash flow from financing activities		
Payment of member distributions	(3,079,562)	(1,571,622)
Proceeds from long-term debt	9,000,000	-
Repayment of long-term debt	(22,396,862)	(5,318,075)
Payment of deferred financing fees	(185,024)	-
Net cash from financing activities	(16,661,448)	(8,889,697)
Net change in cash and cash equivalents	19,861,027	(7,108,330)
Cash and cash equivalents at beginning of year	13,957,074	21,065,404
Cash and cash equivalents at end of year	\$ 33,818,101	\$ 13,957,074
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 2,269,158	\$ 1,063,889
Leased assets obtained in exchange for new operating lease liabilities	\$ 310,790	\$ 27,135,558
Leased assets obtained during business affiliation	\$ 27,533,946	\$ 6,464,209

See accompanying notes to consolidated financial statements

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Mission: Chapters Health System, Inc. and Affiliates (collectively CHS), is a Florida nonprofit corporation that provides support and care for people in our community with or affected by advanced illnesses by offering a wide variety of compassionate healthcare choices. CHS's service areas include Florida, Georgia, Virginia, Maryland, and Washington DC.

CHS is the sole member of each of the following entities:

LifePath Hospice, Inc. (LPH): LPH is a Florida nonprofit corporation whose mission is to provide hospice and other end of life services for residents living in Hillsborough County, Florida.

Good Shepherd Hospice, Inc. (GSH): GSH is a Florida nonprofit corporation whose mission is to provide hospice and other end of life services for residents living in Polk, Highlands, Hardee, and Monroe counties, Florida.

Chapters Health Pharmacy, LLC (PHA): Pharmacy is a Florida single member limited liability company that provides pharmacy services to the Affiliates.

Chapters Health Palliative Care, LLC (PAL): Palliative Care is a Florida single member limited liability company that provides palliative care services in the counties served by the Affiliates.

Chapters Health Staffing, LLC (HSS): Staffing is a Florida single member limited liability company that primarily provides physician, nursing, and therapy services to the Affiliates.

Hernando-Pasco Hospice, Inc. (HPH): HPH is a Florida nonprofit corporation whose mission is to provide hospice and other end-of-life services for residents living in Hernando, Pasco, Citrus, and Alachua counties. HPH also provided home health services in Pasco, Pinellas, Hardee, Highlands, Hillsborough, and Polk counties until March 2023 at which time those services were discontinued and the Medicare enrollment was voluntarily terminated.

Cornerstone Hospice & Palliative Care, Inc. (COR) is a Florida nonprofit corporation whose mission is to provide hospice and other end of life services for residents living in Marion, Sumter, Lake, Orange, Polk Osceola, Hardee and Highlands counties in Central Florida and Cherokee, Cobb, Gwinnett, and Fulton counties in Northwestern Georgia.

Cornerstone Health Services, LLC (SVC): SVC is a Florida single member limited liability company that provides palliative care services in the counties served by the Affiliates.

Care Partners, LLC (CPL): CPL is a company registered in Delaware whose purpose is to develop and provide consolidated financial and purchasing services to the venture partners as well as other not-for-profit hospice companies. Services may include general financial consulting, specialized financial consulting, IT consulting, operations consulting, bookkeeping, analytics for management, and discounted group purchasing opportunities for clients.

Chapters Health Foundation (Foundation): Foundation is a nonprofit organization that is an affiliate of CHS (as sole member of the Foundation) and will support all current and future CHS affiliates.

Hospice of Okeechobee, Inc. (HOK): HOK is a Florida nonprofit corporation whose mission is to provide hospice and other end-of-life services for residents living in Okeechobee, Martin, and St. Lucie counties.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Hope Hospice and Community Services, Inc. (HOP): HOP is a Florida nonprofit corporation whose mission is to provide hospice and other end-of-life services for residents living in Charlotte, Collier, Glades, Hendry, and Lee counties.

Visiting Nurses Association of Southwest Florida, Inc. (VNA): VNA is a nonprofit corporation that provides home and community based health care services to all people in Charlotte, Collier, Glades, Hendry, and Lee counties. In March 2023, these services were discontinued and the Medicare enrollment was voluntarily terminated.

Capital Caring Health (CCH): CCH is a Virginia nonstock corporation and is the sole member of three supporting organizations: Capital Hospice d/b/a Capital Caring, Capital Caring Stay at Home Services, Inc., and Capital Caring Advanced Illness, Inc.

Capital Hospice d/b/a Capital Caring (CAP): CAP is a nonprofit organization whose mission is to provide hospice and other end-of-life services for residents living in Northern Virginia, Washington D.C., suburban Maryland, and surrounding metropolitan communities. Capital Caring is the sole member of Capital Palliative Care Consultants (CPCC).

Capital Palliative Care Consultants: CPCC is a Virginia single member limited liability company that provides palliative care services in the counties served by CAP.

Capital Caring Stay at Home Services, Inc. (CCSH): CCSH is a Virginia nonprofit organization that offers services that seek to improve patients' social and physical environments as a means of bettering their care and quality of life so that they can ultimately stay at home. Services include care coordination, transportation, assistance with nutritional needs, caregiver training, home safety evaluations, helping with pet care, and other general coordination of medical and homecare services.

Capital Caring Advanced Illness, Inc. (CCAI): CCAI is a Virginia nonprofit organization that services seniors who are home limited or otherwise benefit from receiving most of their care in the home due to an advanced illness or disability.

Allcare Medical of Florida (Allcare): Allcare provides a full range of medical equipment to hospice patients and those with life limiting conditions. At December 31, 2021, CHS owned 90% of Allcare. CHS acquired the remaining 10% of Allcare in 2022 and subsequently sold the entity to an unrelated party for \$1,600,000. CHS recorded a loss of approximately \$345,000.

CareNU, Inc. (CNU): CNU is a Florida for-profit corporation and was established to provide patients with a collaborative team based approach to chronic illness care. CNU is authorized to issue 100,000 shares of common stock. As of December 31, 2023, there are 100,000 common stock shares issued and outstanding.

Assurity Direct Contracting Entity (ADCE): ADCE, a Florida limited liability company, provides and arranges for medical care to beneficiaries through managed care capitation agreements in the state of Florida who have enrolled with various health plans. ADCE's capitation agreements with the various health plans are on a non-risk basis. CNU owns 60% of ADCE and has been consolidated with CNU for financial reporting purposes.

SECUR, Inc (SEC): SEC, is a Florida for-profit corporation and was established as an Institutional Special Needs Medicare Advantage Plan (I-SNP). The sole shareholder of SEC is CareNu, Inc.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation: The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Consolidation: The accompanying consolidated financial statements include the accounts of CHS and its affiliates. All inter-organization accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation: The consolidated financial statements report the changes in and totals of each net asset class based on the existence of donor restrictions, as applicable. Net assets are classified as net assets without donor restrictions or net assets with donor restrictions and are detailed as follows:

Net assets without donor restrictions are net assets that are not subject to donor-restrictions and may be expended for any purpose in performing the primary objectives of CHS.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and will be met by actions of CHS or by passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Non-controlling interest: Non-controlling interest is the portion of the equity ownership in an affiliate not attributable to the parent company (CareNU), who has the controlling interest. CNU owns 60% of ADCE and has been consolidated with CNU for financial reporting purposes.

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to \$250,000. At times these amounts may exceed federally insured limits. Additionally, for purposes of the consolidated statements of cash flows, CHS considers all highly liquid investments of operating cash purchased with an original maturity of three months or less to be cash equivalents.

Patient Accounts Receivable, Net: The patient accounts receivable balance represents the unpaid amounts billed to patients and third-party payors, which include Medicare, Medicaid, and commercial insurers. Contractual adjustments, discounts, and implicit price concessions are recorded to report receivables at net realizable value. Past due receivables are determined based on contractual terms. CHS does not accrue interest on any of its accounts receivable.

Capitated Accounts Receivable: Capitated accounts receivables consist of amounts due from managed care capitated contracts. The capitated receivables are carried at contracted amounts and capitated payments are received in accordance with the risk adjustment model and timeline used by the Centers for Medicare and Medicaid Services.

Notes Receivable: Note receivable represents advances under a line of credit agreement to Capital Caring as well as funds loaned to a software company to help develop computer software for hospice. The software loans are valued at historic cost, including unpaid contractual interest payments, less a valuation allowance for which it is probable that Capital Caring will be unable to collect. See Notes 2 and 7 for additional information.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: All investments are stated at their fair values in the consolidated balance sheets. Unrealized gains and losses are included in the change in net assets. See Note 6 for additional information on the nature of CHS's investments. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included within nonoperating revenues and expenses, unless the income or loss is related to assets with donor restrictions.

Assets Limited as to Use: Certain amounts of CHS's cash and investments are limited as to use by provisions of donor restrictions. These cash and investments are classified as assets limited to use in the accompanying consolidated balance sheets. Amounts required to meet current liabilities have been classified as current assets in the consolidated balance sheets at December 31, 2023 and 2022. The investment income or loss on investments that are restricted by donor or law is recorded as increases or decreases to net assets with donor restrictions.

Interest Rate Swap Agreements: CHS entered into interest rate swap agreements as part of their interest rate risk management strategy, not for speculation. CHS has elected to report the instruments as freestanding derivatives with gains and losses included within change in net assets without donor restrictions from operations.

The derivatives are separated into current and non-current assets or liabilities based on their expected cash flows. Cash inflows expected within one year, including derivative assets that CHS intends to settle, are reported as current assets. Cash inflows expected beyond one year are reported as non-current assets. Cash outflows expected within one year, including derivative liabilities in which the counterparty has the contractual right to settle, are reported as current liabilities. Cash outflows expected beyond one year are reported as non-current liabilities.

Inventories: Inventories are stated at the lower of cost or net realizable value, using the first-in, first-out method.

Other Current Assets: Other current assets are comprised of primarily of prepaid expenses, deposits, other accounts receivable, and other miscellaneous current assets. Prepaid expenses at December 31, 2023 and 2022 were approximately \$7,851,000 and \$5,982,000, respectively. Deposits at December 31, 2023 and 2022 were approximately \$3,448,000 and \$1,930,000, respectively. Other accounts receivable at December 31, 2023 and 2022 were approximately \$8,248,000 and \$646,000, respectively.

Property and Equipment: Property and equipment are stated at cost or, if acquired through an affiliation agreement or donated to CHS, at fair value on the date of acquisition. Property and equipment acquired through a business affiliation is also stated at fair value. Additions and improvements over \$2,500 are capitalized. Expenditures for routine maintenance are charged to operations. Depreciation is provided over the estimated useful lives of the various classes of assets which range from three to thirty years and is computed on the straight-line method.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets are to be used. Gifts of long-lived assets with explicit donor stipulations that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The cost of property and equipment sold or otherwise disposed of and the accumulated depreciation applicable thereto are eliminated from the accounts, and any resulting gain or loss is reflected in the consolidated financial statements in the year of disposition.

Intangible assets: The Organization has acquired intangible assets through its affiliation agreements as described in Note 2. Intangible assets consists of tradenames, certificates of need, and a PACE license. The useful lives of the intangible assets range from 15 to 20 years.

Impairment of Long-Lived Assets: On an ongoing basis, CHS reviews long-lived assets (property and equipment and intangible assets) for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. CHS considers potential impairment losses to exist if the undiscounted cash flow expected to be generated by the assets are less than carrying value. The impairment loss adjusts the assets to fair value. During the year, CHS determined that the Achieve tradename no longer had value as the home health practices were voluntarily dissolved. CHS recorded a loss of \$1,510,134, which is included within loss on disposal of license within the consolidated statements of operations. As of December 31, 2023 and 2022, management believes that no other impairments exist.

Goodwill: Goodwill of approximately \$16,397,000 at December 31, 2023 and 2022, respectively, represents the excess of the purchase price over the assigned fair value of the identifiable net assets acquired in association with CHS's purchase of Good Shepherd Hospice, Inc. (GSH). During the year ended December 31, 2022, CHS sold Allcare, which resulted in the decrease of goodwill of \$1,082,538. Goodwill is tested for impairment annually unless events warrant more frequent testing. CHS has evaluated its existing goodwill for impairment as of December 31, 2023 and 2022 and has determined that goodwill is not impaired.

Patient Care Expenses and Estimated Patient Care Expenses Payable: When a patient receives hospice benefits under the Medicare or Medicaid programs, the hospice provider becomes the payor for all medical services related to the patient's terminal diagnosis. CHS has contracts with various providers of physician, inpatient, and outpatient services which generally state that the provider has approximately 12 months from the date of service to invoice CHS for the hospice related charges. CHS estimates and records a liability for patient care expenses which are incurred but not reported (IBNR). This IBNR estimate is based upon an analysis of invoices paid and estimated current utilization and other statistics. The difference between CHS's estimates of IBNR patient care expense and actual expenses is included in or deducted from patient care expenses in subsequent periods in which such differences are identified. Patient care expenses were approximately \$47,532,000 and \$23,115,000 for the years ended December 31, 2023 and 2022, respectively, and are included in purchased services in the consolidated statements of operations.

Third-Party Medical Claim Expense: Medical claim expenses are costs for providing medical care to patients under the direct contracting entity and PACE programs. The estimated reserve for incurred but not reported claims is included in the liability for third-party medical claims expense. Actual claims expense will differ from the estimated liability due to factors in estimated and actual member utilization of healthcare services, the amount of charges, and other factors. Adjustments to these estimates are recognized in the periods in which more precise data becomes available.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenues: Patient service revenues are reported at the amount that reflects the ultimate consideration CHS expects to receive in exchange for providing patient care. These amounts are due from third-party payors, primarily commercial health insurers and government programs (Medicare and Medicaid), and includes variable consideration for revenue adjustments due to settlements of audits and reviews, as well as certain hospice-specific revenue capitations. Approximately 94% and 92% of the CHS' net patient service revenue was derived from the Medicare and Medicaid programs for the years ended December 31, 2023 and 2022, respectively. Amounts are generally billed monthly or subsequent to patient discharge. Subsequent changes in the transaction price initially recognized are not significant.

Hospice services are provided on a daily basis and the type of service provided is determined based on a physician's determination of each patient's specific needs on that given day. Reimbursement rates for hospice services are on a *per diem* basis regardless of the type of service provided or the payor.

Reimbursement rates from government programs are established by the appropriate governmental agency and are standard across all hospice providers. Reimbursement rates from health insurers are negotiated with each payor and generally structured to closely mirror the Medicare reimbursement model.

The types of hospice services provided and associated reimbursement model for each are as follows:

Routine Home Care occurs when a patient receives hospice care in their home, including a nursing home setting. The routine home care rate is paid for each day that a patient is in a hospice program and is not receiving one of the other categories of hospice care. For Medicare patients, the routine home care rate reflects a two-tiered rate, with a higher rate for the first 60 days of a hospice patient's care and a lower rate for days 61 and after. In addition, there is a Service Intensity Add-on payment which covers direct home care visits conducted by a registered nurse or social worker in the last seven days of a hospice patient's life, reimbursed up to four hours per day in fifteen-minute increments at the continuous home care rate.

General Inpatient Care occurs when a patient requires services in a controlled setting for a short period of time for pain control or symptom management which cannot be managed in other settings. General inpatient care services must be provided in a Medicare or Medicaid certified hospital or long-term care facility or at a freestanding inpatient hospice facility with the required registered nurse staffing.

Continuous Home Care is provided to patients while at home, including a nursing home setting, during periods of crisis when intensive monitoring and care, primarily nursing care, is required in order to achieve palliation or management of acute medical symptoms. Continuous home care requires a minimum of 8 hours of care within a 24-hour day, which begins at midnight. The care must be predominantly nursing care provided by either a registered nurse or licensed nurse practitioner. While the published Medicare and Medicaid continuous home care rates are daily rates, Medicare and Medicaid pay for continuous home care in fifteen-minute increments. This fifteen-minute rate is calculated by dividing the daily rate by 96.

Respite Care permits a hospice patient to receive services on an inpatient basis for a short period of time in order to provide relief for the patient's family or other caregivers from the demands of caring for the patient. A hospice can receive payment for respite care for a given patient for up to five consecutive days at a time, after which respite care is reimbursed at the routine home care rate.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Each level of care represents a separate promise under the contract of care and is provided independently for each patient, contingent upon the patient's specific medical needs as determined by a physician. However, the clinical criteria used to determine a patient's level of care is consistent across all patients, given that, each patient is subject to the same payor rules and regulations. As a result, CHS has concluded that each level of care is capable of being distinct and is distinct in the context of the contract. Furthermore, CHS has determined that each level of care represents a stand ready service provided as a series of either days or hours of patient care. CHS believes that the performance obligations for each level of care meet criteria to be satisfied over time. CHS recognizes revenue based on the service output. CHS believes this to be the most faithful depiction of the transfer of control of services as the patient simultaneously receives and consumes the benefits provided by the performance. Revenue is recognized on a daily or hourly basis for each patient in accordance with the reimbursement model for each type of service. CHS' performance obligations relate to contracts with an expected duration of less than one year. Therefore, CHS has elected to apply the optional exception provided in FASB accounting standard *"Revenue from Contracts with Customers"* (ASC 606) and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially satisfied performance obligations referred to above relate to bereavement services provided to patients' families for up to 12 months after discharge.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance which vary in amount. CHS also provides service to patients without a reimbursement source and may offer those patients discounts from standard charges. CHS estimates the transaction price for patients with deductibles and coinsurance, along with those uninsured patients, based on historical experience and current conditions. The estimate of any contractual adjustments, discounts or implicit price concessions reduces the amount of revenue initially recognized. Subsequent changes to the estimate of the transaction price are recorded as adjustments to patient service revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in the patients' ability to pay (i.e., change in credit risk) are recorded as provision for uncollectible accounts. CHS has no material adjustments related to subsequent changes in the estimate of the transaction price or subsequent changes as the result of an adverse change in the patient's ability to pay for any period reported.

For the CHS' patients in the nursing home setting in which Medicaid pays the nursing home room and board, CHS serves as a pass-through between Medicaid and the nursing home. CHS is responsible for paying the nursing home for that patient's room and board. Medicaid reimburses CHS for 95% of the amount paid to the nursing home. CHS has concluded that the 5% difference between the amount paid to the nursing home and the amount received from Medicaid is an adjustment to transaction price and, as a result, the 5% is recognized as a reduction to revenue recognized in the accompanying consolidated financial statements. Nursing home room and board expenses over revenues for the years ended December 31, 2023 and 2022, were approximately \$2,471,000 and \$1,483,000, respectively.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Compliance with such laws and regulations may be subject to future government review and interpretation. Additionally, the contracts CHS has with commercial health insurance payors provide for retroactive audit and review of claims. Settlement with third party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. The variable consideration is estimated based on the terms of the payment agreement, existing correspondence from the payor and our historical settlement activity. These estimates are adjusted in future periods, as new information becomes available. Management intends to fully cooperate with any governmental agencies in requests for information. Noncompliance with laws and regulations can make the CHS subject to regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Hospice organizations are subject to two specific payment limit caps under the Medicare program. One limit relates to inpatient care days that exceed 20% of the total days of hospice care provided for the year. CHS did not exceed the 20% cap related to inpatient days in 2023 and 2022. The second limit relates to an aggregate Medicare reimbursement cap calculated by the CHS. CHS did not exceed the Medicare reimbursement cap for the years ended December 31, 2023 and 2022.

During 2020, CHS affiliates had select Medicare claims under review. The amount of the settlement accrued as of December 31, 2023 and 2022 was approximately \$226,000 and \$1,004,000, respectively, and is included in third-party settlements in the accompanying consolidated balance sheets. The remaining balance is for miscellaneous third-party overpayments.

During 2022, CHS affiliates had select Medicare claims under review under a Targeted Probe and Educate regulatory claims review. During such review, management determined there was an error in the coding of certain claims. CHS self-reported and paid approximately \$4,144,000 back to Medicare. Management recorded this as a reduction to net patient service revenue during the year ended December 31, 2022.

Additionally, during 2022, the Office of Inspector General (OIG) is performing an audit Medical Part A services claimed by LPH. The objective of the audit is to determine whether services provided by the Hospice during the period January 1, 2020 to December 31, 2021 complied with Medicare requirements. The OIG audit is in process and LifePath has not received any findings from the OIG as December 31, 2023 and through the date of the Independent Auditor's report and therefore has not recorded a liability as of December 31, 2023 or 2022.

Beginning in November 2021, and continuing through February 2022, Medicare conducted a Supplemental Medical Review Contractor (SMRC) claims review. Capital Caring received notifications that the SMRC claims review identified approximately \$2,555,000 of improper payments. The SMRC claims review identified approximately \$1,433,000 as being improperly paid by the State of Virginia and was recouped against payments in 2022. The SMRC claims review identified approximately \$1,122,000 as being improperly paid by the State of Maryland. Approximately \$280,000 was recouped against payments in 2022, and in August 2022, Capital Caring entered into a repayment agreement for the remaining balance of approximately \$842,000 to be repaid in 10 monthly installments, including interest at an annual rate of 9.375%. The remainder of the settlement was paid during the year ended December 31, 2023, and there is no payable at December 31, 2023.

PACE Revenue: CHS operates Hope PACE (Program of All-Inclusive Care for the Elderly), a Medicare and Medicaid program that helps people meet their health care needs in the community instead of going to a nursing home or other care facilities. PACE serves individuals who: are ages 55 or older; certified by their state to need nursing home care; able to live safely in the community at the time of enrollment; and live in a PACE service area. Capitation revenue recognized from the PACE program relates to contracts with participants in which the performance obligation is to provide healthcare services to the participants. CHS contracts directly with Medicare and Medicaid to manage the healthcare needs of the program's participants and records PACE capitation revenue on a per member, per month ("PMPM") basis. Fees are recorded gross in revenues because CHS is acting as a principal in providing for or overseeing comprehensive care provided to the participants. CHS considers all contracts with participants as a single performance obligation to provide comprehensive medical, health, and social services that integrate acute and long-term care. The capitation revenues are recognized based on the estimated PMPM transaction price to transfer the service for a distinct increment of the series (i.e. month). CHS recognizes revenue in the month in which participants are entitled to receive comprehensive care benefits during the contract term. During the year ended December 31, 2023, CHS recognized approximately \$41,402,000 in PACE revenue included within net patient service revenue included in the consolidated statements of operations.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitated Revenue: Capitated contract revenue is recorded as revenue in the month that members are entitled to healthcare services through contracts with ADCE. As of December 31, 2023 and 2022, CHS had capitation agreements in place with one healthcare payer (non-risk).

Charity Care: CHS determines each patient's ability to pay during the admission process. When a patient meets certain criteria, part or all of the patient's charges are deemed charity care and are not billed for collection. Because CHS does not pursue collection of amounts determined to qualify as charity care, those amounts are excluded from net patient service revenue. The cost of charity care provided was approximately \$7,093,000 and \$6,743,000 for the years ended December 31, 2023 and 2022, respectively. This cost estimate was based on the organization-wide cost to charge ratio.

In addition to providing charity care in its continuing effort to further its mission, CHS also provides a variety of programs and services that receive little or no funding. These include medical research, medical education programs, caregiver programs, extensive community bereavement programs, and children's grief centers, including twice-yearly camps.

Contributions: Contributions received and unconditional promises to give are recorded as revenue without donor restrictions or revenue with donor restrictions depending on the existence of donor restrictions and the nature of such restrictions if they exist. Conditional promises to give are recognized in the consolidated statements of operations only when the conditions on which they depend are substantially met and the promises become unconditional.

When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions.

Donor restricted gifts that are received for which their restricted purpose is met during the same year are initially recorded as net assets with donor restrictions and then reported as net assets released from restrictions and reclassified as net assets without donor restrictions.

Donated Services: Donated services are reflected in the consolidated financial statements at the fair value of services received. The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no donated services recognized.

Performance Indicator: The consolidated statements of operations include change in net assets without donor restrictions before other changes which is designated as CHS' performance indicator.

Income Taxes: Chapters and the affiliate organizations, except for CNU, are exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely to be realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The applicable Forms 990 have not been subject to examination by the Internal Revenue Service or the state of Florida for the last three years. CHS does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. CHS recognizes interest and/or penalties related to income tax matters in income tax expense. CHS did not have any amounts accrued for interest and penalties at December 31, 2023 and 2022.

CNU is a C-corporation and is subject to income taxes. The provision for income taxes is determined using the asset and liability approach of accounting for income taxes. Under this approach, the provision for income taxes represents income taxes paid or payable (or received or receivable) for the current year plus the change in deferred taxes during the year. Deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid, and result from differences between the financial and tax basis of the Company's assets and liabilities and are adjusted for changes in tax rates and tax laws when enacted. Tax benefits related to uncertain tax positions taken or expected to be taken on a tax return are recorded when such benefits meet a more likely than not threshold. Otherwise, these tax benefits are recorded when a tax position has been effectively settled, which means that the statute of limitation has expired or the appropriate taxing authority has completed their examination even though the statute of limitations remains open. As of December 31, 2023, CNU believes none of its income tax positions are uncertain and, accordingly, has no amount provided for uncertain tax positions. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve months. Interest and penalties related to uncertain tax positions are recognized as part of the provision for income taxes and are accrued beginning in the period that such interest and penalties would be applicable under relevant tax law until such time that the related tax benefits are recognized.

Reclassifications: Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications did not have any impact on the total net assets or change in net assets.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2023 to determine the need for any adjustments to and/or disclosures within the consolidated financial statements for the year ended December 31, 2023. Management has performed their analysis through April 26, 2024, which is the date the consolidated financial statements were available to be issued.

In January 2024, Chapters and Good Shepherd sold certain assets to Medcare Hospice Services, LLC. in exchange for \$500,000 cash, \$300,000 note receivable and a 20% equity interest in Medcare Hospice Services, LLC. The purpose of this transaction is to enter the hospice market in Miami-Dade County, Florida.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 – AFFILIATION AGREEMENTS

Current year:

Hope Hospice and Community Services, Inc.:

On December 8, 2022, CHS signed an affiliation agreement with Hope Hospice and Community Services, Inc. and its affiliates to expand CHS' market in Southwest Florida. On March 1, 2023, CHS and Hope Hospice and Community Services, Inc. (collectively, the "Hope Parties") closed their affiliation agreement making CHS the sole member of the Hope Parties. Beginning on March 1, 2023, the financial position, results of activities and cash flows of all Hope entities were consolidated with CHS. This transaction was accounted for under the acquisition accounting method of business combinations. As a result, CHS recorded an inherent contribution of \$80,261,224 in 2023. No consideration was exchanged, and no financial commitments were made. CHS incurred approximately \$874,000 in acquisition costs.

The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed at March 1, 2023:

Cash	\$ 9,531,656
Patient accounts receivable	4,989,452
Other accounts receivable	3,026,684
Investments	26,060,170
Intangible assets and tradenames	5,375,000
Right-of-use assets	4,792,536
Property and equipment	61,864,819
Other assets	<u>3,348,273</u>
Total assets	<u>118,988,590</u>
Accounts payable	\$ 6,009,569
Accrued expenses	1,387,540
Accrued payroll liabilities	7,197,485
Long-term debt	19,000,000
Lease liabilities	4,811,293
Other liabilities	<u>321,479</u>
Total liabilities	<u>38,727,366</u>
Excess of fair value of assets acquired over liabilities assumed	<u>\$ 80,261,224</u>
Included within net assets without donor restrictions	\$ 80,024,844
Included within net assets with donor restrictions	\$ 236,380

During the period March 1, 2023 to December 31, 2023, the acquired debt was paid in full.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 – AFFILIATION AGREEMENTS (Continued)

The following methods were used to determine fair value:

Property and equipment - fair value was determined using the cost and sales comparison approach.
Tradenames - fair value was determined using the royalty relief method, a form of the income approach.

Certificate of Need and PACE license - fair value was determined using the cost approach.

Contractual accounts receivable approximates the fair value of accounts receivable.

Capital Caring Health:

On December 27, 2022, CHS signed an affiliation agreement with Capital Caring Health and its affiliates to expand CHS' market into the Virginia, Maryland and the Washington D.C. metropolitan areas. On May 1, 2023, CHS and Capital Caring Health (collectively, the "Capital Parties" or "Capital Caring") closed their affiliation agreement making CHS the sole member of Capital Caring Health. Beginning on May 1, 2023, the financial position, results of activities and cash flows of all Capital entities were consolidated with CHS.

This transaction was accounted for under the acquisition accounting method of business combinations. As a result, CHS recorded an inherent contribution of \$25,131,626 in 2023. Prior to the closing of the affiliation agreement on May 1, 2023, CHS loaned the Capital Parties \$7,000,000 in two tranches of \$5,000,000 (prior to December 31, 2022) and \$2,000,000 (prior to May 1, 2023). As part of the affiliation transaction, the \$7,000,000 was accounted for as consideration paid to the Capital Parties. CHS incurred approximately \$612,000 in acquisition costs.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 – AFFILIATION AGREEMENT (Continued)

The following table summarizes the estimated fair value of Capital Caring's assets and liabilities at May 1, 2023:

Cash	\$ 2,905,979
Patient accounts receivable	11,665,956
Pledges receivable	2,392,000
Investments	3,231,356
Intangibles and tradenames	7,200,000
Right-of-use assets	23,741,410
Property and equipment	19,729,999
Other assets	<u>844,669</u>
Total assets	<u>71,711,369</u>
Accounts payable	\$ 3,098,597
Accrued expenses	5,707,494
Accrued payroll liabilities	6,805,082
Lease liabilities	23,752,926
Other liabilities	<u>215,644</u>
Total liabilities	<u>39,579,743</u>
Excess of fair value of assets acquired over liabilities assumed	\$ 32,131,626
Less consideration	<u>\$ (7,000,000)</u>
	<u>\$ 25,131,626</u>
Included within net assets without donor restrictions	\$ 18,204,485
Included within net assets with donor restrictions	\$ 6,927,141

The following methods were used to determine fair value:

Property and equipment - fair value was determined using the cost and sales comparison approach.
Tradenames - fair value was determined using the royalty relief method, a form of the income approach.

Contractual accounts receivable approximates the fair value of accounts receivable.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 – AFFILIATION AGREEMENT (Continued)

Prior year:

Cornerstone Hospice & Palliative Care, Inc.:

On December 2, 2021, CHS signed an affiliation agreement with Cornerstone to expand CHS' market in Central Florida and four counties in Northwest Georgia. On April 1, 2022, CHS and Cornerstone (collectively, the "Parties") closed their affiliation agreement making CHS the sole member of Cornerstone. Beginning on April 1, 2022, the balance sheet, results of activities and cash flows of all Cornerstone entities were consolidated with CHS. This transaction was accounted for under the acquisition accounting method of business combinations. As a result, CHS recorded an inherent contribution of \$75,781,681 in 2022. No consideration was exchanged, and no financial commitments were made. CHS incurred approximately \$375,000 in acquisition costs.

The following table summarizes the estimated fair value of Cornerstone's assets and liabilities at April 1, 2022:

Cash	\$ 25,830,390
Patient accounts receivable	5,205,884
Prepays	2,590,145
Interest in net assets of Cornerstone Foundation	12,119,093
Intangibles and Tradenames	1,600,000
Right-of-use assets	6,464,209
Property and equipment	37,583,339
Other assets	1,026,207
Due from related party	1,492,303
Total assets	<u>93,911,570</u>
Accounts payable	2,092,997
Accrued expenses and payroll liabilities	6,555,139
Right-of-use liabilities	6,464,209
Note payable	2,510,039
Other liabilities	507,505
Total liabilities	<u>18,129,889</u>
Excess of fair value of assets acquired over liabilities assumed	<u>\$ 75,781,681</u>
Included within net assets without donor restrictions	\$ 63,662,588
Included within net assets with donor restrictions	\$ 12,119,093

The following methods were used to determine fair value:

Property and equipment - fair value was determined using the cost and sales comparison approach.
Tradenames - fair value was determined using the royalty relief method, a form of the income approach.
Contractual accounts receivable approximates the fair value of accounts receivable.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 33,818,101	\$ 13,957,074
Short-term investments	11,572,539	9,291,149
Patient accounts receivable, net	43,623,346	19,119,599
Capitation receivable	6,516,439	7,099,173
Due from related party	675,980	5,729,953
Pledges receivable, current portion	423,454	480,305
Other current assets	<u>5,396,021</u>	<u>1,717,744</u>
	<u>\$ 102,025,880</u>	<u>\$ 57,394,997</u>

As part of CHS' liquidity management plan, management invests cash in excess of daily requirements in short-term investments and money market funds. CHS has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet sixty days of normal operating expenses. CHS has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The CHS treasury management function is consolidated at the parent level and pays expenses on behalf of its affiliates. CHS typically collects patient accounts receivable within sixty days of the date of service and its Florida based hospice affiliates participate in the Medicare Periodic Interim Payment program (PIP) which provides bi-weekly cash payments based on management's estimate of census. CHS reconciles PIP with actual billings three times per year and the net PIP position is recorded in patient accounts receivable. In the event of an unanticipated liquidity need, CHS could utilize the long-term investments that are not donor restricted. CHS could utilize the line of credit as described in Note 10 should liquidity needs arise.

NOTE 4 – PATIENT ACCOUNTS RECEIVABLE

At December 31, patient accounts receivable by payor category consists of the following:

	<u>2023</u>	<u>2022</u>
Medicare	\$ 55,529,123	\$ 35,704,938
Medicaid	11,426,481	8,200,953
Other third-party payors	9,751,401	7,683,526
Less Medicare Periodic Interim Payments (PIP)	(12,776,227)	(14,045,031)
Less implicit price concessions	<u>(20,307,432)</u>	<u>(18,424,787)</u>
	<u>\$ 43,623,346</u>	<u>\$ 19,119,599</u>

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 – ASSETS LIMITED AS TO USE

The composition of assets limited as to use at December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 6,629,801	\$ 3,452,644
Money market funds	1,953,565	60,097
Mutual funds	1,864,123	1,728,286
	<u>10,447,489</u>	<u>5,241,027</u>
Less current portion	<u>(4,839,261)</u>	<u>(3,452,644)</u>
	<u>\$ 5,608,228</u>	<u>\$ 1,788,383</u>

NOTE 6 – INVESTMENTS

Investments, stated at fair value, at December 31 include:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 859,729	\$ 1,780,247
Money market funds	3,252,303	7,420,132
U.S. government agencies	1,527,559	673,813
Corporate bonds	991,281	258,390
Equity mutual funds	74,242,791	71,095,887
Bond mutual funds	9,802,093	8,818,080
Commodities mutual funds	1,422,439	1,509,974
Real estate fund	1,010,474	943,147
Equity securities	16,175,034	8,956,981
	<u>109,283,703</u>	<u>101,456,651</u>
Less current portion	<u>(11,572,539)</u>	<u>(9,291,149)</u>
	<u>\$ 97,711,164</u>	<u>\$ 92,165,502</u>

Investment income from assets limited as to use and investments is comprised of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Interest and dividends, net of fees	\$ 3,962,063	\$ 3,223,454
Net realized gains on sales of securities	5,655,183	119,521
Net unrealized gains (losses)	<u>8,228,628</u>	<u>(21,661,023)</u>
	<u>\$ 17,845,874</u>	<u>\$ (18,318,048)</u>

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 – NOTES RECEIVABLE

Capital Caring: During 2022, CHS entered into a line of credit agreement with Capital Caring. The note is a revolving line of credit (i) for the period prior to the occurrence of the affiliation event, an amount of up to \$5,000,000 and (ii) after the occurrence of the affiliation event, an amount of up to \$10,000,000. In the occurrence of an affiliation termination Event, the revolving line of credit shall be reduced to \$0 and no further advances may be requested or made without the written consent of CHS. Capital Caring may borrow, repay, and reborrow hereunder and CHS may advance and readvance under this note from time to time until the expiration date. The affiliation event is defined as the consummation of the affiliation agreement whereby CHS becomes the sole member of Capital Caring, which occurred in May 2023. The affiliation termination event is defined as the time that Capital Caring notifies CHS that they will no longer execute or consummate the affiliation agreement. The note bears an interest rate at the sum of the Wall Street Journal Prime rate plus 2%.

On closing of the affiliation agreement, the note receivable balance between CHS and Capital Caring was settled. As of May 1, 2023, Capital Caring had a balance outstanding of \$7,000,000, which CHS recognized as consideration paid to Capital Caring as part of the affiliation agreements. CHS and Capital Caring continue to utilize the credit agreement to lend and repay funds between the organizations. The terms did not change post-affiliation. The outstanding balance on the note receivable was \$3,000,000 as of December 31, 2023. As of and subsequent to the Affiliation Event the note receivable eliminates in the consolidated financial statements.

Software company: Capital Caring advanced funds to a software company headquartered in New Orleans, Louisiana. The software company develops computer software for the hospice industry. All advances are to be used solely for business purposes and are stated at unpaid principal balances. The loans are secured by the assets of the borrower and guarantor of the advances. There were no fees involved in these transactions. No new loans will be made to the software company beyond those listed below.

Interest on the loans is recognized over the lives of the loans and is calculated on the outstanding principal balance.

Loan receivable originating in April 2015: \$1,000,000 payable in full in April 2020 or payable upon sale or transfer as defined below; interest accrues quarterly at the 12% (12% at December 31, 2023). An allowance for doubtful accounts in the amount \$1,000,000 has been recorded for the outstanding receivable balance at December 31, 2023.

Loan receivable originating in April 2016 for \$1,500,000 original note was amended several times for a total balance of \$2,970,000; payable in full in February 2021 or payable upon sale or transfer as defined below; interest accrues quarterly at 12% (12% at December 31, 2023). Interest on the amended amounts accrues at an annual interest at of 12%. An allowance for doubtful accounts in the amount \$2,970,000 has been recorded for the outstanding receivable balance at December 31, 2023.

If a sale or transfer of the borrower occurs prior to the loan maturity dates, principal and any unpaid interest is due in full plus a percentage of the gross sale proceeds in excess of \$10,000,000. If no sale or transfer occurs within five years of the origination date, the repayment amount is equal to the principal plus a percentage of the borrower entity's current value based on a multiple of the borrower entity's earnings before interest, depreciation, and amortization.

An allowance for doubtful accounts of \$1,154,265 has been established for the remaining interest amounts contractually due from the software company as management has determined it is probable the organization may not be able to collect such amounts. Per the related note agreements, Capital Caring can, in the event of default and after notice to the borrower, commence such legal actions or proceedings against the borrower and guarantor, as permitted under the agreement or otherwise at law or at equity.

(Continued)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment as of December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Land and land improvements	\$ 26,083,826	\$ 15,888,782
Building and leasehold improvements	207,509,257	99,819,814
Furniture, fixtures, and equipment	74,430,027	50,147,656
Vehicles	2,225,084	281,948
Projects in process	960,430	12,459,483
	<u>311,208,624</u>	<u>178,597,683</u>
Less accumulated depreciation	<u>(146,246,334)</u>	<u>(84,628,805)</u>
	<u>\$ 164,962,290</u>	<u>\$ 93,968,878</u>

Projects in process at December 31, 2023 consist primarily of software implementation and general facility upgrades to be placed in service in calendar year 2024. There are not any significant projects planned or commitments entered into.

Depreciation expense for the years ended December 31, 2023 and 2022, was approximately \$11,262,000 and \$9,033,000, respectively. No interest expense was capitalized during 2023 or 2022.

NOTE 9 – LEASES

At the inception of an arrangement, CHS determines if an arrangement is a lease based on all relevant facts and circumstances. Leases are classified as operating or finance leases at the lease commencement date. Operating leases are included in operating lease ROU assets, current operating lease liabilities and long-term operating lease liabilities on the balance sheets. Finance leases are included in property and equipment, current maturities of long-term debt and finance leases and long-term debt and finance leases, net of current maturities, on the balance sheets. Leases are classified between current and long-term liabilities based on their payment terms. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Leases with a term of 12 months or less (short-term leases) are not recorded on the balance sheets. ROU assets represent CHS's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. ROU assets also include prepaid rent and are adjusted by the unamortized balance of lease incentives.

As the implicit rate is generally not readily determinable for all of CHS's leases, CHS utilized the risk free rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments. Some leases include one or more options to extend the lease, with extension terms that can extend the lease term by one to five years. The exercise of lease extension options is at CHS's sole discretion. The lease term includes options to extend or terminate the lease when it is reasonably certain that CHS will exercise that option. CHS generally concluded options to extend the lease are reasonably certain to be exercised when it is cost prohibitive to relocate operations or pursue alternative leased assets. Certain leases contain early termination penalties; however, as of December 31, 2023, it is not reasonably certain that CHS will exercise or become subject to such early termination penalties.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 – LEASES (Continued)

Nonperformance-related default covenants, cross-default provisions, subjective default provisions and material adverse change clauses contained in material lease agreements, if any, are also evaluated to determine whether those clauses affect lease classification. Real estate and vehicle leases comprise the majority of CHS's leasing activities.

CHS accounts for lease agreements with lease and non-lease components separately. Operating expenses and property taxes due for leased facilities are accounted for as non-lease components. Leases with a term greater than one year are recognized on the consolidated balance sheet as ROU assets and lease liabilities. CHS has elected not to recognize on the consolidated balance sheet leases with terms of one year or less.

At December 31, 2023 and 2022, the right-of-use asset related to operating leases was approximately \$50,623,000 and \$28,234,000, respectively, and is recorded in the accompanying consolidated balance sheets.

Lease expense is recognized on a straight-line basis over the term of the lease and presented as a single charge in the consolidated statements of operations. During the years ended December 31, 2023 and 2022, CHS recorded approximately \$8,278,00 and \$4,580,000, respectively, in lease expense. The weighted-average remaining operating lease life was 8.14 years at December 31, 2023. The weighted average discount rate is 1.60%.

A summary of future operating lease payments at December 31, 2023 is as follows:

A summary of maturities for operating leases at December 31, 2023 is as follows:

2024	\$ 9,020,207
2025	8,176,284
2026	7,070,256
2027	6,182,386
2028	5,621,209
Thereafter	22,820,227
Total lease payments	58,890,569
Less: Amount representing interest	(6,633,318)
	<u>\$ 52,257,251</u>

NOTE 10 – LINES OF CREDIT

Cornerstone has obtained two lines of credit, a revolving line of credit and a non-revolving line of credit, from a financial institution. The revolving line of credit has availability of \$7,500,000, however, of that balance, \$330,000 is restricted as a letter of credit for the workers compensation insurance policy. There is no outstanding balance on this line of credit at December 31, 2022. Cornerstone's non-revolving line of credit has an available borrowing limit of \$11,250,000. There is no outstanding balance on this line of credit at December 31, 2022. Both lines of credit accrue interest at a variable rate of Bloomberg Short-Term Bank Yield Index rate plus 1.75%. The lines of credit are secured by a Negative Pledge agreement which will expired on April 30, 2023. Management did not extend the lines of credit after April 30, 2023.

In May 2023, Chapters obtained a revolving line of credit with a financial institution. The line has availability of \$7,500,000 and incurs interest at a rate of monthly simple SOFR plus 1.45%. As of December 31, 2023, there was no outstanding balance on the line of credit. The line matures in May 2024.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
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NOTE 11 – LONG-TERM DEBT

A summary of long-term debt and capital lease obligations as of December 31 is as follows:

	<u>2023</u>	<u>2022</u>
City of Temple Terrace, Florida Revenue Refunding Bond, (Chapters Health System Project), Series 2017, with Regions Bank as bondholder, commencing April 2017, maturing April 2031, secured by certain assets of CHS, principal maturing in varying amounts, interest payable monthly at 0.67% of one-month simple SOFR plus 1.12% (4.79% at December 31, 2023) (Series 2017 Bond).	\$ 9,620,300	\$ 10,749,600
Conventional taxable loan, with Regions Bank as bondholder, commencing April 2017, maturing December 2035, secured by certain assets of CHS, principal maturing in varying amounts, interest payable monthly at 0.67% of one-month simple SOFR plus 1.75% (7.22% at December 31, 2023) due through 2035 (Taxable Loan).	13,256,000	13,679,000
Conventional term loan, with Regions Bank, commencing May 2023, secured by certain assets of CHS, principal maturing in varying amounts, interest payable at 1.75% plus one-month simple SOFR (5.41% at December 31, 2023) due through May 2027	7,160,089	-
	30,036,389	24,428,600
Less current portion of long-term debt	(2,200,646)	(1,552,300)
Less unamortized debt issuance costs	(463,566)	(333,492)
	<u>\$ 27,372,177</u>	<u>\$ 22,542,808</u>

The agreement underlying the bond issues and the 2017 Taxable Loan as described above were modified in May 2023 to change the Obligated Group. The Obligated Group now includes Chapters Health Palliative Care, LLC, Chapters Health Pharmacy, LLC, Chapters Health Staffing, LLC, Chapters Health Home Connect, Inc., Hospice of Okeechobee, and Cornerstone Health Services, LLC. The addition was to add Cornerstone.

The agreements underlying the bond issues and the 2017 Taxable Loan described above contain covenants that provided for, among other things, the maintenance of certain ratios, conditions for issuance of additional indebtedness and the transferability of funds. At December 31, 2023, CHS was out of compliance with certain financial covenants. CHS obtained a waiver from the financial institution subsequent to year end. The Series 2017 Bond and 2017 Taxable Loan are secured under a Master Trust Indenture and Supplemental Indentures and are collateralized by pledged revenues, all rights, titles, interests and estates in and to all real property and the revenue fund as outlined in the agreements.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
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NOTE 11 – LONG-TERM DEBT (Continued)

Debt Issuance Costs: Debt issuance costs are netted against the related obligation and amortized over the term of the related obligation. In conjunction with the issuance of the Series 2017 Bond, 2017 Taxable Loan, 2023 Term Loan, and 2023 Revolver, CHS recorded debt issuance costs of approximately \$185,000.

Unamortized debt issuance costs as of December 31, 2023 and 2022, was approximately \$463,000 and \$333,000, respectively, and is included in the non-current portion of long-term debt in the accompanying consolidated balances sheets. Amortization expense was approximately \$60,000 for the years ended December 31, 2023 and 2022 and is included in interest in the accompanying consolidated statements of operations.

Debt Maturities: Maturities of long-term debt and capital lease obligations are as follows:

	Series 2017 & 2023 Bonds & Loans
2024	\$ 2,200,646
2025	2,284,337
2026	2,367,458
2027	6,986,097
2028	1,795,400
Thereafter	14,402,451
	<u>\$ 30,036,389</u>

Interest Rate Swap Agreements: CHS utilizes interest rate swap agreements to modify CHS's exposure to interest rate risk by converting a portion of its variable rate borrowings to a fixed-rate basis, thus reducing the impact of interest-rate changes on future interest expense. These agreements involve the receipt of variable-rate payments amounts in exchange for fixed-rate interest payments over the life of the agreements without an exchange of the underlying principle amount. In conjunction with the Series 2017 Bond and 2017 Taxable Loan, in March 2017, CHS entered into two interest rate swap agreements with Regions Bank to convert a portion of its variable-rate borrowings to a fixed-rate basis. These swap agreements matured on April 1, 2024.

CHS pays a fixed rate of 1.45% and receives a variable-rate payment based on 67% of SOFR for one swap and pays a fixed rate of 2.182% and receives a variable-rate payment based on SOFR for the other swap. At December 31, 2023 and 2022, the notional amount of these swap agreements totaled approximately \$22,876,000 and \$24,429,000, respectively.

NOTE 12 – EMPLOYEE BENEFIT PLANS

CHS sponsors noncontributory supplemental executive retirement plans (SERP) for a select group of management or highly compensated employees. The plans call for benefits to be paid in a lump sum amount on the 45th day following separation from service as long as the participant has attained the vesting dates for employer-contributed amounts. Employee-contributed amounts may be distributed based on a list of options provided in the plans.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
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NOTE 12 – EMPLOYEE BENEFIT PLANS (Continued)

Distributions equal to 100% of the amount credited to the participant's account will be made to the participant or beneficiary if the event of total and permanent disability, death, termination due to change in the control of the employer or termination without cause prior to the vesting date. Total assets held to fund the liability and total accrued liabilities to the plans were approximately \$2,117,000 and \$1,851,000 at December 31, 2023 and 2022, respectively, and are included in other assets and other long-term liabilities in the accompanying consolidated balance sheets.

CHS, in its sole discretion, may at any time make additional deposits of cash or other property in trust with the plans' trustee to augment the principle to be held, administered, and disposed of by the Plans' trustee as provided in the trust agreement. Expenses related to these plans were approximately \$1,021,000 and \$697,000 for the years ended December 31, 2023 and 2022, respectively.

CHS has established a retirement plan under Section 403(b) of the Internal Revenue Code whereby eligible employees may elect to defer a portion of their salary. The plan allows employees to make deposits to self-directed savings accounts through payroll deductions. CHS has the option to make discretionary nonelective contributions for eligible participating employees, as well as matching contributions based upon the amount of eligible compensation contributed by the employee up to certain specified limitations. Employees vest in the employer discretionary nonelective contributions and matching contribution over a six-year period. Participants' forfeitures are used to offset CHS's future plan contributions. Employer contributions to the plan were approximately \$2,247,000 and \$1,829,000 for the years ended December 31, 2023 and 2022, respectively.

Cornerstone has established a retirement plan under Section 403(b) of the Internal Revenue Code whereby eligible employees may elect to defer a portion of their salary. The plan allows employees to make deposits to self-directed savings accounts through payroll deductions. CHS has the option to make discretionary nonelective contributions for eligible participating employees, as well as matching contributions based upon the amount of eligible compensation contributed by the employee up to certain specified limitations. Employees must normally work in excess of twenty hours a week to participate in the plan and over 1,000 hours a year to vest in the employer's contribution. Employer contributions to the plan were approximately \$234,000 for the period of April 1, 2022 through December 31, 2022 and are included in salaries and benefits on the consolidated statements of operations. Cornerstone migrated to the CHS plan on October 1, 2022.

Hope has established 3 retirement plans under Section 403(b) of the Internal Revenue Code whereby eligible employees may elect to defer a portion of their salary. Two of the plans only allow for employee contributions. Hope does not contribute to either of those two plans. The third plan is a retirement plan under Section 403(b) of the Internal Revenue Code in which eligible employees who are at least 21 years of age and have one year of service. This retirement plan is solely funded by Hope, at the discretion of the board of directors and is determined annually. Employer contributions to the plan were approximately \$798,000 for the period of March 1, 2023 through December 31, 2023, and are included in salaries and benefits on the consolidated statements of operations.

Capital Caring has established a retirement plan under Section 403(b) of the Internal Revenue Code whereby eligible employees may elect to defer a portion of their salary. Capital Caring matches employee contributions dollar for dollar up to 1% of each eligible employee's salary. Employer contributions to the plan were approximately \$158,000 for the period of May 1, 2023 through December 31, 2023, and are included in salaries and benefits on the consolidated statements of operations.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 – RELATED PARTY TRANSACTIONS

Cornerstone Foundation was established to exclusively foster, promote, support, develop, and encourage the functions of Cornerstone. U.S. GAAP requires Cornerstone to recognize as an asset its interest in the net assets of Cornerstone Foundation, and to reflect in its changes in net assets the changes in the net assets of Cornerstone Foundation. Total net assets held by the Foundation as of December 31, 2023 and 2022 amounted to \$7,925,900 and \$6,993,965, respectively, and are classified as interest in net assets of Cornerstone Foundation on the consolidated balance sheets and with donor restrictions by Cornerstone because Cornerstone does not control the timing or amount of the contributions made by Cornerstone Foundation. The change in beneficial interest in the net assets of Cornerstone Foundation is recorded within the consolidated statements of operations within the changes in net assets with donor restrictions.

During the period ended December 31, 2023 and 2022, Cornerstone Foundation made grants to Cornerstone totaling approximately \$1,500,000 and \$5,619,000, respectively to provide funding for certain programs of Cornerstone. Cornerstone Foundation owed Cornerstone \$536,633 and \$1,492,303 at December 31, 2023 and 2022, respectively, for operating expenses paid on Cornerstone Foundation's behalf and unpaid grants to Cornerstone. Such amounts are recorded as due from related party in the consolidated balance sheets at December 31, 2023 and 2022.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Litigation: During the normal course of business, CHS may be subject to various threatened or asserted claims related to professional liability, employment or other matters. CHS maintains commercial insurance on a claims-made basis for medical malpractice, as well as other commercial insurance to cover general liabilities. Management is not aware of any threatened claims that are not covered by its risk management programs or that, in the event of an adverse outcome, would have a significant impact on the financial position of CHS.

Workers' Compensation: CHS maintains workers' compensation insurance through a captive insurance company. Accruals for workers' compensation claims have been estimated by management based upon loss runs and claims data provided by the insurance company. Estimated accruals for workers' compensation claims totaled approximately \$1,299,000 and \$632,000 at December 31, 2023 and 2022, respectively, and are included in accrued employee compensation and related benefits in the accompanying consolidated balance sheets.

NOTE 15 – SELF-FUNDED INSURANCE

Employee Health Insurance: CHS is self-insured for employee health care to provide medical and other health care benefits to eligible employees and covered dependents. Reinsurance, covering costs above \$200,000, for years ended December 31, 2023 and 2022, per individual is maintained through a commercial excess coverage policy. Estimated accruals for claims incurred but not yet reported totaled approximately \$2,092,000 and \$1,420,000 at December 31, 2023 and 2022, respectively, and are included in accrued employee compensation and related benefits in the accompanying consolidated balance sheets. The estimate of the liability for unasserted claims arising from incurred but not reported claims is based on an analysis of historical claims data. CHS incurred approximately \$20,819,000 and \$10,512,000 in expense related to self-insured employee health benefits in the accompanying consolidated statements of operations during the years ended December 31, 2023 and 2022, respectively.

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NOTE 15 – SELF-FUNDED INSURANCE (Continued)

Cornerstone was self-insured for a portion of employee health benefits and migrated to CHS' plan in October 2022. Estimated accruals for claims incurred but not yet reported totaled approximately \$589,000 at December 31, 2022 and are included in accrued employee compensation and related benefits in the accompanying consolidated balance sheets. The estimate of the liability for unasserted claims arising from incurred but not reported claims is based on an analysis of historical claims data. Cornerstone incurred approximately \$3,370,000 in expense related to self-insured employee health benefits in the accompanying consolidated statements of operations during the period of April 1 through December 31, 2022.

Capital Caring is self-insured for employee health care to provide medical and other health care benefits to eligible employees and covered dependents. Estimated accruals for claims incurred but not yet reported totaled approximately \$722,000 at December 31, 2023 and are included in accrued employee compensation and related benefits in the accompanying consolidated balance sheets. The estimate of the liability for unasserted claims arising from incurred but not reported claims is based on an analysis of historical claims data. Capital Caring incurred approximately \$3,179,000 in expense related to self-insured employee health benefits in the accompanying consolidated statements of operations during the period of May 1, 2023 through December 31, 2023.

NOTE 16 – LIABILITY FOR UNPAID CLAIMS

Medical claims expense and the liability for unpaid claims include estimates of CHS' obligations for medical care services that have been rendered by third parties on behalf of insured consumers for which the CHS is contractually obligated to pay (through the CHS' capitation arrangements), but for which claims have either not yet been received, processed, or paid. CHS develops estimates for medical care services incurred but not reported ("IBNR"), which includes estimates for claims that have not been received or fully processed, utilizing actuarial models. CHS recorded a liability for accrued third-party medical expense claims of approximately \$2,463,000 and \$1,613,000 at December 31, 2023 and 2022, respectively.

CHS purchases provider excess insurance to protect against significant, catastrophic claims expenses incurred on behalf of its patients. The total amount of provider excess insurance premiums was \$4,065,215 and \$440,509 for the years ended December 31, 2023 and 2022, respectively. The provider excess insurance premiums less reimbursements are reported in medical claims expense in the consolidated statements of operations. Recoveries due are included in capitated accounts receivable in the consolidated balance sheets. CHS' provider excess insurance deductible for the plan was \$17.52 and \$17.70 per member per month for the years ended December 31, 2023 and 2022, respectively.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
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NOTE 17 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2023</u>	<u>2022</u>
Beneficial interest in the net assets of Cornerstone Foundation	\$ 7,925,900	\$ 6,993,965
For the operations of LifePath Hospice	4,178,730	3,125,461
For the operations of Good Shepherd Hospice	2,254,725	2,157,307
For the operations of Hernando-Pasco Hospice	1,805,032	732,700
For the operations of Capital Caring Hospice	3,492,559	-
For the operations of Hope Healthcare	223,591	-
Endowment – LifePath Hospice	844,605	844,605
Endowment – Good Shepherd Hospice	166,994	166,994
Endowment – Capital Caring	2,481,515	-
For the operations of Chapters Health Foundation	(56,405)	407,769
	<u>\$ 23,317,246</u>	<u>\$ 14,428,801</u>

NOTE 18 – FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

U.S. GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the CHS's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value as follows:

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. The fair values of cash and cash equivalents, money market funds, mutual funds, equity securities, and real estate funds are determined by obtaining quoted prices on nationally recognized securities exchanges.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. The fair values of CHS's government debt securities and corporate bonds are determined by matrix pricing, a market method, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities. CHS's derivatives, which are comprised of two interest rate swap agreements, are also reported at fair value using Level 2 inputs. CHS obtained the fair value from a financial institution which utilizes internal models with observable market data inputs to estimate the value of this instrument (market approach valuation technique).

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 18 – FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. The interest in net assets of Cornerstone Foundation is based on the underlying assets of Cornerstone Foundation, which are not redeemable upon request by Cornerstone or CHS. The interest in net assets of Cornerstone Foundation is largely composed of underlying investments that have observable inputs and market activity allowing for pricing based on the market prices of the items in the investments (market approach valuation technique).

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following tables present the financial instruments carried at fair value on a recurring basis as of December 31, 2023 and 2022, by valuation hierarchy, all of which were based on the market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets.

Assets and liabilities measured on a recurring basis are as follows:

Fair Value Measurement at December 31, 2023				
	Level 1	Level 2	Level 3	Total
Assets				
Assets limited as to use:				
Cash and cash equivalents	\$ 6,629,801	\$ -	\$ -	\$ 6,629,801
Money market funds	1,953,565	-	-	1,953,565
Mutual funds	1,864,123	-	-	1,864,123
Total assets limited as to use	<u>10,447,489</u>	<u>-</u>	<u>-</u>	<u>10,447,489</u>
Investments				
Cash and cash equivalents	859,729	-	-	859,729
Money market funds	3,252,303	-	-	3,252,303
U.S. government agencies	-	1,527,559	-	1,527,559
Corporate bonds	-	991,281	-	991,281
Equity mutual funds	74,242,791	-	-	74,242,791
Bond mutual funds	9,802,093	-	-	9,802,093
Commodities mutual funds	1,422,439	-	-	1,422,439
Real estate fund	16,175,034	-	-	16,175,034
Equity securities	1,010,474	-	-	1,010,474
Total investments	<u>106,764,863</u>	<u>2,518,840</u>	<u>-</u>	<u>109,283,703</u>
Interest rate swap agreements	-	282,822	-	282,822
Interest in net assets of Cornerstone Foundation	-	-	7,925,900	7,925,900
Total assets	<u>\$ 117,212,352</u>	<u>\$ 2,801,662</u>	<u>\$ 7,925,900</u>	<u>\$ 127,939,914</u>

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 18 – FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurement at December 31, 2022				
	Level 1	Level 2	Level 3	Total
Assets				
Assets limited as to use:				
Cash and cash equivalents	\$ 3,452,644	\$ -	\$ -	\$ 3,452,644
Money market funds	60,097	-	-	60,097
Mutual funds	1,728,286	-	-	1,728,286
Total assets limited as to use	<u>5,241,027</u>	<u>-</u>	<u>-</u>	<u>5,241,027</u>
Investments				
Cash and cash equivalents	1,780,247	-	-	1,780,247
Money market funds	7,420,132	-	-	7,420,132
U.S. government agencies	-	673,813	-	673,813
Corporate bonds	-	258,390	-	258,390
Equity mutual funds	71,095,887	-	-	71,095,887
Bond mutual funds	8,818,080	-	-	8,818,080
Commodities mutual funds	1,509,974	-	-	1,509,974
Real estate fund	943,147	-	-	943,147
Equity securities	8,956,981	-	-	8,956,981
Total investments	<u>100,524,447</u>	<u>932,203</u>	<u>-</u>	<u>101,456,651</u>
Interest rate swap agreements	-	678,387	-	678,387
Interest in net assets of Cornerstone Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,993,965</u>	<u>\$ 6,993,965</u>
Total assets	<u>\$ 105,765,475</u>	<u>\$ 1,610,590</u>	<u>\$ -</u>	<u>\$ 107,376,065</u>

A reconciliation of beginning and ending balances for Organization's fair value measurements using Level 3 inputs is as follows:

	Interest in Net Assets of Cornerstone Founda
Assets at January 1, 2023	\$ 6,993,965
Change in interest in net assets of Cornerstone Foundation	<u>931,935</u>
Assets at December 31, 2023	<u>\$ 7,925,900</u>

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 19 – FUNCTIONAL EXPENSES

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

<u>Year ended December 31, 2023</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses 2023</u>
Salaries and benefits	\$ 299,526,441	\$ 6,663,622	\$ 5,798,112	\$ 311,988,176
Purchased services	44,733,195	1,194,317	932,357	46,859,869
Durable medical equipment, supplies and drugs	35,448,878	956,932	702,032	37,107,842
Medical claims expense	32,857,719	362,227	633,051	33,852,997
Insurance and other	57,729,584	1,389,153	1,093,302	60,212,040
Depreciation and amortization	11,113,640	220,485	217,823	11,551,948
Interest	2,164,514	64,673	39,971	2,269,158
Affiliation expenses	-	1,188,528	-	1,188,528
	<u>\$ 483,573,972</u>	<u>\$ 12,039,937</u>	<u>\$ 9,416,649</u>	<u>\$ 505,030,558</u>
<u>Year ended December 31, 2022</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Expenses 2022</u>
Salaries and benefits	\$ 135,224,058	\$ 26,684,925	\$ 2,837,125	\$ 164,746,108
Purchased services	21,612,084	463,010	267,358	22,342,452
Durable medical equipment, supplies and drugs	15,885,746	-	-	15,885,746
Medical claims expense	24,912,802	-	-	24,912,802
Insurance and other	35,655,789	3,048,320	2,204,621	40,908,730
Depreciation and amortization	-	9,183,759	-	9,183,759
Interest	-	1,063,889	-	1,063,889
Affiliation expenses	-	375,000	-	375,000
	<u>\$ 233,290,479</u>	<u>\$ 40,818,903</u>	<u>\$ 5,309,104</u>	<u>\$ 279,418,486</u>

SUPPLEMENTARY INFORMATION

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
OBLIGATED GROUP BALANCE SHEET
December 31, 2023

	Chapters Health System	Chapters Hospitals	LifePoint Hospice	Good Shepherd Hospice	Foundations	CareNu	Hemando- Parrish Hospice	Other	Total Before Eliminations	Eliminations Total	Obligated Group Total
ASSETS											
Current assets											
Cash and cash equivalents	\$ 5,622,572	\$ 34,271	\$ -	\$ -	\$ 1,404,159	\$ 9,137,080	\$ 1,000	\$ (390)	\$ 18,198,692	\$ -	\$ 18,198,692
Short-term investments	2,888,249	-	-	-	230,712	491,438	-	-	3,610,391	-	3,610,391
Assets limited to use, current portion	-	-	-	-	4,639,261	-	-	-	4,639,261	-	4,639,261
Patient accounts receivable, net	-	8,421,133	11,043,660	2,841,263	-	-	2,666,451	831,665	24,104,174	-	24,104,174
Capitalization receivable	-	-	-	-	-	6,516,438	-	-	6,516,438	-	6,516,438
Due from related party	2,566,729	536,833	-	-	-	-	-	249	3,103,811	(2,002,841)	1,100,770
Note receivable	3,000,000	-	-	-	-	-	-	-	3,000,000	-	3,000,000
Pledges receivable, current portion	-	-	-	-	412,084	-	-	-	412,084	-	412,084
Interest rate swap agreements	262,822	-	-	-	-	-	-	-	262,822	-	262,822
Other current assets	9,360,197	3,867,829	41,926	2,723	160,266	1,642,030	60,315	267,594	15,412,802	-	15,412,802
Total current assets	23,720,563	10,859,866	11,085,586	2,844,986	7,036,802	17,786,985	2,927,766	1,219,216	77,480,276	(2,002,841)	75,477,435
Assets limited as to use, net											
Pledges receivable, net	-	-	-	-	1,963,314	-	-	-	1,963,314	-	1,963,314
Long-term investments	84,944,211	-	-	-	1,407,974	-	-	-	1,407,974	-	1,407,974
Property and equipment, net	49,280,215	41,396,655	-	-	4,737,146	8,029,807	-	-	97,711,164	-	97,711,164
Right-of-use assets	13,864,489	5,195,418	2,242,436	16,018	1,177,819	-	384,819	1,430,207	24,124,288	-	24,124,288
Interest in net assets of affiliates	-	-	20,231,079	14,174,846	-	-	3,977,394	-	38,383,318	(38,383,318)	-
Interest in net assets of related party	16,142,309	7,925,900	-	-	-	-	-	-	24,068,209	(16,142,309)	7,925,900
Goodwill and intangibles, net	16,865,428	1,460,000	-	-	-	-	-	-	18,065,428	-	18,065,428
Other assets	2,330,522	-	-	-	-	17,500	-	-	2,348,022	-	2,348,022
Total assets	\$ 266,667,737	\$ 65,840,852	\$ 33,559,097	\$ 17,634,849	\$ 16,761,187	\$ 25,534,292	\$ 7,299,979	\$ 2,362,166	\$ 379,440,598	\$ 156,520,460	\$ 535,961,058

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
OBLIGATED GROUP BALANCE SHEET
December 31, 2023

	Chapters Health System	Comerstone	LifePath Hospice	Good Shepard Hospice	Foundation	CareNu	Hemando- Pasco Hospice	Other	Total Before Eliminations	Eliminations Total	Consolidated Total
LIABILITIES AND NET ASSETS											
Current liabilities											
Accounts payable and accrued expenses	\$ 4,800,735	\$ 1,466,568	\$ 675,404	\$ 386,890	\$ 744,882	\$ 1,784,582	\$ 415,078	\$ 183,161	\$ 10,237,396	\$ -	\$ 10,237,396
Accrued employee compensation and related benefits	8,931,143	2,824,581	1,505,278	810,373	191,397	175,838	901,021	56,834	15,096,135	-	15,096,135
Estimate patient care expenses payable	-	3,708,410	2,519,413	1,456,039	-	-	885,257	215,051	8,784,170	-	8,784,170
Third-party medical claim expense	-	-	-	-	-	2,482,980	-	-	2,482,980	-	2,482,980
Due to related party	-	-	-	-	340,825	1,681,918	-	-	2,002,841	(2,002,841)	-
Lease liabilities, current	1,988,560	682,960	457,629	16,303	623,663	-	185,747	358,926	4,291,777	-	4,291,777
Current portion of long-term debt	2,200,648	-	-	-	-	-	-	-	2,200,648	-	2,200,648
Current portion of annuity obligations	-	-	-	-	34,285	-	-	-	34,285	-	34,285
Third-party settlements	-	775,044	487,345	577,824	-	-	84,429	14,502	1,939,144	-	1,939,144
Total current liabilities	17,701,084	9,167,621	6,046,569	3,227,429	1,905,152	6,085,416	2,471,530	626,273	47,049,974	(2,002,841)	46,047,133
Long-term debt, net of current portion and debt issuance costs	27,372,177	-	-	-	-	-	-	-	27,372,177	-	27,372,177
Lease liabilities, net	12,758,515	4,847,059	1,847,243	-	690,852	-	219,865	1,110,883	21,178,407	-	21,178,407
Annuity obligations, net	-	-	-	-	149,795	-	-	-	149,795	-	149,795
Other long-term liabilities	2,887,620	13,430	-	-	-	-	-	-	2,901,050	-	2,901,050
Total liabilities	60,717,396	13,818,010	7,492,812	3,227,429	2,681,799	6,085,416	2,691,385	1,937,156	98,851,403	(2,002,841)	96,848,562
Net assets											
Net assets without donor restriction	146,950,341	45,095,742	20,994,115	11,385,701	4,945,377	23,101,575	2,803,582	714,944	254,992,357	(45,226,705)	209,765,651
Noncontrolling interest	-	-	-	-	-	(3,352,899)	-	-	(3,352,899)	-	(3,352,899)
Total Net assets without donor restriction	146,950,341	45,095,742	20,994,115	11,385,701	4,945,377	19,748,676	2,803,582	714,944	251,639,458	(45,226,705)	206,412,752
Net assets with donor restrictions	-	7,525,906	5,072,170	2,421,779	9,134,916	-	1,805,032	-	26,358,933	(9,208,927)	17,150,005
Total net assets	146,950,341	52,621,647	26,066,285	13,807,480	14,079,393	19,748,676	4,608,614	714,944	277,998,391	(54,435,632)	223,472,756
	<u>\$ 200,667,737</u>	<u>\$ 66,440,652</u>	<u>\$ 33,559,097</u>	<u>\$ 17,034,909</u>	<u>\$ 16,781,192</u>	<u>\$ 25,834,292</u>	<u>\$ 7,299,979</u>	<u>\$ 2,652,100</u>	<u>\$ 370,839,895</u>	<u>\$ (56,528,485)</u>	<u>\$ 320,121,410</u>

See accompanying independent auditor's report.

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATING BALANCE SHEET
December 31, 2023

	Obligated Group	Hopa Healthcare	Capital Caring Hospice	Other	Total Before Eliminations	Eliminations Total	Consolidated Total
ASSETS							
Current assets							
Cash and cash equivalents	\$ 16,198,692	\$ 10,453,924	\$ 6,875,674	\$ 289,811	\$ 33,818,101	\$ -	\$ 33,818,101
Short-term investments	3,610,391	7,962,148	-	-	11,572,539	-	11,572,539
Assets limited to use, current portion	4,839,261	-	-	-	4,839,261	-	4,839,261
Patient accounts receivable, net	24,104,174	8,791,271	10,388,811	339,090	43,623,346	-	43,623,346
Capitation receivable	6,516,439	-	-	-	6,516,439	-	6,516,439
Due from related party	1,100,770	-	169,993	-	1,270,763	(594,783)	675,980
Note receivable	3,000,000	-	-	-	3,000,000	(3,000,000)	-
Pledges receivable, current portion	412,084	-	11,370	-	423,454	-	423,454
Interest rate swap agreements	282,822	-	-	-	282,822	-	282,822
Other current assets	15,412,802	3,136,091	950,871	47,673	19,547,437	-	19,547,437
Total current assets	75,477,435	30,343,434	18,396,719	676,574	124,894,162	(3,594,783)	121,299,379
Non-current assets							
Assets limited as to use, net	1,963,314	-	3,644,914	-	5,608,228	-	5,608,228
Pledges receivable, net	1,407,974	-	2,259,114	-	3,667,088	-	3,667,088
Long-term investments	97,711,164	-	-	-	97,711,164	-	97,711,164
Property and equipment, net	91,097,905	54,935,261	18,929,124	-	164,962,290	-	164,962,290
Right-of-use assets	24,124,288	3,823,101	22,675,432	-	50,622,821	-	50,622,821
Interest in net assets of related party	7,925,900	-	-	-	7,925,900	-	7,925,900
Goodwill and intangibles, net	18,065,428	5,375,000	7,200,000	-	30,640,428	-	30,640,428
Other assets	2,348,022	-	11,841	-	2,359,863	-	2,359,863
Total assets	\$ 320,121,430	\$ 94,476,796	\$ 73,117,144	\$ 676,574	\$ 488,391,944	\$ (3,594,783)	\$ 484,797,161

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATING BALANCE SHEET
December 31, 2023

	Obligated Group	Hope Healthcare	Capital Caring Hospice	Other	Total Before Eliminations	Eliminations Total	Consolidated Total
LIABILITIES AND NET ASSETS							
Current liabilities							
Accounts payable and accrued expenses	\$ 10,237,396	\$ 5,267,853	\$ 6,069,539	\$ 64,688	\$ 21,639,476	\$ -	\$ 21,639,476
Accrued employee compensation and related benefits	15,096,735	4,434,489	5,506,679	94,280	25,132,183	-	25,132,183
Estimate patient care expenses payable	8,784,170	1,135,711	2,734,755	-	12,654,636	-	12,654,636
Third-party medical claim expense	2,462,980	-	-	-	2,462,980	-	2,462,980
Due to related party	-	335,227	-	259,556	594,783	(594,783)	-
Lease liabilities, current	4,291,777	1,068,835	2,190,292	-	7,548,904	-	7,548,904
Current portion of long-term debt	2,200,646	-	3,000,000	-	5,200,646	(3,000,000)	2,200,646
Current portion of annuity obligations	34,285	-	75,170	-	109,455	-	109,455
Third-party settlements	1,938,144	(795,725)	384,521	-	1,527,940	-	1,527,940
Total current liabilities	45,047,133	11,444,390	19,960,956	418,524	76,871,003	(3,594,783)	73,276,220
Long-term debt, net of current portion and debt issuance costs							
	27,372,177	-	-	-	27,372,177	-	27,372,177
Lease liabilities, net	21,178,407	2,802,414	20,727,526	-	44,708,347	-	44,708,347
Annuity obligations, net	149,795	217,757	-	-	367,552	-	367,552
Other long-term liabilities	2,901,050	90,196	20,473	-	3,011,719	-	3,011,719
Total liabilities	96,648,562	14,554,757	40,708,955	418,524	152,330,798	(3,594,783)	148,736,015
Net assets							
Net assets without donor restriction	209,765,651	79,698,448	26,434,115	198,385	316,096,599	-	316,096,599
Noncontrolling interest	(3,352,699)	-	-	-	(3,352,699)	-	(3,352,699)
Total Net assets without donor restriction	206,412,952	79,698,448	26,434,115	198,385	312,743,900	-	312,743,900
Net assets with donor restrictions	17,059,916	223,591	5,974,074	59,665	23,317,246	-	23,317,246
Total net assets	223,472,868	79,922,039	32,408,189	258,050	336,061,146	-	336,061,146
	\$ 320,121,430	\$ 94,476,796	\$ 73,117,144	\$ 676,574	\$ 488,391,944	\$ (3,594,783)	\$ 484,797,161

See accompanying notes to consolidated financial statements

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
OBLIGATED GROUP STATEMENT OF OPERATIONS
Year ended December 31, 2023

	Chapters Health System	Genesis Hospital	LifePath Hospital	Good Shepherd Hospital	Foundation Hospital	CareNu	Hernando Paseo Hospital	Other	Total Before Eliminations	Eliminations Total	Obligated Group Total
Net assets without donor restrictions											
Revenue and other support											
Net patient service revenue	\$ -	\$ 88,301,321	\$ 85,924,237	\$ 38,226,888	\$ -	\$ -	\$ 47,284,398	\$ 5,408,232	\$ 269,235,774	\$ -	\$ 269,235,774
Capitalized non-risk revenue	-	-	-	-	-	38,882,897	-	-	38,882,897	-	38,882,897
Contributions	-	1,500,000	1,182,492	628,206	27,340	-	888,472	79,868	4,208,812	(2,771,472)	1,527,340
Net assets released from restrictions used for operations	-	-	-	-	8,825,591	-	-	-	8,825,591	-	8,825,591
Other operating revenue	913,652	-	-	10,000	2,824,941	1,971,790	-	18,754,194	24,471,577	(17,744,922)	5,728,655
Intercompany asset allocations	82,135,811	-	-	-	-	-	-	-	82,135,811	(82,135,811)	69,866
Total revenue, gains and support	83,049,063	89,801,321	86,206,729	38,663,788	9,877,872	40,984,997	48,171,268	24,226,334	425,949,972	(101,585,932)	323,964,039
Expenses											
Salaries and benefits	45,753,164	57,187,708	42,906,889	24,870,247	3,643,405	3,789,105	27,503,885	21,878,214	265,978,178	(11,854,241)	214,924,534
Purchased services	758,048	8,284,781	6,992,508	2,635,509	227,610	1,714,097	2,774,868	265,280	23,530,505	-	23,530,505
Insurance and other	26,838,351	16,308,609	17,358,535	(9,437,821)	2,294,389	769,183	12,317,325	3,945,502	93,383,831	(52,624,380)	38,738,095
Durable medical equipment, medical supplies, and drugs	-	6,690,230	7,908,742	3,485,273	-	-	4,324,103	2,543,797	26,040,145	(9,700,982)	20,249,453
Medical claims expense	-	-	-	-	-	33,882,897	-	-	33,882,897	-	33,882,897
Depreciation and amortization	8,538,442	90,000	-	-	-	-	-	-	8,628,442	-	8,628,442
Interest	1,193,221	-	-	-	-	18,337	-	-	1,211,558	-	1,211,558
Contributions to affiliates	-	-	-	-	2,771,472	-	-	-	2,771,472	(2,771,472)	-
Affiliate expenses	1,188,828	-	-	-	-	-	-	-	1,188,828	-	1,188,828
Intercompany cost allocations	-	4,385,237	11,817,718	8,338,374	303,065	(848,041)	2,669,178	818,439	29,551,249	(29,551,249)	802,864
Total expenses	83,049,754	88,897,758	68,172,164	62,401,454	3,631,866	40,984,752	31,384,340	27,344,248	445,083,429	(101,585,932)	343,107,496
Income (loss) from operations	(1,013,691)	(8,695)	(185,435)	(11,837,666)	1,246,006	(14,155)	(4,212,072)	(3,117,914)	(19,133,457)	-	(19,133,457)
Nonoperating revenues and expenses											
Note receivable converted to consideration in affiliate debt	(7,000,000)	-	-	-	-	-	-	-	(7,000,000)	-	(7,000,000)
Gain (loss) on sale of property and equipment	986,201	-	-	-	-	-	-	-	986,201	-	986,201
Loss on disposal of assets	(1,810,134)	-	-	-	-	-	-	-	(1,810,134)	-	(1,810,134)
Investment income (loss)	14,813,484	-	-	-	658,968	84,131	-	-	15,354,611	-	15,354,611
Change in fair value of interest rate swap agreements	(385,385)	-	-	-	-	-	-	-	(385,385)	-	(385,385)
Total nonoperating income	8,703,666	-	-	-	658,968	84,131	-	-	7,945,133	-	7,945,133
Net asset with donor restrictions											
Contributions	\$ -	\$ -	\$ -	\$ -	\$ 8,282,617	\$ -	\$ -	\$ -	\$ 8,282,617	\$ -	\$ 8,282,617
Investment income	-	-	-	-	231,154	-	-	-	231,154	-	231,154
Change in restricted interest	-	831,936	1,102,104	97,416	-	-	1,072,333	-	3,203,790	(2,271,685)	831,936
Net assets released from restrictions	-	-	-	-	(8,825,591)	-	-	-	(8,825,591)	-	(8,825,591)
Change in net assets with donor restrictions before other changes	-	831,936	1,102,104	97,416	(1,865,180)	-	1,072,333	-	4,093,910	(2,271,685)	2,822,225

See accompanying notes to consolidated financial statements

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS
Year ended December 31, 2023

	Obligated Group	Hope Hospice	Capital Caring Hospice	Other	Total Before Eliminations	Eliminations Total	Consolidated Total
Net assets without donor restrictions							
Revenue and other support							
Net patient service revenue	\$ 269,235,774	\$ 98,987,868	\$ 53,864,742	\$ 1,154,828	\$ 423,243,012	\$ -	\$ 423,243,012
Capitalized non-risk revenue	38,982,807	-	-	-	38,982,807	-	38,982,807
Contributions	1,527,349	1,100,789	3,375,289	15,085	6,018,503	-	6,018,503
Net assets released from restrictions used for operations	8,825,591	1,225,963	1,458,810	134,181	9,642,515	-	9,642,515
Other operating revenue	8,724,355	2,846,462	30,808	238,631	9,840,256	-	9,840,256
Intercompany cost allocations	628,888	-	-	-	628,888	(628,888)	-
Total revenue, gains and support	323,994,973	103,961,182	56,227,449	1,540,285	485,722,901	(628,888)	485,722,901
Expenses							
Salaries and benefits	314,423,934	57,958,417	37,754,867	2,252,168	311,988,176	-	311,988,176
Purchased services	23,505,005	22,388,295	867,868	84,611	46,845,889	-	46,845,889
Insurance and other	29,793,663	8,896,044	11,167,057	310,274	50,212,040	-	50,212,040
Durable medical equipment, medical supplies, and drugs	20,243,463	12,066,464	4,792,679	7,216	37,107,842	-	37,107,842
Medical claims expense	31,893,997	-	-	-	33,852,997	-	33,852,997
Depreciation and amortization	8,815,447	2,151,041	785,460	-	11,551,948	-	11,551,948
Interest	1,211,558	375,800	681,711	89	2,269,158	-	2,269,158
Affiliation expenses	1,188,528	-	-	-	1,188,528	-	1,188,528
Intercompany cost allocations	695,888	-	-	-	695,888	(695,888)	-
Total expenses	343,107,465	103,929,881	56,038,827	2,656,236	505,730,409	(695,888)	505,030,558
Income (loss) from operations	(19,113,430)	35,101	2,688,627	(1,113,963)	(17,503,465)	-	(17,503,465)
Nonoperating revenues and expenses							
Excess of fair value of assets acquired over liabilities assumed in acquisition of Hope Hospice and Community Services, Inc. (Hope) and Capital Caring Health and its affiliates (Capital) (See Note 2)	-	80,024,844	16,794,674	1,408,811	98,229,329	-	98,229,329
Note receivable converted to consideration at affiliation date	(7,000,000)	-	7,000,000	-	-	-	-
Gain (loss) on sale of property and equipment	998,201	(2,454,406)	(185,371)	-	(1,523,576)	-	(1,523,576)
Loss on disposal of assets	(1,510,134)	-	-	-	(1,510,134)	-	(1,510,134)
Investment income (loss)	15,354,511	2,092,911	115,585	-	17,563,507	-	17,563,507
Change in fair value of interest rate swap agreements	(395,555)	-	-	-	(395,555)	-	(395,555)
Total nonoperating income	7,446,113	79,663,347	13,745,288	1,408,811	112,263,559	-	112,263,559
Change in net assets without donor restrictions before other changes	(11,668,317)	79,899,448	26,434,115	285,848	94,760,094	-	94,760,094
Net asset with donor restrictions							
Excess of fair value of assets acquired over liabilities assumed in acquisition of Hope Hospice and Community Services, Inc. (Hope) and Capital Caring Health and its affiliates (Capital) (See Note 2)	-	236,360	8,832,680	94,461	7,163,521	-	7,163,521
Contributions	8,283,817	1,213,174	648,991	89,365	10,163,137	-	10,163,137
Change in beneficial interest	931,835	-	-	-	931,835	-	931,835
Investment income	231,154	-	51,213	-	282,367	-	282,367
Net assets released from restrictions	(8,825,591)	(1,225,963)	(1,458,810)	(134,181)	(9,642,515)	-	(9,642,515)
Change in net assets with donor restrictions before other changes	2,391,115	223,569	5,974,074	94,461	8,689,445	-	8,689,445

See accompanying independent auditor's report.

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
OBLIGATED GROUP STATEMENT OF CHANGES IN NET ASSETS
Year ended December 31, 2023

	Chapters Health System	Covenantone	LifePoint Hospice	Good Shepherd Hospice	Foundation	CareNu	Hemando- Pascua Hospice	Other	Total Before Eliminations	Eliminations	Obligated Group Total
Net assets without donor restrictions - December 31, 2022	\$ 146,623,213	\$ 66,303,445	\$ 18,100,482	\$ 18,366,840	\$ 3,247,396	\$ 6,486,831	\$ 3,143,824	\$ 2,000,898	\$ 248,115,726	\$ (29,884,388)	\$ 220,031,328
Change in net assets without donor restrictions before other changes	6,890,290	(66,446)	(166,459)	(11,837,669)	1,897,982	69,986	(4,217,072)	(3,118,014)	(11,859,318)	1	(11,859,317)
Net asset transfer	(6,363,162)	(11,120,258)	3,060,092	19,713,527	-	359,717	3,676,510	1,833,182	359,868	-	359,868
Member distributions	-	-	-	-	-	(3,079,562)	-	-	(3,079,562)	-	(3,079,562)
Additional paid in capital	-	-	-	-	-	18,142,308	-	-	18,142,308	(18,142,309)	-
Change in non-controlling interest	-	-	-	-	-	769,815	-	-	769,815	-	769,815
	(6,363,162)	(11,120,258)	3,060,092	19,713,527	-	14,162,079	3,676,510	1,833,182	14,192,250	(18,142,309)	(1,850,059)
Change in net assets without donor restrictions	(2,972,872)	(11,206,703)	2,893,833	(824,138)	1,897,982	14,262,045	(340,262)	(1,284,752)	2,523,932	(18,142,308)	(13,818,376)
Net assets without donor restrictions - December 31, 2023	\$ 143,650,341	\$ 55,096,742	\$ 20,994,315	\$ 17,542,702	\$ 5,145,378	\$ 16,748,876	\$ 2,803,562	\$ 714,344	\$ 250,839,558	\$ (45,226,706)	\$ 205,612,852
Net assets with donor restrictions - December 31, 2022	\$ -	\$ 8,893,895	\$ 3,970,056	\$ 2,324,301	\$ 7,434,836	\$ -	\$ 732,899	\$ -	\$ 21,455,067	\$ (7,027,088)	\$ 14,428,001
Change in net assets with donor restrictions before other changes	-	831,836	1,102,104	97,418	1,899,160	-	1,072,333	-	4,902,972	(3,277,855)	1,625,117
Net assets without donor restrictions - December 31, 2023	\$ -	\$ 9,725,731	\$ 5,072,170	\$ 2,421,719	\$ 9,334,016	\$ -	\$ 1,805,032	\$ -	\$ 26,366,537	\$ (8,298,921)	\$ 18,067,616

See accompanying independent auditor's report.

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
Year ended December 31, 2023

	Obligated Group	Hopa Healthcare	Capital Caring Hospice	Other	Total Before Eliminations	Eliminations Total	Consolidated Total
Net assets without donor restrictions - December 31, 2022	\$ 220,031,328	\$ -	\$ -	\$ 262,425	\$220,293,753	\$ -	\$220,293,753
Change in net assets without donor restrictions before other changes	(11,688,317)	79,698,448	26,434,115	295,848	94,760,094	-	94,760,094
Net asset transfer	359,888	-	-	(359,888)	-	-	-
Member distributions	(3,079,562)	-	-	-	(3,079,562)	-	(3,079,562)
Change in non-controlling interest	769,615	-	-	-	769,615	-	769,615
	(1,950,059)	-	-	(359,888)	(2,309,947)	-	(2,309,947)
Change in net assets without donor restrictions	(13,616,376)	79,698,448	26,434,115	(64,040)	92,450,147	-	92,450,147
Net assets without donor restrictions - December 31, 2023	\$ 206,412,952	\$ 79,698,448	\$ 26,434,115	\$ 198,385	\$312,743,900	\$ -	\$312,743,900
Net assets with donor restrictions - December 31, 2022	\$ 14,428,801	\$ -	\$ -	\$ -	\$ 14,428,801	\$ -	\$ 14,428,801
Change in net assets with donor restrictions before other changes	2,831,115	223,591	5,974,074	59,565	8,888,445	-	8,888,445
Net assets with donor restrictions - December 31, 2023	\$ 17,059,916	\$ 223,591	\$ 5,974,074	\$ 59,565	\$ 23,317,246	\$ -	\$ 23,317,246

See accompanying independent auditor's report.

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTE TO CONSOLIDATING FINANCIAL STATEMENTS
Year ended December 31, 2023

NOTE 1 – CONSOLIDATING DETAIL

The accompanying consolidating balance sheet and consolidating statement of operations reflect the financial position and operations and changes in net assets of Chapters Health System, Inc. (CHS) and its major operating entities. The amounts included in CNU are comprised of CNU, Assurity Direct Contracting Entity, Inc., and eliminations between the two companies.

The amounts included in other within the Obligated Group includes: Chapters Health Palliative Care, LLC, Chapters Health Pharmacy, LLC, Chapters Health Staffing, LLC, Chapters Health Home Connect, Inc., Hospice of Okeechobee, and Cornerstone Health Services, LLC.

The amounts included in Capital Caring includes: Capital Caring Health and Capital Hospice.

The amounts included in other that are not in the Obligated Group are comprised of Allcare Medical of Florida, Care Partners, LLC, Achieve Home Care, LLC, Capital Caring Health, Capital Palliative Care Consultants, Capital Caring Stay at Home Services, Inc., and Capital Caring Advanced Illness Services, Inc.

See accompanying independent auditor's report.

Chapters Health System, Inc. and Affiliates
Consolidated Balance Sheets
As of August 31, 2024

	Consolidated 8/31/2024	Consolidated 7/31/2024	Consolidated 12/31/2023
<i>Financial Indicators</i>			
Current Ratio	1.58	1.63	1.95
Debt to Equity Ratio	0.47	0.48	0.38
Days Cash on Hand	108	109	118
Days in AR	65	95	53
<i>Assets</i>			
Current assets:			
Cash and cash equivalents	\$49,087,196	\$53,060,604	\$33,818,103
Short-term investments	7,918,130	10,369,543	11,634,375
Patient Accounts Receivable, net	54,139,493	49,772,013	43,623,345
Other Current Assets	26,456,609	37,946,889	41,758,529
Total Current Assets	\$137,601,428	\$151,149,050	\$130,834,352
Long-term investments, net of current portion	109,507,537	105,221,448	103,257,556
Property and equipment, net	160,777,226	160,767,923	164,962,291
Other assets	93,614,175	94,230,259	95,284,743
Total Assets	\$501,500,365	\$511,368,680	\$494,338,943
<i>Liabilities and Net Assets</i>			
Current liabilities:			
Accounts Payable and Accrued Expenses	\$17,934,131	\$22,905,002	\$21,639,490
Accrued Patient Care Expenses	16,275,727	16,233,150	13,049,489
Accrued Employee Compensation and Benefits	30,185,377	27,913,792	25,038,246
Other Current Liabilities	22,908,629	25,810,550	23,953,059
Total Current Liabilities	87,303,865	92,862,494	83,680,284
Long-term Debt, net of current portion	25,909,772	26,093,282	27,372,177
Other Long-term Liabilities	46,725,926	47,356,730	47,230,086
Total Liabilities	159,939,563	166,312,506	158,282,547
Net assets:			
Without donor restriction	320,075,220	323,587,945	314,960,052
With donor restriction	21,485,583	21,468,229	21,096,344
Total Net Assets	341,560,802	345,056,174	336,056,396
Total Liabilities and Net Assets	\$501,500,365	\$511,368,680	\$494,338,943

Chapters Health System, Inc. and Affiliates
Consolidated Balance Sheets
As of August 31, 2024

	Consolidated 8/31/2024	Consolidated 7/31/2024	Consolidated 12/31/2023
<i>Financial Indicators</i>			
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Total Net Assets	341,560,802	345,056,174	336,056,396
Total Liabilities and Net Assets	\$501,500,365	\$511,368,680	\$494,338,943

SCHEDULE 5.4(b)

CHAPTERS CHANGES IN ACCOUNTING POLICY OR METHODOLOGY

None

SCHEDULE 5.5

CHAPTERS PROCEEDINGS AFFECTING TRANSACTION

None

SCHEDULE 5.6

CHAPTERS REGULATORY COMPLIANCE

None

SCHEDULE 5.7

TAX MATTERS

None

SCHEDULE 8.4

**CHAPTERS PRE-CLOSING CONFIRMATIONS FROM GOVERNMENT
AUTHORITIES**

- Change of ownership filings with the California Department of Public Health and the Centers for Medicare and Medicaid Services.
- Waiver or approval by California Attorney General
- Material change transaction filing with the California Office of Health Care Affordability

Exhibit 2.2A to Affiliation Agreement dated October 2, 2024
Amended and Restated Articles of Incorporation of Hospice East Bay
(Chapters Health System, Inc. and East Bay Integrated Care, Inc. d/b/a Hospice East Bay)

See attached



**Secretary of State
Business Programs Division**

Business Entities

1500 11th Street, Sacramento, CA 95814

P.O. Box 944260, Sacramento, CA 94244-2600

Business Entities Submission Cover Sheet

For fastest service, file online at bizfileOnline.sos.ca.gov.

Instructions:

- Complete and include this form with your paper submission. This form will not be made part of the filed document.
- Make all **checks or money orders** payable to the Secretary of State.
- In-person submissions (excluding Statements of Information): \$15 special handling fee. Do not include a \$15 special handling fee when submitting documents by mail.
- All submissions are reviewed in the date order of receipt, with online submissions given priority. For updated processing time information, visit www.sos.ca.gov/business/be/processing-dates.
- To obtain a certified copy, include certification fees with your submission.

Note: All correspondence related to your submission will be sent to the name and address on your check or money order.

Contact Person (Please type or print legibly):

First Name: Dale Last Name: Webber

Phone Number: (813) 222-8187 Email: dale.webber@bipc.com

Entity Information (Please type or print legibly):

Entity Name: EAST BAY INTEGRATED CARE, INC.

Entity Number (if applicable): 0902832

Comments: _____



Restated Articles of Incorporation of California Nonprofit Corporations

A corporation may restate in a single certificate the entire text of its articles as amended by filing an officers' certificate or, in circumstances where incorporators or the board may amend a corporation's articles pursuant to California Corporations Code sections [5811](#) and [5815](#) (public benefit and religious corporations), sections [7811](#) and [7815](#) (mutual benefit corporations) and [12501](#) and [12506](#) (general cooperative corporations), a certificate signed and verified by a majority of the incorporators.

To restate the articles, it is necessary to prepare and file Restated Articles of Incorporation in compliance with California Corporations Code section [5819](#) (public benefit and religious corporations), section [7819](#) (mutual benefit corporations) and [12510](#) (general cooperative corporations).

A sample meeting statutory requirements for most filings is attached. The sample may be used as a guide when preparing documents by making modifications as necessary to meet the specific needs of the corporation. Please refer to the above referenced California Corporations Code sections prior to modification.

Fees

The fee for filing Restated Articles of Incorporation is \$30.00. In addition to the filing fee, there is a non-refundable \$15.00 handling fee for processing documents delivered in person (drop off) at the Sacramento office.

For current processing dates, go to www.sos.ca.gov/business/be/processing-dates.

Copies

Upon filing, we will return one (1) uncertified copy of your filed document for free, and will certify the copy upon request and payment of a \$5.00 certification fee at the time of submission.

Submission Cover Sheet (Optional)

Complete and include with your **paper** submission. This information will be used to communicate with you about the submission, if needed. This submission cover sheet will be treated as correspondence and will not be made part of the filed document.

Restated Articles of Incorporation of California Nonprofit Corporations

Instructions

The attached sample can be used as a guide when drafting Restated Articles of Incorporation. The certificate should be typed following the instructions set forth below.

Restated Articles of Incorporation are most often made by the president and secretary of the corporation and for that reason the sample has been formatted using those officers. If the document will be signed by officers other than the president and secretary, or if the sample does not adequately cover the needs of the corporation, documents must be prepared with modifications to meet the specific requirements of the corporation. Please refer to California Corporations Code sections [5810-5820](#) (public benefit and religious corporations), sections [7810-7820](#) (mutual benefit corporations) or sections [12500-12510](#) (general cooperative corporations) prior to modification.

NOTE: If the corporation has not yet filed a Statement of Information (Form SI-100) pursuant to California Corporations Code section [6210](#), [8210](#), [9660](#) or [12570](#), the Restated Articles must retain the name and address of the initial agent for service of process, and if listed in the original Articles of Incorporation, the initial address and mailing address of the corporation and the names and addresses of the initial directors **exactly** as listed in the original Articles of Incorporation. If the corporation has filed Form SI-100, the Restated Articles cannot include the name and address of the agent for service of process, the street and mailing address for the corporation, or the names and addresses of officers and directors. Note: To update our records to show the current name and/or address of the agent for service of process, the street or mailing address of the corporation, and/or the names and addresses of the officers, you must file the Statement of Information. To file a Statement of Information, go to bizfileOnline.sos.ca.gov.

- **Paragraph 1** - must set forth the current name of the corporation **exactly** as the name is of record with the Secretary of State (including punctuation and abbreviations), and the Entity (File) Number issued to the corporation by the California Secretary of State at the time of registration.
- **Paragraph 2** – must set forth the entire text of the Articles of Incorporation, as amended.
- **Paragraph 3** - must state the amendment and restatement has been approved by the board of directors.
- **Paragraph 4** - must state the amendment and restatement has been approved by the required vote of the members. If the corporation has no members separate from the board of directors, member approval is not required. However, the certificate must state **the corporation has no members**.
DO NOT include both #4 paragraphs when preparing the document. Use ONLY the applicable statement.
- The certificate must be dated, signed and verified by the president and secretary. Each person's name and title should be typed directly below their respective signature.

Sample

Restated Articles of Incorporation

The undersigned certify that:

1. They are the **president** and the **secretary**, respectively, of (NAME OF CORPORATION), a California corporation, with California Entity Number (SECRETARY OF STATE ENTITY NUMBER).
2. The Articles of Incorporation of this corporation are amended and restated to read as follows:

(HERE TYPE THE ARTICLES AS AMENDED AND RESTATED)

3. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by the board of directors.
4. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by the required vote of the members.

OR

4. The corporation has no members

NOTE

Choose only
one of the #4
statements

DO **NOT** USE
BOTH
STATEMENTS

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

DATE: _____

(Signature of President)
(Typed Name of President), President

(Signature of Secretary)
(Typed Name of Secretary), Secretary

AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
EAST BAY INTEGRATED CARE, INC.

The undersigned certify that:

1. They are the president and the secretary, respectively, of East Bay Integrated Care, Inc., a California nonprofit public benefit corporation, with California Entity Number 0902832.
2. The Articles of Incorporation of this corporation are amended and restated to read as follows:

ARTICLE 1

NAME AND ADDRESS

The name of the corporation is East Bay Integrated Care, Inc. (the "Corporation"). The street address of the Corporation's principal office and the Corporation's mailing address is 3470 Buskirk Avenue, Pleasant Hill, CA 94523, or at such other location as may be approved from time to time by the Board of Directors with the consent of the Sole Member.

ARTICLE 2

PURPOSES

The Corporation is organized exclusively for educational and charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986, as amended, (the "Code"), or the corresponding provision of any future United States Internal Revenue Law and is not formed for pecuniary profit or financial gain. The Corporation is authorized to perform any lawful act or activity for which nonprofit public benefit corporations may be formed under the California Nonprofit Corporation Law, California Corporations Code § 5000 et seq. Notwithstanding any other provision of these Articles to the contrary, the Corporation shall not have or exercise any power which would cause it not to qualify as a tax-exempt organization under section 501(c)(3) of the Code, nor shall the Corporation engage directly or indirectly in any activity which would cause the loss of such qualification. The purposes of the Corporation shall include but are not limited to the following:

1. To establish and maintain services for the support and care of persons with or affected by life-limiting or advanced illnesses;
2. To promote the philosophy that the quality of life is important, and that life should be lived to its fullest extent by those persons with or affected by life-limiting or advanced illnesses;
3. To promote understanding of the needs of persons with or affected by life-limiting or advanced illnesses;
4. To obtain public involvement and support by disseminating the aims and purposes of this nonprofit corporation and its activities to the general public; and

5. To do all other tasks, including the conducting of all activities, necessary, suitable, convenient, useful or expedient in connection with, or incidental to, the accomplishment of any of the purposes set forth herein and in furtherance of the Corporation's participation in the health system conducted through and governed by Chapters Health System, Inc., a Florida not for profit corporation, to the full extent permitted by the Bylaws and the laws of the State of California.

ARTICLE 3

MEMBERS

The sole member of the Corporation is Chapters Health System, Inc. (the "Sole Member"). The Sole Member shall have and exercise such reserved rights and powers related to the Corporation as shall be set forth in the Bylaws.

ARTICLE 4

DIRECTORS

The number of directors constituting the Board of Directors of the Corporation shall be as provided in the Bylaws. The manner in which the Directors are to be elected or appointed shall be as stated in the Bylaws.

ARTICLE 5

OFFICERS

The officers and their manner of election shall be as provided in the Bylaws.

ARTICLE 6

REGISTERED AGENT AND OFFICE ADDRESS

The registered agent for the Corporation is Bill Musick. The registered office address for the Corporation is 3470 Buskirk Ave, Pleasant Hill, CA 94523.

ARTICLE 7

BYLAWS

The Bylaws of the Corporation may be amended, altered, added to or rescinded only in the manner stated in the Corporation's Bylaws and only with the approval of the Sole Member.

ARTICLE 8

AMENDMENTS

These Articles of Incorporation may be amended only in the manner stated in the Corporation's Bylaws and only with the approval of the Sole Member.

ARTICLE 9

DISTRIBUTION UPON DISSOLUTION

Upon the liquidation or dissolution of the Corporation, its assets, if any, remaining after payment (or provision for payment) of all liabilities of the Corporation, shall be distributed to the Sole Member if the Sole Member is exempt under Section 501(c)(3) of the Code at the time of such distribution. If the Sole Member is not exempt under Section 501(c)(3) of the Code at the time of such distribution, then such assets shall be distributed to one or more organizations qualified as exempt under Section 501(c)(3) of the Code. Upon any liquidation or dissolution of the Corporation, the use of the Corporation's net assets shall be subject to Sections 7.2, 7.3, and 7.4 of that certain Affiliation Agreement dated _____, 2024, entered into by and between the Corporation and the Sole Member.

ARTICLE 10

TAX EXEMPT RESTRICTIONS

(a) Prohibition on Private Inurement. Notwithstanding any other provision of these Articles of Incorporation to the contrary, no part of the net earnings, current or accumulated, or property of the Corporation shall inure to the benefit of, or be distributed to, the Corporation's members, directors, officers, or other private persons, except that the Corporation may pay compensation in a reasonable amount to its members, directors, or officers for services rendered, and upon dissolution, final liquidation or partial liquidation, may make distributions to its qualifying members to the extent permitted by these Articles of Incorporation and applicable law.

(b) Prohibition on Dividends. Notwithstanding any other provision of these Articles of Incorporation to the contrary, the Corporation shall not have the power to declare dividends. The Corporation may, however, confer benefits upon its Sole Member in conformity with its purposes and the Corporation's Bylaws, so long as the Sole Member is an exempt organization under Section 501(c)(3) of the Code at the time of the conferring of such benefits.

(c) Limitation of Lobbying Activities. Notwithstanding any other provision of these Articles of Incorporation to the contrary, no substantial part of the activities of the Corporation shall be carrying on of propaganda, or otherwise attempting to influence legislation.

(d) Prohibition on Intervening in Political Campaigns. Notwithstanding any other provision of these Articles of Incorporation to the contrary, the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office.

ARTICLE 11

INDEMNIFICATION

To the fullest extent permitted by law, the Corporation shall indemnify any person who is or was an officer, director, or employee of the Corporation, or who is or was serving at the request of the Board of Directors or an officer of the Corporation as an officer, director, or employee of another corporation, partnership, limited liability company, or other entity. Any amendment, modification or repeal of this Article 11 shall be prospective only and shall not in any way have the effect of limiting or denying any rights of any such person under this Article 11 as in effect immediately prior to such amendment, modification or repeal. The right to indemnification conferred in this Article 11 shall not be exclusive of any other right which any such person who is entitled to indemnification pursuant to this Article 11 may have or hereafter acquire under any applicable law (common or statutory), provision of the Bylaws of the Corporation, agreement, vote of the Board of Directors of the Corporation or otherwise.

ARTICLE 12

ARTICLE CONSOLIDATION

These Amended and Restated Articles of Incorporation supersede the original Articles of Incorporation of the Corporation and all amendments thereto.

ARTICLE 13

EFFECTIVE DATE

These Articles of Incorporation shall be effective as of _____, 2024.

3. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by the Corporation's board of directors.

4. The Corporation has no members.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

DATE: _____

_____, President

_____, Secretary

Exhibit 2.2B to Affiliation Agreement dated October 2, 2024

Amended and Restated Bylaws of Hospice East Bay

(Chapters Health System, Inc. and East Bay Integrated Care, Inc. d/b/a Hospice East Bay)

See attached

**Amended and Restated Bylaws
of
East Bay Integrated Care, Inc. d/b/a Hospice East Bay**

ARTICLE I: Name

The name of the corporation shall be East Bay Integrated Care, Inc. d/b/a Hospice East Bay (the “Corporation”), a California nonprofit public benefit corporation.

ARTICLE II: Purpose

The purposes of this Corporation are those stated in [Article II of its Amended and Restated Articles of Incorporation.]

***ARTICLE III: Place of
Business***

The principal place of business of the Corporation shall be located at 3470 Buskirk Avenue, Pleasant Hill, CA 94523 or at such other location approved by the Board of Directors with the consent of the Sole Member.

ARTICLE IV: Fiscal Year

The fiscal year of the Corporation shall be from January 1 to December 31, both inclusive, of each year.

ARTICLE V: Membership

The Sole Member of the Corporation shall be Chapters Health System, Inc., a Florida not for profit corporation, its successors and assigns (the “Sole Member”). The Sole Member shall have such rights and powers as are set forth in these Bylaws and as otherwise permitted by California Nonprofit Public Benefit Corporation Law (the “Law”) or any successor to the Law.

ARTICLE VI: Board of Directors

SECTION 1. Composition

The Board of Directors of the Corporation (the “Board” or the “Board of Directors”) shall consist of the following members (each individually, a “Director,” collectively, the “Directors”):

- A. Sole Member's President and Chief Executive Officer ("President/CEO"), Chief Operating Officer ("COO") and Chief Financial Officer ("CFO") shall serve on the Corporation's Board of Directors, by virtue of and concurrent with their terms of service as officers of the Sole Member.
- B. Directors elected by the Sole Member ("Elected Directors") shall be comprised of not less than seven (7) duly elected Directors¹, the exact number to be set from time to time by the Sole Member. These Directors shall reside or work in the service area in which the Corporation is licensed to operate as a hospice.
- C. Ex officio, non-voting members of the Board of Directors shall include: the Sole Member's Chief Business Development Officer ("CBDO"), Chief Medical Officer ("CMO"), Chief People Officer ("CPO"), Chief Information Officer ("CIO"), Chief Compliance Officer ("CCO"), Vice President – Foundation ("VP-F"), the Corporation's Executive Director, and any other person(s) appointed from time to time by the Chairperson of the Board of Directors.
- D. The Sole Member may at any time increase or decrease the number of Directors sitting on the Board; provided, however, there may never be fewer than seven (7) Elected Directors. The Sole Member shall designate each Director whose position has been eliminated.

SECTION 2. Qualifications

Each Director shall be eighteen (18) years of age or older, of good moral character and reputation and shall possess by reason of education, experience and background the technical skills and judgment to be a director of the Corporation.

SECTION 3. Election

The Board shall nominate, and the Sole Member may elect from those persons nominated by the Board, Elected Directors at the annual meeting of the Sole Member. If the Sole Member does not elect any person nominated by the Board, the Board shall nominate other persons until such time as the Sole Member elects new Elected Directors. Any seat to be filled by reason of the replacement of a departing Elected Director or an increase in the number of directors may be filled by the Sole Member from nominations by the Board whenever the vacancy or increase occurs.

SECTION 4. Term of Office

- A. Directors elected by the Sole Member at the annual meeting shall hold office until a successor has been elected or until earlier resignation, removal or death. Each term of an Elected Director elected at the annual meeting who is not an

¹ NTD: Parties to confirm correct number. All directors of EBIC as of the closing have the option to continue as directors, although term limits will apply to service prior to the closing.

employee of the Sole Member shall consist of three (3) years or any portion thereof.

- B. An Elected Director who is not an employee of the Sole Member may serve no longer than three (3) consecutive full terms and may be re-elected to the Board after a one (1) year hiatus following the completion of his or her service as an Elected Director.
- C. The initial term of an Elected Director elected at a regular meeting to fill a vacancy created by reason of the departure of an Elected Director or an increase in the number of directors shall expire at the next annual meeting of the Sole Member at which Elected Directors are elected. Such a partial term will not count as a full term with respect to term limits.

SECTION 5. Attendance

If an Elected Director is absent unreasonably from two (2) consecutive Board meetings, a letter may be sent asking that his or her intent be clarified. If an Elected Director is absent unreasonably from three (3) consecutive Board meetings, the Elected Director may be removed for cause from the Board of Directors and his or her seat on the Board declared vacant by the Sole Member or by a majority vote of all Directors then entitled to vote with the approval of the Sole Member. The Elected Director who is removed and whose seat is declared vacant will be notified of such declaration.

SECTION 6. Resignation

A Director may resign at any time by giving written notice of such resignation to the Chairperson of the Board of Directors and the President/CEO of the Sole Member. Such resignation will be effective on the date specified in the resigning Director's notice of resignation, but if no effective date is set forth in such notice, then the effective date of such resignation shall be the date of such notice of resignation. If a resignation is made effective at a later date, then the vacancy created by such resignation may be filled before the vacancy occurs, provided, however, the new Director may not take office until the vacancy occurs.

SECTION 7. Removal

All ex-officio Directors may be removed with or without cause at any time by the Sole Member. An Elected Director may be removed from the Board of Directors at any time by the Sole Member or by a majority vote of all Directors then entitled to vote with the approval of the Sole Member. Any Elected Director who is removed from the Board is not eligible to stand for election again until the next annual meeting of the Sole Member. Any Elected Director removed from the Board of Directors shall turn over to the Board within 72 hours any and all records of the Corporation in his or her possession.

SECTION 8. Vacancies

Any seat on the Board that becomes vacant through resignation, removal or death of an Elected

Director, or through an increase in the number of directors, shall be filled without undue delay. At the next regular meeting of the Board after a vacancy occurs where a quorum is present, the Sole Member shall present the name of the Elected Director it has appointed to fill the vacant seat.

SECTION 9. Quorum

- A. A quorum of the Directors shall be a simple majority of the Directors currently serving on the Board.
- B. If no quorum is present at a meeting of the Board and if written notification of the meeting and agenda has been given to all Directors, the Executive Committee may act on all matters on the agenda, except as limited by Article VIII Section I, of these Bylaws and applicable law.

SECTION 10. Meetings

- A. Regular meetings of the Board of Directors shall be held not less than quarterly in each calendar year, or as often as deemed necessary by the Chairperson of the Board of Directors or by the Sole Member, at a date, time, and place he or she or the Sole Member determines. One of the regular meetings of the Board of Directors shall be the annual meeting of the Corporation. Meeting notices shall be given to all Directors at least ten (10) days in advance, either in writing delivered via hand delivery, U.S. Mail, overnight courier, facsimile or electronic mail (e-mail).
- B. Special meetings of the Board of Directors may be called by the Chairperson of the Board or by the Sole Member. All requests for special meetings must be given to the Secretary in writing signed by the requesting Director or Chairperson of the Sole Member. The Secretary or Assistant Secretary shall notify all Directors of such special meetings, specifying the purpose, by oral notification or in writing delivered via hand delivery, U.S. mail, overnight courier, facsimile or electronic mail (e-mail).
- C. The annual meeting shall be convened by the Sole Member and occur at such time and place as may be set by the Sole Member.
- D. Directors may participate in a meeting of the Board of Directors or a committee thereof by means of a conference telephone, video conference or similar electronic communication device whereby all persons can hear each other at the same time. Such participation shall constitute presence in person at the meeting.
- E. Any action required to be taken at a meeting of the Board of Directors or a committee thereof, or any action that may be taken at a meeting of the Board of Directors or a committee thereof, may be taken without a meeting if a consent in writing, setting forth the action so taken or to be taken, signed by all of the Directors or all of the members of the committee, as the case may be, is filed in

the minutes of the proceedings of the Board of Directors or of the committee, as the case may be. Such consent shall have the same effect as a unanimous vote.

SECTION 11. Waiver of Notice of Meeting

Notice of a meeting of the Board of Directors need not be given to any Director who signs a waiver of notice either before or after the meeting.

SECTION 12. Powers and Duties

The powers and duties of the Board of Directors shall be as follows:

- A. To assume full legal authority and responsibility for determining, implementing and monitoring policies governing the management and operations of the Corporation's operating division(s), including the provision of hospice services, as well as fiscal operations and continuous quality assessment and performance improvement of each operating division;
- B. To determine, implement and monitor policies governing the management and operation of the Corporation's operating division(s), which shall include, without limitation, a plan for providing for uncompensated care and philanthropic community activities, personnel policies that address adequate notice of termination by employees or contractors with direct patient care responsibilities and policies on the health and safety of participants in the Corporation's programs;
- C. To prepare and maintain a comprehensive emergency management plan that provides for continuing hospice services in the event of an emergency, that is consistent with local and state requirements;
- D. To adopt annual operating and capital budgets which are approved by the Sole Member;
- E. To appoint Executive Director(s) or Chief Executive Officer(s) of the Corporation's operating division(s), as presented by the President/CEO of the Sole Member, who shall report to the Board, be responsible for the day-to-day management and operation of the Corporation's programs, and serve as a liaison with the Corporation's staff; and
- F. To undertake such additional activities as are permitted or necessary to ensure that the Corporation complies with all federal and state statutes or rules governing the operation of each of the Corporation's operating division(s), as well as these Bylaws (to the extent not in conflict with any applicable law, rules or regulations), and the Law.
- G. Any other power or duty normally assigned to a nonprofit corporation's Board

of Directors, which are not reserved to the Sole Member as provided herein.

SECTION 13. Conflict of Interest

- A. No contract or other transaction between the Corporation and one or more of its Directors or any other corporation, firm, association, or entity in which one or more of its Directors are directors, officers, or employees or are financially interested shall be void or voidable because of such relationship or interest, because such Director or Directors are present at the meeting of the Board of Directors or a committee thereof which authorizes, approves, or ratifies such contract or transaction, or because his or her or their vote(s) are counted for such purpose, if:
 - 1. All material facts of such relationship or interest is disclosed by the interested or related Director(s) as soon as practicable and in no case later than five (5) days following knowledge of its existence, or all material facts of such interest or kinship is otherwise known to the Board of Directors or committee which authorizes, approves or ratifies the contract or transaction by a vote or consent sufficient for the purpose without counting the vote(s) or consent(s) of such interested or related Director(s);
 - 2. The contract, transaction or relationship is fair and reasonable as to the Corporation at the time it is authorized by the Board, a committee, or the Directors entitled to vote on such contract, transaction or relationship or by the Sole Member with regard to a matter subject to the Sole Member's authority; and
 - 3. Either (i), prior to authorizing the contract or transaction, the Board, a committee, or the Directors entitled to vote on such contract, transaction or relationship, or by the Sole Member with regard to a matter subject to the Sole Member's authority, considered and in good faith determined after reasonable investigation under the circumstances that the Corporation could not have obtained a more advantageous arrangement with reasonable effort under the circumstances, or (ii) the Corporation in fact could not have obtained a more advantageous arrangement with reasonable effort under the circumstances.
- B. Interested Directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such contract, transaction or relationship.

SECTION 14. Self-Dealing Transactions

A. Except as provided in subsection B below, for purposes of this Section 14, a self-dealing transaction means a transaction in which the Corporation is a party and in which one or more of its Directors has a material financial interest and which does not meet the requirements of subsection D below. Such a Director is an "Interested Director" for purposes of this Section 14.

B. The provisions of this Section 14 do not apply to any of the following:

1. An action of the Board fixing the compensation of a Director as a Director or Officer of the Corporation.
2. A transaction which is part of a public or charitable program of the Corporation if it:
 - i. is approved or authorized by the Corporation in good faith and without unjustified favoritism; and
 - ii. results in a benefit to one or more Directors or their families because they are in the class of persons intended to be benefited by the public or charitable program.
3. A transaction, of which the Interested Director or Directors have no actual knowledge, and which does not exceed the lesser of one percent (1%) of the gross receipts of the Corporation for the preceding fiscal year or one hundred thousand dollars (\$100,000).

C. The Attorney General or, if the Attorney General is joined as an indispensable party, any of the following may bring an action in the superior court of the proper county seeking a remedy as referenced in subsection F:

1. The Corporation, or the Sole Member asserting the right in the name of the Corporation pursuant to Cal. Corp. Code Section 5710;
2. A Director of the Corporation;
3. An Officer of the Corporation; or
4. Any person granted relator status by the Attorney General.

Any action filed in accordance with this subsection C shall be filed in accordance with the requirements of Cal. Corp. Code Section 5233.

D. In any action brought under subsection C, the remedies referenced in subsection F shall not be granted if:

1. The Attorney General, or the court in an action in which the Attorney General is an indispensable party, has approved the transaction before or after it was consummated; or

2. The following facts are established:

- i. The Corporation entered into the transaction for its own benefit;
- ii. The transaction was fair and reasonable as to the Corporation at the time the Corporation entered into the transaction;
- iii. Prior to consummating the transaction or any part thereof the Board authorized or approved the transaction in good faith by a vote of a majority of the Directors then in office without counting the vote of the Interested Director or Directors, and with knowledge of the material facts concerning the transaction and the Director's interest in the transaction. Except as provided in paragraph 3 below, action by a committee of the Board shall not satisfy this paragraph iii; and
- iv. (a) Prior to authorizing or approving the transaction the Board considered and in good faith determined after reasonable investigation under the circumstances that the Corporation could not have obtained a more advantageous arrangement with reasonable effort under the circumstances or

(b) the Corporation in fact could not have obtained a more advantageous arrangement with reasonable effort under the circumstances; or

3. The following facts are established:

- i. A committee or person authorized by the Board approved the transaction in a manner consistent with the standards set forth in paragraph 2 above;
- ii. It was not reasonably practicable to obtain approval of the Board prior to entering into the transaction; and
- iii. The Board, after determining in good faith that the conditions of subparagraphs (i) and (ii) of this paragraph were satisfied, ratified the transaction at its next meeting by a vote of the majority of the Directors then in office without counting the vote of the Interested Directors or Directors.

- E. Interested Directors may be counted in determining the presence of a quorum at a meeting of the Board which authorizes, approves or ratifies a contract or transaction subject to this Section 14.
- F. If a self-dealing transaction has taken place, the Interested Director or Directors shall do such things and pay such damages as in the discretion of the court will provide an equitable and fair remedy to the Corporation, taking into account any benefit received by the Corporation and whether the Interested Director or Directors acted in good faith and with intent to further the best interest of the Corporation.

SECTION 15. Compliance

- A. The Board of Directors shall abide by the authority and objectives set forth in all applicable federal and state laws and rules, including without limitation the Law, governmental third-party program requirements, accreditation standards, and these Bylaws as adopted and amended.
- B. The Board of Directors shall act with the highest integrity to advance the best interests of the Corporation and to help the Corporation achieve its mission and operate in a manner consistent with its charitable purposes.
- C. Any Director who contributes to or participates in activities that are not in compliance with or that contribute to the Corporation's non-compliance with any applicable federal or state law or rule, governmental third party program requirement, accreditation standard, or these Bylaws as adopted and amended, or who fails to act with the highest integrity to advance the best interests of the Corporation and to help the Corporation achieve its mission and operate in a manner consistent with its charitable purpose, shall be subject to removal from the Board for cause.

SECTION 16. Compensation

Directors who are not employees of the Corporation shall receive no compensation for their services as members of the Board of Directors or any committee thereof; provided, however, Directors may, pursuant to Article VI, Section 13 of these Bylaws, receive compensation that is fair and reasonable for services rendered to the Corporation in a separate capacity. The Board of Directors may authorize the reimbursement of expenses incurred by any Director for the benefit of the Corporation.

ARTICLE VII: Officers

SECTION 1. Categories

The officers of the Corporation shall be the Chairperson, Vice Chairperson, and Secretary of the Board, and the President/CEO, COO, CFO, CBDO, CMO, CPO, CIO, CCO, and VP-F of the Corporation. There may also be one or more Assistant Secretaries.

SECTION 2. Election/Appointment and Term of Office

- A. The initial post-Closing Chairperson after these Bylaws become effective shall be a Director who is not an employee of the Sole Member and who shall be elected by the Board to serve as the Chairperson of the Board for a term of one (1) year, or if such occurs first, until the expiration of his or her term of office as director. After such initial term a Director shall be elected by the Board to serve as the Chairperson regardless of whether such individual is an employee of the Sole Member for a term of two (2) years or, if such occurs first, until the expiration of his or her term of office as a Director.
- B. One Director shall be elected by the Board to serve as Vice Chairperson of the Board, and shall serve for a term of two (2) years or, if such occurs first, until the expiration of his or her term of office as a director.
- C. One Director shall be elected by the Board to serve as Secretary of the Board, and shall serve for a term of two (2) years or, if such occurs first, until the expiration of his or her term of office as a director.
- D. The President/CEO of the Sole Member shall be the President/CEO of the Corporation, and shall serve until resignation, removal or death.
- E. The COO of the Sole Member shall be the COO of the Corporation, and shall serve until resignation, removal or death.
- F. The CFO of the Sole Member shall be the CFO of the Corporation, and shall serve until resignation, removal or death.
- G. The CMO of the Sole Member shall be the CMO of the Corporation, and shall serve until resignation, removal or death.
- H. The CBDO of the Sole Member shall be the CBDO of the Corporation, and shall serve until resignation, removal or death.
- I. The CPO of the Sole Member shall be the CPO of the Corporation, and shall serve until resignation, removal or death.
- J. The CIO of the Sole Member shall be the CIO of the Corporation, and shall serve until resignation, removal or death.
- K. The CCO of the Sole Member shall be the CCO of the Corporation, and shall serve until resignation, removal or death.
- L. The VP-F of the Sole Member shall be the VP-F of the Corporation, and shall

serve until resignation, removal or death.

- M. The executive assistant to the President/CEO of the Corporation shall serve in the capacity as an Assistant Secretary until his or her resignation, removal or death. In the temporary absence of the executive assistant to the President/CEO, an executive assistant or administrative assistant appointed by the President/CEO shall serve as an Assistant Secretary.

SECTION 3. Vacancies

Any officer position that becomes vacant through resignation, removal or death shall be filled without undue delay. Should the position of Chairperson, Vice Chairperson, or Secretary become vacant, at the next regular meeting of the Board after the vacancy occurs where a quorum is present, the Directors shall elect a Director to fill the remaining term of the vacant office by a majority vote of those present.

SECTION 4. Powers and Duties

The powers and duties of the respective officers of the Corporation shall be as follows:

A. Chairperson of the Board

- 1. The Chairperson of the Board shall preside over all Board meetings and perform all duties incident to the office of Chairperson and such duties as from time to time may be assigned to him or her by the Board of Directors or the Sole Member.
- 2. The Chairperson of the Board shall chair the Executive Committee of the Board of Directors.

B. Vice Chairperson of the Board

In the temporary absence of the Chairperson of the Board, the Vice Chairperson of the Board shall act as the Chairperson and perform all duties assigned to that position. The Vice Chairperson shall chair the Governance Committee.

C. Secretary and the Assistant Secretary

- 1. The Secretary shall keep the minutes of the meetings of the Board of Directors, insure that all notices are duly given in accordance with the provisions of these Bylaws, be custodian of the Corporation's records, and, in general, perform all duties incident to the office of Secretary and such duties as from time to time may be assigned to him or her by the Board of Directors or the Chairperson of the Board.
- 2. The Assistant Secretary shall assist the Secretary in keeping the minutes of the meetings of the Board of Directors, insuring that all notices are

duly given in accordance with the provisions of these Bylaws, and being custodian of the Corporation's records, and, in general, shall perform all duties incident to the office of Assistant Secretary and such duties as from time to time may be assigned to him or her by the Board of Directors or the Chairperson of the Board.

D. President/CEO

1. The President/CEO shall be the principal executive officer of the Corporation and shall, in general, supervise and control all of the business and affairs of the Corporation. He or she may sign on behalf of the Corporation, all contracts, deeds, mortgages, bonds, and any other instruments which the Board has authorized to be executed, except where execution thereof is expressly delegated by the President/CEO, the Board of Directors or by these Bylaws, or by statute, to some other officer or agency of the Corporation.
2. The President/CEO shall perform all duties incident to his or her office, and other duties as may be prescribed by the Board of Directors from time to time. The President/CEO or his or her designee shall represent the Corporation in matters of policy and negotiation with other agencies, and shall be responsible for administering the work of the Corporation in conformity with these Bylaws and the Corporation's policies and procedures.
3. The President/CEO may terminate the employment of the Corporation's Executive Director and present for appointment by the Board of Directors a new Executive Director.

E. COO

The COO shall have such powers and duties that may be assigned him/her from time to time by the President/CEO or the Board of Directors of the Sole Member.

F. CFO

The CFO shall have such powers and duties that may be assigned to him/her from time to time by the President/CEO or the Board of Directors of the Sole Member.

G. CMO

The CMO shall have such powers and duties that may be assigned to him/her from time to time by the President/CEO or the Board of Directors of the Sole Member.

H. CBDO

The CBDO shall have such powers and duties that may be assigned to him/her from time to time by the President/CEO or the Board of Directors of the Sole Member.

I. CPO

The CPO shall have such powers and duties that may be assigned to him/her from time to time by the President/CEO or the Board of Directors of the Sole Member.

J. CIO

The CIO shall have such powers and duties that may be assigned to him/her from time to time by the President/CEO or the Board of Directors of the Sole Member.

K. CCO

The CCO shall have such powers and duties that may be assigned to him/her from time to time by the President/CEO or the Board of Directors of the Sole Member.

L. VP-F

The VP-F shall have such powers and duties that may be assigned to him/her from time to time by the President/CEO of the Board of Directors of the Sole Member.

SECTION 5. Chain of Command – Absence of President/CEO

In the temporary absence of the President/CEO, the COO shall perform the duties of the President/CEO shall be performed in accordance with the Chain of Command Policy and Procedure of the Sole Member.

ARTICLE VIII: Committees

SECTION 1. Executive Committee

- A. The Executive Committee shall carry out the work of the Board of Directors between meetings and at meetings in accordance with these Bylaws and make

recommendations to the Board of Directors for its action. The Executive Committee shall have all the authority of the Board of Directors except as may be limited by state law and subject to the approval of the Sole Member as specified in Article XIII, provided however, that the Executive Committee shall have no authority with respect to the following:

1. The approval of any action which also requires the approval of the Sole Member;
2. The filling of any vacancies on the Board or in any committee which has the authority of the Board;
3. The fixing of compensation of the Directors for serving on the Board or on any committees;
4. The amendment or repeal of Bylaws or the adoption of new Bylaws;
5. The amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable;
6. The appointment of committees of the Board or the members thereof;
7. The expenditure of corporate funds to support a nominee for Director after there are more people nominated than can be elected; and
8. The approval of any self-dealing transaction except where permitted by state law and these Bylaws.

B. The members of the Executive Committee shall be as follows:

1. Chairperson of the Board;
2. Vice Chairperson of the Board;
3. Secretary of the Board;
4. President/CEO; and
5. CFO.

The Sole Member may at any time increase or decrease the number of individuals sitting on the Executive Committee and/or change the composition of the Executive Committee.

C. The Chairperson of the Board shall chair the Executive Committee.

D. The Executive Committee shall meet as necessary or appropriate and will report

any actions taken by it to the Board within seven (7) days after any definitive action is taken except if any action taken is of an emergent nature such action will be reported to the Board as soon as practicable.

SECTION 2. Standing Committees

The Standing Committees and their purposes shall be as follows:

A. Quality Assessment Performance Improvement (“QAPI”) and Compliance Committee

The QAPI and Compliance Committee ensures quality outcomes by adopting and implementing sound measurement and monitoring systems in accordance with all applicable state and federal laws and regulations, and accreditation and professional organization standards, including but not limited to, applicable provisions of the Medicare Conditions of Participation for Hospices, 42 C.F.R. Part 418, accreditation standards of The Joint Commission, standards of the National Hospice and Palliative Care Organization, and other laws, regulations and standards applicable to the Corporation’s operating divisions. The QAPI and Compliance Committee assists the Sole Member’s Audit and Compliance Committee and the Corporation’s Board of Directors in promoting an organizational culture that encourages a commitment to compliance with the law. The CCO shall have direct, overall responsibility for the Corporation’s compliance function and be given adequate resources and authority to carry out such responsibility. The QAPI and Compliance Committee shall prepare and present a report on its activities at least annually to the Sole Member’s Audit and Compliance Committee.

Members of the QAPI and Compliance Committee shall consist of Directors appointed by the Chairperson of the QAPI and Compliance Committee. Non-voting members of the Committee shall include the CCO and any employees of the Corporation whose participation is deemed by the Committee Chairperson to be appropriate. Committee members appointed by the Board shall serve a term of two (2) years. The QAPI and Compliance Committee shall meet at least quarterly, or as necessary and appropriate, and shall be chaired by a Director appointed by the Chairperson of the Board.

B. Development and Community Relations Committee

The Development and Community Relations Committee assists the Board and the Corporation with charitable fund-raising efforts and to more effectively and efficiently implement sound community relations practices in support of the Corporation’s mission. Its members shall be appointed by the Chairperson of the Development and Community Relations Committee and may include, from time to time, qualified individuals who are not Directors. Committee members shall serve a term of two (2) years. The Committee shall meet at least quarterly, or as

necessary and appropriate, and shall be chaired by a Director appointed by the Chairperson of the Board.

C. Governance Committee

The Governance Committee duties shall include oversight of the following for the Board of Directors, subject to the rights of the Sole Member set forth in Article XIII: revisions to the Articles and Bylaws of the Corporation; governance policies addressing the Board of Directors and its committees; Board development and education; evaluation and performance of the Board and its committees; and establishment of committee charters.

The Governance Committee shall consist of no fewer than three (3) Board members, including at least two Elected Directors and no fewer than one officer of the Sole Member.

Members of the Governance Committee being considered for nomination to the Board for additional terms shall not be considered members of the Governance Committee when it is acting as the Board nominating committee. In addition to nominating new Board members and existing members for new terms, the Governance Committee shall recommend individuals for appointment to vacant positions on the Board. The Governance Committee shall meet as needed, but no less than twice annually.

SECTION 3. Ad Hoc Committees

Ad Hoc committees may be appointed at the discretion of the Chairperson of the Board, meet as necessary or appropriate, and may include, from time to time, qualified individuals who are not Directors, provided that no such individuals shall act with the authority of the Board.

SECTION 4. Committee Chairpersons

Unless otherwise indicated, the Chairperson of the Board shall appoint committee chairpersons and may serve as a chairperson or voting member of one or more committees.

SECTION 5. Quorum

Unless otherwise designated by the Board of Directors (or as permitted by state law in the event of an emergency), a majority of the whole committee shall constitute a quorum.

SECTION 6. Rules

Each committee may adopt rules for its own government not inconsistent with these Bylaws or with the rules adopted by the Board of Directors.

SECTION 7. Removal

Except for members of the Executive Committee, the Chairperson of the Board may remove any committee member at will.

ARTICLE IX: Fiscal Policies

SECTION 1. Contracts

In addition to the officers so authorized by these Bylaws or the Sole Member's Contracting Policy and Procedure and/or Guidelines, any officer or agent authorized by the Board of Directors may enter into any contract or execute and deliver any instrument in the name of or to the Corporation.

SECTION 2. Checks, Drafts, Etc.

All checks, drafts, or orders for the payment of money, notes or other evidence of indebtedness issued in the name of the Corporation shall be signed by such officer(s) or agent(s) as determined by resolution of the Board of Directors.

ARTICLE X: Books and Records

SECTION 1. Minute Book

The Corporation shall keep at its principal office, or such other place as the Board of Directors may order, a book of the minutes of all meetings of directors, with the time and places of holding, whether regular or special, how authorized, the notice given, the names of those present, and the proceedings thereof.

SECTION 2. Corporate Records

The Corporation shall keep and maintain at its principal office, or such other place as the Board of Directors may order, adequate and correct accounts of its properties and business transactions, including accounts of its assets, liabilities, receipts, disbursements, gains and losses.

SECTION 3. Confidentiality of Patient /Family Information

The records of any committee or board of the Corporation which contain information relating specifically to any patient served by any operating division of the Corporation shall be considered confidential. Any disclosure of such information shall be in accordance with applicable federal and state statutes and regulations in effect at the time, pertaining to disclosure of confidential patient information.

***ARTICLE XI: Waiver of
Notice***

When notice is required under the provisions of Law, the Corporation's Articles of Incorporation or these Bylaws, a written waiver signed by the person or persons entitled to such notice, whether before or after the time stated herein, shall be deemed equivalent to the giving of such notice.

***ARTICLE XII:
Amendments***

Only the Sole Member may amend, supplement, restate, repeal, or rescind these Bylaws or any of them or any combination of them. These Bylaws shall be reviewed annually by the Governance Committee.

***ARTICLE XIII: Rights of the Sole
Member***

Without the written approval of the Sole Member, the Corporation shall not:

- A. Sell, lease, or dispose of assets, merge, combine or otherwise or reorganize with any other entity, convert its corporate structure to another form or enter into any management services agreement;
- B. Enter into any loan facility, borrow any funds or pledge or hypothecate any or all of its assets as security for any borrowing;
- C. Change the primary character or nature of its business to something other than the operation of a hospice;
- D. Remove or appoint the President/CEO and other officers of the Corporation;
- E. Execute any deed, mortgage, note or bond;
- F. Adopt or amend the annual operating and/or capital budgets proposed by the President/CEO and the management or Board of Directors of the Corporation;
- G. Make any contribution or distribution of assets or property to any person or entity;
- H. Amend these Bylaws or the Articles of Incorporation of the Corporation;
- I. Dissolve, liquidate or otherwise cease to exist as a nonprofit corporation which is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code;
- J. Form any subsidiary corporation or other entity; or
- K. Acquire, utilize, and dispose of patents, copyrights, and trademarks and any licenses and other rights or interests thereunder or therein.

ARTICLE XIV: Indemnification

To the fullest extent permitted by applicable law, the Directors, officers and committee members of the Corporation shall be indemnified and held harmless by the Corporation for any and all claims made against them personally while acting within the scope of their duties for the Corporation.

Adopted pursuant to the Corporation's Bylaws to be effective as of _____, 2024.

Dated: _____

By: _____
Name: _____
For: East Bay Integrated Care, Inc.

October 3, 2024

Chapters Health System, Inc.
12470 Telecom Drive, Suite 300
West Temple Terrace, Florida 33637
Attn: Andrew K. Molosky
Email: moloskya@chaptershealth.org

Buchanan Ingersoll & Rooney P.C.
401 E. Jackson Street, Suite 2400
Tampa, Florida 33602
Attn: Dale S. Webber
Email: dale.webber@bipc.com

Re: Side Letter to Affiliation Agreement re Enhanced Severance Policies

Dear Mr. Molosky and Mr. Webber:

Reference is hereby made to that certain Affiliation Agreement (the "Agreement") to be entered into on or about the date of this letter, by and between Chapter Health System, Inc., a Florida not for profit corporation ("Chapters") and East Bay Integrated Care, Inc. d/b/a Hospice East Bay, a California nonprofit public benefit corporation ("Hospice East Bay"). Chapters and Hospice East Bay are collectively referred to in this letter as the "Parties". Capitalized words used but not otherwise defined in this letter shall have the meanings given to them in the Agreement.

In connection with the transactions contemplated by the Agreement, Hospice East Bay will implement an enhanced severance plan for its employees (the "Plan"). The Parties have agreed that the Plan will take effect immediately as of the Parties' signing of the Agreement. Because the implementation of the Plan as of the signing date (rather than the Closing Date) implicates several of Hospice East Bay's representations, warranties, and covenants in the Agreement and corresponding disclosure schedules, the Parties have agreed to enter into this letter agreement.

The Parties acknowledge and agree that Hospice East Bay's implementation of the Plan immediately as of the date on which the Parties sign the Agreement:

1. Is expressly permitted and will not constitute a breach or violation of any provision of the Agreement, including without limitation Sections 4.20, 4.21, 6.2, and 6.3; and
2. Will not require any additional disclosure in the Agreement's disclosure schedules.

To the extent the terms set forth in this letter agreement conflict with the terms of the Agreement, the terms of this letter agreement shall control. This letter agreement may be executed in one or more counterparts, each of which, including those received via email (including in PDF format), shall be deemed an original, and all of which shall constitute one and the same agreement.

If the foregoing accurately sets forth the agreements that the Parties have reached with respect to the subject matter of this letter, please indicate your agreement to this letter's terms by countersigning in the place indicated below.

[Remainder of Page Intentionally Blank]

Very truly yours,

EAST BAY INTEGRATED CARE, INC

DocuSigned by:
By: [REDACTED]
Name: Bill Musick
Title: Interim President & CEO

Acknowledged and Agreed:

CHAPTERS HEALTH SYSTEM, INC.

DocuSigned by:
By: [REDACTED]
Name: Andrew R. Molosky
Title: President & CEO

11 Cal. Code Reg. Section 999.5(d)(1)(C)

Statement of reasons that the applicant's board of directors believes that the proposed transaction is necessary or desirable

Important Affiliation Announcement

Dated 10/31/2024

I'm excited to announce that HEB has signed a definitive agreement to join Hospice of Santa Cruz County, Nathan Adelson Hospice (Las Vegas), and Willamette Vital Health (Oregon) in forming a western region of Chapters Health System (CHS), the nation's largest not-for-profit, end-of-life care organization. Our affiliation with CHS is particularly exciting, as it is a leader in innovative hospice, palliative, and home-based programming for the care of those affected by the challenges of advanced age and serious illness. This affiliation both strengthens and maintains our local mission, brand, and reputation. It also amplifies our opportunities in partnership with Chapters Health System to ensure that compassionate and comprehensive end-of-life care continues to be available to patients and their families in the communities we serve.

Why An Affiliation

As a nonprofit, Hospice East Bay has proudly served the region since 1977, providing the highest quality end-of-life care for residents of our diverse communities. We believe in the "nonprofit difference" by placing patients and family needs at the heart of our decision-making. However, the broader healthcare landscape has evolved considerably, and serious illness and hospice care are no exception. Over the past two decades, for-profit entities have increased their presence in the hospice space, often prioritizing profitability over compassionate bedside care. This, coupled with the unprecedented growth in the Medicare population, has meant that nonprofit Hospices across the country are facing a similar challenges of increased competition, staffing shortages, and the need to enhance service delivery to adequately meet community needs. Our new affiliation with CHS strategically positions Hospice East Bay to continue to meet our mission of serving local populations by procuring additional operational expertise needed for staffing stability, and enhanced partnerships that expand our capacity to innovate.

What This Means

At the heart of this affiliation is the ability to strengthen our resources. We are incredibly excited by the new opportunities for innovation and sustainability, enabling Hospice East Bay to preserve our commitment to valued referral partners, donors, friends, and corporate supporters – all without changing the personal, community-based approach that has long defined us.

Here is what you can expect:

Continued High Quality Patient Care

- The care and services we provide to patients and their families will continue uninterrupted. Patients and families will gain access to a wider array of specialized services tailored to their unique needs. And the compassionate care, and personalized support our communities have come to trust will remain as strong as ever.

Local Leadership and Community Focus

- Hospice East Bay will retain our local leadership team and continue to be headquartered in Pleasant Hill, ensuring that our programs and services are tailored to meet the unique needs of our area.

The Brand You Know

- Hospice East Bay will continue to operate under the same name and mission. Importantly, donor support and investments will continue to directly benefit HEB's local service area, while also gaining the advantages of being part of a larger network.

Comprehensive Resources

- The combined expertise of our network will enhance our educational resources and support for our team members, and in turn our patients and families, ensuring they receive the best possible care throughout their journey.

These are exciting times for Hospice East Bay. We look forward to continuing our work to build a future where we can innovate, grow, and serve more patients and families. By preserving the best of our independent brand and history, while aligning with increased capacities – we can honor our history while also moving boldly and confidently into the future.

In Partnership,

Bill Musick

Interim President & CEO

Title 11, California Code of Regulations, § 999.5(d)(2)

FAIR MARKET VALUE

11 Cal. Code Reg. Section 999.5(d)(2)(A)

Estimated market value of all cash and other property that the applicant would receive for each health facility covered by the transaction

The Transaction will not involve any sale, transfer, merger or other disposition of any assets of Hospice East Bay. Under the Affiliation Agreement, Chapters will become the sole member of Hospice East Bay through a mission-driven affiliation in which no cash, property, stock, notes forgiveness of debt, or other monetary consideration is to be received by Hospice East Bay. As a result, there is no estimated market value to be provided under this Section.

However, while there is no transfer or disposition of any assets, including cash holdings at the Closing, by Hospice East Bay or Chapters, the parties have made important commitments regarding the continued financial stability of Hospice East Bay, its continued operation of existing facilities and services, and ongoing focus on providing high quality care in Hospice East Bay's geographic area. For information regarding Hospice East Bay's assets, liabilities, and other financial matters, see the responses to OAG requests (d)(1)(B), (d)(11)(F), and the referenced attachments.

11 Cal. Code Reg. Section 999.5(d)(2)(B)

Estimated market value of each health facility or other asset to be sold or transferred by the applicant under the proposed transaction

The goal of the Transaction is to strategically position Hospice East Bay to continue to meet its mission of serving local populations by procuring additional resources and operational expertise needed for staffing stability, and enhanced partnerships that expand Hospice East Bay's capacity to innovate, rather than to obtain any monetary value. As a result, the Transaction will not involve any sale, transfer, merger or other disposition of any of Hospice East Bay's assets at Closing. However, as an indication of value available in the Transaction, information regarding Hospice East Bay's assets, liabilities, and other financial matters can be found in the responses to OAG requests (d)(1)(B), (d)(11)(F), and the referenced attachments.

11 Cal. Code Reg. Section 999.5(d)(2)(C)

Description of methods used by the applicant to determine the market value of the assets involved in the transaction, including a description of the efforts made by the applicant to sell or transfer each health facility that is subject of the transaction

The Transaction provides for Chapters to become the sole member of Hospice East Bay, and does not involve a sale, transfer merger or other disposition of any of Hospice East Bay's assets. As described in the responses to OAG requests (d)(2)(A) and (d)(2)(B) of this Notice, the goal of the Transaction is to strategically position Hospice East Bay to continue to meet its mission of serving local populations by procuring additional resources and operational expertise needed for staffing stability, and enhanced partnerships that expand Hospice East Bay's capacity to innovate, rather than to obtain any monetary value. As a result, the Transaction will not involve any sale, transfer, merger or other disposition of any of Hospice East Bay's assets at Closing.

However, as an indication of value available in the Transaction, information regarding Hospice East Bay's assets, liabilities, and other financial matters can be found in the responses to OAG requests (d)(1)(B), (d)(11)(F), and the referenced attachments.

11 Cal. Code Reg. Section 999.5(d)(2)(D)

Reports, analysis, RFPs and other documents that refer or relate to the valuation of any asset involved in the transaction

Hospice East Bay did not undertake a formal process in its search for a potential partner with which to affiliate, and accordingly did not solicit or receive responses to Requests for Proposals that refer or relate to the valuation of any asset. The Hospice East Bay Board did not focus on the exchange of monetary value, but instead focused on strategically positioning Hospice East Bay to continue to meet its mission of serving local populations by procuring additional resources and operational expertise needed for staffing stability, and enhanced partnerships that expand Hospice East Bay's capacity to innovate. Because the Transaction provides that Chapters will become the sole member of Hospice East Bay, and does not involve a sale, transfer, merger or other disposition of any of Hospice East Bay's assets at Closing, the parties did not obtain an appraisal in connection with the proposed Affiliation.

For more information regarding Hospice East Bay's deliberative process in selecting Chapters as its affiliation partner, please see the responses to OAG requests (d)(11)(A) and (d)(11)(D) of this Notice, and the referenced attachments.

11 Cal. Code Reg. Section 999.5(d)(2)(E)

**For joint venture transactions, all asset contribution agreements and related valuations,
all limited liability corporation or limited liability partnership operating agreements,
management contracts, and put option agreements**

N/A as the proposed transaction is not a joint venture.

Title 11, California Code of Regulations, § 999.5(d)(3)

INUREMENT AND SELF-DEALING

11 Cal. Code Reg. Section 999.5(d)(3)(A)

Copies of all documents and writings that relate or refer to any personal financial benefit that the proposed transaction would confer on any officer, director, employee, doctor, medical group or other entity affiliated with the applicant or any family member (as defined by Corp. Code §5227(b)(2))

The commitments that Chapters and Hospice East Bay have made for the benefit of Hospice East Bay's employees are set forth in Section 7.1(a) and Section 7.1(c) of the Affiliation Agreement dated October 2, 2024, and in a side letter regarding Hospice East Bay's enhanced severance policies dated October 3, 2024. Except as set forth in such Section 7.1(a), Section 7.1(c) and the side letter, there are no other documents or writings that relate or refer to any personal financial benefit that the proposed transaction would confer on any officer, director, employee, doctor, medical group or other entity affiliated with the applicant or any family member (as defined by Corp. Code §5227(b)(2)).

For ease of reference, Section 7.1(a) and Section 7.1(c) of the Affiliation Agreement are set forth below:

“(a) Subject only to Chapters standard hiring practices and policies, Chapters shall offer employment to all of Hospice East Bay's employees who are employed and in good standing as of the Closing. All such employees will continue to be employed for an interim period of at least twelve (12) weeks after the Closing (except for any such employees who voluntarily resign). Subject to Section 7.1(c), for a period of fifty-two (52) weeks commencing with the date of this Agreement, all regular fulltime and part-time non-exempt and exempt salaried employees of Hospice East Bay as of the Closing Date will in the event of termination of employment, other than termination due to performance or a voluntary termination, be eligible to receive severance benefits described as follows: (i) regular full-time and part-time nonmanagement employees (excluding temporary or “PRN” employees), three (3) months; (ii) manager level employees, four (4) months; (iii) director level employees, six (6) months; and (iv) vice-president level employees, eight (8) months. Temporary or “PRN” employees will not be eligible for severance benefits. Any severance benefits potentially payable under this Section 7.1(a) to a Hospice East Bay employee will not be impacted by any post-Closing change in title or income level, nor will any such severance benefits become payable or adjusted solely because a Hospice East Bay managerial employee becomes employed by Chapters or a pre-Closing Chapters Affiliate (in which case severance benefits will be paid only if the managerial employee's position with Chapters or such pre-Closing Chapters Affiliate is eliminated).

Eligibility of each manager, director and vice president level employee to potentially receive the severance benefits provided for in this Section 7.1(a) will be conditioned upon Chapters and Hospice East Bay receiving from such Hospice East Bay employee prior to the payment of any severance a duly executed and effective separation and release agreement in a form mutually acceptable to Chapters and Hospice East Bay in which such employee agrees to keep the terms associated with their severance benefits confidential and to fully release Hospice East Bay and Chapters from any and all liabilities and obligations upon the payment of severance benefits to which such employee may become entitled. Any severance benefits to be paid to employees of Hospice East Bay stated herein will be paid out of Hospice East Bay's pre-Closing assets. In anticipation of potentially paying the severance benefits described in this

Section 7.1(a), Hospice East Bay will prior to the Closing reserve on its financial statements the following amounts: (a) five percent (5%) of the maximum potential aggregate amount of severance benefits that could become due and payable to Hospice East Bay's regular full-time and part-time non-management employees; and (b) fifty percent (50%) of the maximum potential aggregate amount of severance benefits that could become due and payable to Hospice East Bay's manager level, director level and vice-president level employees. Hospice East Bay's managerial employees that remain in good standing will continue to participate in any existing Hospice East Bay bonus incentive plan that may exist for 2024 and any bonus earned for 2024 will be paid in accordance with the terms of that plan. Commencing with calendar year 2025, Hospice East Bay's executive employees will participate in Chapters' bonus incentive plan and any bonuses that are paid will be in accordance with such plan.

(c) Notwithstanding anything to the contrary, those employees represented by the National Union for Health Care Workers or any other labor union or organization shall receive the compensation, benefits, and other protections, including without limitation any severance benefits, as contemplated under the applicable collective bargaining agreement or similar agreement, if any. If no such collective bargaining agreement or similar agreement exists as of the Closing, then such employees represented by the National Union for Health Care Workers or any other labor union or organization shall be eligible for the severance benefits described above until a collective bargaining agreement or similar agreement takes effect."

11 Cal. Code Reg. Section 999.5(d)(3)(B)

List the identity of each officer, trustee or director of the applicant (or family member) or affiliate of the applicant who or which has any personal financial interest in any company or other entity currently doing business with the applicant, any affiliate of the applicant or the transferee or any affiliate of the transferee

EBIC Board Directors Employed by Health Care Organizations Referring Patients to EBIC

Three of EBIC's board members are employed by health systems that refer patients to EBIC for hospice and/or palliative care. None of them have a direct role in making those referrals. They are:

- Michelle Lopes, Senior Vice President, Chief Nurse Executive of John Muir Health
- Lindsay Duggan, Manager- Patient Safety, John Muir Health
- Marta Hudson, Executive Administrator Continuum of Care, Kaiser Permanente Diablo Service Area

No officers, trustees or directors of Chapters Health System has any financial interest or does business with EBIC

11 Cal. Code Reg. Section 999.5(d)(3)(C)

A statement describing how the boards of directors of the nonprofit corporations involved in the transaction are complying with Health and Safety Code sections 1260 and 1260.1

N/A

Title 11, California Code of Regulations, § 999.5(d)(4)

CHARITABLE USE OF ASSETS

11 Cal. Code Reg. Section 999.5(d)(4)(A)

Submission of the applicant's article of incorporation, bylaws, charitable trust restrictions and other information defining the charitable trust purposes of the applicant's assets

Attached to this Section are the following:

- A copy of the Articles of Incorporation of Hospice East Bay
- A copy of the Bylaws of Hospice East Bay



SECRETARY OF STATE

I, *BILL JONES*, Secretary of State of the State of California, hereby certify:

That the attached transcript has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this

MAY 30 1997



Secretary of State

A492674

ENDORSED
FILED
In the office of the Secretary of State
of the State of California

MAY 29 1997

Bill Jones
BILL JONES, Secretary of State

CERTIFICATE OF AMENDMENT

OF

ARTICLES OF INCORPORATION

The undersigned certify that:

1. They are the President and the Secretary, respectively, of HOSPICE OF CONTRA COSTA, INC., a California Non-Profit Corporation.

2. ARTICLE I of the Articles of Incorporation of this corporation is amended to read as follows:

The name of this corporation is EAST BAY INTEGRATED CARE, INC.

3. The foregoing Amendment of Articles Of Incorporation has been duly approved by the Board of Directors.

4. The foregoing Amendment Of Articles Of Incorporation has been duly approved by the required vote of the members.

We further declare under penalty of perjury under the laws of the State of California, that the matters set forth in this certificate are true and correct of our own knowledge.

Dated: May 24, 1997

[REDACTED]

Dated: May , 1997

[REDACTED]

902832

ENDORSED
FILED

In the office of the Secretary of State
of the State of California

NOV 8 1978

MARCH FONG EU, Secretary of State

Gloria J. Carroll
Deputy

ARTICLES OF INCORPORATION
OF
HOSPICE OF CONTRA COSTA, INC.

I

The name of this corporation shall be HOSPICE OF CONTRA
COSTA, INC.

II.

The purposes for which this corporation is formed are:

(a) The specific and primary purposes are to operate
exclusively for charitable and scientific purposes meeting
the requirements for exemption provided by Section 214 of the
Revenue and Taxation Code by providing, coordinating and
improving the medical, psychological and spiritual services
available to the dying and their families in Contra Costa
County.

(b) The general purposes and powers are to have and
exercise all rights and powers conferred on nonprofit corpo-
rations under the laws of California, including the power to
contract, rent, buy or sell personal or real property, provided,
however, that this corporation shall not, except to an insub-
stantial degree, engage in any activities or exercise any

powers that are not in furtherance of the primary purposes of this corporation.

(c) No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidate for public office.

III

This corporation is organized pursuant to the General Non-profit Corporation Law of the State of California. This corporation does not contemplate pecuniary gain or profit to the members thereof and it is organized for nonprofit purposes.

IV

The principal office for the transaction of the business of this corporation is located in the County of Contra Costa, State of California.

V

The general management of the affairs of this corporation shall be under the control, supervision and direction of the board of directors. The names and addresses of persons who are to act in the capacity of directors until the selection of their successors are:

Name	Address
<u>Susan Louie</u>	<u>401 Gregory Lane Pleasant Hill, CA</u>
<u>Viola Riebe</u>	<u>108 Montecito Crescent Walnut Creek, CA</u>
<u>Tighe O'Hanrahan</u>	<u>3490 Springhill Court Lafayette, CA</u>
<u>Evelyn Radford</u>	<u>136 Shadow Mountain Court Pleasant Hill, CA</u>
<u>Jenny Best</u>	<u>Route 1, Box 63 - A Oakley, CA</u>

VI

The authorized number and qualifications of members of the corporation, the different classes of membership, if any, the property, voting and other rights and privileges of members, and their liability to dues and assessments and the method of collection thereof, shall be as set forth in the bylaws.

VII

The property of this corporation is irrevocably dedicated to charitable purposes and no part of the net income or assets of this organization shall ever inure to the benefit of any director, officer or member thereof or to the benefit of any private individual. Upon the dissolution or winding up of the corporation, its assets remaining after payment of, or provision of payment, of all debts and liabilities of this corporation, shall be distributed to a nonprofit fund, foundation or corporation which is organized and operated exclusively for charitable purposes and

IN WITNESS WHEREOF, the undersigned have executed these Articles of Incorporation, this 22ND day of SEPTEMBER, 1978 .

[illegible]

STATE OF CALIFORNIA)
COUNTY OF CONTRA COSTA) ss.

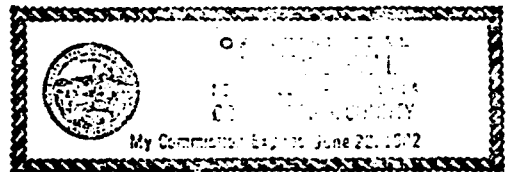
On this 11th day of September in the year
one thousand nine hundred and seventy-eight before me,

Nancy L Hall,
a Notary Public, State of California, duly commissioned
and sworn, personally appeared Susan L Hall

known to me to be the person whose name u subscribed to
the within instrument and acknowledged to me that she
executed the same.

IN WITNESS WHEREOF I have hereunto set my hand and affixed
my official seal in the _____ County of
Contra Costa the day and year in this
certificate first above written.

My commission expires 6-22-82



**AMENDED AND RESTATED
BYLAWS
OF
EAST BAY INTEGRATED CARE, INC.**

**ARTICLE I
PRINCIPAL OFFICE**

The principal office of this Corporation shall be located in the County of Contra Costa, California.

**ARTICLE II
PURPOSE: MEMBERSHIP**

Section 1. Purpose. This Corporation is a nonprofit public benefit Corporation within the definition of the California Nonprofit Corporation Law. The property of the Corporation is irrevocably dedicated to public, charitable, healthcare and educational purposes which meet the requirements of Section 501(c)(3) of the Internal Revenue Code and Sections 23701 and 214 of the California Revenue and Taxation Code.

Section. 2. Membership. This Corporation shall have no voting members, but the Board of Directors may, by resolution, establish one or more classes of non-voting members and provide for eligibility requirements for membership and rights and duties of members, including the obligation to pay dues.

**ARTICLE III
BOARD OF DIRECTORS**

Section 1. Powers. This Corporation shall have powers to the full extent allowed by law. All powers and activities of this Corporation shall be exercised and managed by the Board of Directors of this Corporation directly or, if delegated, under the ultimate direction of the Board.

Section 2. Number of Directors. The number of Directors shall be not less than nine nor more than nineteen, with the exact number of authorized Directors to be fixed from time to time by resolution of the Board of Directors. The President/Chief Executive Officer of the Corporation shall serve as a voting member of the Board.

Section 3. Limitations on Interested Persons. At no time may any of the Directors of this Corporation be interested persons. An interested person means either:

- (a) with the exception of the President/Chief Executive Officer, as described in Section 2 of this Article III, any person currently being compensated by this Corporation for services rendered to it within the previous twelve months,

whether as a full-time or part-time employee, independent contractor, or otherwise, excluding any reasonable compensation paid to a Director in his or her capacity as Director; or

- (b) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of any such person.

Section 4. Nomination, Election, Term of Office, and Qualification of Directors.

The Directors then in office shall elect their successors from among nominees presented by the Nominating Committee. Each Director shall be elected for a term of three years, and shall hold office until a successor has been elected. Directors may serve three (3) successive terms and thereafter must retire from the Board for a period of at least one (1) year. The board, with the approval of at least three-quarters ($\frac{3}{4}$) of its current members, may extend the third and final term of one or more Directors by up to one year. Approximately one-third ($\frac{1}{3}$) of the total authorized number of Directors shall be elected every year. The Nominating Committee shall consist of the members of the Governance Committee. If the nominee is currently a Director, that Director shall not vote or be present for the vote regarding any of the nominees (including him or herself) and shall not be included for purposes of counting the total number of Directors eligible to vote for the election of Directors.

Section 5. Leave of Absence. Leave of absence may be requested by a Director and granted by the Executive Committee.

Section 6. Vacancies. Director Vacancies shall be filled in accordance with the nomination and selection process set forth in Section 4 of this Article III.

Section 7. Resignation. Resignations shall be effective upon receipt in writing by the Chair, the President/Chief Executive Officer, the Secretary, or the Board of Directors of this Corporation, unless a later effective date is specified in the resignation.

Section 8. Annual Meeting. An annual meeting of the Board of Directors shall be held at least once a year in December. The annual meeting shall be called by the Chair or any two Directors, and noticed in accordance with Section 9.

Section 9. Regular Meetings. Regular meetings of the Board shall be held at least quarterly, at the times and places designated by the Board by written notice sent by the Chair of the Board.

Section 10. Special Meetings. Special meetings of the Board of Directors may be called by the Chair or any two Directors, and noticed in accordance with Section 10.

Section 11. Notice. Notice of the annual meeting and any special meetings of the Board of Directors shall be given to each Director at least four days before any such

meeting if given by first-class mail or forty-eight hours before any such meeting if given personally or by telephone, e-mail, or facsimile transmission, and shall state the date, place, and time of the meeting.

Section 12. Waiver of Notice. The transactions of any meeting of the Board of Directors, however called and noticed and wherever held, shall be valid as though taken at a meeting duly held after proper call and notice, if a quorum is present, and if, either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Notice of a meeting shall also be deemed given to any Director who attends the meeting without protesting the lack of adequate notice before the meeting or at its commencement.

Section 13. Quorum. One third of the total number of Directors then in office shall constitute a quorum for the transaction of business, except to adjourn. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, except as otherwise provided in Article III, Sections 6 and 12; Article IV, Section 1; Article VI, Section 3; Article VII, Section 2; and Article VIII, Section 4, of these Bylaws or in the California Nonprofit Public Benefit Corporation Law. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for such meeting.

Section 14. Action Without a Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board shall individually or collectively consent to such action. Such written consents shall be filed with the minutes of the proceedings of the Board. Such written consents shall have the same force and effect as the unanimous vote of such Directors.

Section 15. Remote Communication Meetings. Directors may participate in a meeting through use of remote communications including conference telephone, video conference or similar communications equipment so long as all Directors participating in such meeting may simultaneously communicate with each other. Participation in a meeting pursuant to this Section constitutes presence in person at such meeting.

Section 16. Standard of Care.

(a) General. A Director shall perform the duties of a Director, including duties as a member of any Board Committee on which the Director may serve, with such care, including reasonable inquiry, as an ordinarily prudent person in a like situation would use under similar circumstances.

In performing the duties of a Director, a Director shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by:

- (i) one or more officers or employees of this Corporation whom the Director believes to be reliable and competent as to the matters presented;
- (ii) counsel, independent accountants, or other persons as to matters which the Director believes to be within such person's professional or expert competence;
- (iii) a Board Committee upon which the Director does not serve, as to matters within its designated authority, provided that the Director believes such Committee merits confidence; or
- (iv) other Directors as to matters within their designated authority, provided the Director believes such Director(s) merits confidence, so long as in any such case, the Director acts in good faith after reasonable inquiry when the need therefor is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

Except as provided in Article VI below, a person who performs the duties of a Director in accordance with this Section shall have no liability based upon any failure or alleged failure to discharge that person's obligations as a Director, including, without limiting the generality of the foregoing, any actions or omissions which exceed or defeat a public or charitable purpose to which a corporation, or assets held by it, are dedicated.

(b) Investments. Except with respect to assets held for use or used directly in carrying out this Corporation's charitable activities, in investing, reinvesting, purchasing or acquiring, exchanging, selling, and managing this Corporation's investments, the Board shall avoid speculation, looking instead to the permanent disposition of the funds, considering the probable income as well as the probable safety of this Corporation's capital. No investment violates this section where it conforms to provisions authorizing such investment contained in an instrument or agreement pursuant to which the assets were contributed to this Corporation.

(c) Fiduciary Duty Policy. Each Director shall abide by the provisions of the Fiduciary Duty Policy as adopted by the Board of Directors.

Section 17. Inspection. Every Director shall have the absolute right at any reasonable time to inspect and copy all books, records, and documents, and to inspect the physical properties of this Corporation.

Section 18. Expenses; Compensation. The Board of Directors may authorize, by resolution, the advance or reimbursement to a Director of actual and reasonable costs and expenses incurred as a Director. Directors shall not be compensated for their

services by this Corporation.

Section 19. Board Member Emeritus. Board Members Emeritus shall be nominated by the Nominating Committee and elected by the Board of Directors. Board Members Emeritus shall be selected from those Board Members who have served on the Board of Directors with distinction. Emeritus Members shall serve for a two (2) year renewable term for as long as they remain active within the Corporation and may end their term at any time. A Board Member Emeritus shall be entitled to receive all notices and information which are provided to the Board of Directors, to attend Board of Director meetings, to participate in meetings of the committees on which they serve, and encouraged to attend all other events of the Corporation. A Board Member Emeritus shall not be subject to any attendance policy counted in determining a quorum, entitled to hold office, or entitled to vote at any Board meeting.

ARTICLE IV COMMITTEES

Section 1. Board Committees. The Board of Directors may, by resolution adopted by a majority of the Directors then in office, create any number of Board Committees, each consisting of three or more Directors, to serve at the pleasure of the Board. The Board of Directors may adopt rules for the governance of any standing committee, advisory committee or subcommittee not inconsistent with the provision of these bylaws. Appointments to any Board Committee shall be made by any method determined by a majority vote of the Directors then in office. Meetings and actions of Board Committees shall be governed by and held and taken in accordance with the provisions of Article III of these Bylaws concerning meetings and actions of the Board of Directors, with such changes in the content of those Bylaws as are necessary to substitute the Board Committee and its members for the Board of Directors and its members.

Board Committees may be given all the authority of the Board, except for the powers to:

- (a) set the number of Directors within a range specified in these Bylaws;
- (b) elect Directors or remove Directors ;
- (c) fill vacancies on the Board of Directors or on any Board Committee;
- (d) amend or repeal these Bylaws or adopt new Bylaws;
- (e) adopt amendments to the Articles of Incorporation of this Corporation;
- (f) amend or repeal any resolution of the Board of Directors which by its express terms is not so amendable or repeal able;

- (g) create any other Board Committees or appoint the members of any Board Committees, or
- (h) approve any merger, reorganization, voluntary dissolution, or disposition of substantially all of the assets of this Corporation.

Where it is not reasonably practicable to obtain approval of the Board before entering into a self-dealing transaction, a Board Committee may approve such transaction in a manner consistent with the requirements of Section 3 of Article VI of these Bylaws; provided that, at its next meeting, the full Board determines in good faith that the Board Committee's approval of the transaction was consistent with the requirements in Section 3 of Article VI and that it was not reasonably practical to obtain advance approval by the full Board, and ratifies the transaction by a majority of the Directors then in office without the vote of any interested Director.

Section 2. Executive Committee.

- (a) The Executive Committee shall consist of the President/Chief Executive Officer, Chair, Immediate Past-Chair, Vice-Chair, Secretary and Treasurer of the Corporation. The Chair shall preside at these meetings and may invite Board members and other individuals to such meetings in an advisory capacity. The Executive Committee shall, subject to the Articles, these Bylaws, applicable law, and the ultimate authority of the Board, exercise the power of the Board when there is an urgent situation if the Chair of the Board, the President/Chief Executive Officer, or any two Board members, believe that it would be in the best interests of the Corporation for the Executive Committee to meet in order to resolve the issue prior to the next scheduled Board meeting. The Chair of the Board or the President/Chief Executive Officer shall call upon the Executive Committee for advice and recommendations on matters of major importance, including matters they intend to take to the full Board.
- (b) Between regular meetings of the Board of Directors, the Executive Committee shall have, and may exercise in the absence of specific direction by the Board of Directors, any and all powers of the Board of Directors in the management of the business and affairs of the Corporation except for those powers specifically prohibited by Section 1 of this Article IV. The Executive Committee shall report its actions for ratification to the Board of Directors at its next regular meeting.
- (c) A Quorum of the Executive Committee shall consist of four (4) members.

Section 3. Standing Committees.

Standing Committees serve at the pleasure of the Board of Directors and assist the Board in fulfilling its responsibilities and performing its roles. Standing Committees have no independent authority to make decisions on behalf of the Board (except in limited situations as noted below). Standing Committees shall determine their own meeting rules and schedule. Minutes shall be kept of each meeting and all Standing Committees shall meet at least one time per year. The following committees are Standing Committees:

- **Finance Committee.** The Finance Committee shall consist of no fewer than three (3) Board members and the President/Chief Executive Officer. Membership on the Finance Committee will include the Treasurer, who is the chair of the Committee, and no fewer than two additional board members who have financial/accounting experience. The Corporation's Vice President of Finance/Chief Financial Officer shall serve as the Committee's advisor and primary contact with Management.

The Finance Committee is responsible for assisting the Board in formulating policies, decision making and exercises oversight that ensures the Corporation's financial health. The Committee will perform a detailed review of the Agency's annual Operating, Capital, and Cash Flow Budgets prior to the presentation of these financial documents to the full Board for deliberation and action. The Finance Committee will meet at least quarterly to perform a detailed review of any significant variance from the approved annual budget and submit an assessment to the Board for deliberation and action, if any.

- **Governance Committee.** The Governance Committee shall consist of no fewer than three (3) Board members and the President/Chief Executive Officer. The Governance Committee duties shall include oversight of the following for the Board of Directors: revisions to the Articles and Bylaws of the Corporation; governance policies addressing the Board of Directors and its committees; Board development and education; evaluation and performance of the Board and its committees; and establishment of committee charters.

The Governance Committee shall constitute a standing Nominating Committee. Members of the Governance Committee subject to nomination to the Board shall not be considered members of the Governance Committee when it is acting as the Board Nominating Committee. In addition to nominating new Board members and existing members for new terms, the Governance Committee shall recommend individuals for appointment by the Board to vacant positions on standing or special committees. By the December Annual Meeting, the Governance Committee shall nominate members to fill Board officer positions. The Governance Committee shall meet at least twice annually and as needed.

- **Strategic Planning Committee.** The Strategic Planning Committee shall consist of no fewer than four (4) Board members and the President/Chief Executive Officer. The Strategic Planning Committee duties include oversight of strategic planning, vision and goals and protecting and advancing stakeholder interests. The Strategic Planning Committee shall meet at least twice annually and as needed.
- **Human Resources/Compensation Committee.** The Human Resources/Compensation Committee shall consist of no fewer than three (3) Board members and the President/Chief Executive Officer. The Chief Human Resources Officer shall serve as an advisor to the Committee and primary contact with Management. The Committee duties include determining President/Chief Executive Officer salary range, developing performance objectives and bonus criteria for the President/Chief Executive Officer and advising the President/Chief Executive Officer regarding salary increases, freezes, benefit changes and other issues related to human resources within the Corporation. The Human Resources/Compensation Committee shall meet at least twice annually and as needed.
- **Quality, Safety & Compliance Committee.** The Quality, Safety & Compliance Committee shall consist of no fewer than three (3) Board members and the Vice President of Clinical Services/Chief Operating Officer. The Vice President of Quality, Education and Compliance shall serve as an advisor to the Committee and primary contact with Management. The Committee shall provide oversight of and ensure the quality of clinical care, patient and employee safety and service. The Quality, Safety & Compliance Committee will meet at least quarterly.
- **Development Committee.** The Development Committee shall consist of no fewer than three (3) Board members. The Chief Development Officer shall serve as an advisor to the Committee and primary contact with Management. The Committee duties include working with the staff to develop fundraising opportunities in the community to support the Corporation's programs and community outreach. The Development Committee shall meet at least twice annually and as needed.
- **Investment Committee.** The Investment Committee shall consist of no fewer than three (3) Board members, who are members of the Finance Committee, the Board Chair, the President/Chief Executive Officer and the Vice President of Finance/Chief Financial Officer. The duties of the Committee are to formulate, modify and monitor compliance with the Investment Policy, review the investment positions and performance, engagement of the Professional Investment Manager, and report to the Finance Committee and Board on the results and status of the investment portfolio. The Investment Committee shall meet quarterly.

- **Audit Committee.** The Audit Committee shall consist of three (3) or more Board members, at least one of whom must be a member of the Corporation's Finance Committee (who is not the Treasurer) and the President/Chief Executive Officer. One or more independent advisors with audit and financial expertise shall advise the Committee. The Vice President of Finance/Chief Financial Officer shall serve as an advisor and primary contact with Management. The Audit Committee duties include oversight of the annual audit of the Corporation's financial statements by the Corporation's independent accountants, including engagement of the auditors, approving the auditors' retention and fee, their qualifications and independence, adequacy of the Corporation's internal control systems, provide oversight of the integrity of financial statements and reports, review the audit report and management letter and arrange presentation to the full Board. The Executive Committee (not to include the Treasurer and with the addition of one or more independent advisors as referenced above) may serve as the Audit Committee when approved by the Board of Directors. The Audit Committee shall meet at least twice annually and as needed.

Section 4: Advisory Committees. The Board of Directors may establish one or more Advisory Committees to the Board. The members of any Advisory Committee may consist of Directors or non-Directors and may be appointed as the Board determines. Advisory Committees shall determine their own meeting rules and whether minutes shall be kept. Advisory committees may not exercise the authority of the Board to make decisions on behalf of this Corporation, but shall be restricted to making recommendations to the Board or Board Committees, Standing Committees, and implementing Board or Board Committee decisions and policies under the supervision and control of the Board or Board Committee.

Section 5: Committee Membership Requirements. Each Board member will serve on at least two committees.

Section 6: Subcommittees. The Board or any standing or advisory committee may authorize any subcommittee to carry out certain specified functions or responsibilities, or to provide such advice and recommendation as the Board or any such committee shall require, but no subcommittee shall have the authority to determine Corporation policy or otherwise exercise any powers of the Board with respect to the business and affairs of the Corporation.

ARTICLE V OFFICERS

Section 1. Officers. The officers of this Corporation shall be a Chair, at least one Vice-Chair, a Secretary, a Treasurer, and a President/Chief Executive Officer. The Corporation may also have, at the discretion of the Directors, such other officers as may be appointed by the Board of Directors. Any number of offices may be held by the same person, except that neither the Secretary nor the Treasurer may serve concurrently as the Chair of the Board. The Chair shall be elected from among the Directors of the Corporation. Officers shall serve terms of two (2) years.

Section 2. Election. The officers of this Corporation shall be elected every two years by the Board of Directors, and shall serve at the pleasure of the Board, subject to the rights, if any, of an officer under any contract of employment.

Section 3. Removal. Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, with or without cause, by the Board of Directors or by an officer on whom such power of removal may be conferred by the Board of Directors.

Section 4. Resignation. Any officer may resign at any time by giving written notice to this Corporation. Any resignation shall take effect on receipt of that notice by such officer or at any later time specified by that notice and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of this Corporation under any contract to which the officer is a party.

Section 5. Vacancies. A vacancy in any office for any reason shall be filled in the same manner as these Bylaws provide for election to that office.

Section 6. Chair. The Chair shall be the Chair of the Board of Directors of this Corporation and shall preside at all meetings of the Board of Directors. The Chair shall have the general powers and duties of management usually vested in the office of Chair of the Corporation and shall have such other powers and duties as may be prescribed by the Board or these Bylaws. The general powers and duties of the Chair shall be coordinated with those of the President/Chief Executive Officer of the Corporation as prescribed by the Board of Directors.

Section 7. Vice-Chair. The Vice-Chair shall, in the absence of the Chair, carry out the duties of the Chair and shall have such other powers and duties as may be prescribed by the Board or these Bylaws.

Section 8. Secretary. The Secretary shall supervise the keeping of a full and complete record of the proceedings of the Board of Directors and its committees, shall supervise the giving of such notices as may be proper or necessary, shall

supervise the keeping of the minute books of this Corporation, and shall have such other powers and duties as may be prescribed by the Board or these Bylaws.

Section 9. Treasurer. The Treasurer shall supervise the charge and custody of all funds of this Corporation, the deposit of such funds in the manner prescribed by the Board of Directors, and the keeping and maintaining of adequate and correct accounts of this Corporation's properties and business transactions, shall render reports and accountings as required, and shall have such other powers and duties as may be prescribed by the Board or these Bylaws.

Section 10. President/Chief Executive Officer. The President/Chief Executive Officer shall, subject to control of the Board, generally hire employees, supervise, direct and control the day to day business of this Corporation. The President/Chief Executive Officer shall have the general powers and duties of management usually vested in the office of the President/Chief Executive Officer of the Corporation and shall have such other powers and duties as may be prescribed by the Board or these Bylaws. The President/Chief Executive Officer may have a contract of employment with the Board of Directors; however, no such contract shall exceed two (2) years in length and may be terminable at will by the Board of Directors upon terms and conditions agreed to by the Board of Directors and the President/Chief Executive Officer contained in the contract. The President/Chief Executive Officer shall be a member of the Board of Directors and serve as ex-officio of all Board committees.

ARTICLE VI PROHIBITED TRANSACTIONS

Section 1. Loans. Except as permitted by Section 5236 of the California Nonprofit Public Benefit Corporation Law, this Corporation shall not make any loan of money or property to, or guarantee the obligation of, any Director or officer; provided, however, that this Corporation may advance money to a Director or officer of this Corporation, or any subsidiary for expenses reasonably anticipated to be incurred in performance of the duties of such Director or officer so long as such individual would be entitled to be reimbursed for such expenses absent that advance.

Section 2. Self-Dealing Transactions. Except as provided in Section 3 below, the Board of Directors shall not approve, or permit the Corporation to engage in, any self-dealing transaction. A self-dealing transaction is a transaction to which this corporation is a party and in which one or more of its Directors has a material financial interest, unless the transaction comes within California Corporations Code Section 5233(b).

Section 3. Approval. This Corporation may engage in a self-dealing transaction if the transaction is approved by a court or by the Attorney General. This Corporation may also engage in a self-dealing transaction if the Board determines, before the transaction, that (a) this Corporation is entering into the transaction for its own

benefit; (b) the transaction is fair and reasonable to this Corporation at the time; and (c) after reasonable investigation, the Board determines that it could not have obtained a more advantageous arrangement with reasonable effort under the circumstances. Such determinations must be made by the Board in good faith, with knowledge of the material facts concerning the transaction and the Director's interest in the transaction, and by a vote of a majority of the Directors then in office, without counting the vote of the interested Director or Directors.

ARTICLE VII INDEMNIFICATION AND INSURANCE

Section 1. Right of Indemnity. To the fullest extent allowed by Section 5238 of the California Nonprofit Public Benefit Corporation Law, this Corporation may indemnify its agents, in connection with any proceeding, and in accordance with Section 5238. For purposes of this Article, “agent” shall have the same meaning as in Section 5238(a), including Directors, officers, employees, other agents, and persons formerly occupying such positions; “proceeding” shall have the same meaning as in Section 5238(a), including any threatened action or investigation under Section 5233 or brought by the Attorney General; and “expenses” shall have the same meaning as in Section 5238(a), including reasonable attorneys' fees.

Section 2. Approval of Indemnity. On written request to the Board of Directors in each specific case by any agent seeking indemnification, to the extent that the agent has been successful on the merits, the Board shall promptly authorize indemnification in accordance with Section 5238(d). Otherwise, the Board shall promptly determine, by a majority vote of a quorum consisting of Directors who are not parties to the proceeding, whether, in the specific case, the agent has met the applicable standard of conduct stated in Section 5238(b) or Section 5238(c), and, if so, may authorize indemnification to the extent permitted thereby.

Section 3. Advancing Expenses. On request of an agent of this Corporation, the Board of Directors may authorize the advance of expenses incurred by or on behalf of such agent in defending any proceeding prior to final disposition within the limits allowed by Section 5238 of the California Nonprofit Public Benefit Corporation Law, if the Board finds that:

- (a) the requested advances are reasonable in amount under the circumstances; and
- (b) before any advance is made, the agent will submit a written undertaking satisfactory to the Board to repay the advance unless it is ultimately determined that the agent is entitled to indemnification for the expenses under this Article.

The Board may refuse to advance such expenses, or may impose such conditions on the advance as it deems appropriate, such as requiring security for repayment or charging interest on the obligation created thereby.

Section 4. Insurance. The Board of Directors may adopt a resolution authorizing the purchase of insurance on behalf of any agent against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, and such insurance may provide for coverage against liabilities beyond this Corporation's power to indemnify the agent under law.

ARTICLE VIII MISCELLANEOUS

Section 1. Fiscal Year. The fiscal year of this Corporation shall be the calendar year.

Section 2. Contracts, Notes and Checks. All contracts entered into on behalf of this Corporation must be authorized by the Board of Directors or the person or persons on whom such power may be conferred by the Board from time to time, such as the President/Chief Executive Officer, and, except as otherwise provided by law, every check, draft, promissory note, money order or other evidence of indebtedness of this Corporation shall be signed by the person or persons on whom such power may be conferred by the Board from time to time, such as the President/Chief Executive Officer.

Section 3. Annual Reports to Directors. Within 120 days after the end of this Corporation's fiscal year, the President/Chief Executive Officer shall furnish a written report to all Directors, of this Corporation containing the following information:

- (a) the assets and liabilities, including the trust funds of this Corporation, as of the end of the fiscal year;
- (b) the principal changes in assets and liabilities, including trust funds during the fiscal year;
- (c) the revenue or receipts of this Corporation both unrestricted and restricted for particular purposes, for the fiscal year;
- (d) the expenses or disbursements of this Corporation, for both general and restricted purposes, for the fiscal year; and
- (e) any transaction during the previous fiscal year involving \$50,000.00 or more between this Corporation (or its parent or subsidiaries, if any) and any of its Directors or officers (or the Directors or officers of its parent or subsidiaries, if any) or any holder of more than ten percent of the voting power of this Corporation or its parent or subsidiaries, if any, and the amount and circumstances of any indemnifications or advances aggregating more than \$10,000.00 paid during the fiscal year to any Director or officer of this Corporation For each

transaction, the report must disclose the names of the interested persons involved in such transaction, stating such person's relationship to this Corporation, the nature of such person's interest in the transaction and, where practicable, the value of such interest.

The foregoing report shall be accompanied by any report thereon of independent accountants or, if there is no such report, the certificate of an authorized officer of this Corporation that such statement were prepared without an audit from the books and records of this Corporation.

Section 4. Amendments. Except as otherwise set forth in the California Nonprofit Corporation Law or these Bylaws, these Bylaws may be adopted, amended, or repealed by the vote of a majority of Directors. Notwithstanding any other provision of these Bylaws, with respect to a meeting to amend the Bylaws, written notice shall be mailed or electronically mailed to all Directors at least one week prior to such meeting, and the notice shall specify the proposed changes to the bylaws as well as the time and place of the meeting.

Section 5. Governing Law. In all matters not specified in these Bylaws, or in the event those Bylaws shall not comply with applicable law, the California Nonprofit Public Benefit Corporation Law as then in effect shall apply.

11 Cal. Code Reg. Section 999.5(d)(4)(B)

Applicant's plan for use of the net proceeds after the close of the proposed transaction together with a statement explaining how the proposed plan is as consistent as possible with existing charitable purposes and complies with all applicable charitable trusts that govern use of applicant's assets. The plan must include any proposed amendments to the articles of incorporation or bylaws of the applicant or any entity related to the applicant that will control any of the proceeds from the proposed transfer.

The Closing of the Transaction will not result in net proceeds to Hospice East Bay as there is no financial consideration being paid to Hospice East Bay in connection with the Transaction. Rather, the benefits to Hospice East Bay from the Transaction will accrue over time as Hospice East Bay is integrated into the Chapters health system. Hospice East Bay will benefit significantly from Chapters' support services that will be made available to Hospice East Bay. These services include financial and accounting; information and telecommunications; regulatory and corporate compliance; human resources; marketing, communications and public affairs; legal; facilities management; development and fundraising; chief medical officer support; and executive management and consulting. As the post-Closing integration process moves forward, Chapters will include Hospice East Bay in Chapters' corporate level shared service contracts, such as those relating to electronic medical records and ancillary health services. These efficiencies will result in lower post-Closing operational costs for Hospice East Bay, which means more resources will be available to support programs and services focused on patient care.

After the Closing Chapters will work with Hospice East Bay to develop additional health services in Hospice East Bay's geographic market that supplement those services now provided by Hospice East Bay. Chapters and Hospice East Bay will evaluate opportunities for such expanded services taking into account Chapters' significant experience providing expanded services in other geographic markets.

Both Hospice East Bay and Chapters are charitable nonprofit corporations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Hospice East Bay's Articles of Incorporation and Bylaws will be amended at the time of Closing to reflect Chapters as the sole member of Hospice East Bay. Copies of the proposed Amended and Restated Articles of Incorporation and Bylaws of Hospice East Bay are attached to the Affiliation Agreement as Exhibit 2.2A and Exhibit 2.2B, respectively.

Title 11, California Code of Regulations, § 999.5(d)(5)

IMPACTS ON HEALTHCARE SERVICES

11 Cal. Code Reg. Section 999.5(d)(5)(A)

Copy of the two most recent “community needs assessments” prepared by the applicant for the health facility that is the subject of the transaction

Hospice East Bay has not prepared community needs assessments as there is always a need in the community for hospice care.

11 Cal. Code Reg. Section 999.5(d)(5)(B)

A description of all charity care provided in the last five years by each health facility that is the subject of the transaction. This description shall include annual total charity care spending; inpatient, outpatient and emergency room charity care spending; description of how the amount of charity care spending was calculated; annual charity care inpatient discharges, outpatient visits and emergency visits; description of the types of charity care services provided annually; and description of the policies, procedures and eligibility requirements for the charity care

Hospice East Bay
CLINICAL SERVICES
SPONSORED CARE PROCESS

Introduction

EBIC Policy and Procedure 13.08 Sponsored Care attachment, Financial Application for Sponsored Care is a new form to initiate for financial support. Consideration for financial support should be addressed as soon as possible to ensure adequate information is available for decision making.

Users

Director of IPU, IPU and Home Program Nurses, Social Workers, Sr VP COO, Sr VP CFO.

Impacts to Other Processes

Delay in information gathering leads to delay in Sr. VP consideration and may lead to lost revenue.

Process Activities

Bruns House Room & Board

1. Upon identification that a patient receiving General Inpatient Level of Care (GIP) will be transitioned to Routine Level of Care (RLC) and is in need of sponsored care support for Room and Board at the IPU, social worker (SW) assists the patient/surrogate maker to apply for sponsored care.
2. The SW will meet with the patient/family caregiver as soon as possible, including weekends, and complete the following three sections: Monthly Income, Current Assets and Monthly expenses via DocuSign.
3. The patient/family caregiver will sign the release of information and by signing, confirms that the information provided is complete and accurate.
4. The SW signs the form via DocuSign.
5. Sr. VP COO and Sr. VP CFO will review the information and decide if the request is approved, denied or undecided due to limited information.
6. The decision will be communicated to the Director of the IPU, the SW and the finance department.
7. The SW will inform the patient/family caregiver of the determination.

8. If the patient's course of care at the IPU is anticipated to be extended beyond the approved number of days, the SW assists the patient/family with applying for an extension of the sponsored care days.

Give Me a Break

1. When a Hospice patient is identified for Give Me a Break service, the SW of the patient will inform the Manager of Social Services.
2. The SW will explain the service to the patient/family caregiver.
3. The SW will meet with the patient/family caregiver as soon as possible, including weekends, and complete the following three sections: Monthly Income, Current Assets and Monthly expenses via DocuSign.
4. The patient/family caregiver will sign the release of information and by signing, confirms that the information provided is complete and accurate.
5. The SW will email the form to the Director of Patient Care Services who approves the request and forwards the form to the Sr. VP CFO and to the clinical Administrative Assistant (AA) and marks the email High Importance.
6. The AA calls care-giving agencies to locate someone who can fulfill the requested days and times.
7. Once a fulfillment is confirmed, the AA inform the SW.
9. The SW will inform the patient/family caregiver of the determination.

Hospice Services

During the Intake process, when a patient is identified as having no insurance or under insured, the Social Services Manager, Team Manager for the patient, Director of Patient Care Services (DPCS), and Sr. VP COO are notified by email of the referral.

1. The assigned MSW will meet with the patient/family during the initial psychosocial assessment and complete the following three sections: Monthly Income, Current Assets, and Monthly Expenses via DocuSign.
2. Sr. VP COO and Sr. VP CFO will review the information and decide if the request is approved, denied or undecided due to limited information.
3. The decision will be communicated to the DPCS, Social Services Manager, the SW, and the finance dept.
4. The SW will inform the patient/family caregiver of the determination.

Palliative Care Services

1. When a Palliative Care patient will benefit from Palliative Care services and explains they cannot pay the monthly fee, the SW will be notified by the PC Administrative Assistant.
2. The SW will set a meeting with the patient/family caregiver as soon as possible, and complete the following three sections: Monthly Income, Current Assets and Monthly expenses via DocuSign.
3. The patient/family caregiver will sign the release of information and by signing, confirms that the information provided is complete and accurate.
4. The SW signs the form via DocuSign.

5. Sr. VP COO and Sr. VP CFO will review the information and decide if the request is approved, denied or undecided due to limited information.
6. The decision will be communicated to the PC Administrative Assistant and the Administrative Assistant will inform the patient's SW and Finance Dept.
10. The SW will inform the patient/family caregiver of the determination.

Tools to Use

Financial Application for Sponsored Care form and Email.

Training

Training on the process to occur in CMT and IDT meetings.

Process Change Control

Changes to this process will be considered based on any future regulatory or standard changes.

Approvals

Emma Baron, Laura Bakar & Yvonne Ruathaiwat

Monthly Income Thresholds by Sliding Fee						
Poverty Line		200%	300%	350%	375%	400%
	Annual Income	A	B	C	D	E
Household 1	\$15,060	\$2,510	\$3,765	\$4,393	\$4,706	\$5,020
Household 2	\$20,440	\$3,052	\$4,558	\$5,340	\$5,722	\$6,103.00
Household 3	\$25,820	\$3,838	\$5,758	\$6,717	\$7,197	\$7,677
Full R & B Rate		\$1,451.25				
Sponsored Care Coverage		100%	90%	80%	70%	60%
% of Payment		0%	10%	20%	30%	40%
Reduced Daily Rate		\$0.00	\$145.13	\$290.25	\$435.38	\$580.50

Monthly Household Income

WAGES

SDI/UNEMPLOYMENT

SOCIAL SECURITY

LONG TERM DISABILITY

INTEREST/DIVIDENDS

RETIREMENT

VA BENEFITS

WORKERS COMPENSATION

OTHER

MONTHLY INCOME

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$ -

ASSETS

BANK/CREDIT UNION ACCOUNT

IRA

TDA/RETIREMENT FUNDS

STOCKS/BONDS

MUTUAL FUNDS

LIFE INSURANCE

OTHER

TOTAL ASSETS:

\$

\$

\$

\$

\$

\$

\$

\$

\$

NOTES: _____

Requested Number of Days: _____
Requested Reduced Daily Rate: _____

**Reference Federal Register Jan 2024

GIP \$1,329.01

2019	1 Adult 0 Children	2 Adults (1 Working) 0 Children	2 Adults (both working) 0 Children
Living Wage	\$ 24.26	\$ 36.53	\$ 18.26
Poverty Wage	\$ 6.53	\$ 7.91	\$ 3.96
Minimum Wage	\$15.00	\$ 11.00	\$ 11.00
Wage per Year	\$ 13,590.00	\$ 16,452.80	\$ 8,236.80
100%	\$ 13,590.00	\$ 18,310.00	\$ 18,310.00
150%	\$ 20,385.00	\$ 24,679.20	\$ 12,355.20
200%	\$ 36,620.00	\$ 32,905.60	\$ 16,473.60
250%	\$ 33,975.00	\$ 41,132.00	\$ 20,592.00
300%	\$ 40,770.00	\$ 49,358.40	\$ 24,710.40
350%	\$ 47,565.00	\$ 57,584.80	\$ 28,828.80
400%	\$ 54,360.00	\$ 65,811.20	\$ 32,947.20

Daily Rate for Private Pay	Percentage of Poverty Wage	Total Income	Payment Percentage of GIP		
\$ 132.90	300%	\$ 40,770.00	10.0%	\$ 49,358.40	\$ 24,710.40
\$ 265.80	325%	\$ 44,167.50	20.0%	\$ 53,471.60	\$ 26,769.60
\$ 398.70	350%	\$ 47,565.00	30.0%	\$ 57,584.80	\$ 28,828.80
\$ 531.60	400%	\$ 54,360.00	40.0%	\$ 65,811.20	\$ 32,947.20
\$ 551.54	650%	\$ 88,335.00	41.5%	\$ 106,943.20	\$ 53,539.20
\$ 664.51	700%	\$ 95,130.00	50.0%	\$ 115,169.60	\$ 57,657.60
\$ 773.48	750%	\$ 101,925.00	58.2%	\$ 123,396.00	\$ 61,776.00
\$ 883.79	800%	\$ 108,720.00	66.5%	\$ 131,622.40	\$ 65,894.40
\$ 996.76	850%	\$ 115,515.00	75.0%	\$ 139,848.80	\$ 70,012.80
\$ 1,103.08	900%	\$ 122,310.00	83.0%	\$ 148,075.20	\$ 74,131.20
\$ 1,218.70	950%	\$ 129,105.00	91.7%	\$ 156,301.60	\$ 78,249.60
	1000%	\$ 135,900.00	100.0%	\$ 164,528.00	\$ 82,368.00

Charity Care

	2019		2020		2021		2022		2023		2024 (thru 9/30)	
	Total	# Patients	Total	# Patients	Total	# Patients	Total	# Patients	Total	# Patients	Total	# Patients
Bruns	114,128	12	73,993	13	154,062	21	106,523	13	120,545	16	244,224	17
Home Hospice												
Buskirk	816	1	84,004	2	11,942	3	0	0	2,328	1	26,123	1
Emeryville	0	0	0	0	107,632	1	940	1	0	0	0	0
Total	816	1	84,004	2	119,574	4	940	1	2,328	1	26,123	1
Palliative	0	0	925	1	0	0	659	1	0	0	0	0

11 Cal. Code Reg. Section 999.5(d)(5)(C)

Description of all services provided by each health facility that is the subject of the transaction in the past 5 years to Medi-Cal patients, county indigent patients and other classes of patients; the description must include the type and volume of services provided; the payors for the services provided; the demographic characteristics of and zip code data for the patients served by the health facility; and the costs and revenues for the services provided

See the response to request under Cal. Code Reg. Section 999.5(d)(5)(D)

11 Cal. Code Reg. Section 999.5(d)(5)(D)

Description of any community benefit program provided by the health facility during the past 5 years with an annual cost of least \$10,000 and the annual cost of each program for the past five years

We are considering pre-close reductions in the Music Therapy program. EBIC provides three programs that are not required by Medicare as community services:

1. The Bridge Program – specialized grief services for children and teens
2. Music Therapy – the therapeutic use of music to reduce pain and/or symptoms by licensed Music Therapists*
3. Veterans Program – the identification of veterans, meeting specific psychosocial needs common to veteran patient or spouses, and assuring that veterans have access to any benefits that they deserve

*under consideration for closure prior to closing based upon financial challenges

East Bay Integrated Care, Inc
 Philanthropic Program Expenses
 2020-2024

Description	2020 Actuals Year	2021 Actuals Year	2022 Actuals Year	2023 Actuals Year	2024 Actuals Year (YTD Sep)
Veterans Program Labor	-	-	-	-	98,704
Music Therapy Program Labor	156,144	153,089	163,793	132,211	108,652
Bridge Program Labor	-	-	-	-	55,439
Total					262,795

Note: For Veterans and Bridge programs, we only started tracking separately in 2024.
 These expenses are mainly labor of the same employees and should stay consisten YoY except merit/market adjustme

11 Cal. Code Reg. Section 999.5(d)(5)(E)

For each health facility or facility that provides similar health care that is the subject of the agreement or transaction, a description of current policies and procedures on staffing for patient care areas; employee input on health quality and staffing issues; and employee wages, salaries, benefits, working conditions and employment protections. Such description shall include a list of all existing staffing plans, policy and procedure manuals, employee handbooks, collective bargaining agreements or similar employment-related documents

Attached to this Section are the following:

- A copy of the Hospice East Bay Administrative Policy Manual Table of Contents
- A copy of the Hospice East Bay Employee Handbook Table of Contents from 2022
- A copy of the list of Hospice East Bay HR Policies

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-  HR1.01 Business Guidelines.pdf
-  HR1.02 Drug Free Workplace.pdf
-  HR1.03 Employee Conduct.pdf
-  HR1.04 Employment of Relatives.pdf
-  HR1.05 English Only.pdf
-  HR1.06 Equal Employment Opportunity-rev.3.21.pdf
-  HR1.07 Fragrance Free Environment.pdf
-  HR1.08 Harassment-Free Workplace Policy rev. 8.11.21.pdf
-  HR1.09 Housekeeping.pdf
-  HR1.10 Non-Smoking Environment.pdf
-  HR1.11 Open Door Policy.pdf
-  HR1.12 Prohibited Behaviors & Activities rev. 1.8.21.pdf
-  HR1.13 Right to Revise.pdf
-  HR1.14 Social Media.pdf
-  HR1.15 Solicitation & Distribution.pdf
-  HR1.16 Lactation Accommodation-rev. 3.21.pdf
-  HR2.01 Conditional Employment Offers.pdf
-  HR2.02 Hiring Policy.pdf
-  HR2.03 Introductory Period.pdf
-  HR2.04 Orientation and Training-rev. 7.21.pdf
-  HR2.05 Promotions rev. 1.8.21.pdf
-  HR2.06 Requirements for Employment rev. 8.21.pdf
-  HR2.07 Transfers.pdf
-  HR3.01 Additional Employment.pdf
-  HR3.02 Attendance and Punctuality -updated 4-3-23.pdf
-  HR3.03 At-Will Employment.pdf
-  HR3.04 Conflicts of Interest.pdf
-  HR3.05 Attire and Grooming-rev. 11.29.23.pdf
-  HR3.06 Employment Records.pdf
-  HR3.07 Job Changes and Evaluation.pdf
-  HR3.08 Performance Evaluations.pdf
-  HR3.09 Productivity Standards.pdf
-  HR3.10 Progressive Discipline-rev. 11.29.23.pdf
-  HR3.11 Standards of Behavior.pdf
-  HR3.12 Termination of Employment.pdf

-  HR6.13 Payroll Guidelines.pdf
-  HR6.14 PTO Donation.pdf
-  HR6.15 Timekeeping.pdf
-  HR6.16 Tuition Reimbursement.pdf
-  HR6.17 Sick Leave for Nonbenefited Employees.pdf
-  HR6.18 Travel Expenses Reimbursement.pdf
-  HR6.19 Thrift Shop Employee Purchase Policy_rev. 7.31.24.pdf
-  HR7.01 - Bereavement Leave-19.pdf
-  HR7.02 - Call to Active Military Duty Leave-19.pdf
-  HR7.03 - FMLA-CFRA Leave rev. 7.21.pdf
-  HR7.04 - Jury Duty and Witness Leave-19.pdf
-  HR7.05 - Military Leave-19.pdf
-  HR7.06 - Personal Leave-19.pdf
-  HR7.07 - Pregnancy Disability Leave-19.pdf
-  HR7.08 - School Activities Leave-19.pdf
-  HR7.09 - Time off to Vote-19.pdf
-  HR7.10 - Victims of Crime Leave-19.pdf
-  HR7.11 - Victims of Domestic Violence Leave-19.pdf
-  HR7.12 - Volunteer Civil Service Leave-19.pdf
-  HR7.13 - Kin Care Leave-19.pdf
-  HR7.14 - Paid Organ Donor Leave_rev. 7.21.pdf
-  HR7.15 Severance Policy 11.29.23.pdf

11 Cal. Code Reg. Section 999.5(d)(5)(F)

All existing documents setting forth any guarantees made by any entity that would be taking over operation or control of the health facility relating to: employee job security and retraining; continuation of current staffing levels and policies; and employee wages, salaries, benefits, working conditions and employment protections

See the response to request under Cal. Code Reg. Section 999.5(d)(3)(A)

11 Cal. Code Reg. Section 999.5(d)(5)(G)

If the agreement or transaction will have an impact on reproductive health care services provided by any facility or on the availability of reproductive health care services, then include a description of all reproductive health care services provided in the last five years by each health facility, including types and levels of reproductive services, including, but not limited to, the number of pregnancy terminations and tubal ligations; description of how the information was compiled

N/A

11 Cal. Code Reg. Section 999.5(d)(5)(H)

Description of all effects that the proposed transaction or agreement may have on health care services provided by each facility, including: any changes in the types or levels of medical service; and a statement of how the proposed transaction may affect the accessibility of health care in the affected.

Chapters and Hospice East Bay anticipate that any day-to-day operational changes at Hospice East Bay will be minimal. Hospice East Bay currently has high care quality scores, and Chapters and Hospice East Bay intend that those high care quality scores will be maintained after the completion of the Transaction. After the Closing Chapters and Hospice East Bay will work to improve back-office efficiencies by reducing outsourcing and through employee attrition, achieve savings through third party contract negotiations, and Hospice East Bay will have access to Chapters' departments and professionals who are specialized in areas that smaller organizations may not be able to afford or invest in.

It is also intended that after the Closing Chapters will work with Hospice East Bay to develop additional health services in Hospice East Bay's geographic market to supplement those services now provided by Hospice East Bay. Chapters and Hospice East Bay will closely evaluate opportunities for such expanded services that in certain instances Chapters already has significant experience operating in other geographic markets.

11 Cal. Code Reg. Section 999.5(d)(5)(I)

A description and copy of all current contracts between the applicant and the city in which the applicant is located and current contracts between the applicant and the county in which the applicant is located for each health facility or facility that provides similar health care that are the subject of the agreement or transaction

Attached to this Section are the following:

- A copy of the Participating Provider Medical Services Agreement between Alameda Alliance and Hospice East Bay
- A copy of the Purchase of Services Contract Between Contra Costa County and Hospice East Bay



MEDICAL SERVICES AGREEMENT

**Participating Provider
Non-Delegated**

**Primary Care Physician
Specialist Physician
Ancillary Services Provider**

**East Bay Integrated Care, Inc. DBA Hospice of the
East Bay**

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MEDICAL SERVICES AGREEMENT

Between

ALAMEDA ALLIANCE FOR HEALTH

and

East Bay Integrated Care, Inc. DBA Hospice of the East Bay

This Medical Services Agreement is entered into between **East Bay Integrated Care, Inc. DBA Hospice of the East Bay** ("Medical Group") and **ALAMEDA ALLIANCE FOR HEALTH** (referred to as "Alameda Alliance") to be effective on May 1, 2022.

RECITALS

A. Alameda Alliance for Health is a public entity licensed by the California Department of Managed Health Care ("DMHC") as a health care service plan in the State of California pursuant to the Knox-Keene Health Care Service Plan Act of 1975 as amended (California Health and Safety Code Sections 1340 et seq.), and the regulations promulgated thereunder (collectively, the "Knox-Keene Act").

B. Alameda Alliance for Health has entered into an agreement with the California Department of Health Care Services ("DHCS"). Alameda Alliance has entered into an agreement(s) with the Public Authority of Alameda County for In-Home Supportive Services Workers ("Public Authority").

C. Pursuant to Alameda Alliance Agreements, Alameda Alliance has agreed to provide or arrange for the provision of specified covered health care services and supplies to eligible Alameda Alliance Program Members who enroll in an Alameda Alliance Program, including primary and specialty care professional, clinic, inpatient and outpatient hospital and Ancillary Services.

D. Medical Group represents that it is licensed and qualified to provide or arrange for the delivery of the health care services contemplated herein either directly or through contracting providers.

E. Alameda Alliance desires to engage Medical Group to render certain professional health care services to Members and Medical Group desires to provide such health care professional services to Members, subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of these premises and the mutual covenants set forth in this Agreement, Alameda Alliance and Medical Group agree as follows:

(Remainder of page left intentionally blank.)

SECTION 1: DEFINITIONS

In addition to terms defined elsewhere in this Agreement, the following capitalized terms shall be defined as follows:

- 1.1 **"Alameda Alliance Agreement(s)"** means the agreement or agreements between Alameda Alliance and DHCS under the Two-Plan Model for Medi-Cal Managed Care as the Local Initiative Plan in the County of Alameda ("Medi-Cal Agreement"), Public Authority of Alameda County for In-Home Supportive Services Workers ("Public Authority Agreement") and/or with such other entities that Alameda Alliance may enter into an agreement with to provide or arrange for the provision of Covered Services and supplies.
- 1.2 **"Alameda Alliance Program(s)"** means the program or programs under the applicable Alameda Alliance Agreement to provide or arrange for the provision of Covered Services and supplies to eligible Members and/or such other programs Alameda Alliance may establish.
- 1.3 **"Ancillary Services"** means those support services other than physician services that are provided by an Ancillary Services Provider and include but are not limited to laboratory, radiology, and physical therapy.
- 1.4 **"Ancillary Services Provider"** means an individual or entity that provides certain medical services dispensed by order or prescription from a provider with the appropriate prescribing authority.
- 1.5 **"Applicable Requirements"** means the following legal, regulatory and contractual requirements as they may be revised during the term of this Agreement: (i) applicable Federal, State, and local laws and regulations (including, but not limited to, applicable provisions of the Knox-Keene Act; the Medicare and Medi-Cal Managed Care laws, regulations, guidelines, programs and instructions as well as laws governing the use of Federal and State funds, such as the fraud and abuse prevention and detection laws, anti-kickback laws, the Civil Rights Act, the Americans with Disabilities Act, age discrimination laws, criminal laws, and the Veteran's Preference law); (ii) the provisions of Alameda Alliance Agreements, Alameda Alliance Programs and their associated Evidence of Coverages applicable to agreements; (iii) Medicare and Medi-Cal certification requirements; (iv) applicable accreditation requirements and (v) The Provider Manual. The following agencies have jurisdiction over Alameda Alliance and are responsible for enforcing the Applicable Requirements and the terms of this Agreement: DHCS, CMS, DMHC, the Government Accountability Office, the Office of Inspector General, the U.S. Department of Health and Human Services and the County of Alameda.
- 1.6 **"Attachment"** means any document, including an addendum, schedule or exhibit, attached to this Agreement as of the Effective Date or that becomes attached pursuant to any Sections, all of which are hereby incorporated herein by reference and may be amended from time to time as provided herein.
- 1.7 **"Authorization"** means the procedure for obtaining the prior approval of Alameda Alliance for the provision of Covered Services when such approval is required by Alameda Alliance, as further described in this Agreement and the Provider Manual.
- 1.8 **"Capitated Services"** means those Covered Services that Medical Group is responsible for providing to Medical Group Members for which Medical Group receives Capitation, as set forth in the Provider Manual.
- 1.9 **"Capitation"** or **"Capitated"** means the single fixed monthly payment paid by Alameda Alliance to Medical Group for each Medical Group Member to provide the Covered Services.
- 1.10 **"Centers for Medicare and Medicaid Services"** or **"CMS"** shall mean the federal agency that administers the Medicare program and is part of the U.S. Department of Health and Human Services.
- 1.11 **"Center(s) of Excellence"** means a health care facility that is a Participating Provider and has been designated as a facility where services to Members requiring specialized Covered Services shall be provided.

1.12 **"Claims Processing"** means the processing of a request for payment for the provision of Covered Services not covered in Capitation to Medical Group.

1.13 **"Clean Claim"** means, for purposes of this Agreement, a claim, or portion thereof, if separable, for Covered Services which contains all of the UB-04, CMS 1500, or electronic claim forms data elements, includes any attachments and supplemental information or documentation, if applicable, which provides relevant and necessary information to determine payer liability, and is submitted within the timeframes set forth herein.

1.14 **"Coordination of Benefits"** means the determination of whether Covered Services provided to a Member will be paid for, either in whole or in part, under any other private or government health benefit plan or any other legal or contractual entitlement, including, but not limited to, a private group indemnification or insurance program.

1.15 **"Copayment"** means those charges for Covered Services, if any allowed under the applicable Alameda Alliance Agreement and associated Evidence of Coverage, which may be collected directly by a Medical Group Provider from a Member as payment in addition to the compensation paid hereunder.

1.16 **"Contracted Provider"** means a physician, hospital, health care professional or any other provider of items or services that is (i) is an employee by or has a contractual relationship with Medical Group, and (ii) has been approved for participation by Alameda Alliance. The term "Contracted Provider" includes Provider for those Covered Services provided by Provider for which Provider has been approved for participation by Alameda Alliance.

1.17 **"Covered Services"** means all of the Medically Necessary supplies and health care services including services by primary and specialty providers, clinic, inpatient and outpatient hospital, ancillary and telemedicine services which a Member is entitled to receive from Alameda Alliance under the applicable Alameda Alliance Agreement and Evidence of Coverage, and/or applicable law as determined by Alameda Alliance. Covered Services shall include any other health care services required to be covered by Alameda Alliance Programs, or other law or by Alameda Alliance Agreements, including but not limited to autism services that are not the responsibility of a separate behavioral health program/vendor. Final determination of whether or not a service is covered will be made by Alameda Alliance in accordance with the Member's applicable Evidence of Coverage and Alameda Alliance Agreement.

1.18 **"Covering Physician"** means a Participating Physician (including a locum tenens physician) approved by Alameda Alliance who is engaged by a Participating Physician to provide Covered Services on behalf of that Participating Physician when that Participating Physician is not able to provide such services.

1.19 **"Credentialing"** means the process for validating the qualifications of licensed professionals to provide services to Members. It includes an objective evaluation of the providers' current licensure, training or experience, competence, and ability to provide or perform particular services or procedures. Alameda Alliance follows National Committee on Quality Assurance (NCQA) guidelines in conjunction with special Credentialing guidelines required by State regulation and policy.

1.20 **"DHCS"** means the California Department of Health Care Services.

1.21 **"DMHC"** means the Department of Managed Health Care which is the California State agency responsible for the administration of the Knox-Keene Act.

1.22 **"Emergency Services"** means those Covered Services provided for a medical condition including emergency labor and delivery manifesting itself by acute symptoms of sufficient severity (including severe pain) such that a prudent layperson, who possesses an average knowledge of health and medicine, could reasonably expect the absence of immediate medical attention to result in (i) placing the health of the individual (or, with respect to a pregnant woman, the health of the woman or her unborn child) in serious jeopardy, (ii) serious impairment to a bodily function, or (iii) serious dysfunction of any bodily organ or part. Emergency Services shall mean those medical and hospital services required that are furnished by a physician, physician assistant or other person qualified to provide Emergency Services and needed to evaluate, provide consultation or stabilize emergency medical conditions as described above. Emergency

Services shall include screenings, examinations and evaluations for the purpose of determining whether a psychiatric emergency medical condition exists, and whether treatment is necessary to relieve or eliminate the psychiatric emergency medical condition.

1.23 **"Eligibility Verification System"** means the system set forth in the Alameda Alliance Provider Manual for the Participating Physician to verify the eligibility of Members to receive Covered Services.

1.24 **"Evidence of Coverage"** means the Combined Evidence of Coverage and Disclosure Form and any amendments thereto, issued to Members by Alameda Alliance in connection with the applicable Alameda Alliance Program.

1.25 **"Fee-For-Service"** means the direct payment by Alameda Alliance to Medical Group for Covered Services or Non-Capitated Services that Medical Group Provider provides to Members. The lowest allowable Fee-For-Service Medi-Cal payment that is permitted by DHCS.

1.26 **"Medi-Cal Fee Schedule"** refers to the rates or fee schedule published by the DHCS for services provided under the state's Medi-Cal Fee-For-Service program.

1.27 **"Medical Group Member"** means a Member who chooses Medical Group and/or is assigned to a Medical Group Provider.

1.28 **"Medical Group Physician"** means a physician who is licensed by the State of California and certified to participate in the Medicare and/or Medi-Cal Programs and is, (i) employed by or under contract with Medical Group, and (ii) credentialed by Alameda Alliance or Medical Group as applicable to furnish Covered Services to Medical Group Members pursuant to this Agreement.

1.29 **"Medical Group Provider"** means a Medical Group Physician or a non-physician medical practitioner, employed by or under contract with Medical Group, collectively or individually, and credentialed by Alameda Alliance or Medical Group as applicable to furnish Covered Services to Medical Group Members pursuant to this Agreement.

1.30 **"Medical Group Subcontract"** means the written contract between Medical Group and each Medical Group Provider, in a form approved by Alameda Alliance and Medical Group pursuant to which Medical Group Providers agree to provide services to Medical Group Members.

1.31 **"Medically Necessary"** or **"Medical Necessity"** means those health care services and supplies which are provided in accordance with recognized professional medical and surgical practices and standards which are determined by Alameda Alliance or by Medical Group to be: (i) appropriate and necessary for the symptoms, diagnosis or treatment of Member's medical condition; and (ii) provided for the diagnosis and direct care and treatment of such medical condition; and (iii) not furnished primarily for the convenience of Member, Member's family, or the treating provider or other provider; and (iv) furnished at the most appropriate level which can be provided consistent with generally accepted medical standards of care; and (v) consistent with Alameda Alliance policies. If there are two or more Medically Necessary services that may be provided for the illness, injury, or medical condition, Alameda Alliance will provide benefits based on the most cost-effective service.

1.32 **"Medicare Rates"** refers to the rates published by CMS for Alameda County for the services provided under the Medicare program.

1.33 **"Member"** means an Alameda Alliance Program beneficiary who meets Alameda Alliance's enrollment qualifications and who is enrolled in and identified by Alameda Alliance as a member of an Alameda Alliance Program and eligible to receive Covered Services.

1.34 **"Member Grievance"** means any written or oral expression of dissatisfaction made by a Member or the Member's representative.

1.35 **"Member Grievance Procedures"** means the provisions of the applicable Evidence of Coverage that describe the procedures for the receipt, handling and disposition of Member Grievances. A summary of Alameda Alliance's typical grievance process is set forth in the Provider Manual. However, the

procedure set forth in Member's Evidence of Coverage or required by law shall control the grievance process as to that Member, if different from the procedures set forth in the Provider Manual.

1.36 **"Non-Capitated Services"** means those Covered Services for which Medical Group is not Capitated as set forth in the Provider Manual.

1.37 **"Non-Covered Services"** means those services excluded from coverage pursuant to the applicable Alameda Alliance Agreement and the applicable Evidence of Coverage under Medi-Cal and Group Care.

1.38 **"Non-Medical Group Member"** means any Member who is not assigned to Medical Group.

1.39 **"Participating Hospital"** means an institution licensed by the State of California as an acute care hospital, skilled nursing facility, or other licensed facility, which has an agreement with Alameda Alliance to furnish Covered Services to Members.

1.40 **"Participating Physician"** means a credentialed Physician certified or authorized to render health care services and who has an agreement with Alameda Alliance or a delegated medical group to furnish Covered Services to Members.

1.41 **"Participating Provider"** means any credentialed health professional, entity or institution certified or authorized to render health care services and who has an agreement with Alameda Alliance or a delegated medical group to furnish Covered Services to Members. Participating Provider includes but is not limited to nurse practitioners, physician assistants, and nurse midwives.

1.42 **"Primary Care Physician"** or **"PCP"** means a Participating Physician selected by a Member or who has been assigned by Alameda Alliance to render first contact medical care and to provide covered primary care services. Primary Care Physicians may include general and family practitioners, internists, pediatricians, and may also include Physicians in other areas of practice or organized groups of Primary Care Physicians (e.g. professional corporations, Community Health Centers, Federally Qualified Health Centers, etc.), to the extent permitted by Alameda Alliance and applicable law.

1.43 **"Provider Grievance"** means Participating Provider's written notice to Alameda Alliance challenging, appealing or requesting reconsideration of a claim, or requesting resolution of billing determinations, such as bundling/unbundling of claims/procedure codes or allowances; or Participating Provider's written notice to Alameda Alliance disputing administrative policies and procedures, administrative terminations, retroactive contracting, or any other contract issue.

1.44 **"Provider Grievance Procedures"** means the procedures for the receipt, handling and resolution of Provider Grievances.

1.45 **"Provider Manual"** means Alameda Alliance manual and bulletins which have been prepared to be consistent with Applicable Requirements which are provided from time to time by Alameda Alliance to Participating Providers. The Provider Manual describes Alameda Alliance Programs, policies, procedures, terms and conditions of the agreement between Alameda Alliance and the Participating Provider for the provision of Covered Services to Members.

1.46 **"Quality Improvement"** or **"Quality Improvement Program"** means the policies and procedures adopted by Alameda Alliance to conduct ongoing quality assessment and improvement to comply with Applicable Requirements including but not limited to California Health and Safety Code Section 1370, and Title 28 CCR Section 1300.70. The policies and procedures that govern the program are set forth in the Provider Manual.

1.47 **"Referral"** means the process by which a Participating Provider directs a Member to seek and obtain specialist services or other Covered Services from a health professional, a hospital, or any other provider of Covered Services.

1.48 **"Self-Referral Sensitive Services"** means services provided by other Participating Providers for Medical Group Medi-Cal Members related to (i) sexual assault; (ii) drug or alcohol abuse for Medical Group Members 12 years or older; (iii) pregnancy; (iv) family planning; (v) sexually transmitted diseases designated by DHCS for Medical Group Members 12 years or older.

1.49 **"Service Area"** means the geographic area within which Alameda Alliance is licensed to operate.

1.50 **"Specialist Physician"** or **"SCP"** means a Participating Physician who is duly licensed and meets Alameda Alliance qualifications to practice his/her designated specialty and who has agreed pursuant to a written agreement with Alameda Alliance or Medical Group to provide Covered Services in his/her designated specialty for Members, pursuant to a Referral from Member's Primary Care Physician, if required.

1.51 **"State"** means the State of California.

1.52 **"Surcharge"** means an additional fee, other than approved Copayments and deductibles, which is charged to a Member for a Covered Service, but which is not approved by the applicable State and Federal regulatory authority, and is neither disclosed nor provided for in the applicable Alameda Alliance Agreement and associated Evidence of Coverage.

1.53 **"Third Party Liability"** means the legal obligation of a third party i.e. individuals, entities or programs to pay all or part of the expenditures for medical assistance furnished under an Alameda Alliance Program.

1.54 **"Timely Access"** means the required time frame for Member access to Covered Services as set forth in Applicable Requirements.

1.55 **"Utilization Management"** or **"Utilization Management Program"** means the programs and processes established by Alameda Alliance to authorize and monitor the utilization of Covered Services provided to Members.

SECTION 2: MEDICAL GROUP REPRESENTATIONS AND WARRANTIES

2.1 **Representations/Warranties/Qualifications**

Medical Group shall meet the qualifications set forth below throughout the term of this Agreement. Medical Group, on behalf of itself and each Medical Group Provider, hereby represents and warrants the following:

2.1.1 **Qualifications.** Each Medical Group Provider shall possess a current valid license, or other certification in the State of California and maintain a current federal DEA registration, as applicable, to provide the services, equipment, or supplies contemplated in this Agreement and shall not be the subject, either before or during the term of this Agreement, of any disciplinary actions or proceedings under the entity authorized to grant such license or certification; be the subject of any indictments, disciplinary actions or proceedings under the terms of any Alameda Alliance Program; or be the subject of any indictments, disciplinary actions or proceedings by any government entity. Medical Group shall maintain at all times, during the term of this Agreement, the administrative, managerial and financial capacity to perform its obligations hereunder.

2.1.1.1 Board Certified, as applicable, according to the current American Board of Medical Specialties in area of medical practice;

2.1.1.2 Remain eligible to participate in Medicare and Medi-Cal Programs and such other third party payor programs as Alameda Alliance may reasonably require, and accept and continue to accept assignment of patient benefits under each such payor program; and

2.1.1.3 Willing and able to comply with the terms and conditions of this Agreement.

2.1.2 **Credentialing Medical Group.** Each Medical Group Provider and Participating Provider, as further defined in Provider Manual, who are providing Covered Services on behalf of Medical Group under this Agreement shall be approved through the Credentialing process by Alameda Alliance.

2.1.3 **Admitting Privileges.** Each Medical Group Physician shall possess admitting privileges at one or more Participating Hospital or possess formal coverage arrangements with another Participating Physician for admission of Medical Group Members.

2.1.4 Facility. Medical Group shall and shall require each Medical Group Provider to maintain a suitable facility for medical treatment of Medical Group Members pursuant to the requirements of Alameda Alliance Programs and acceptable to Alameda Alliance. Accessibility to such facilities shall be in compliance with the requirements of the Americans with Disabilities Act.

2.1.5 Program Participation. Medical Group and each Medical Group Provider shall be certified and eligible to participate in the Medi-Cal and/or Medicare Programs in order to participate in such programs. All Medical Group Providers, employees and subcontractors who provide health care services, utilization review, medical social work services, and administrative services shall be eligible to participate in the Medi-Cal or Medicare Program and shall not be excluded from such programs. Medical Group shall maintain any additional qualifications that may be required by law or as deemed appropriate by DHCS, CMS, DMHC, Public Authority or other appropriate government entity, or Alameda Alliance for the enhancement of access to or quality of care.

SECTION 3: MEDICAL GROUP RESPONSIBILITIES FOR PROVISION OF SERVICES

3.1 Covered Services.

Medical Group shall provide or arrange for the provision of all Covered Services to Medical Group Members for Alameda Alliance Programs set forth in Exhibit A through Medical Group Providers who have been credentialed as required by this Agreement and as more fully described in the Provider Manual. Nothing expressed or implied herein shall require Medical Group to provide to the Medical Group Member, or order on behalf of the Medical Group Member, Covered Services which, in the professional opinion of Medical Group Provider, are not Medically Necessary. Medical Group shall be responsible for the management of each Medical Group Member's medical care as follows:

3.1.1 Provision of Covered Services. Medical Group shall promote and maintain the health of Medical Group Member by providing all Covered Services within the scope of Medical Group's practice and managing other Covered Services provided to each Medical Group Member through face-to-face, telephonic contacts or email interface with Medical Group Member. In a manner consistent with existing professional standards, Medical Group and Medical Group Providers shall be responsible for: (i) the diagnosis and treatment of medical conditions; (ii) the coordination of inpatient Covered Services (including discharge planning); (iii) the provision of preventive health services to which a Medical Group Member is entitled; and (iv) making available to Medical Group Members those health education programs routinely provided by Medical Group and Medical Group Providers at no charge to their patients. Alameda Alliance shall not intervene in any way or manner with the provision of health care services by Medical Group Provider; it being understood and agreed that the traditional relationship between provider and patient will be maintained. Notwithstanding the foregoing, Alameda Alliance retains the right to review the care provided to Members by Medical Group Providers as part of Alameda Alliance's Quality Improvement and Utilization Management Programs.

3.1.2 Covering Physician. If, from time to time, Participating Physician is for any reason unable to provide covered services due to illness, vacation or other absence, Participating Physician shall engage another qualified Participating Physician to perform such Covered Services in Participating Physician's (Covering Physician). Participating Physician shall ensure that any such Covering Physician shall (a) accept and abide by all of the terms and conditions of this Agreement and Alameda Alliance Agreement; and (b) not bill Alameda Alliance or any person other than Participating Physician for the performance of services to Members. Participating Physician shall be solely responsible for compensating all such Covering Physicians.

3.1.3 After hours On Call. Participating Physician shall provide or make arrangements for Members to receive Covered Services twenty-four (24) hour-per-day, seven (7) day-per-week including after business hours, weekends and holidays as specified.

3.1.4 Medical Necessity. Medical Group shall make Medical Necessity determinations for Medical Group Members and shall determine the method, details and means of performing Covered Services pursuant to the terms of this Agreement. When those determinations are appealed, Medical Group will assist Alameda Alliance by providing relevant medical records and participating in grievance,

arbitration, and other proceedings. Moreover, Medical Group agrees to cooperate with and abide by the Medical Necessity determination of any external review entity to which Alameda Alliance is obligated by law.

3.1.5 Final Decisions and Exchange of Medical Group Member Information. All final decisions regarding coverage are reserved to Alameda Alliance, and Medical Group shall refer Medical Group Members who have inquiries or disputes regarding such coverage to Alameda Alliance for response and resolution. This provision, however, does not and shall not be construed to prohibit any Medical Group Provider from providing any medical treatment, or other advice which such Medical Group Provider believes to be in the best interest of the patient. No provision of this Agreement shall be construed to prohibit, nor shall any provision in any contract between Medical Group and its employees or subcontractors prohibit, the free, open and unrestricted exchange of any and all information of any kind between Medical Group Providers and Medical Group Members regarding the nature of Medical Group Member's medical condition, the health care treatment options and alternatives available and their relative risks and benefits, whether or not covered or excluded under Medical Group Member's health plan, and Medical Group Member's right to appeal any adverse decision made by Medical Group or Alameda Alliance regarding coverage of treatment which has been recommended or rendered.

3.1.6 Performance Standards. All Covered Services provided to Medical Group Members shall meet professionally recognized standards of practice including those set forth in the Provider Manual.

3.1.7 Non-Discrimination. Medical Group Providers shall treat all Medical Group Members, in a non-discriminatory manner, pursuant to Section 12.1 of the Agreement and in the same manner as their other patients, except as limited by this Agreement.

3.1.8 Advance Health Care Directive. Medical Group Providers shall document in a prominent place in medical record if Member has executed an Advance Health Care Directive.

3.2 Availability

Medical Group Providers shall be available to provide Timely Access to Covered Services so that Medical Group Members, in accordance with the policy and procedures of Alameda Alliance and Applicable Requirements, may be appropriately served by medical advice and supervision seven (7) days a week and twenty-four (24) hours a day, either directly or through adequate coverage arrangements. Medical Group Providers shall be available for telephone consultations with Medical Group Members and other Participating Providers as may be appropriate to meet the needs of Medical Group Members and other Participating Providers.

3.2.1 Timely Access. Medical Group will provide Covered Services in compliance with timely access standards outlined in Title 28 CCR Section 1300.67.2.2, the Provider Manual and as follows, as applicable:

3.2.1.1 Prenatal care appointments shall be offered within fourteen (14) days.

3.2.1.2 Non-urgent care appointments with primary care physicians shall be offered within ten (10) business days of request.

3.2.1.3 Non-urgent care appointments with specialist physicians shall be offered within fifteen (15) days of request.

3.2.1.4 Urgent care appointments that do not require authorization shall be offered within forty-eight (48) hours of request.

3.2.1.5 Non-urgent appointments for Ancillary Services (for diagnosis of treatment of injury illness, or other health condition) shall be offered within fifteen (15) days of request.

3.2.1.6 Non-urgent appointments with a non-physician mental health provider shall be offered within ten (10) days of request.

3.3 Eligibility Verification and Procedures

3.3.1 Eligibility Verification System. Medical Group shall and shall require each Medical Group Provider to utilize the eligibility verification system as set forth in the Provider Manual to confirm the eligibility of Medical Group Members.

3.3.2 Eligibility and Identification Verification. Prior to offering services or obtaining a Referral or Authorization for Covered Services, Medical Group and/or Medical Group Providers are required to verify identification and eligibility of Medical Group Members on the date of service as follows:

3.3.2.1 By electronic or telephonic contact with Alameda Alliance or via the Alameda Alliance website; and

3.3.2.2 By the examination of Alameda Alliance Member identification card and a form of photo identification, or if no Member identification card has yet been issued, two (2) other forms of identification, one of which shall be a photo identification. If Member is a minor, parent's identification will be acceptable if Member's eligibility is verified with Alameda Alliance.

3.3.3 Improper Verification. Alameda Alliance assumes no responsibility, financial or otherwise, for patients misrepresenting themselves as Members where eligibility is not properly verified by Medical Group.

3.3.4 Member Ineligibility. For any Member who became ineligible, but whose ineligibility was not properly noted on Alameda Alliance's eligibility list at the time of ineligibility, and for whom Medical Group inappropriately received such payments, Alameda Alliance shall have the right to deduct from payment to Medical Group amounts equal to any payments made. Alameda Alliance shall have no obligation to compensate Medical Group for such services in the event that such deleted Member is covered during the period of retroactive deletion by another government program, health care service plan, insurer, or third party payor.

3.4 Referrals and Authorizations

Medical Group may refer Medical Group Members for Medically Necessary Covered Services that are not within the Medical Group Provider's scope of practice to Participating Providers in accordance with Alameda Alliance's Referral and Authorization procedures set forth in Provider Manual. As required by law, PCP referrals include, but are not limited to referrals to Alameda Alliance behavioral health program/vendor for autism services.

3.4.1 Alameda Alliance Authorization. Medical Group PCPs may make Referrals to Participating Providers without Authorization from Alameda Alliance. Specialist Physician may refer Members to Participating Providers in accordance with Alameda Alliance's Referral and Authorization procedures set forth in Provider Manual. Alameda Alliance shall provide Medical Group with a list of Participating Providers to whom Referrals may be made. Referrals outside of the Alameda Alliance contracted network shall require an Authorization by Alameda Alliance. Prior Authorization shall not be required for Emergency or Self-Referred Sensitive Services.

3.4.2 Hospital Admissions. Except for Emergency or Self-Referred Sensitive Services, Medical Group shall obtain a written Authorization prior to any elective hospital admission. Medical Group Providers shall admit Members requiring inpatient hospital or other covered inpatient health care services only to a Participating Hospital or other facility authorized by Alameda Alliance and shall comply with the hospital admissions procedures established by Alameda Alliance as set forth in the Provider Manual.

3.5 Emergency Services

3.5.1 Compliance with Emergency Room Regulations. In the event that a Medical Group Member presents to an emergency room for medical care, Medical Group and Medical Group Providers shall comply with DHCS, CMS, and DMHC regulations as applicable regarding emergency and urgent care.

3.5.2 Monitoring of Emergency Services. Medical Group and Medical Group Providers shall be responsible for the monitoring of all health care services rendered to Medical Group Members including, at all times, situations where an attending physician or other health care provider furnishes urgent care or Emergency Services or actively engages in the treatment or evaluation of a Medical Group Member's condition.

3.5.3 Post Stabilization Care/Transfer. Medical Group will provide services to treat Members, then call the Alliance for authorization once the Medical Group determines a Member is stable for transfer or to obtain authorization for post stabilization care in accordance with the Alameda Alliance's Provider Manual policies and procedures.

3.6 Provision of Equipment/Supplies/Personnel

Medical Group and/or Medical Group Providers shall supply all equipment, supplies and personnel necessary to perform this Agreement and provide Covered Services to Members. Each Medical Group Provider shall be responsible, at Medical Group's sole cost and expense, for providing licensed persons or technicians to assist Medical Group Providers to provide Covered Services. Medical Group Providers shall supervise all personnel used to provide Covered Services and shall ensure that they possess and maintain current/valid licenses and certifications required by law for the performance of the services provided. Medical Group agrees upon the request of Alameda Alliance to provide current practice information regarding such licensed persons and technicians to Alameda Alliance. Medical Group and each Medical Group Provider agree to not employ or contract with individuals excluded from participation in State- or Federally-funded programs. Medical Group shall immediately notify Alameda Alliance if it or one of its Medical Group Providers or any of its or the Medical Group Providers' employees or subcontractors is debarred from any State or Federal program.

3.7 Outpatient Drug Formulary and Pharmacy Information

3.7.1 Compliance with Outpatient Drug Formulary. Medical Group and Medical Group Providers shall comply with the outpatient drug formulary, drug authorization forms and requirements, and pharmacy benefit design (including maximum supplies, use of generics, and mail order for maintenance drugs), as adopted and periodically modified by Alameda Alliance and as set forth in the Provider Manual.

3.7.2 Use of Prescription Data. Medical Group agrees that data regarding prescriptions obtained by and drugs supplied to Medical Group Members are provided for the limited and restricted purpose of Utilization Management. Under no circumstances may Medical Group or Medical Group Providers copy or share such data with others, or utilize such data, in whole or in part, directly or indirectly, to negotiate rebates, discounts, or contracts with pharmaceutical manufacturers or other suppliers of pharmaceuticals.

3.7.3 Pharmacy Information. Medical Group acknowledges that Alameda Alliance and its designees retain sole authority to perform, in relationship to outpatient pharmacy, pharmacy claims processing, formulary development, an Authorization program, selection and contracting of a pharmacy network, and determination of pharmacy benefit design.

3.8 Utilization Management

Medical Group and Medical Group Providers shall cooperate with Alameda Alliance in the implementation of the Utilization Management Program established by Alameda Alliance set forth in the Provider Manual which has been established to review and manage the utilization of health care services, provide procedures for the coordination and monitoring of a Medical Group Member including, but not limited to medical evaluation of Medical Group Members' health condition, referral, consultation, admission to hospitals, follow up care and coordination of referred health care services in order to make sure that Medical Group Member receives cost effective, quality care. Alameda Alliance will share with Medical Group utilization data that DHCS has provided to Alameda Alliance to assist Medical Group with Member care coordination.

SECTION 4: MEDICAL GROUP ADMINISTRATIVE RESPONSIBILITIES

4.1 **Conduct**

4.1.1 Prohibition of Coercion of Members. Medical Group and Medical Group Providers shall not coerce, threaten or intimidate Members into making a particular choice of health care coverage. Medical Group Providers shall not influence Members to change health care coverage for the purpose of financial gain to Medical Group or Medical Group Providers. Medical Group and Medical Group Providers may freely communicate with Members regarding the treatment options available to them, including medications and alternative medications and/or Non-Covered Services, regardless of benefit coverage limitations.

4.1.2 Representation of Benefits. Medical Group and Medical Group Providers shall not discuss reimbursement or knowingly make inaccurate or misleading statements about Alameda Alliance Program benefits.

4.1.3 Non-Solicitation. Medical Group and Medical Group Providers shall not solicit Members on behalf of any other independent practice association, medical group, health maintenance organization or insurance company. Solicitation shall mean conduct by Medical Group, Medical Group Providers, office staff, agent, or employee of Medical Group, which may be reasonably interpreted as designed to persuade Members to discontinue their membership with Alameda Alliance.

4.2 **Membership**

4.2.1 Member Selection or Assignment. Members may select any PCP within Member's applicable Alameda Alliance Program. For Members who do not make a selection, Alameda Alliance shall assign Members to a PCP in a systematic and appropriate manner in accordance with Alameda Alliance procedures which may consider factors including, but not limited to, the PCP's language capabilities, office location and the specialty type of the PCP. Medical Group shall and shall require each Medical Group Provider to accept all Members who select, or are assigned to Medical Group Provider, unless Medical Group requests in writing to close Medical Group Provider's practice to all new Members. Medical Group Providers shall accept and maintain Medical Group Members without regard to health status, frequency of visits, costs of care or cultural or linguistic factors. Medical Group acknowledges that a Member may request transfer between Medical Group Physicians in accordance with Member's applicable Alameda Alliance Program and Evidence of Coverage.

4.2.2 **Member Reassignment.**

4.2.2.1 Member Reassignment Upon Medical Group Provider Termination. In the event that a Medical Group Provider's employment or contractor relationship with Medical Group is terminated, or Medical Group Provider is removed from service to Medical Group Members pursuant to section 4.2.3, Alameda Alliance shall notify Member of such termination. Member shall have the right to select another Medical Group Provider or another Participating Provider not affiliated with Medical Group. In the event that Member does not select a new Participating Provider, Alameda Alliance shall assign Member to a new Participating Provider. Reassignment of Medical Group Members shall be in accordance with the provisions set forth in the Provider Manual.

4.2.2.2 Member Reassignment Upon the Request of Medical Group. Medical Group and/or a Medical Group Provider shall not request reassignment of a Medical Group Member to another Participating Provider due to a Medical Group Member's medical condition, frequency of visits, costs of care, or cultural or linguistic factors. Medical Group may request in writing that a Medical Group Member be reassigned to a different Participating Provider only if Medical Group can show just cause in writing, to the satisfaction of Alameda Alliance, that health care services can no longer be successfully provided for reasons other than health status, frequency of visits, costs of care or cultural or linguistic factors. Reassignment of Medical Group Members shall be in accordance with the provisions set forth in the Provider Manual.

4.2.2.3 Right to Reassign. Notwithstanding the foregoing, when the consent of a governmental agency to the termination of a physician-patient relationship is required pursuant to its rules

and regulations, neither Medical Group nor a Medical Group Provider may terminate the physician-patient relationship with a Member without first obtaining the consent of Alameda Alliance and the applicable governmental agency.

4.2.3 Termination of Medical Group Provider at the Request of Alameda Alliance. Alameda Alliance may require that Medical Group remove from service to Medical Group Members any Medical Group Provider, based upon a finding by Alameda Alliance that Medical Group Provider is in non-compliance with this Agreement. Alameda Alliance retains the right to (i) suspend the assignment or selection of new Members to Medical Group or Medical Group Providers; or (ii) reassign all or part of a Medical Group Provider's Members to any Participating Providers upon a finding that a Medical Group Provider is in non-compliance with this Agreement. In the event that Alameda Alliance takes any action permitted by this section, this Agreement shall continue in effect as to the Medical Group and other Medical Group Providers unless terminated by either party as set forth in section 12 of this Agreement.

4.2.4 Provider Preventable Condition (PPC). Provider Preventable Conditions are defined in federal obligations as Other Provider Preventable Conditions (OPPCs) in all health care settings and Health Care Acquired Conditions (HCACs) in inpatient hospital settings. Within five (5) calendar days of discovering a PPC, and confirming the patient is an Alameda Alliance Member, the Medical Group will complete the regulatory form and submit it to Alameda Alliance's Quality Department.

4.3 Provider Network and Practice Information

Medical Group shall provide Alameda Alliance with the current practice information for each Medical Group Provider as set forth in Exhibit G and shall comply with the following:

4.3.1 Credentialing of Providers. Medical Group Providers, Covering Physicians and Participating Providers shall meet the Credentialing requirements of Alameda Alliance and shall be subject to the Credentialing process and NCQA requirements set forth in the Provider Manual prior to providing any health care services to Members. Only credentialed Medical Group Providers, Covering Physicians and Participating Providers may provide health care services to Medical Group Members. Medical Group shall submit to Alameda Alliance sufficient Credentialing data to enable Alameda Alliance to determine that Medical Group Provider meets Alameda Alliance's minimum qualifications. Failure to provide re-credentialing information or meet Alameda Alliance's minimum standards may result in the termination of Medical Group Provider as a Participating Provider. Each credentialed Medical Group Provider shall be re-credentialed every three (3) years or as requested by Alameda Alliance.

4.3.2 Change in Medical Group Status. The composition of Medical Group may change from time to time and Medical Group may add Medical Group Providers at its discretion so long as any such new Medical Group Providers agree to comply with the terms of this Agreement before rendering any Covered Services or being assigned any Medical Group Members. Medical Group shall make best efforts to provide written notification to Alameda Alliance at least sixty (60) calendar days in advance of the termination of a Medical Group Provider or any material change in the provider composition of Medical Group, any change of name, address, telephone number, office hours, tax identification number, NPI, license status or number. Medical Group and Medical Group Providers shall, at the request of Alameda Alliance, assist Alameda Alliance in preparing regulatory filings relating to provider composition of Medical Group and Medical Group Providers in accordance with section 5.1 of this Agreement.

4.3.3 Complaints or Disciplinary Action. Medical Group shall immediately report all findings of liability in any civil, criminal or administrative action involving professional competency or any felony of a Medical Group Provider. Medical Group shall immediately notify Alameda Alliance of: (i) any written complaint filed against any Medical Group Provider which would be reportable under Section 805 of the California Business and Professions Code or the National Practitioner Data Bank; (ii) any disciplinary action taken against a Medical Group Provider as an individual by any hospital, medical facility, medical group or association, State or Federal licensing body, or other entity; (iii) any Medical Group Provider who has become a defendant in a lawsuit filed by a Member or is required or agrees to pay damages to a Member for any reason; (iv) any Medical Group Provider has been disbarred from any federal program, or v) any other findings of liability in any civil, criminal or administrative action involving professional competency or commission of any felony. Immediately upon their availability, Medical Group shall submit to Alameda Alliance copies of any adverse findings from any State or Federal entity reviewing or auditing

any Medical Group or any Medical Group Provider. Findings may be subject to Alameda Alliance peer review.

4.4 Provider Dispute Resolution

4.4.1 Dispute and Post Dispute Procedures. Medical Group shall establish and maintain a fast, fair, and cost-effective mechanism to process and resolve Medical Group Provider disputes in accordance with all applicable requirements of the Knox-Keene Act, including but not limited to California Health and Safety Code Sections 1371, 1371.1, 1371.2, 1371.22, 1371.35, 1371.36, 1371.37, 1371.38, 1371.4, and 1371.8 and Sections 1300.71, 1300.71.38, 1300.71.4, and 1300.77.4 of Title 28 of the California Code of Regulations. Except for matters that are subject to other grievance procedures as described in section, in the Provider Manual, and excluding any dispute arising out of, relating to, or in connection with any malpractice or professional liability claim (unless expressly consented to by the parties insurance carriers) if the parties hereto are unable to resolve any dispute arising out of, relating to or in connection with this Agreement, or the construction or interpretation of this Agreement, and the internal dispute resolution process has been exhausted without achieving a resolution, then both parties agree to continue to engage for a period of no less than thirty (30) calendar days, in good faith effort to resolve prior to moving with litigation. No claim arising under this Agreement shall accrue until such time as the thirty (30) calendar day period has expired.

4.4.2 Failure to Comply with Dispute Procedures. Medical Group agrees that, in the event Medical Group's provider dispute resolution procedures fail to comply with the obligations set forth in section 4.4.1 above, Alameda Alliance may, as required by applicable State and Federal law, assume responsibility for the administration of Medical Group's provider dispute resolution process and for the resolution of provider disputes relating to Alameda Alliance Members.

4.4.3 Provider Appeal Rights. Medical Group agrees that, if a provider submits a dispute in accordance with the Medical Group Provider dispute resolution process which involves an issue of Medical Necessity or utilization review relating to an Alameda Alliance Member, such Medical Group Provider shall have an unconditional right to appeal that dispute to Alameda Alliances Provider Grievance Procedures for a de novo review and resolution of the dispute. Such an appeal must be submitted to Alameda Alliance within sixty (60) calendar days from the date of Medical Group communicated its denial of the appeal to the Medical Group Provider.

4.4.4 Medical Group Provider Agreements. Medical Group shall be responsible for each Medical Group Provider's performance under this Agreement and shall ensure that each Medical Group Provider is aware of and compliant with the terms of this Agreement. Each Medical Group Provider furnishing services on behalf of Medical Group Providers shall be subject to all terms and conditions of this Agreement. Medical Group shall have a written employment or subcontractor agreement that complies with the terms of this Agreement and all Applicable Requirements, with each Medical Group Provider who will provide Covered Services to Medical Group Members pursuant to this Agreement.

4.4.5 All future model forms of written employment or subcontractor agreements shall be submitted to Alameda Alliance and Medical Group shall make available to Alameda Alliance any individual written employment or subcontractor agreement upon the request of Alameda Alliance.

4.4.6 Disclosure of Provider Profiling. Medical Group shall, upon request from Alameda Alliance, provide Alameda Alliance with information regarding any economic profiling of Medical Group Providers by Medical Group in order to permit Alameda Alliance to comply with the provisions of Section 1367.02 of the California Health and Safety Code. Further, to the extent that group utilizes economic profiling as defined in Section 1367.02 of the California Health and Safety Code, Medical Group shall provide copies of economic profiling information to Medical Group Providers in accordance with the requirements of Section 1367.02.

4.5 Quality Improvement

It is understood by the parties hereto that the Alameda Alliance has established a Quality Improvement Program in order to assure a standard of care consistent with California Health and Safety Code Section 1370, Title 22 California Code of Regulations Section 53280, and Title 28 California Code of Regulations

Section 1300.70, and with Alameda Alliance policies and standards. Medical Group shall cooperate with and participate in Alameda Alliance Quality Improvement Program as set forth in the Provider Manual. Medical Group shall comply with the Quality Improvement Program, Utilization Management Program, and credentialing and re-credentialing activities, including Facility Site Reviews (FSR). Medical Group shall provide timely documentation for Healthcare Effectiveness Data and Information Set (HEDIS) and other quality improvement activities.

4.6 Culturally and Linguistically Appropriate Services (CLAS) Program

Alameda Alliance established and maintains an ongoing CLAS Program, and maintains ongoing administrative and financial responsibility for implementing and operating such program, to ensure access to care for limited and non-English speaking Medical Group Members and/or Members who are sensory impaired, as required by Applicable Requirements relating to language assistance regulations. Medical Group shall and shall require each Medical Group Provider to cooperate and comply with Alameda Alliance's CLAS Program as described in Provider Manual and Applicable Requirements regarding cultural and linguistic services. Such services shall be available at all Medical Group locations where Members receive services from Medical Group Providers. Medical Group shall provide its employees training on cultural competency, sensitivity and diversity training.

4.7 Facility Site Review

Facilities used by Medical Group and/or each Medical Group Provider to provide Covered Services shall comply with provisions of Title 22, CCR, Section 53230 and Title 28, Section 1300.80. Medical Group Providers agree to allow access to the facilities used in the provision of Covered Services pursuant to the terms and conditions of this Agreement to Alameda Alliance, and all State and Federal agencies that have statutory or regulatory authority to inspect and license or certify health facilities. In the event that government officials or Alameda Alliance find any deficiencies in such facilities or records, Medical Group or Medical Group Provider, as applicable, shall have thirty (30) calendar days to substantially correct such deficiencies which are identified by such government officials or Alameda Alliance. If Medical Group or Medical Group Provider fails to substantially correct such deficiencies, Alameda Alliance may at its sole discretion (i) suspend the assignment of selection of new Members to Medical Group; (ii) reassign all or part of Medical Group Members to another Participating Provider; or (iii) terminate this Agreement.

4.8 Required Disclosure

4.8.1 Articles of Incorporation and Bylaws. Medical Group shall provide to Alameda Alliance, if applicable and upon request, a copy of the Articles of Incorporation and Bylaws of Medical Group, and all amendments thereto.

4.8.2 Disclosure Statement. Medical Group shall, if applicable and upon request, provide Alameda Alliance with a disclosure statement listing major creditors individually holding more than five percent (5%) of the debt of Medical Group. Medical Group shall provide to Alameda Alliance an updated disclosure statement in the event of a change in creditors as described above.

4.8.3 Material Adverse Effects. Medical Group shall notify Alameda Alliance immediately in writing when Medical Group becomes aware of the occurrence of any of the following events: (i) Medical Group's or a Medical Group Provider's professional and general liability insurance is canceled, terminated, not renewed, or materially modified; (ii) an act of nature or any event occurs which has a materially adverse effect on Medical Group's ability to perform Medical Group's obligations hereunder; (iii) a petition is filed to declare Medical Group bankrupt or for reorganization under the bankruptcy laws of the United States or a receiver is appointed over all or any portion of Medical Group's assets; or (iv) Medical Group is sued, or suit is threatened in writing, by a healthcare provider for nonpayment of compensation; or (v) any other situation arises which could reasonably be expected to materially affect Medical Group's ability to carry out Medical Group's obligations under this Agreement.

4.8.4 Medical Group Changes. Medical Group shall also provide Plan with thirty (30) calendar days advance notice of (i) any proposed material change in the ownership of Medical Group, (ii) a change in its management services organization (if any), or (iii) the sale of all or substantially all of the assets of

Medical Group. Medical Group shall obtain Alameda Alliance's prior approval of same, which approval shall not be unreasonably withheld.

4.8.5 Financial Statement. Upon request, Medical Group shall provide to Alameda Alliance a copy of its financial statements which may include the auditor's opinion letter, annual income statement, balance sheet, and statement of cash flow, and notes to the financial statements.

4.9 Certification Regarding Lobbying

If applicable and upon request, Medical Group shall provide Alameda Alliance with a certification regarding lobbying. Such certification shall be in a form acceptable to Alameda Alliance and include the following terms:

4.9.1 Federally Appropriated Funds. No Federally appropriated funds have been paid or will be paid, by or on behalf of Medical Group or Medical Group Providers, to any person influencing or attempting to influence an officer or employee of an agency of the United States Government, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the making, awarding or entering into this Agreement and the extension, continuation, renewal, amendment, or modification of this Agreement.

4.9.2 Non-Federally Appropriated Funds. If any funds other than Federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency of the United States Government, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Agreement, Medical Group and/or Medical Group Provider shall complete and submit any additional forms that may be required to comply with Applicable Requirements.

4.10 Liability and Responsibility for Employees and/or Subcontractors

Medical Group shall and shall require each Medical Group Provider to be solely responsible for the satisfaction of any and all obligations it assumes with respect to any person it retains, employs or subcontracts with to assist in its performance under this Agreement. Such obligations shall include, but not be limited to, payment of all Federal and State withholding taxes applicable to employees, compliance with Federal and State wage-hour obligations (including overtime), workers compensation obligations, unemployment insurance obligations, and other applicable taxes and contributions to government-mandated employment-related insurance and similar programs. Under no circumstances shall Alameda Alliance, the Federal Government, the State of California or the County of Alameda incur any liability under this section.

4.11 Compliance

Without limiting any of Medical Group's other obligations under this Agreement, Medical Group shall comply with all Applicable Requirements as they may from time to time be amended or superseded, including but not limited to physician incentives and Federal stop loss requirements. Any provision required to be in this Agreement by the Applicable Requirements, whether or not provided in the contract, shall bind Alameda Alliance and Medical Group. In the event of any conflict or inconsistency between the Provider Manual, this Agreement, and/or any State or Federal laws and regulations, the provision which governs shall be determined by the following order of precedence: Federal law, regulations, and instructions; State law, regulations and instructions including, but not limited to the Knox-Keene Act; this Agreement; and then the Provider Manual. Unless a change is required by State or Federal law, notice of Material changes will be given in accordance with California Health and Safety Code Section 1375.7 the Provider Bill of Rights.

4.12 Other Programs

Medical Group shall participate in all Alameda Alliance Programs which may be offered to Medical Group in Alameda Alliance's sole discretion, under financial terms comparable to those contained herein. Medical

Group shall be governed by the terms specified for each Program as described herein and the Provider Manual.

4.13 Use of Name

Medical Group consents to the use of Medical Group's and Medical Group Provider names by Alameda Alliance for the purpose of promoting their association with Alameda Alliance in any reasonable manner which Alameda Alliance considers to be beneficial to Alameda Alliance.

4.14 Alameda Alliance Committees

Medical Group Physicians shall serve on such committees of Alameda Alliance as Alameda Alliance may from time to time reasonably request.

4.15 Notification

Medical Group shall immediately notify Alameda Alliance of any actual or threatened malpractice demands, judgements, or any actual or threatened loss, suspension, probation, or limitation of (a) any license or registration, (b) any Payor certification or authorization, or (c) any medical staff membership or clinical privileges.

4.16 Provider Directory Updates.

Provider shall comply with SB137 amended Section 1367.27 of the Health and Safety Code and provide additional information on an ongoing basis for updating the Alameda Alliance's Provider Directory. This updated provider information will be listed in accordance with Exhibit G, Provider Directory Updates.

SECTION 5: ALAMEDA ALLIANCE RESPONSIBILITY

5.1 Administration

Notwithstanding the terms and provisions of this Agreement, Alameda Alliance maintains, under the terms of Alameda Alliance Programs and Agreements, full responsibility for adhering to and otherwise fully complying with all terms and conditions of Alameda Alliance Programs and Agreements. Alameda Alliance shall perform all necessary administrative, accounting and reporting requirements and other functions consistent with Applicable Requirements and Alameda Alliance Agreements and the administration of this Agreement. Alameda Alliance shall establish and maintain ongoing monitoring and oversight of Medical Group's performance of Medical Group's obligations in connection with the applicable Alameda Alliance Program. Medical Group agrees to cooperate with Alameda Alliance in its efforts to comply with the terms and conditions under the applicable Alameda Alliance Agreement(s).

5.2 Provider Manual/Provision of Protocols and Procedures

A Provider Manual shall be provided to Medical Group by Alameda Alliance. The Provider Manual, as may be amended from time to time, is incorporated herein by reference. To the extent of any conflict between this Agreement and the Provider Manual, the terms of this Agreement shall govern. Changes and updates to the operational policies in the Provider Manual shall be made periodically through provider bulletins and/or amendments to the Provider Manual. Alameda Alliance shall notify Medical Group with forty-five (45) calendar days written notice (or other mutually agreed upon time frame) prior to implementation of any changes or revisions to the Provider Manual, unless the change is necessary to comply with either State or Federal law or regulations, or accreditation requirements. Such changes shall not preclude Medical Group from exercising Medical Group's right to terminate this Agreement prior to implementation of said change(s) pursuant to SECTION 11: TERM, TERMINATION AND NOTICE.

5.3 Member Eligibility/Rosters

Alameda Alliance shall maintain a system for Member identification, including Member Identification Cards and electronic interface between Medical Group Provider and Alameda Alliance to enable Medical

Group Provider to promptly determine a Member's eligibility for services. Medical Group hereby consents to Alameda Alliance using Medical Group's address, phone number, office hours, language skills, type of practice, willingness to accept patients, such as Board Certification, availability of handicapped access, and availability of public transit to Medical Group's office(s).

5.4 Disclosure of Information

Alameda Alliance shall make available to Medical Group, upon contracting and upon written request as well as on-line, such information as is required by the regulations of Title 28 California Code of Regulations Sections 1300.71(l) and (o). Alameda Alliance shall make the information available in the Provider Manual and on the Alameda Alliance website.

5.5 Support Services

Alameda Alliance will assist Medical Group in all aspects of Medical Group's affiliation with Alameda Alliance and participation in Alameda Alliance.

SECTION 6: PAYMENTS

6.1 Payment for Covered Services Provided by Medical Group

In exchange for Covered Services and related administrative services provided in accordance with the terms of this Agreement, Alameda Alliance shall pay to Medical Group a monthly Capitation, if applicable, Fee-for-Service and other compensation as set forth in Exhibits B, B1, C, C1 and D.

6.1.1 Capitation

6.1.1.1 Capitation and Other Payments. As applicable, Alameda Alliance shall pay to Medical Group a Capitation, in the amount set forth in Exhibit B1.

6.1.1.2 Encounter Data Submission. Medical Group shall submit encounter data and claims for services in accordance with the Provider Manual and in a timely manner, not to exceed one hundred and eighty (180) calendar days from the date of service. At a minimum, encounter and claims submissions must include all requisite fields set forth in the Provider Manual and comply with all billing conventions for CMS-1500 forms or such other forms as may be requested by Alameda Alliance from time to time. Such submissions shall include the actual dates each claim was received and adjudicated. By submitting claims or encounter data to Alameda Alliance, Medical Group will be deemed to have certified the completeness and truthfulness of the claim or data.

6.1.1.3 Offset of Capitation Payments. As applicable, Alameda Alliance shall offset against Capitation payments to Medical Group for those payments made by Alameda Alliance for Capitated Services, when such payment is necessary (i) to provide timely Medically Necessary services to a Medical Group Member or (ii) to fulfill a statutory or regulatory obligation and thereby avoid an adverse impact on Alameda Alliance. It is understood that Alameda Alliance shall first request Medical Group make such appropriate payment, and Alameda Alliance may then make payment if Medical Group fails to do so in a timely manner.

6.1.2 Fee-For-Service Payment. For Non-Capitated Services, Medical Group shall bill Alameda Alliance for the provision of services in accordance with the procedures as set forth in the Provider Manual. Alameda Alliance shall pay Medical Group for complete claims for Covered Services provided in accordance with the terms of the Agreement at the rates set forth in Exhibits B, B1, C, C1 and D, as applicable, minus any applicable co-payment. In order to receive payment for services rendered, not included in Capitation payment, Medical Group shall submit claims to Alameda Alliance within one hundred and eighty (180) calendar days from the date of service for authorized health care services provided to Members. The claim must be submitted on a CMS 1500 claim form (or its successor forms) and shall include all information necessary to verify and substantiate the provision of and charges for health care services, including providing the Authorization number, as applicable. Alameda Alliance may deny payment for any bills not received by Alameda Alliance within one hundred and eighty (180)

calendar days of the date of service and in such event, neither Medical Group nor Medical Group Providers may bill Member for such services. If Alameda Alliance denies payment for failure of timely filing, Medical Group has only 365 calendar days of such denial to appeal following such denial.

6.1.2.1 Payment Timeframe. Upon submission of a complete and uncontested Clean Claim, payment or denial shall be made to Medical Group within forty-five (45) working days. An uncontested Clean Claim shall include all information needed to process the claim.

6.1.2.1.1 Alameda Alliance shall notify Medical Group in writing not later than forty-five (45) working days after receipt of a claim by Alameda Alliance if Alameda Alliance intends to contest or deny the claim. The notice shall identify the portion of the claim that is contested and the specific reason Alameda Alliance is contesting the claim. If the claim is contested because Alameda Alliance has not received the information necessary to determine Alameda Alliance liability for the claim, Medical Group shall have forty-five (45) working days from the date of the notice to provide the information requested. Thereafter, Alameda Alliance shall complete its consideration of the claim within forty-five (45) working days after Alameda Alliance receives the information requested by Alameda Alliance.

6.1.2.2 If Alameda Alliance identifies an overpayment it has made to Medical Group, it may request a refund of such overpayment within three hundred sixty-five (365) calendar days of the date the payment was made, unless the overpayment is the result of fraud or misrepresentation on the part of Medical Group. Alameda Alliance shall notify Medical Group in writing of such overpayment. Medical Group shall have thirty (30) calendar days to contest Alameda Alliance's notice in writing. Alameda Alliance shall process Medical Group's contest in accordance with the provisions of the Provider Manual. If Medical Group does not contest Alameda Alliance's notice, Medical Group shall have thirty (30) calendar days to reimburse Alameda Alliance or Alameda Alliance may offset such overpayment from amounts due to Medical Group with a written detailed explanation of such offset. Alameda Alliance's procedures for notification of overpayments and notification of recovery of overpayments shall be in accordance with Title 28 of the California Code of Regulations Section 1300.71(d).

6.1.3 Pay for Performance.

6.1.3.1 Payment. Alameda Alliance may pay Medical Group a performance based payment(s) according to the criteria communicated to all Alameda Alliance Participating Providers. Such payment(s) may include, but are not limited to, Medical Group's performance in administrative and quality measures reflective of the Healthcare Effectiveness Data Information Set (HEDIS) Reporting, patient satisfaction, site review scores, and timely reporting of encounter data. The performance based payment(s) shall be made no later than one hundred twenty (120) calendar days following the end of Alameda Alliance's fiscal year each June 30th.

6.1.3.2 Performance Based Payment(s). To be qualified to receive performance based payment(s), Medical Group shall be in good standing with Alameda Alliance (i) for the twelve month fiscal year and through the date of the payment distribution and (ii) for whom a Medical Services Agreement was in effect as of June 30 of the fiscal year for which the payment is being determined. The payment(s) may be decreased or eliminated at the sole discretion of Alameda Alliance.

6.1.3.3 Timeliness. The timeliness of payment by Alameda Alliance may be contingent upon and may be delayed or deferred as a result of non-payment or deferral of payment from the California Department of Health Care Services to Alameda Alliance. Once Alameda Alliance receives full payment from DHCS Alameda Alliance shall pay Participating Physician within ten (10) working days.

6.2 Payments for Non-Covered Services

To the extent permitted by law and subject to the obligation to coordinate benefits, Medical Group may seek payment directly from or on behalf of Medi-Cal and Group Care Members for Non-Covered Services at Medical Group's usual and customary charges for such services. Notwithstanding the above, in order to seek payment from a Member, Medical Group or Medical Group Provider must first have advised Member in writing, before the services were rendered, that the services in question will not be covered

and that, if Member decides to obtain the services, Member will be financially liable for payment for those services.

6.3 Third Party Liens

In the event a Member seeks and obtains a recovery from a third party or a third party's insurer for injuries caused to that Member, and only to the extent permitted by the Alameda Alliance Program applicable to Member, Member's Evidence of Coverage and by State and/or Federal law, Medical Group shall have the right to assert a third party lien for and to recover from Member the reasonable value of Covered Services provided to Member by Medical Group for the injuries caused by the third party. Medical Group acknowledges that recoveries on behalf of Medi-Cal Members are not permitted, such recoveries being due to the State of California. Medical Group's pursuit and recovery under third party liens shall be conducted in strict accordance with State and Federal laws and the procedures set forth in the Provider Manual. Alameda Alliance shall similarly have the right to assert a lien for and recover for payments made by Alameda Alliance for the treatment of such injuries. Medical Group shall cooperate with Alameda Alliance in identifying such Third Party Liability claims and in providing such information, within such time frames, as set forth in the Provider Manual. Medical Group shall cooperate with and assist Alameda Alliance and DHCS in obtaining said recoveries, including but not limited to, any claims or other records requested by DHCS and needed for the pursuit of recovery. Medical Group shall notify Alameda Alliance of any event or occurrence involving a Medical Group Member that is connected to a civil suit, worker's compensation claim or casualty insurance claim concerning Medical Group Member's health condition.

6.4 Coordination of Benefits

6.4.1 Primary Payor. When Alameda Alliance is primary under applicable Coordination of Benefits (COB) rules provided in Title 28 of the California Code of Regulations, Section 1300.67.13, Alameda Alliance shall pay Participating Physician as set forth in this Agreement in Exhibit B, B1, C, C1 and D, as applicable. In the event that Alameda Alliance is not the primary payor of Medical Group Member, Medical Group must first seek reimbursement from the primary payor in accordance with Alameda Alliance's policy and procedure on Coordination of Benefits, set forth in the Provider Manual before making any demand for payment from Alameda Alliance. Medical Group shall cooperate with and abide by Alameda Alliance's administration of Coordination of Benefit rules set forth in the contracts under this Agreement, as applicable, and the Coordination of Benefit rules set forth in the Provider Manual. Alameda Alliance's obligation hereunder with respect to such Covered Services shall be limited to the amount, if any, which when added to the amount obtained by Medical Group from such primary payors, equals the amount of compensation for which Medical Group is entitled under this Agreement for such services.

6.5 Member Billing

6.5.1 Member Non-Liability. Members will not be liable for payment of monies owed by Alameda Alliance or its delegates. Medical Group shall and shall require each Medical Group Provider to look only to Alameda Alliance, and, except as otherwise provided in this Agreement and, if applicable, its delegates, for compensation for Covered Services rendered to a Member. Medical Group shall and shall require each Medical Group Provider to look to the applicable Alameda Alliance Program for payment of any services covered under the Members Evidence of Coverage.

6.5.2 Action Against Member. Medical Group agrees and shall require each Medical Group Provider to agree that they will not, under any circumstances (including but not limited to nonpayment by or insolvency of Alameda Alliance) bill, charge, collect a deposit from, seek compensation from, seek remuneration from, seek reimbursement from, impose a Surcharge on or have any recourse against Member or persons acting on behalf of Member (other than Alameda Alliance), except to the extent that Copayments are specified in Member's applicable Alameda Alliance Program, its associated Evidence of Coverage and State and/or Federal law under this Agreement or for Non-Covered Services or as permitted under the Coordination of Benefits provision of this Agreement. Medical Group agrees and shall require each Medical Group Provider to agree not to maintain any action at law or in equity against a Member to collect sums that are owed by Alameda Alliance under the terms of this Agreement, even if Alameda Alliance fails to pay, becomes insolvent or otherwise breaches the terms and conditions of this

Agreement. Medical Group shall and shall require each Medical Group Provider to, whenever a Surcharge has occurred, refund, or ensure the subcontractor or Covering Physician refunds, the charge within fifteen (15) calendar days to Member, notifying Alameda Alliance of the action taken.

6.5.3 Copayments for Group Care Members only. Participating Physician shall bill and collect from Member any Copayments, co-insurance and deductibles specifically permitted in a Member's Evidence of Coverage or by regulatory agencies. Participating Physician shall use best efforts to arrange payment terms for any authorized Copayments, coinsurance and deductibles, if requested by a Member or Member's legal representative.

6.5.4 Modification Limitations/Regulatory Approval. No modification of this section 6.5 of the Agreement shall be effective until fifteen (15) calendar days after the appropriate State and/or Federal regulating entity has received written notification of the proposed changes, or any longer period that the State or Federal regulating entity may require.

6.6 Limitation of Action

Neither DHCS, CMS, DMHC, the State of California or the County of Alameda, or such other entities that Alameda Alliance may enter into an agreement with shall be liable for payment of monies owed by Alameda Alliance or its delegates.

6.7 Withhold and Adjustments of Payments

6.7.1 Failure to Comply with Alameda Alliance Utilization Management and Quality Improvement Program. Payments to Medical Group made pursuant to this Agreement may be withheld by Alameda Alliance in the event Medical Group or Medical Group Providers fail, after receiving appropriate notification, to materially comply with Alameda Alliance Utilization Management or Quality Improvement Program, including, but not limited to authorization procedures, site visits, re-credentialing, and corrective action plans, and Grievance Procedures until Medical Group complies. Upon Medical Group compliance, payments withheld to Medical Group will be reversed.

6.7.2 Non-Payment to Alameda Alliance. In the event DHCS, CMS, Public Authority and/or such other entities for whom Alameda Alliance contracts with to provide health care services fails to pay monthly premiums for such services, Alameda Alliance reserves the right to defer payments to Medical Group. To the extent that payments by DHCS, CMS, Public Authority and/or such other entities with whom Alameda Alliance contracts with to provide services cover all monthly premiums for which Alameda Alliance is owed, Alameda Alliance will pay deferred payment amounts covered by those monthly premiums to the provider.

6.7.3 Administration of Payments. Alameda Alliance agrees to transmit Capitation Payments and other payments to Medical Group in accordance with the terms and procedures set forth in the Agreement. All payments are subject to the availability of Federal congressional appropriation of funds. The State of California operates on a fiscal year from July 1 through June 30. The DHCS' funding is based on the budget and appropriations, and subject to the availability of Federal congressional appropriation of funds. In turn, payments to State contractors are tied to the scope of services in State law and amounts budgeted.

SECTION 7: RECORDS, AUDITS AND REPORTS

7.1 Records To Be Kept

7.1.1 Financial. Medical Group shall and shall require each Medical Group Provider to maintain on a current basis, books, records, documents, and other evidence, using accounting procedures and practices sufficient to reflect properly all direct and indirect costs of whatever nature claimed to have been incurred in the performance of this Agreement in accordance with generally accepted accounting principles. Medical Group and Medical Group Providers shall keep separate records of the number and nature of visits by Medical Group Members. Medical Group agrees that the books and records of Medical Group may not be removed from the state of California without the prior consent of DMHC.

7.1.2 Medical Group Member Medical Records. Medical Group shall and shall require each Medical Group Provider to maintain in an accurate and timely manner the usual and customary records for Members in the same manner as for other patients of Medical Group and Medical Group Providers. Medical Group shall and shall require each Medical Group Provider to maintain medical records related to a Medical Group Member's eligibility for services, the service rendered, Medical Group Member to whom the service was rendered, the date of the service, the Medical Necessity of the service and the quality of the service provided. To the extent permitted by law, Medical Group and Medical Group Providers shall provide Alameda Alliance and regulatory agencies access to the member medical record at no cost, as well as all pertinent information relating to the health care for each Member.

7.1.3 Transfer of Medical Group Member. The obligation to maintain records shall not be waived by the transfer of Medical Group Members. As provided under Section 11.8.2, in the event of termination or suspension of this Agreement, Medical Group Members' medical records shall be maintained and accessible to Alameda Alliance or other Participating Providers at a reasonable location and within a reasonable time. Upon termination of this Agreement, or the re-assignment or transfer of Members, one copy of such records shall be provided without charge to Member's new Medical Group upon request.

7.2 Inspection Rights

7.2.1 Availability of Records. Medical Group at no cost shall require each Medical Group Provider to provide all of their books, subcontracts and records (including member medical records) pertaining to the goods and services furnished under the terms of this Agreement or pertaining to any threatened or pending litigation by or against DHCS, and make such records available for inspection, examination or copying in a timely manner by: Alameda Alliance, DHCS, CMS, DMHC, the United States Department of Justice, the Comptroller General, the Government Accountability Office, County of Alameda, or other governmental agency with jurisdiction over the parties to this Agreement, at all reasonable times at Medical Group's or Medical Group Providers' facility or at such other mutually-agreeable location in California. Such records shall be maintained in accordance with the general standards applicable to such book or record-keeping; and for a term of at least ten (10) years from the close of the most recent Alameda Alliance fiscal year in which this Agreement was in effect or for such longer period as may be required by law.

7.2.2 Audit of Records. Records may be audited and reviewed for purposes including, but not limited to, monitoring of the following areas: (i) level and quality of care, and the necessity and appropriateness of the services provided; (ii) internal procedures for assuring efficiency, economy, and quality of care; (iii) grievances relating to medical care and their disposition; (iv) financial records, status and reporting; and (v) the Medical Group subcontracts and Medical Group's compensation/finance records relating to such subcontract and compensation from Alameda Alliance when determined necessary by Alameda Alliance in order to comply with statutes, regulations or contractual obligations to assure accountability for public funds. If DHCS, CMS or the DHHS Inspector General determines there is a reasonable possibility of fraud of similar risk, DHCS, CMS, or the DHHS Inspector may inspect, evaluate and audit Medical Group at any time. Upon resolution of full investigation of fraud, DHCS reserves the right to suspend or terminate the Medical Group from participation in the Medi-Cal program, seek recovery of payments made to Medical Group; impose other sanctions provided under the State and terminate this Agreement.

7.2.3 Transmittal of Medical Records. Without limiting the foregoing, Medical Group shall, without charge, transmit Member's medical records information to a Member's other providers, to government officials, and to Alameda Alliance for administrative purposes.

7.2.4 Member Access to Medical Records. Medical Group shall and shall require each Medical Group Provider to ensure that Members without charge have access to their medical records in accordance with the requirements of Member's applicable Alameda Alliance Program and State and/or Federal law.

7.3 Reporting

Medical Group shall provide necessary information, which shall include but is not limited to encounter data, to support Alameda Alliance compliance with any regulatory requirements of the Member's applicable Alameda Alliance Program, its associated Member's Evidence of Coverage and by State and/or Federal law. Alameda Alliance shall provide Medical Group with formats and timeframes of such reports. Medical Group shall also provide ad hoc reports, upon request, to support Alameda Alliance compliance with Applicable Requirements.

7.4 Required Changes

Medical Group and Medical Group Providers agree to implement any changes reasonably required as a result of any such inspection, examination or audit.

SECTION 8: INSURANCE AND INDEMNIFICATION**8.1 Professional Liability Insurance**

Each Medical Group Provider who provides services pursuant to this Agreement, whether for compensation or voluntary, shall be covered by liability insurance of at least One Million Dollars (\$1,000,000) per occurrence, and Three Million Dollars in annual aggregate (\$3,000,000). Insurance coverage shall include professional errors and omissions (malpractice) in providing health care services to Medical Group Members. Medical Group or each Medical Group Provider shall purchase "tail coverage" in the same amounts for a period of not less than five (5) years following the effective termination date of the above mentioned policy in the event that said policy is a "claims made" policy. If Medical Group or a Medical Group Provider fails to purchase tail coverage as required herein, Alameda Alliance shall have the right to purchase said coverage and Medical Group and Medical Group Providers collectively shall be liable to Alameda Alliance for all costs and expenses incurred in said purchase. In addition to coverage for each Medical Group Provider, Medical Group shall have professional liability coverage for Medical Group as an entity in the One Million Dollar (\$1,000,000), Three Million Dollar (\$3,000,000) amounts set forth above and with the five (5) year tail coverage provided for above.

8.2 Other Insurance

Medical Group and each Medical Group Provider shall carry general liability insurance in at least the minimum amount of Three Hundred Thousand Dollars (\$300,000) per occurrence and workers' compensation and employers' liability coverage to the extent required by law.

8.3 Certificates of Insurance

Medical Group at Medical Group's sole cost and expense shall provide to Alameda Alliance upon request certificates of insurance or verifications of required coverage, and shall provide a thirty (30) calendar day written notice to Alameda Alliance of any notice of cancellation or material change in coverage for any and all coverage required by this Agreement, and for subsequent renewals of all required coverage.

8.4 Notification of Modification/Termination of Material Terms

Medical Group shall provide timely notification to Alameda Alliance of Medical Group's and/or Medical Group Provider's insurance coverage termination or modification.

8.5 Indemnification of Alameda Alliance

Medical Group and Medical Group Providers agree to indemnify, to defend at their sole expense, to save and hold harmless Alameda Alliance, the Federal Government, State of California, and County of Alameda, and their respective directors, supervisors, officers, agents, and employees, from any and all liability in addition to any and all losses, claims, actions, lawsuits, damages, judgments of any kind whatsoever arising out of the breach of contract, negligent acts, omissions or intentional misconduct of

Medical Group or, Medical Group Providers, their employees, including but not limited to court costs and reasonable attorneys' fees, in connection with the performance of this Agreement.

8.6 Indemnification of Medical Group

Except as limited by, and subject to, any privileges and immunities that may apply to Alameda Alliance as a county public agency under the California Welfare and Institutions Code Section 14087.35, Title 1 of the California Government Code and other applicable provisions granting privileges and immunities to public agencies, Alameda Alliance agrees to indemnify, to defend at its sole expense, to save and hold harmless Medical Group and Medical Group's respective directors, supervisors, officers, agents, and employees, from any and all liability in addition to any and all losses, claims, actions, lawsuits, damages, judgments of any kind whatsoever arising out of the breach of contract or intentional misconduct of Alameda Alliance or Alameda Alliance's employees, including but not limited to court costs and reasonable attorneys' fees, in connection with the performance of this Agreement.

8.7 Non-Exclusivity

The parties acknowledge that Medical Group will not render professional services exclusively on behalf of Alameda Alliance or Members. However, Medical Group shall be willing and able to accept and serve as the Primary Care Physician for Alameda Alliance Members who select or are assigned to Medical Group as their Primary Care Physician. Members have the right at all times to designate whether they shall be served by Medical Group and Alameda Alliance does not represent or warrant that any particular number or type of Member(s) shall select Medical Group to service as their Primary Care Physician. Medical Group shall neither represent nor imply in any way that such services are being rendered by or on behalf of Alameda Alliance.

SECTION 9: MEMBER GRIEVANCES

9.1 Submission of Member Grievance

All Member complaints and grievances received by Medical Group or Medical Group Providers must be forwarded immediately to Alameda Alliance. In the event a Member files a complaint or grievance regarding Medical Group or any Medical Group Provider, Medical Group and Medical Group Provider agree to cooperate with and participate in Alameda Alliance Member Grievance Procedures as they pertain to complaints and grievances filed by Members including those Member Grievance Procedures set forth in the Provider Manual in accordance with the time limits required by the Member's applicable Alameda Alliance Program and State and/or Federal law.

9.2 Resolution of Member Grievance

Medical Group and Medical Group Providers shall comply with Alameda Alliance's resolution of any such complaints or grievances including specific findings, conclusions and orders of DMHC. Medical Group shall adhere to these procedures for the prompt receipt, processing, and resolution of such matters in accordance with all Applicable Requirements.

SECTION 10: PROVIDER GRIEVANCES AND DISPUTE RESOLUTION

10.1 Provider Grievances

10.1.1 Provider Grievance Procedures. Alameda Alliance's Provider Grievance Procedures described in the Provider Manual comply with Sections 1367(h), 1371, 1371.1, 1371.2, 1371.22, 1371.35, 1371.36, 1371.37, 1371.4, and 1371.8 of the California Health and Safety Code and Sections 1300.71, 1300.71.38, 1300.71.4, and 1300.77.4 of Title 28 of the California Code of Regulations. Medical Group has the right to file a grievance in accordance with Alameda Alliance's formal grievance and formal dispute resolution process.

10.1.2 Complaints Regarding Alameda Alliance Oversight. Should Medical Group have complaints or concerns related to any action taken by Alameda Alliance with respect to the oversight and administration of Medical Group or Medical Group Provider's provision of health care services, including, but not limited to, scope of service determinations, Authorization decisions, and the assignment or reassignment of Medical Group Members, such complaints or concerns shall be fully resolved according to the Provider Grievance Procedures as set forth in the Provider Manual.

10.1.3 Binding Decision. In executing this Agreement, Medical Group and Alameda Alliance agree to be bound by the decisions and resolutions on such issues that emerge from the Provider Grievance Procedures except as otherwise provided by law.

10.1.4 Complaints Regarding Contractual Obligations. Medical Group complaints related to performance by the parties of their respective contractual obligations herein, other than those covered in section 10.1.2, shall be resolved pursuant to the Dispute Resolution Procedure set forth in section 10.2 of this Agreement.

10.2 Dispute Resolution

If a dispute arises relating to the performance by the parties of their respective obligations under this Agreement, which cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute through the Provider Grievance Procedures as set forth in the Provider Manual. Except for matters that are subject to Member or other Grievance Procedures as described in sections 9.1 and 9.2 and in the Provider Manual and excluding any dispute arising out of, relating to, or in connection with any malpractice or professional liability claim (unless expressly consented to by the parties' insurance carriers) if the parties hereto are unable to resolve any dispute arising out of, relating to or in connection with this agreement, or the construction or interpretation of this Agreement, and the internal dispute resolution process has been exhausted without achieving a resolution, then such dispute shall be resolved as follows:

10.2.1 Binding Arbitration. Medical Group and Alameda Alliance shall submit the dispute to binding arbitration. If the parties cannot agree on an arbitrator within ten (10) working days after either party has requested that the dispute be submitted to arbitration, then the parties agree that the arbitrator shall be a retired judge from the San Francisco panel of JAMS/Endispute.

10.2.2 Shared Costs. The parties shall share all costs of arbitration. The prevailing party shall be entitled to reimbursement by the other party of such party's reasonable attorneys' fees, costs and any arbitration fees hereunder.

10.2.3 Substantive Law. The substantive law of the State of California and Federal substantive law where State law is preempted, shall be applied by the arbitrator. The parties shall have the rights of discovery as provided for in Part 4 of the California Code of Civil Procedure and as provided for in Sections 1283 and 1283.05 of said Code. The California Code of Evidence shall apply to testimony and documents submitted to the arbitrator. The arbitrator shall have the power to enforce the rights, remedies, duties, liabilities, and obligations of discovery by the imposition of the same terms, conditions and penalties as can be imposed in like circumstances in a civil action by a Superior Court of the State of California. Copies of all exhibits and demonstrative evidence to be used at the arbitration shall be duly exchanged in advance. However, rebuttal and impeachment evidence need not be exchanged until presented at the arbitration hearing.

10.2.4 Arbitration Location. Arbitration shall take place in Alameda, California unless the parties otherwise agree. As soon as reasonably practical, a hearing with respect to the dispute or matter to be resolved shall be conducted by the arbitrator. As soon as reasonably practicable thereafter, the arbitrator shall arrive at a final decision, which shall include factual findings and legal reasoning, which the decision is based, which shall be reduced to writing, signed by the arbitrator and mailed to each of the parties and their legal counsel.

10.2.5 Arbitrator Powers. The arbitrator shall have the power to grant all legal and equitable remedies and award compensatory damages provided by California law, except that punitive damages

may not be awarded. The arbitrator shall not have the power to commit errors of law or legal reasoning, and the award may be vacated or correct pursuant to California Code of Civil Procedure Sections 1286.2 or 1286.6 for any such error.

10.2.6 Arbitration Decisions. All decisions of the arbitrator shall be final, binding and conclusive on the parties and shall constitute the only method of resolving disputes or matters subject to arbitration pursuant to this Agreement. The arbitrator or court of appropriate jurisdiction may issue a writ of execution to enforce the arbitrator's judgment. Judgment may be entered upon such a decision in accordance with applicable law in any court having jurisdiction thereof.

10.2.7 Injunctive Relief. Notwithstanding the above, in the event either party wishes to obtain injunctive relief or a temporary restraining order, such party may initiate an action for such relief in a court of law and the decision of the court of law with respect to the injunctive relief or temporary restraining order shall be subject to appeal only through the courts of law. The courts of law shall not have the authority to review or grant any request or demand for damages or declaratory relief.

10.2.8 Conditions of Arbitration. Notwithstanding the foregoing, any and all arbitration proceedings are conditional upon such proceedings being covered within the parties' respective risk insurance policies. Notwithstanding the foregoing, however, neither party shall be required to arbitrate malpractice or other third party claims.

10.2.9 Alleged Injury or Death. Notwithstanding the foregoing, should the parties agree to arbitrate any dispute arising out of or connected to the alleged injury or death of a Member or any action described in Section 340.5 of the California Code of Civil Procedure, such arbitration shall be subject to the California Medical Injury Compensation Reform Act of 1975, as amended from time to time, as if the arbitration were an action filed in State court, and shall be deemed time barred and unenforceable, and not subject to arbitration, unless a written demand for arbitration to such dispute has been delivered to the applicable party hereto, within the time allowed to commence an action under Section 340.5 of the California Code of Civil Procedure.

SECTION 11: TERM, TERMINATION AND NOTICE

11.1 Term

The effective date of this Agreement shall be as stated in the opening paragraph of this Agreement. The Agreement shall have an initial term of one year (the "Initial Term") and shall automatically renew for subsequent periods of one (1) year until such time as this Agreement is terminated pursuant to the terms set forth herein.

11.2 Termination Without Cause

Following the Initial Term, Medical Group or Alameda Alliance may terminate this Agreement at any time without cause upon providing the other party with sixty (60) calendar days prior written notice. The termination shall become effective the first day of the month following the expiration of the notice period.

11.3 Termination for Material Breach

Either party may, subject to the cure period set forth in Section 11.3.3, terminate this Agreement for material cause after written notice as set forth hereinafter. The following shall constitute a material cause for termination.

11.3.1 Medical Group. Medical Group may terminate for material cause if: (i) Alameda Alliance fails, except as provided in Section 6.7, to consistently make payments by the dates such payments are due; or, (ii) revocation of Alameda Alliance's license necessary for the performance of this Agreement; or, (iii) Alameda Alliance breaches any material term, covenant, or condition of this Agreement.

11.3.2 Alameda Alliance. Alameda Alliance may terminate for material cause if: (i) there is a filing of bankruptcy by Medical Group, a parent or subsidiary or substantial deterioration in the financial condition of Medical Group, a parent, affiliate or subsidiary, or, (ii) Medical Group fails to provide quality health care services consistent with the standards set forth in this Agreement; or, (iii) Medical Group breaches any material term, covenant, or condition of this Agreement, including but not limited to: (a) failure of Medical Group or Medical Group Providers to comply with Alameda Alliance's policies and procedures including Member Grievance or Quality Improvement Committee decisions, Applicable Requirements, the provisions of the Provider Manual or other requirements of Alameda Alliance; or (b) expiration or earlier termination of applicable Alameda Alliance Agreement.

11.3.3 Notice and Cure Period. A party seeking to terminate this Agreement for material breach shall notify the other party in writing of the nature of the breach and the other party shall have thirty (30) calendar days from the receipt of such notice to cure or otherwise eliminate such cause. If the other party does not remedy the breach, to the reasonable satisfaction of the non-breaching party, this Agreement shall terminate at the end of the thirty (30) calendar dayperiod.

11.4 Additional Bases for Termination

Medical Group or Alameda Alliance may terminate this Agreement upon providing the other party with sixty (60) calendar days prior written notice in the event there are: (i) changes affecting (or resulting from) Alameda Alliance Agreement; or (ii) substantial changes under other public or private health care programs or policies, which will have a material detrimental financial effect on the operations of Medical Group or Alameda Alliance. In any case where such notice is provided, both parties shall negotiate in good faith during such sixty (60) calendar day period in an effort to develop a revised agreement, which, to the extent reasonably practicable under the circumstance, will adequately protect the interests of both parties in light of the change(s) which constituted the basis for the exercise of this termination provision.

11.5 Immediate Termination

Notwithstanding any provision of section 11.3.3 to the contrary, Alameda Alliance may immediately terminate this Agreement in the event that Medical Group is excluded from participation in applicable Alameda Alliance Program, or if Medical Group and Medical Group Physician or Participating Provider fails to maintain all insurance required herein, or if Alameda Alliance, after consulting with Medical Group, determines in good faith that continuation of this Agreement may reasonably be expected to jeopardize the health, safety, or welfare of Members, or if Alameda Alliance reasonably determines, after consulting with Medical Group, that Medical Group is likely to be financially unable to provide and/or pay for, in a competent and timely manner, Covered Services.

Additionally, Alameda Alliance may immediately terminate this agreement upon the suspension or revocation of Medical Group's license to practice medicine in the State of California; the suspension or termination of Medical Group's membership on the active medical staff of any hospital; or the suspension, revocation or reduction in Medical Group's clinical privileges at any hospital; or suspension from the State Medi-Cal or Medicare program, or if Medical Group's name is found on the following Medi-Cal Suspended and Ineligible Provider list posted at <http://files.medi-cal.ca.gov/pubsdoco/SandIland.asp>; or if Medical Group is subject of any indictments, disciplinary actions or proceedings under the terms of any Alameda Alliance Program or by any government agency; or failure to meet Alameda Alliance's re-credentialing criteria.

11.6 Termination for Anticipatory Breach

If Alameda Alliance reasonably determines that Medical Group will fail to fulfill its obligations as set forth in this Agreement, or will violate any of the covenants as set forth in this Agreement, Alameda Alliance shall thereupon have the right to terminate the Agreement upon thirty (30) calendar days written notice to Medical Group of such termination and specifying the effective date of such termination. Based upon Alameda Alliance's reasonable determination, should Medical Group cure the anticipatory failure or violation, Alameda Alliance shall rescind its notice of termination.

11.7 Termination Not an Exclusive Remedy

The termination of this Agreement by either party pursuant to this SECTION 11: TERM, TERMINATION AND NOTICE is not an exclusive remedy and such terminating party retains whatever rights in law or equity as may be necessary to enforce its rights under this Agreement. Alameda Alliance may, in lieu of termination of this Agreement, withhold new Member assignment, suspend this Agreement, reassign Members or suspend payment.

11.8 Effect of Termination

As of the date of termination, this Agreement shall be considered of no further force or effect whatsoever, and each of the parties shall be relieved and discharged here from, except under the conditions set forth below.

11.8.1 Rights or Obligations. Termination shall not affect any rights or obligations hereunder which have previously accrued, or shall hereafter arise with respect to any occurrence prior to termination, and such rights and obligations shall continue to be governed by the terms of this Agreement.

11.8.2 Termination of This Agreement. In the event of termination of this Agreement, Medical Group shall and shall require each Medical Group Provider to comply with all applicable requirements of the Knox-Keene Act and the regulations promulgated thereunder, including but not limited to those set forth in California Health and Safety Code Section 1373.65.

11.8.3 Continuity of Care. Medical Group agrees and shall require each Medical Group Provider to agree to continue rendering Covered Services for completion of such Covered Services under California Health and Safety Code Section 1373.96(c) and Section 422.504 of the Code of Federal Regulations after the termination of this Agreement to Medical Group Members at the rates in effect immediately prior to the date of termination, for the duration of Alameda Alliance Agreements in effect with Alameda Alliance through which Members are enrolled with Alameda Alliance, or until such time as Alameda Alliance has arranged for the provision of such services through another Participating Provider. Alameda Alliance shall be financially responsible for Covered Services provided by Medical Group Provider under this Continuity of Care provision.

11.8.4 Transition of Care. Medical Group shall and shall require each Medical Group Provider to cooperate with Alameda Alliance to facilitate a smooth transition of care for Medical Group Members to other Participating Providers. This cooperation shall include, at a minimum, an orderly transfer of medical records of Medical Group Members to Participating Providers. Without limiting the foregoing, Participating Physician shall be responsible for the following: (a) coordination of referrals of Members to other Participating Providers; (b) preventive services (c) health risk assessments; (d) treatment planning; and (d) monitoring of continuity of care and appropriateness of services.

11.8.5 Professional Rights Upon Termination. Medical Group shall be entitled to a fair hearing regarding Alameda Alliance actions of denial, termination, sanction, or reduction of participation when the cause of the action is related to clinical competency or professional conduct. Medical Group must exhaust the remedies afforded by the Alameda Alliance's Credentialing and re-credentialing policies. Otherwise, the Medical Group shall have waived the hearing appeal rights of Alameda Alliance and shall have to accept the plan's denial, termination, sanction, or reduction of participation.

11.8.5.1 Notification will be promptly made to Medical Group, via certified mail, of all actions made by Alameda Alliance, which constitute grounds for a hearing as listed herein.

11.8.5.2 Medical Group has thirty (30) calendar days for the date of receipt of notification of action in which to request a hearing.

11.8.5.3 Alameda Alliance's termination of this Agreement in accordance with its terms shall be final and Medical Group shall have no right to a fair hearing or other procedure to appeal Alameda Alliance's decision through any formal or informal administrative hearing or review process of any kind, except when the grounds for termination is due to medical disciplinary action or due to reasons of clinical competency or professional conduct. Notwithstanding the foregoing, Alameda Alliance shall comply with all applicable termination notice and appeal requirements as may be provided in applicable law.

11.8.6 Alameda Alliance Insolvency. Medical Group shall and shall require each Medical Group Provider to, in the event of Alameda Alliance's insolvency, continue rendering Covered Services to any Member who is an inpatient of a hospital until such Member's discharge or transfer to another appropriate facility.

11.8.7 Survival of Terms. The following sections of this Agreement shall survive the termination of this Agreement, whether such termination is the result of rescission or otherwise: Sections 1.31, 3.1.4, 3.1.5, 3.7.2, 4.1.3, 6.5, 7.1, 7.2, 7.3, 7.4, 8.5, 8.6, 9.1, 9.2, 10.1, 10.2, 11.8.3, 11.8.4, 12.6.

11.9 Member Communications Concerning Termination

All written, printed, or electronic communications to Members concerning termination of this Agreement shall comply with California Health and Safety Code Section 1373.65(f) if applicable.

11.10 Notification

Alameda Alliance and/or Medical Group as appropriate shall, as required, notify DHCS, CMS, DMHC, or other appropriate governmental agencies if this Agreement is terminated. Notification shall be provided in writing and sent through the United States Postal Service via first-class registered or certified mail.

SECTION 12: GENERAL PROVISIONS

12.1 Non-Discrimination/Equal Employment.

Medical Group and Medical Group Providers' primary consideration shall be the quality of the health care services rendered to Members. Medical Group and Medical Group Providers shall not discriminate against any Member in the provision of Covered Services on the basis of sex, marital status, sexual orientation, race, color, religion, ancestry, national origin, income level, disability, health status, genetic characteristics, health insurance coverage, utilization of medical or mental health services of supplies or other unlawful basis including without limitation, the filing by such Member of any compliant, grievance or legal action against Medical Group or Medical Group Providers. Without limiting the foregoing, Medical Group and Medical Group Providers shall comply with all Applicable Requirements regarding non-discrimination and equal employment.

12.2 Assignment/Subcontracting

12.2.1 Accountability. Medical Group understands that Alameda Alliance may be held accountable by regulatory agencies if Medical Group or Medical Group Providers or their subcontractors or assignees fail to perform its duties under this Agreement or any subcontract amendment thereto. Subject to the restrictions set forth herein, this Agreement shall be binding upon and shall inure to the benefit of the parties and their respective heirs (as applicable), legal representatives, and permitted successors and assigns. Medical Group Members shall not be included in any transfer of ownership or control of Medical Group or a Medical Group Provider and shall not be automatically reassigned to any purchaser of same.

12.2.2 Subcontracting Rights and Obligations. This Agreement is one for the personal services of Medical Group and may not be assigned by Medical Group without the prior written consent of Alameda Alliance and DHCS. Any attempt by Medical Group to assign this Agreement without prior consent shall be null and void. Medical Group and Medical Group Providers shall not assign, transfer, delegate or subcontract (collectively "Subcontract") Medical Group's rights or obligations hereunder without the prior written consent of Alameda Alliance, DHCS and/or the appropriate government agency, if applicable. Any agreement to Subcontract Medical Group's rights or obligations shall be void unless such approvals are obtained. All agreements between Medical Group and Medical Group Providers and any assignee, transferee, or subcontractor (the "Subcontractor") shall be in writing and shall require Subcontractor to comply with all terms of this Agreement, including but not limited to the following:

12.2.2.1 Availability of Records. Make all applicable books and records available at all reasonable times for inspection, examination, or copying by Alameda Alliance, CMS, DHCS, DMHC, or

any other governmental agency with jurisdiction over the parties to this Agreement as set forth in Section 4.11.

12.2.2.2 Records Retention. Retain such books and records for a term of at least ten (10) years from the close of Alameda Alliance's fiscal year during which the Covered Services were provided pursuant to the Subcontract as set forth in Section 7.2.1.

12.2.2.3 Surcharge. Not Surcharge for Covered Services provided to a Medical Group Member.

12.2.2.4 Compliance. Comply with all Applicable Requirements.

12.2.2.5 Submission of Claims. Submit Claims data in the manner consistent with the terms of this Agreement, Provider Manual and Applicable Requirements.

12.2.2.6 Medical Group Responsibilities. Medical Group shall be responsible for each assignee or subcontractor performance under such assignment or subcontract. Alameda Alliance may require Medical Group to remove from service any assignee or subcontractor who fails to comply with the terms of this Agreement.

12.3 Waiver

A forgiveness by either party of any one or more defaults or performance failures on the part of the defaulting party herein, shall not be construed to operate as a waiver by the forgiving party of its rights to pursue legal remedies with respect to future defaults or performance failures of the same or similar nature or the defaults or performance failures related to other obligations of the defaulting party as set forth in this Agreement.

12.4 Severability

In the event any part of this Agreement is found to be unlawful or is otherwise stricken, all other provisions shall remain in full force and effect and the parties shall continue to perform with respect thereto.

12.5 Relationship of Parties

None of the provisions of this Agreement are intended to create nor shall be deemed or construed to create any relationship between the parties hereto other than that of independent entities contracting with each other herein solely for the purpose of affecting the provisions of this Agreement. Neither of the parties hereto, nor any of their respective employees, shall be construed to be the agent, the employee or the representative of the other.

12.6 Confidentiality

12.6.1 Peer Related Information. Alameda Alliance and Medical Group Providers shall maintain the confidentiality of peer related information to the fullest extent permitted by law. Medical Group does not waive the provisions of California Evidence Code Section 1157 and other applicable laws with regard to peer review records.

12.6.1.1 Financial Information. Alameda Alliance agrees that it shall treat as confidential all financial information provided by Medical Group in accordance with section 4.8.5 unless such information is publicly available, and shall not disclose such information to others except as required by law or as requested by Alameda Alliance's regulators.

12.6.2 Member Information and Records. Notwithstanding any other provision of this Agreement, any and all types of information, oral or written, pertaining to Medical Group Members is confidential and shall be protected by Medical Group and Medical Group Providers from unauthorized disclosure in accordance with Applicable Requirements, including but not limited to, the Confidentiality of Medical Information Act ("CMIA"), Title 42, Code of Federal Regulations, Section 431.300 et seq., Section

14100.2, California Welfare and Institutions Code, the Health Insurance Portability and Accountability Act (HIPAA) and regulations adopted thereunder.

12.6.2.1 Identifiable Information. Identifiable information in Medical Group and Medical Group Provider's possession regarding Medical Group Members will not be used for any purpose other than carrying out the express terms of this Agreement and will not be disclosed to any party other than Alameda Alliance except as otherwise permitted by State and Federal law.

12.6.2.2 Disclosure of Information. All requests for disclosure of such information will be promptly transmitted to Alameda Alliance.

12.6.3 Trade Secrets/Compensation. Except as otherwise required by the Public Records Act or by applicable regulatory agencies, the compensation terms of this Agreement and all terms relating to compensation shall be confidential. Medical Group shall and shall require each Medical Group Provider to not disclose such terms (other than to government officials) except with the prior written consent of Alameda Alliance. However, nothing herein shall prohibit Medical Group or Medical Group Providers from disclosing to Members and others the method by which they are compensated (e.g. Capitation, Fee-For-Service, etc.); it is the precise compensation amounts for which confidential treatment is required by this provision.

12.6.4 Public Records. Medical Group acknowledges and agrees that information, communications and documents given by or to Alameda Alliance and meetings involving Alameda Alliance management may be subject to public records and meetings laws and regulations, and Medical Group shall use best efforts to cooperate with Alameda Alliance in order that it may fully comply with the requirements of such laws and regulations.

12.7 Third-Party Rights

This Agreement is entered into by and between the parties hereto and for their benefit. There is no intent by either party to create or establish a third-party beneficiary status or rights in a third party to this Agreement, except for such rights expressly created and set forth in this Agreement. Except for such parties, no such third party shall have any right to enforce or any right to enjoy any benefit created or established under this Agreement.

12.8 Remedies

The remedies provided in this Agreement are not exclusive and are in addition to those provided by law. Both parties recognize that monetary damages alone would be an insufficient remedy for a breach of confidentiality pursuant to section 7.1 and 12.6. In the event of such a breach, the non-breaching party shall be entitled to appropriate injunctive relief, in addition to all remedies, including monetary damages, to which it is entitled by law. In the event that a party breaches this Agreement, the non-breaching party shall be entitled to the expenses, including reasonable attorney fees and arbitration and/or court costs, the non-breaching party incurs as a result.

12.9 Force Majeure

Neither party will be responsible for failure of performance, other than for an obligation to pay money, due to causes beyond its control, including without limitation, acts of God or nature; terrorists acts; sovereign acts of any Federal, State or foreign government; or shortage of materials.

12.10 Ambiguities

In the event of any ambiguity in this Agreement, this Agreement shall be interpreted according to its fair intent and not for or against any one party on the basis of which party drafted the Agreement.

12.11 Captions

The captions herein are for convenience only and shall not affect the meaning or interpretation of this Agreement.

12.12 Governing Law

The validity, enforcement, and interpretation of this Agreement shall be determined and governed by reference to the laws of the State of California and where applicable, the laws of the United States.

12.13 Change in Law

Should legislation affect the entitlement of Medical Group Members or otherwise effect the terms of this Agreement, this Agreement shall be interpreted in a manner consistent with Alameda Alliance's reasonable interpretation of the effect of the legislation.

12.14 Amendments

Alameda Alliance and/or Medical Group shall, notify DHCS and, if appropriate, CMS, DMHC, Public Authority or other appropriate government agencies regarding any amendments made pursuant to terms set forth below if required. Parties acknowledge that the consent of DHCS and, under certain circumstances CMS, DMHC, Public Authority or other appropriate government agencies shall be required for an amendment to be effective which may take up to sixty (60) calendar days. Alameda Alliance will submit the amendment to the DHCS at least thirty (30) calendar days prior to the proposed effective date. The parties agree to cooperate in obtaining such consent. Except as provided in this section, this Agreement may be amended only by mutual, written consent of Alameda Alliance and Medical Group's duly authorized representatives. Notwithstanding the foregoing, if Alameda Alliance's legal counsel determines in good faith that this Agreement must be modified to be in compliance with applicable State or Federal law or to meet the requirements of accreditation organizations which accredit Alameda Alliance and its providers, Alameda Alliance may amend this Agreement by delivering to Medical Group (the "Notice Date") a written amendment to this Agreement incorporating the legally required modifications (the "Legally-Required Amendment"), along with the reasons therefore. Such Legally-Required Amendment shall be deemed accepted by Medical Group and an amendment to this Agreement if Medical Group does not, within thirty (30) calendar days following said Notice Date, deliver to Alameda Alliance its written objection of such Legally-Required Amendment. In the event that Medical Group timely objects to such Legally-Required Amendment, then Medical Group and Alameda Alliance shall confer in good faith regarding the amendment. In the event Medical Group and Alameda Alliance cannot resolve Medical Group's objection, Medical Group may terminate this Agreement on ninety (90) calendar days prior written notice to Alameda Alliance and the Legally-Required Amendment to which Medical Group objected shall not be effective as to Medical Group during the termination notice period.

12.15 Prospective Requirements

In instances where Alameda Alliance is contractually obligated by DHCS to revise its contracts with providers to add newly prospective requirements to the Agreement, Medical Group or Subcontractor agrees to comply with the new requirements within thirty (30) calendar days from the effective date of the proposed change.

12.16 Notice

Whenever it shall become necessary for either party to notify the other party as provided for herein, such notice shall be in writing and shall be served by overnight courier; or registered or certified mail, return receipt requested, addressed as follows:

12.16.1 Served on Alameda Alliance. If served on Alameda Alliance, written notice shall be addressed to the Chief Operating Officer at the address which appears on the signature page of this Agreement unless another notice is specified in writing. If required by law or regulation, Medical Group shall serve a separate notice to another party whose name and address have been provided by Alameda Alliance in writing to Medical Group.

12.16.2 Served on Medical Group. If served on Medical Group, written notice shall be addressed to Medical Group at the address which appears on the signature page of this Agreement unless another notice address is specified in writing.

12.16.3 Timeframe. Any such notice so mailed shall be deemed to have been served upon and received by the addressee forty-eight (48) hours after the same has been deposited in registered or certified United States mail, return receipt requested; or twenty-four (24) hours after deposit before the daily deadline time with a reputable overnight courier or service. The party which dispatches the notice shall have the burden of proving the date and time of deposit into the United States mail should the issue arise.

12.16.4 Change of Notice Location. Either party shall have the right to change the place to which notice is to be sent by giving forty-eight (48) hours written notice to the other of any change of address.

12.17 Entire Agreement

This Agreement, together with all Schedules and Exhibits attached hereto and the Provider Manual, contains the complete and exclusive Agreement between the parties relating to the rights herein granted and the obligations herein assumed. It is the express intention of the parties that any and all prior or contemporaneous agreements, promises, negotiations or representations, either oral or written, relating to the subject matter and period governed by this Agreement which are not expressly set forth herein shall be of no further force, effect or legal consequence after the effective date hereunder.

12.18 Counterparts

This Agreement, and any amendments thereto, may be executed in counterparts, each of which shall constitute an original document, but which together shall constitute one and the same instrument.

12.19 Peer Review

The parties acknowledge and agreed that any Alameda Alliance committee that reviews the quality of medical services rendered by Medical Group or Medical Group Provider shall act in the capacity of a peer review committee for the purposes of applicable law. For purposes of this section, "quality of medical services" shall include, without limitation, matters involving utilization management and review and compliance with requirements, rules or regulations of Alameda Alliance relating the delivery, quality or appropriateness of medical care provided to Members. Except as otherwise provided by law, the immunities provided to peer review committees under applicable provisions of the California Civil and Health and Safety Code shall apply to any such Alameda Alliance committee, including Alameda Alliance's governing body, when performing the function described in the first sentence of this section 12.19.

12.20 Independent Contractor

Medical Group acknowledges and agrees that he or she is an independent contractor under this Agreement and is a solely responsible for all compensation, benefits and withholds for his or her employees and agents.

12.21 Proprietary Information

Medical Group acknowledges and agrees that all information received from Alameda Alliance in connection with Members and this Agreement, including without limitation, eligibility Member lists, marketing materials, Quality Improvement Plan, telephone numbers, Provider Manuals, records, and agreements are proprietary information and trade secrets of Alameda Alliance, except to the extent available as public records.

12.22 Government Claims Act

Nothing in this Agreement modifies, amends or abridges the parties' rights and obligations under Government Code Section 900 *et seq.*, and all resolution, policies, and regulations of the Alameda Alliance for Health that implement Government Code section 900 *et seq.*

SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective on the date first mentioned above.

PROVIDER

ALAMEDA ALLIANCE FOR HEALTH



signature



signature

Name: DAVID CALDUELL

Title: CFO

Address: 3470 Buskirk Ave.
Pleasant Hill, CA. 94523

Fax: _____

Email: dauidc@hospiceeastbay.org

Date: 4/28/2022

Matthew Woodruff

Chief Operating Officer

1240 South Loop Road

Alameda, California 94502

Date: 05/05/2022

Tax ID #: 94-2515405

NPI #: 1205946555

Medi-Cal # (if applicable): _____

Medicare # (if applicable): _____

Notice contact/address if different from above:

Name: _____

Title: _____

Address: _____

EXHIBIT A

COVERED SERVICES AND NON COVERED SERVICES

C. Covered Services

- A. Participating Physician shall provide Covered Services to all Members who receive care from Participating Physician as medically necessary.
- B. Final determination of whether or not a service is covered will be made by Alameda Alliance in accordance with the applicable program's Evidence of Coverage, DHCS Medi-Cal manual, DOFR and/or Provider Manual.

2. Medi-Cal Carve Out Benefits

In accordance with Alameda Alliance's Agreement with DHCS, there are some Medi-Cal benefits which are not within the scope of Alameda Alliance's Covered Services for Medi-Cal Members. Subject to the conditions of the California Medi-Cal program, they may be covered outside Alameda Alliance with or without the necessity of dis-enrolling. For a complete list of these benefits please refer to the Member's Evidence of Coverage and Disclosure Forms located on the Alameda Alliance web site listed under Carve-Out Benefits.

3. Benefit Exclusions and Limitations

There are certain services that Alameda Alliance does not cover, or has set limitations to the service. For a complete list of these benefits, please refer to the Member's Evidence of Coverage and Disclosure Forms for the applicable program located on the Alameda Alliance website listed under Benefit Exclusions and Limitations.

Applicable Alameda Alliance Program(s):

- ☒ Medi-Cal (DHCS)
- ☒ Alliance Group Care (IHSS)

EXHIBIT B

REIMBURSEMENT – MEDI-CAL PRIMARY CARE PHYSICIAN

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EXHIBIT B-1
REIMBURSEMENT – GROUP CARE PRIMARY CARE PHYSICIAN

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EXHIBIT C
REIMBURSEMENT – MEDI-CAL (SPECIALIST)

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EXHIBIT C-1

REIMBURSEMENT – GROUP CARE (SPECIALIST)

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EXHIBIT D
ANCILLARY SERVICES-REIMBURSEMENT- MEDI-CAL/GROUP CARE

Scope: Hospice

Hospice services provided to members will be reimbursed at one-hundred percent (100%) of the prevailing Medi-Cal rate.

If there is no prevailing Medi-Cal rate for a valid covered service or supply and the service is billed with a valid Current Procedural Terminology (CPT) or Healthcare Common Procedural Coding System (HCPCS) code, the reimbursement will pay at twenty five percent (25%) of billed charges.

Scope: Palliative Care

Covered Services	Reimbursement Rate
99343	\$120.09
99344	\$134.75
99349	\$90.30
99350	\$140.18
99497	\$121.78
99498	\$109.62
G0299- Registered Nurse	\$165.00 per visit
G0155- Social Worker	\$190.00 per visit
G0162-Palliative Care Assessment- Initial Treatment Plan	\$50.00 per visit

EXHIBIT E
INITIAL HEALTH ASSESSMENT "IHA"
 Initial Health Assessments ("IHA")
 [For Medi-Cal New Members]

An IHA is a comprehensive assessment completed during a patient's first visit with his/her PCP. The goal of the IHA is to assess acute, chronic and preventative health needs. The IHA is a California Department of Health Care Services (DHCS) and Centers for Medicare and Medicaid (CMS) requirement.

All new members over the age of 18 months must have an IHA completed by their PCP within **one hundred twenty (120) calendar days** of Plan enrollment; newborns through 18 month-old members must have an IHA completed within sixty **(60) calendar days** of Plan enrollment.

The IHA consists of:

1. A Member comprehensive history, physical and mental status, and where age appropriate, a developmental exam and immunizations;
2. An approved Individual Health Education Behavioral Assessment (IHEBA). The Alliance recommends using the Staying Healthy Assessment alamedaalliance.org/providers/medical-management/staying-healthy-assessment;
3. Appropriate guidance, health care coordination and referrals. Health Education information and a Resource Directory of community referrals can be found on the Alliance website at alamedaalliance.org/providers/health-education-and-wellness-resources.

Members excluded from the requirement:

1. Members who have been a patient of yours in the past year or more and for which documentation exists showing an IHA completed within the past 12 months.
2. Members who refuse the IHA. Refusal must be noted within the medical record.
3. Members who missed an appointment, where the provider documented two additional attempts to reschedule.

Codes that qualify for IHA include:

CPT Code	Description
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99201- 99205	Office or other outpatient visit for the evaluation and management of new or established patient
99211-99215	Office or other outpatient visit for the evaluation and management of established patient with PCP but new to the Alliance
99381-99385	Comprehensive preventive visit and management of a new patient
99391-99395	Comprehensive preventive visit and management of an established patient with PCP but new to the Alliance
59400, 59510, 59610, 59618	Under vaginal delivery, antepartum and postpartum care procedures under cesarean delivery procedures, under delivery procedures after previous cesarean delivery, under delivery procedures after previous cesarean delivery
Nursing home- 99304-99306	New or established patient comprehensive nursing facility assessments

Please call Alameda Alliance for Health Provider Services if you have any questions.

EXHIBIT F BILLING

1. Billing

- a. All claims must be submitted within one hundred eighty (180) calendar days from the date of service or Alameda Alliance may refuse payment. If Participating Physician is diligently pursuing Coordination of Benefits with another carrier, Participating Physician may delay submission of that claim up to one hundred eighty (180) calendar days following the settlement with the primary carrier.
- b. Interest shall be paid on any late payment of a clean, uncontested Medi-Cal claim as follows:
 - i. Late payment on a complete claim for emergency services and care, which is neither contested nor denied, shall automatically include the greater of \$15 for each 12-month period or portion thereof on a non-prorated basis, or interest at the rate of 15 percent per annum for the period of time that the payment is late.
 - ii. Late payments on all other complete claims shall automatically include interest at the rate of 15 percent per annum for the period of time that the payment is late.
 - iii. Penalty for failure to automatically include the interest due on a late claims payment as set forth above. If Alameda Alliance fails to automatically include interest due on a late claim payment then Alameda Alliance shall pay Participating Physician a \$10 penalty for that late claim in addition to any amounts due pursuant to this section.
- c. If Member has Medicare or other insurance as their primary coverage then Participating Physician must bill Medicare or the other carrier first before submitting Medi-Cal claims to Alameda Alliance.

2. Payment

- a. Alameda Alliance shall pay all of Participating Physician's Clean Claims for Covered Services within forty-five (45) working days of receipt; or within such shorter time period as is required by law.

3. Misdirected Claims

Misdirected claims received by Alameda Alliance shall be forwarded to the correct payer within ten (10) working days, except as otherwise permitted by DHCS or other applicable regulations.

4. Claim Review and Investigation / Contested Claims - Medi-Cal

In accordance with H&SC § 1371, Alameda Alliance shall have the right to question claims or items thereof, provided that Participating Physician is notified of the claims or items in dispute within forty five (45) working days from the date received; provided, further, that in any case involving possible fraud or abuse or other improper billing practice, Alameda Alliance will have the right to question the claims or items for a period of one (1) year after the discovery of the impropriety. If a claim or portion thereof is contested on the basis that Alameda Alliance has not received all information necessary to determine payer liability for the claim or portion thereof and notice has been provided, pursuant to this section, Alameda Alliance shall have an additional forty five (45) working days after receipt of this additional information to complete reconsideration of the claim. If Alameda Alliance has received all of the information necessary to determine payer liability for a contested claim and has not reimbursed a claim it has determined to be payable within forty five (45) working days of receipt of that information, interest shall accrue and be

payable at a rate of fifteen percent (15%) per annum beginning with the first calendar day after the forty five (45) working day period. If claims are for emergency room services, interest shall accrue and be payable at \$15.00 or 15%, whichever is higher.

5. Electronic Data Submission

Participating Physician shall submit clean claims to Alameda Alliance electronically through a contracted clearing house in a HIPAA standard ASC X12N 837 (005010X222) Professional and ASC X12N 837 (005010X223) Institutional transactions, unless otherwise agreed upon by the parties, and shall contain valid ICD 10, CPT and HCPCS codes, as applicable.

Alameda Alliance for Health Contracted Clearing Houses

Payor ID # 95327	Claims Net	
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6. Prohibition on Upcoding, Unbundling, and Fraud

The following billing practices are prohibited. Such billing practices may be investigated and reported by Alameda Alliance as potential fraud and abuse to any of Alameda Alliance's Regulatory Agencies.

- Billing for services performed by an unlicensed provider or one who has been excluded from a federal health care program.
- Billing for services that were not performed at all or not performed as described.
- Submitting claims for medical equipment, supplies, or services that were not necessary.
- Double billing.
- Upcoding or assigning a code that secures a higher reimbursement, rather than the codes that match the services performed.
- Unbundling or billing parts of global fees separately.
- Knowingly misusing provider numbers.
- Failing to use coding modifiers accurately or appropriately.
- Preparing or submitting false cost reports.
- Accepting kickbacks or improper rebates in violation of applicable law.
- Falsely certifying medical necessity.

EXHIBIT G

PROVIDER DIRECTORY UPDATES LIST OF CONTRACTED PROVIDERS

Provider shall comply with SB137 amended Section 1367.27 of the Health and Safety Code and provide additional information on an ongoing basis for updating Alameda Alliance's Provider Directory. This provider information is mandated to be updated on a quarterly basis pursuant to the terms of this Alameda Alliance Agreement and shall comply with SB137 and the amended Section 1367.27 of the Health and Safety Code. In the event that government officials or Alameda Alliance find any incorrect information in the records provided by the Provider that have been identified by such government officials or Alameda Alliance, the Provider shall have thirty (30) calendar days to correct this formation.

Practice Information

Please provide the following information in an excel format:

1. Provider's first and last name in separate fields;
2. Practice name or names as applicable, e.g. Federally Qualified Health Care Center name, Primary Care Clinic name, Specialty Practice name;
3. Practice address or addresses if provider sees Alameda Alliance Members at multiple sites;
4. Practice telephone number(s);
6. 5.Provider Type, National Provider Identifier (NPI) number;
7. Drug Enforcement Administration (DEA) number;
8. California license number and type of license;
9. Area of specialty, including board certification, if any;
10. Provider's office email address(es) if available;
11. If applicable, the name of each affiliated provider group through which provider sees Alameda Alliance Members;
12. Hospital admitting privileges for in-network hospitals, as applicable;
13. Non-English language(s) spoken by provider;
14. Indicate whether a provider is accepting new patients or not;
15. Note Provider's affiliation with group i.e. contracted or employed; and
16. Provider office hours.

At least once every six (6) months, Alameda Alliance will make an attempt to verify all of Participating Physician's information in this schedule in accordance with Health and Safety Code Section 1367.27 (/). Participating Physicians shall respond to Alameda Alliance confirming receipt of request to verify information, and shall provide a response verifying the requested information within thirty (30) working days of initial attempt. If Participating Physician fails to respond to the initial request, Alameda Alliance will take appropriate steps to attempt to verify the requested information. Failure to provide a response verifying and/or updating information may result in removal from Alameda Alliance's Provider Directory and delay of payment. This requirement is in no way intended to limit the obligation of provider to update the alliance in accordance with section 4.3 of the Agreement.

**SUBJECT TO REVIEW AND APPROVAL
BY DEPARTMENT OF MANAGED HEALTH CARE, DEPARTMENT OF INSURANCE
AND DEPARTMENT OF HEALTH CARE SERVICES**

**EXHIBIT H
ADDITIONAL PROVISIONS**

For Covered Services provided to Medi-Cal Covered Persons, Alameda Alliance for Health shall pay PCP the lesser of: (i) the PCP's Allowable Charges for CPT codes; or (ii) one hundred twenty-five percent (125%) of the State's Medi-Cal fee schedule or AAH's equivalent fee schedule in effect on the date of service and specific to the services rendered.

Both parties agree to negotiate a mutually agreed upon reimbursement methodology and rates within thirty (30) calendar days of execution of this agreement.

Additional Provisions:

- 1.1 **Code Change Updates.** Updates to billing-related codes (e.g., CPT, HCPCS, ICD-9/ICD-10, DRG, and revenue codes) shall become effective on the date ("Code Change Effective Date") that is the later of: (i) the first day of the month following thirty (30) calendar days after publication by the governmental agency having authority over the applicable product of such governmental agency's acceptance of such code updates; or (ii) the effective date of such code updates, as determined by such governmental agency. Claim processed prior to the Code Change Effective Date shall not be reprocessed to reflect any code updates.
- 1.2 **Fee Change Updates.** Updates to such fee schedule shall become effective on the date ("Fee Change Effective Date") that is the later of: (i) the first day of the month following sixty (60) calendar days after publication by the governmental agency having authority over the applicable product of such governmental agency's acceptance of such fee schedule updates; or (ii) the effective date of such fee schedule updates, as determined by such governmental agency. Claims processed prior to the Fee Change Effective Date shall not be reprocessed to reflect any updates to such fee schedule.
- 1.3 **Payment under this Exhibit.** All payments under this Exhibit are subject to the terms and conditions set forth in the Agreement and the Provider Manual.

EXHIBIT I
INFORMATION REGARDING OFFICERS, OWNERS, AND STOCKHOLDERS

List the names of the officers, owners, stockholders owning more than 5% of the stock issued by the physician, and major creditors holding more than 5% of the organization identified on the execution page of this Agreement. (This is a requirement of Title 22, CCR, Section 53250).

Contra Costa County
Standard Form L-1
Revised 2014

STANDARD CONTRACT
(Purchase of Services - Long Form)

Number 77412
Fund/Org # As Coded
Account # As Coded
Other # _____

1. **Contract Identification.**

Department: Health Services – Contra Costa Health Plan (CCHP)
Subject: Hospice and Palliative Care Services

2. **Parties.** The County of Contra Costa, California (County), for its Department named above, and the following named Contractor mutually agree and promise as follows:

Contractor: **EAST BAY INTEGRATED CARE, INC. (DBA HOSPICE OF THE EAST BAY)**
Capacity: Corporation
Address: 3470 Buskirk Avenue, Pleasant Hill, California 94523

3. **Term.** The effective date of this Contract is January 1, 2022. It terminates on December 31, 2024 unless sooner terminated as provided herein.

4. **Payment Limit.** County's total payments to Contractor under this Contract shall not exceed **\$1,950,000.**

5. **County's Obligations.** County shall make to the Contractor those payments described in the Payment Provisions attached hereto which are incorporated herein by reference, subject to all the terms and conditions contained or incorporated herein.

6. **Contractor's Obligations.** Contractor shall provide those services and carry out that work described in the Service Plan attached hereto which is incorporated herein by reference, subject to all the terms and conditions contained or incorporated herein.

7. **General and Special Conditions.** This Contract is subject to the General Conditions and Special Conditions (if any) attached hereto, which are incorporated herein by reference.

8. **Project.** This Contract implements in whole or in part the following described Project, the application and approval documents of which are incorporated herein by reference: **Not Applicable**

STANDARD CONTRACT
(Purchase of Services - Long Form)

Number 77412

9. **Legal Authority.** This Contract is entered into under and subject to the following legal authorities:
California Government Code §§ 26227 and 31000; Health and Safety Code § 1451, and all legal authorities
cited in the Contra Costa Health Plan Requirements (Attachment A) and HIPAA Business Associate
Addendum, which are attached hereto and incorporated herein by reference.

10. **Signatures.** These signatures attest the parties' agreement hereto:
COUNTY OF CONTRA COSTA, CALIFORNIA

BOARD OF SUPERVISORS	ATTEST: Clerk of the Board of Supervisors
By _____ Chairman/Designee	By <u>XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX</u> Deputy

CONTRACTOR

<p>Signature A</p> <p>Name of business entity</p> <p><u>East Bay Integrated Care, Inc. (dba Hospice of the East Bay)</u></p> <p>DocuSigned by: By <u>[Redacted Signature]</u> 1498E20CD7EA419... (Signature of individual or officer)</p> <p><u>Cynthia Hatton</u> <u>President & CEO</u> (Print name and title A, if applicable)</p>	<p>Signature B</p> <p>Name of business entity</p> <p><u>East Bay Integrated Care, Inc. (dba Hospice of the East Bay)</u></p> <p>DocuSigned by: By <u>[Redacted Signature]</u> 000313EEAC5D4C7... (Signature of individual or officer)</p> <p><u>David Caldwell</u> <u>CFO</u> (Print name and title B, if applicable)</p>
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Note to Contractor: For corporations (profit or nonprofit) and limited liability companies, the contract must be signed by two officers. Signature A must be that of the chairman of the board, president, or vice-president; and Signature B must be that of the secretary, any assistant secretary, chief financial officer or any assistant treasurer (Civil Code Section 1190 and Corporations Code Section 313). All signatures must be acknowledged as set forth on form L-2.

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF CONTRA COSTA)

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

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

WITNESS MY HAND AND OFFICIAL SEAL

Signature of Notary Public

Place Seal Above

ACKNOWLEDGMENT (by Corporation, Partnership, or Individual)
(Civil Code §1189)

APPROVALS

RECOMMENDED BY DEPARTMENT

FORM APPROVED COUNTY COUNSEL

DocuSigned by:
[Redacted Signature]
By: 575291C4DD8644D...
Designee

County Counsel approval not required
By: per September 12, 2006 Board Order
Deputy County Counsel

APPROVED: COUNTY ADMINISTRATOR

By: _____
Designee

Contra Costa County

Standard Form P-1

Revised 2014

PAYMENT PROVISIONS
(Fee Basis Contracts – Long Form)

Number 77412


1. **Payment Amounts.** Subject to the Payment Limit of this Contract and subject to the following Payment Provisions, County will pay Contractor the following fee as full compensation for all services, work, expenses or costs provided or incurred by Contractor:
 - ☐ a. \$_____ monthly,
 - ☐ b. \$_____ per unit, as defined in the Service Plan,
 - ☐ c. \$_____ after completion of all obligations and conditions herein, *or*
 - ☒ d. County shall pay Contractor in accordance with the provisions of Service Plan, Paragraph C. (Compensation), at the rates set forth in Attachment B (Compensation), which is attached hereto and is incorporated herein by reference.

2. **Payment Demands.** Contractor shall submit written demands for payment on County Demand Form D-15 in the manner and form prescribed by County. Contractor shall submit said demands for payment no later than 30 days from the end of the month in which the contract services upon which such demand is based were actually rendered. Upon approval of payment demands by the head of the County Department for which this Contract is made, or his designee, County will make payments as specified in Paragraph 1. (Payment Amounts) above.

3. **Penalty for Late Submission.** If County is unable to obtain reimbursement from the State of California as a result of Contractor's failure to submit to County a timely demand for payment as specified in Paragraph 2. (Payment Demands) above, County shall not pay Contractor for such services to the extent County's recovery of funding is prejudiced by the delay even though such services were fully provided.

4. **Right to Withhold.** County has the right to withhold payment to Contractor when, in the opinion of County expressed in writing to Contractor, (a) Contractor's performance, in whole or in part, either has not been carried out or is insufficiently documented, (b) Contractor has neglected, failed or refused to furnish information or to cooperate with any inspection, review or audit of its program, work or records, or (c) Contractor has failed to sufficiently itemize or document its demand(s) for payment.

5. **Audit Exceptions.** Contractor agrees to accept responsibility for receiving, replying to, and/or complying with any audit exceptions by appropriate county, state or federal audit agencies resulting from its performance of this Contract. Within 30 days of demand, Contractor shall pay County the full amount of County's obligation, if any, to the state and/or federal government resulting from any audit exceptions, to the extent such are attributable to Contractor's failure to perform properly any of its obligations under this Contract.


 Initials: _____
 Contractor County Dept.

Contra Costa County
Standard Form L-3
Revised 2014

SERVICE PLAN


Number 77412

(A) **Definitions.** As used in this Contract, the following terms have the following meanings:

1. **Covered Services** are those medically necessary health care services, as determined by the Contra Costa Health Plan (CCHP), which a Member is entitled to receive pursuant to, as applicable, a State of California Prepaid Health CCHP Agreement (PHP) or a CCHP benefit agreement.
2. **Member** is a person who is enrolled and is entitled to receive Covered Services from or through CCHP.
3. **Participating Provider** shall mean a health care provider, including licensed physicians and surgeons, providers of ancillary services, hospitals, skilled nursing facilities, and any other provider of health care services which/who has entered into an agreement with CCHP to provide Covered Services to CCHP Members.
4. **Primary Care Physician** shall mean a CCHP physician responsible for coordinating and controlling the delivery of Covered Services to the Member.

(B) **Administrative and Compliance Obligations.**

1. **Provision of Health Services.** Contractor agrees to provide all authorized hospice and palliative services which are within the scope of the Contractor's qualifications to each Member who is referred to Contractor by the Member's Primary Care Physician, pursuant to the utilization management procedures and requirements of the CCHP, a copy of which is on file in the administrative office of CCHP and a copy of which has been furnished to Contractor. Except in an emergency, all such referrals must be preauthorized as required by the CCHP's utilization management procedures. Contractor's services shall be consistent with accepted standards of care in Contra Costa County for the specialty or field of practice in which Contractor is engaged.
2. **Scope of Services.** Upon request received by Contractor from CCHP Director (or designee), Contractor shall provide its employees, in the job classifications listed below, to provide hospice and palliative services for CCHP Members. Contractor's services shall be consistent with accepted standards of care in Contra Costa County for the specialty or field of practice in which Contractor is engaged. Contractor shall provide licensed and qualified individuals in the job classifications listed and Contractor's employees shall provide services for CCHP Members as follows:
 - a. **Skilled Nursing.** Contractor shall provide part-time or intermittent nursing care provided by or under the supervision of a Registered Nurse or Licensed Vocational Nurses to assess and evaluate Members' nursing needs and provide necessary treatment which are within the nurses' scope of qualifications. Services include evaluation visits, observation, monitoring, training, and other services requiring substantial specialized nursing skill.
 - b. **Hospice Services.** Contractor shall provide the following hospice services to CCHP members:
 - i. Registered Nurse visits;
 - ii. Licensed Vocational Nurse visits;
 - iii. Certified Home Health Aide visits;
 - iv. Physical, Occupational, Speech and Respiratory therapies as needed;
 - v. Medical Social Worker visits;
 - vi. Counseling; and


 Initials: _____
 Contractor County Dept.

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SERVICE PLAN

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- vii. Volunteer support.

The following hospice services require pre-authorization:

- i. Inpatient hospitalization;
- ii. Palliative radiation;
- iii. Infusion therapy;
- iv. Any change in treatment or therapy frequencies;
- v. Dietary consultation;
- vi. Acute hospitalization; and
- vii. Change in the hospice level of care for the Member.

The following services are excluded unless separately authorized and priced prior to utilization:

- i. Custodial care;
- ii. Room and board;
- iii. Experimental therapy;
- iv. In-home physician visit; and
- v. Services unrelated to the terminal illness.

- i. **Palliative Care Services**. Contractor's employees shall provide the following palliative care services to CCHP members:

- i. Physician Visits;
- ii. Registered Nurse Visits; and
- iii. Social Worker Visits.


The following requires pre-authorization from the CCHP Director, or designee, before they are to be provided:

- iv. Palliative Care visits; and
- v. Any change in treatment therapy frequencies.

3. **Referral and Coordination**. Subject to CCHP's Utilization Review Unit's prior authorization and other applicable utilization review requirements, including coordination of approval of the Member's Primary Care Physician, Contractor shall, as medically necessary, refer Members to other specialist physicians, health care facilities, ancillary providers, and other health care providers, provided that such providers and/or facilities are Participating Providers.

4. **Referrals and Prior Authorization**.

- a. Contractor shall comply with the utilization management procedures of the CCHP. Such procedures may be amended from time to time pursuant to Special Conditions Paragraph 7. (Modifications and Amendments). Contractor acknowledges that, except with an emergency, prior authorization is required with respect to:
- i. The provision of all Contractor's hospice services pursuant to Paragraph (B) Administrative and Compliance Obligations, subparagraph 1. (Provision of Health Services), above; or,
 - ii. The referral of Members to other health care providers, including but not limited to health care facilities, for Covered Services.


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- b. Except with the prior authorization of CCHP's Utilization Review Unit, Contractor shall refer Members only to Participating Providers.
- c. Upon CCHP's Utilization Review Unit request, Contractor shall actively participate in CCHP's quality assurance and/or utilization committees.
5. **Contractor Licensure/Privileges.** Contractor shall:
 - a. Maintain a current, valid and unrestricted license to practice their profession in the State of California.
 - b. Continuously during the term of this Contract, satisfy all credentialing and professional standards of CCHP.
 - c. Be certified for participation in the Medicare and/or Medi-Cal Programs if Contractor's services are a Medi-Cal and/or Medicare Program benefit.
6. **Medi-Cal / Medicare Requirements.** Contractor shall:
 - a. Comply with Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act 1973, and the Age Discrimination Act of 1975;
 - b. Not employ or contract with, directly or indirectly, entities or individuals excluded from participation in Medicare or Medi-Cal for the provision of health care, utilization review, medical social work, or administrative services in respect to Members;
 - c. Not condition treatment or otherwise discriminate on the basis of whether a Member has or has not executed an advance directive;
 - d. Comply with any other government requirements and rules imposed upon providers who provide services to Medicare or Medi-Cal beneficiaries;
 - e. Provide to the California Department of Health Services (DHS), Health Care Financing Administration (HCFA), and other State and Federal Agencies, such data, information, reports, and access which are required to be provided by State or Federal Regulations, or any contract between CCHP and DHS, or the CCHP and HCFA.
 - f. Contractor shall furnish to the Peer Review Organization (PRO) under contract to HCFA, on-site access to or copies of patient care records and other pertinent data, and permit the PRO or its sub-contractors to examine Contractor operations and records as necessary for the PRO to carry out its functions under applicable Federal Law.
7. **Grievance Process.** Contractor shall cooperate with the grievance process employed by the CCHP to respond to and resolve complaints from Members. Contractor shall comply with CCHP Member Services Department's resolution of any such complaints.
8. **Collection of Copayments.** CCHP shall notify Contractor of its copayment requirements, if any, and Contractor shall collect and retain such copayments. Contractor shall not waive CCHP Member Services Department's CCHP's copayment requirements.
9. **Directories.** Contractor consents to the listing of their name and address and area of medical practice in directories produced by CCHP's Utilization Review Unit. In the event of termination of this Contract, or if any such list information is incorrect, CCHP's Provider Relations Department shall have no obligation to delete or correct such listing information until such time as CCHP, in its sole discretion, reissues its directories.
10. **Quality Management Program.** Contractor shall cooperate with and participate in CCHP's Quality Management Program and provide to CCHP information reasonably requested pursuant thereto.

Initials: _____
Contractor County Dept.

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11. **Drug Formulary.** To the extent required by CCHP's Utilization Review Unit, Contractor shall comply with the drug formulary requirements as may be now in effect or adopted thereafter.

(C) **Compensation.**


1. **Reimbursement.**

- a. Provided that Contractor has complied with all requirements of CCHP utilization management program and has obtained all required authorizations (including any required prior authorizations) and referrals for the provision of Contractor's services, then for the Covered Services provided by Contractor to Members hereunder, CCHP shall pay Contractor in accordance with the rates set forth in Attachment B (Compensation), minus any copayments required to be collected pursuant to Paragraph B (Administrative and Compliance Obligations), Subparagraph 8 (Collection of Copayments), above.
- b. Contractor shall accept payment by CCHP in accordance with this Contract, along with any applicable Member copayments, as payment in full for all professional, administrative, and other services rendered by Contractor pursuant to this Contract.
- c. Contractor acknowledges that CCHP reserves the right to amend the compensation formula as set forth herein pursuant to the amendment process set forth in Special Conditions Paragraph 7. (Modifications and Amendments) attached and incorporated herein by reference.

2. **Retroactive Additions / Deletions of Members.** In the event CCHP retroactively adds a Member who is a patient of Contractor, the compensation provisions of this Agreement shall apply from the effective date such person becomes a Member. In the event CCHP retroactively deletes a Member, CCHP shall compensate Contractor to the date CCHP acts to delete such Member, provided that prior authorization was granted in accordance with Paragraph B.4.a., above.

3. **No Billing of Members.**

- a. In no event, including but not limited to non-payment by CCHP, the insolvency of CCHP, or breach of this Contract, shall any Member be liable for any sums owed to Contractor by CCHP. Contractor shall not bill, charge, balance bill, collect a deposit or other sum, seek compensation, or reimbursement from or maintain any action, or have any recourse against, or make any surcharge upon a Member or person acting on a Member's behalf. If CCHP receives notice of any action by Contractor in violation of this provision, it shall be entitled to take appropriate action, including the immediate termination of this Contract.
- b. The obligations set forth in this paragraph shall survive the termination of this Agreement regardless of the cause giving rise to such termination and shall be construed for the benefit of Members, and these provisions shall supersede any oral or written agreement to the contrary now existing or hereafter entered into between Contractor and any Member or any persons acting on behalf of either of them.
- c. Notwithstanding the foregoing, Contractor may bill a Member who is not a Medi-Cal beneficiary for the provision of Non-Covered Services, provided that Contractor has first disclosed to the Member, on a form approved by CCHP, that the services to be provided are Non-Covered Services for which the Member is to be financially responsible.


 Initials: _____
 Contractor County Dept.


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SERVICE PLAN

Number 77412

(D) Miscellaneous.

1. **Provider Manual.** Contractor shall comply with the applicable provisions of CCHP's Provider Manual, which is hereby incorporated herein by reference, as amended from time to time. Manual is posted on-line at <https://cchealth.org/healthplan/providers/manual.php>, and is hereby incorporated by reference.
2. **Partial Invalidity.** If any provision of this Contract is held to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force and effect, unless the provisions held invalid or unenforceable shall substantially impair the benefits of the remaining portions of this Contract.
3. **No Volume Guarantee.** CCHP does not represent, warrant, or guarantee any minimum enrollment of Members to Contractor under this Contract.
4. **Non-Exclusive Agreement.** Each party shall have at all times the right to enter into agreements comparable to this Contract with other persons or entities.
5. **Determination of Eligibility.** CCHP may issue identification cards to Members. Production of such identification card shall be indicative of a person's status as a Member, but shall not be conclusive of such status. At Contractor's request, CCHP shall verify Member's Status. If Contractor obtains such verification from CCHP, CCHP shall not retroactively deny payment if CCHP later determines Member's non-eligibility, subject to the provisions of Paragraph C. (Compensation) (2), above.
6. **Waiver.** The waiver of any breach of this Contract by either party shall not constitute a continuing waiver or a waiver of any subsequent breach of either the same or any other provision of this Contract.
7. **Non-Solicitation.** During the term of this Contract, and for one (1) year thereafter, Contractor shall not solicit, induce, or encourage any Member to disenroll from CCHP or discontinue obtaining health care services from or through CCHP.
8. **Marketing.** Nothing in this Contract shall prohibit, restrict or limit the Contractor from advertising as its own entity.
9. **HIPAA Requirements.** Contractor shall comply with the applicable requirements and procedures established by the Health Insurance Portability and Accountability Act (HIPAA) of 1996 and any modifications thereof, including but not limited to, the attached HIPAA Business Associate Addendum which is incorporated herein by reference.
10. **Contra Costa Health Plan Requirements.** Contractor shall be subject to the attached CCHP Requirements (Attachment A), which are incorporated herein by reference.
11. **Intellectual Property.** Contractor acknowledges and agrees that it owns no rights in any of the data gathered or generated as a result of the services or actions that it provides under this Contract.


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SPECIAL CONDITIONS

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1. **Compliance with Law.** Paragraph 1. (Compliance with Law) of the General Conditions is hereby deleted and replaced with a new paragraph to read as follows:

“1. **Compliance with Law.** Contractor is subject to and shall comply with all applicable federal, state and local laws and regulations with respect to its performance under this Contract, including but not limited to, licensing, employment and purchasing practices; and wages, hours and conditions of employment, including nondiscrimination; the Contra Costa Health Plan Requirements (Attachment A) which is incorporated herein by reference; and with all Rules of the California Medical Board applicable to Contractor's medical practice.”

2. **Inspections.** Paragraph 2. (Inspection) of the General Conditions is hereby deleted and replaced with a new paragraph to read as follows:


“2. **Site Inspections.** To the extent required by law or CCHP's agreements with the California Department of Health Care Services (“DHCS”) or the federal Center for Medicare and Medicaid Services (“CMS”), Contractor shall permit state and federal regulatory authorities to conduct periodic site evaluations and inspections of Contractor's facilities and records, and Contractor shall correct, as may be required by Law, any deficiencies in such facilities or records as determined by such evaluations and inspections.”

3. **Insurance Requirements.** Paragraph 19. (Insurance) of the General Conditions, subparagraph a. (Commercial General Liability Insurance) is hereby deleted and replaced with a new subparagraph a. below, to read as follows:

“a. **Commercial General Liability Insurance.** For all contracts where the total payment limit of the contract is \$500,000 or less, Contractor will provide commercial general liability insurance, including coverage for business losses and for owned and non-owned automobiles, with a minimum combined single limit coverage of \$500,000 for all damages, including consequential damages, due to bodily injury, sickness or disease, or death to any person or damage to or destruction of property, including the loss of use thereof, arising from each occurrence. Said policies must constitute primary insurance as to County, the state and federal governments, and their officers, agents, and employees, so that other insurance policies held by them or their self-insurance program(s) will not be required to contribute to any loss covered under Contractor's insurance policy or policies. For all contracts where the total payment limit is greater than \$500,000, the aforementioned insurance coverage to be provided by Contractor must have a minimum combined single limit coverage of \$1,000,000.”

4. **Insurance Requirements.** Paragraph 19. (Insurance) of the General Conditions is hereby modified by the addition of subparagraphs e. and f. below, to read as follows:

“e. **Professional Liability.** Throughout the term of this Contract, Contractor shall maintain all necessary insurance for services to be provided by Contractor hereunder, including but not limited to professional malpractice liability coverage. Malpractice liability insurance shall be in an amount no less than **\$1,000,000** per claim/**\$3,000,000** annual aggregate and shall be from a reputable insurance company acceptable to the County. Contractor shall provide the County with a valid certificate of insurance evidencing the coverage required by this clause and shall promptly advise County of any and all claims paid by the insurer(s) under said insurance.


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- f. **Cyber Liability Insurance.** If Contractor will be hosting County data or software on Contractor's servers, Contractor shall provide commercial Cyber Liability Insurance, in form and substance satisfactory to County, including without limitation, coverage for loss of data, breaches of personally identifiable information, call center services, credit monitoring remedies, identity restoration services, and any penalties or fines that may be assessed. Contractor shall cause such insurance to be endorsed to include County and its officers and employees as additional insureds. Such policies must constitute primary insurance as to County and its officers, agents, and employees, so that other insurance policies held by them or their self-insurances programs will not be required to contribute to any loss covered under Contractors' insurance policy or policies."
5. **Termination.** Paragraph 5. (Termination and Cancellation) of the General Conditions, is hereby modified by the addition of a new subparagraph d., to read as follows:
- "d. **Termination re: Credentialing.** In the event this Contract is effective prior to the completion of CCHP's credentialing of Contractor, this contract shall immediately terminate in the event that:
- (1) CCHP determines that Contractor does not satisfy CCHP's credentialing requirements; or
 - (2) Contractor does not, as determined by CCHP, promptly provide to CCHP necessary and requested consents for the release of credentialing information or otherwise does not cooperate with CCHP's credentialing process."
6. **Payment Demand.** Paragraph 2. (Payment Demands) of the Payment Provisions is hereby deleted and replaced with a new Paragraph 2., to read as follows:
- "(2) **Billing Forms.**
- a. Contractor shall bill CCHP on a periodic basis in a manner and on such forms as are acceptable to CCHP. Such forms shall contain the same information as a fully completed UB.04 or CMS 1500 with complete CPT-4 or ICD-10 coding and the Member's Subscriber Number. CCHP shall advise Contractor of any objections to the bill or request additional information within thirty (30) days of receipt of the bill.
 - b. Contractor agrees to exchange all claims submissions through electronic transactions. Contractor shall conform all electronic transactions to the Department of Health Care Services (DHCS) Companion guide for EDI 274. DHCS may modify its Companion Guide for EDI 274 at any time without amending this agreement. Contractor is responsible for the accuracy, privacy and security of transactions it submits to CCHP and agrees to comply with state and federal laws, including the Administrative Simplifications requirements of HIPAA, as set out in the Code of Federal Regulations Title 45 Parts 160164, including all privacy and security requirements as set forth in HIPAA."
7. **Modifications and Amendments.** This Contract may only be amended as set forth in Paragraph 8 (Modifications and Amendments) of the General Conditions. However, it is expressly understood and acknowledged by Contractor that:
1. CCHP's Utilization Review Unit may, without Contractor's consent, from time to time, modify its utilization management procedures and requirements, including without limitation, its requirements regarding prior authorization for services, by providing written notice of such modification(s) to Contractor; and




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2. CCHP may at any time amend any provision(s) of this Contract, including without limitation, the compensation provisions set forth in Paragraph (C) (Compensation) of the Service Plan, as follows: CCHP shall deliver a copy of the text of such amendment to Contractor, along with a summary of both the proposed amendment and the procedures by which Contractor may reject the proposed amendment. If Contractor wishes to reject the amendment, Contractor shall, within thirty (30) days following Contractor's receipt of the amendment, deliver to CCHP personally or by certified mail, return receipt requested, a written and signed notice of rejection. If Contractor does not so reject the amendment, it shall be deemed accepted by Contractor and shall be effective at the later occurring of: (A) the effective date contained in the amendment, and (B) at the expiration of the thirty (30) day period afforded Contractor to reject the amendment. In the event Contractor rejects the amendment, CCHP may, in its sole discretion, terminate this Contract on no less than thirty (30) days advance written notice to Contractor.

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1. **Compliance with Law.** Contractor is subject to and must comply with all applicable federal, state, and local laws and regulations with respect to its performance under this Contract, including but not limited to, licensing, employment, and purchasing practices; and wages, hours, and conditions of employment, including nondiscrimination.
2. **Inspection.** Contractor's performance, place of business, and records pertaining to this Contract are subject to monitoring, inspection, review and audit by authorized representatives of the County, the State of California, and the United States Government.
3. **Records.** Contractor must keep and make available for inspection and copying by authorized representatives of the County, the State of California, and the United States Government, the Contractor's regular business records and such additional records pertaining to this Contract as may be required by the County.
 - a. **Retention of Records.** Contractor must retain all documents pertaining to this Contract for five years from the date of submission of Contractor's final payment demand or final Cost Report; for any further period that is required by law; and until all federal/state audits are complete and exceptions resolved for this Contract's funding period. Upon request, Contractor must make these records available to authorized representatives of the County, the State of California, and the United States Government.
 - b. **Access to Books and Records of Contractor, Subcontractor.** Pursuant to Section 1861(v)(1) of the Social Security Act, and any regulations promulgated thereunder, Contractor must, upon written request and until the expiration of five years after the furnishing of services pursuant to this Contract, make available to the County, the Secretary of Health and Human Services, or the Comptroller General, or any of their duly authorized representatives, this Contract and books, documents, and records of Contractor necessary to certify the nature and extent of all costs and charges hereunder.

Further, if Contractor carries out any of the duties of this Contract through a subcontract with a value or cost of \$10,000 or more over a twelve-month period, such subcontract must contain a clause to the effect that upon written request and until the expiration of five years after the furnishing of services pursuant to such subcontract, the subcontractor must make available to the County, the Secretary, the Comptroller General, or any of their duly authorized representatives, the subcontract and books, documents, and records of the subcontractor necessary to verify the nature and extent of all costs and charges thereunder.

This provision is in addition to any and all other terms regarding the maintenance or retention of records under this Contract and is binding on the heirs, successors, assigns and representatives of Contractor.

4. **Reporting Requirements.** Pursuant to Government Code Section 7550, Contractor must include in all documents and written reports completed and submitted to County in accordance with this Contract, a separate section listing the numbers and dollar amounts of all contracts and subcontracts relating to the preparation of each such document or written report. This section applies only if the Payment Limit of this Contract exceeds \$5,000.

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5. **Termination and Cancellation.**

- a. **Written Notice.** This Contract may be terminated by either party, in its sole discretion, upon thirty-day advance written notice thereof to the other, and may be cancelled immediately by written mutual consent.
- b. **Failure to Perform.** County, upon written notice to Contractor, may immediately terminate this Contract should Contractor fail to perform properly any of its obligations hereunder. In the event of such termination, County may proceed with the work in any reasonable manner it chooses. The cost to County of completing Contractor's performance will be deducted from any sum due Contractor under this Contract, without prejudice to County's rights to recover damages.
- c. **Cessation of Funding.** Notwithstanding any contrary language in Paragraphs 5 and 11, in the event that federal, state, or other non-County funding for this Contract ceases, this Contract is terminated without notice.


- 6. **Entire Agreement.** This Contract contains all the terms and conditions agreed upon by the parties. Except as expressly provided herein, no other understanding, oral or otherwise, regarding the subject matter of this Contract will be deemed to exist or to bind any of the parties hereto.

- 7. **Further Specifications for Operating Procedures.** Detailed specifications of operating procedures and budgets required by this Contract, including but not limited to, monitoring, evaluating, auditing, billing, or regulatory changes, may be clarified in a written letter signed by Contractor and the department head, or designee, of the county department on whose behalf this Contract is made. No written clarification prepared pursuant to this Section will operate as an amendment to, or be considered to be a part of, this Contract.

8. **Modifications and Amendments.**

- a. **General Amendments.** In the event that the total Payment Limit of this Contract is less than \$200,000 and this Contract was executed by the County's Purchasing Agent, this Contract may be modified or amended by a written document executed by Contractor and the County's Purchasing Agent or the Contra Costa County Board of Supervisors, subject to any required state or federal approval. In the event that the total Payment Limit of this Contract exceeds \$200,000 or this Contract was initially approved by the Board of Supervisors, this Contract may be modified or amended only by a written document executed by Contractor and the Contra Costa County Board of Supervisors or, after Board approval, by its designee, subject to any required state or federal approval.
- b. **Minor Amendments.** The Payment Provisions and the Service Plan may be amended by a written administrative amendment executed by Contractor and the County Administrator (or designee), subject to any required state or federal approval, provided that such administrative amendment may not increase the Payment Limit of this Contract or reduce the services Contractor is obligated to provide pursuant to this Contract.

- 9. **Disputes.** Disagreements between County and Contractor concerning the meaning, requirements, or performance of this Contract shall be subject to final written determination by the head of the county department for which this Contract is made, or his designee, or in accordance with the applicable procedures (if any) required by the state or federal government.


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10. **Choice of Law and Personal Jurisdiction.**

- a. This Contract is made in Contra Costa County and is governed by, and must be construed in accordance with, the laws of the State of California.
- b. Any action relating to this Contract must be instituted and prosecuted in the courts of Contra Costa County, State of California.

11. **Conformance with Federal and State Regulations and Laws.** Should federal or state regulations or laws touching upon the subject of this Contract be adopted or revised during the term hereof, this Contract will be deemed amended to assure conformance with such federal or state requirements.

12. **No Waiver by County.** Subject to Paragraph 9. (Disputes) of these General Conditions, inspections or approvals, or statements by any officer, agent or employee of County indicating Contractor's performance or any part thereof complies with the requirements of this Contract, or acceptance of the whole or any part of said performance, or payments therefor, or any combination of these acts, do not relieve Contractor's obligation to fulfill this Contract as prescribed; nor is the County thereby prevented from bringing any action for damages or enforcement arising from any failure to comply with any of the terms and conditions of this Contract.

13. **Subcontract and Assignment.** This Contract binds the heirs, successors, assigns and representatives of Contractor. Prior written consent of the County Administrator or his designee, subject to any required state or federal approval, is required before the Contractor may enter into subcontracts for any work contemplated under this Contract, or before the Contractor may assign this Contract or monies due or to become due, by operation of law or otherwise.

14. **Independent Contractor Status.** The parties intend that Contractor, in performing the services specified herein, is acting as an independent contractor and that Contractor will control the work and the manner in which it is performed. This Contract is not to be construed to create the relationship between the parties, or between County and any Contractor employee, of agent, servant, employee, partnership, joint venture, or association. Neither Contractor, nor any of its employees, is a County employee. This Contract does not give Contractor, or any of its employees, any right to participate in any pension plan, workers' compensation plan, insurance, bonus, or similar benefits County provides to its employees. In the event that County exercises its right to terminate this Contract, Contractor expressly agrees that it will have no recourse or right of appeal under any rules, regulations, ordinances, or laws applicable to employees.

15. **Conflicts of Interest.** Contractor covenants that it presently has no interest and that it will not acquire any interest, direct or indirect, that represents a financial conflict of interest under state law or that would otherwise conflict in any manner or degree with the performance of its services hereunder. Contractor further covenants that in the performance of this Contract, no person having any such interests will be employed by Contractor. If requested to do so by County, Contractor will complete a "Statement of Economic Interest" form and file it with County and will require any other person doing work under this Contract to complete a "Statement of Economic Interest" form and file it with County. Contractor covenants that Contractor, its employees and officials, are not now employed by County and have not been so employed by County within twelve months immediately preceding this Contract; or, if so employed, did not then and do not now occupy a position that would create a conflict of interest under Government Code section 1090. In

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addition to any indemnity provided by Contractor in this Contract, Contractor will indemnify, defend, and hold the County harmless from any and all claims, investigations, liabilities, or damages resulting from or related to any and all alleged conflicts of interest. Contractor warrants that it has not provided, attempted to provide, or offered to provide any money, gift, gratuity, thing of value, or compensation of any kind to obtain this Contract.

16. **Confidentiality**. To the extent allowed under the California Public Records Act, Contractor agrees to comply and to require its officers, partners, associates, agents and employees to comply with all applicable state or federal statutes or regulations respecting confidentiality, including but not limited to, the identity of persons served under this Contract, their records, or services provided them, and assures that no person will publish or disclose or permit or cause to be published or disclosed, any list of persons receiving services, except as may be required in the administration of such service. Contractor agrees to inform all employees, agents and partners of the above provisions, and that any person knowingly and intentionally disclosing such information other than as authorized by law may be guilty of a misdemeanor.
17. **Nondiscriminatory Services**. Contractor agrees that all goods and services under this Contract will be available to all qualified persons regardless of age, gender, race, religion, color, national origin, ethnic background, disability, or sexual orientation, and that none will be used, in whole or in part, for religious worship.
18. **Indemnification**. Contractor will defend, indemnify, save, and hold harmless County and its officers and employees from any and all claims, demands, losses, costs, expenses, and liabilities for any damages, fines, sickness, death, or injury to person(s) or property, including any and all administrative fines, penalties or costs imposed as a result of an administrative or quasi-judicial proceeding, arising directly or indirectly from or connected with the services provided hereunder that are caused, or claimed or alleged to be caused, in whole or in part, by the negligence or willful misconduct of Contractor, its officers, employees, agents, contractors, subcontractors, or any persons under its direction or control. If requested by County, Contractor will defend any such suits at its sole cost and expense. If County elects to provide its own defense, Contractor will reimburse County for any expenditures, including reasonable attorney's fees and costs. Contractor's obligations under this section exist regardless of concurrent negligence or willful misconduct on the part of the County or any other person; provided, however, that Contractor is not required to indemnify County for the proportion of liability a court determines is attributable to the sole negligence or willful misconduct of the County, its officers and employees. This provision will survive the expiration or termination of this Contract.
19. **Insurance**. During the entire term of this Contract and any extension or modification thereof, Contractor shall keep in effect insurance policies meeting the following insurance requirements unless otherwise expressed in the Special Conditions:
 - a. **Commercial General Liability Insurance**. For all contracts where the total payment limit of the contract is \$500,000 or less, Contractor will provide commercial general liability insurance, including coverage for business losses and for owned and non-owned automobiles, with a minimum combined single limit coverage of \$500,000 for all damages, including consequential damages, due to bodily injury, sickness or disease, or death to any person or damage to or destruction of property, including the loss of use thereof, arising from each occurrence. Such insurance must be endorsed to include County and its officers and employees as additional insureds as to all services performed by Contractor under this Contract. Said policies must constitute primary insurance as to County, the state and federal governments, and their officers, agents, and employees, so that other insurance policies held by

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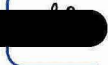
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them or their self-insurance program(s) will not be required to contribute to any loss covered under Contractor's insurance policy or policies. Contractor must provide County with a copy of the endorsement making the County an additional insured on all commercial general liability policies as required herein no later than the effective date of this Contract. For all contracts where the total payment limit is greater than \$500,000, the aforementioned insurance coverage to be provided by Contractor must have a minimum combined single limit coverage of \$1,000,000.

- b. **Workers' Compensation.** Contractor must provide workers' compensation insurance coverage for its employees.
 - c. **Certificate of Insurance.** The Contractor must provide County with (a) certificate(s) of insurance evidencing liability and worker's compensation insurance as required herein no later than the effective date of this Contract. If Contractor should renew the insurance policy(ies) or acquire either a new insurance policy(ies) or amend the coverage afforded through an endorsement to the policy at any time during the term of this Contract, then Contractor must provide (a) current certificate(s) of insurance.
 - d. **Additional Insurance Provisions.** No later than five days after Contractor's receipt of: (i) a notice of cancellation, a notice of an intention to cancel, or a notice of a lapse in any of Contractor's insurance coverage required by this Contract; or (ii) a notice of a material change to Contractor's insurance coverage required by this Contract, Contractor will provide Department a copy of such notice of cancellation, notice of intention to cancel, notice of lapse of coverage, or notice of material change. Contractor's failure to provide Department the notice as required by the preceding sentence is a default under this Contract
20. **Notices.** All notices provided for by this Contract must be in writing and may be delivered by deposit in the United States mail, postage prepaid. Notices to County must be addressed to the head of the county department for which this Contract is made. Notices to Contractor must be addressed to the Contractor's address designated herein. The effective date of notice is the date of deposit in the mails or of other delivery, except that the effective date of notice to County is the date of receipt by the head of the county department for which this Contract is made.
21. **Primacy of General Conditions.** In the event of a conflict between the General Conditions and the Special Conditions, the General Conditions govern unless the Special Conditions or Service Plan expressly provide otherwise.
22. **Nonrenewal.** Contractor understands and agrees that there is no representation, implication, or understanding that the services provided by Contractor under this Contract will be purchased by County under a new contract following expiration or termination of this Contract, and Contractor waives all rights or claims to notice or hearing respecting any failure to continue purchasing all or any such services from Contractor.
23. **Possessory Interest.** If this Contract results in Contractor having possession of, claim or right to the possession of land or improvements, but does not vest ownership of the land or improvements in the same person, or if this Contract results in the placement of taxable improvements on tax exempt land (Revenue & Taxation Code Section 107), such interest or improvements may represent a possessory interest subject to property tax, and Contractor may be subject to the payment of property taxes levied on such interest. Contractor agrees that this provision complies with the notice requirements of Revenue & Taxation Code Section 107.6, and waives all rights to further notice or to damages under that or any comparable statute.

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24. **No Third-Party Beneficiaries.** Nothing in this Contract may be construed to create, and the parties do not intend to create, any rights in third parties.
25. **Copyrights, Rights in Data, and Works Made for Hire.** Contractor will not publish or transfer any materials produced or resulting from activities supported by this Contract without the express written consent of the County Administrator. All reports, original drawings, graphics, plans, studies and other data and documents, in whatever form or format, assembled or prepared by Contractor or Contractor's subcontractors, consultants, and other agents in connection with this Contract are "works made for hire" (as defined in the Copyright Act, 17 U.S.C. Section 101 et seq., as amended) for County, and Contractor unconditionally and irrevocably transfers and assigns to Agency all right, title, and interest, including all copyrights and other intellectual property rights, in or to the works made for hire. Unless required by law, Contractor shall not publish, transfer, discuss, or disclose any of the above-described works made for hire or any information gathered, discovered, or generated in any way through this Agreement, without County's prior express written consent. If any of the works made for hire is subject to copyright protection, County reserves the right to copyright such works and Contractor agrees not to copyright such works. If any works made for hire are copyrighted, County reserves a royalty-free, irrevocable license to reproduce, publish, and use the works made for hire, in whole or in part, without restriction or limitation, and to authorize others to do so.
26. **Endorsements.** In its capacity as a contractor with Contra Costa County, Contractor will not publicly endorse or oppose the use of any particular brand name or commercial product without the prior written approval of the Board of Supervisors. In its County-contractor capacity, Contractor will not publicly attribute qualities or lack of qualities to a particular brand name or commercial product in the absence of a well-established and widely accepted scientific basis for such claims or without the prior written approval of the Board of Supervisors. In its County-contractor capacity, Contractor will not participate or appear in any commercially produced advertisements designed to promote a particular brand name or commercial product, even if Contractor is not publicly endorsing a product, as long as the Contractor's presence in the advertisement can reasonably be interpreted as an endorsement of the product by or on behalf of Contra Costa County. Notwithstanding the foregoing, Contractor may express its views on products to other contractors, the Board of Supervisors, County officers, or others who may be authorized by the Board of Supervisors or by law to receive such views.
27. **Required Audit.**
- If Contractor expends \$750,000 or more in federal grant funds in any fiscal year from any source, Contractor must provide to County, at Contractor's expense, an audit conforming to the requirements set forth in the most current version of Code of Federal Regulations, Title 2, Part 200, Subpart F.
 - If Contractor expends less than \$750,000 in federal grant funds in any fiscal year from any source, but the grant imposes specific audit requirements, Contractor must provide County with an audit conforming to those requirements.
 - If Contractor expends less than \$750,000 in federal grant funds in any fiscal year from any source, Contractor is exempt from federal audit requirements for that year except as required by Code of Federal Regulations, Title 2, Part 200, Subpart F. Contractor shall make its records available for, and an audit may be required by, appropriate officials of the federal awarding agency, the General Accounting Office, the pass-through entity and/or the County. If an audit is required, Contractor must provide County with the audit.


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- d. With respect to the audits specified in sections (a), (b) and (c) above, Contractor is solely responsible for arranging for the conduct of the audit, and for its cost. County may withhold the estimated cost of the audit or 10 percent of the contract amount, whichever is greater, or the final payment, from Contractor until County receives the audit from Contractor.
28. **Authorization**. Contractor, or the representative(s) signing this Contract on behalf of Contractor, represents and warrants that it has full power and authority to enter into this Contract and to perform the obligations set forth herein.
29. **No Implied Waiver**. The waiver by County of any breach of any term or provision of this Contract will not be deemed to be a waiver of such term or provision or of any subsequent breach of the same or any other term or provision contained herein.

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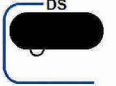
ATTACHMENT A

CONTRA COSTA HEALTH PLAN REQUIREMENTSNumber: **77-412**

These Contra Costa Health Plan Requirements are in addition to any and all other terms provided in the Contract referenced by number above. If any provision of these Contra Costa Health Plan Requirements conflicts with any of the terms provided in this Contract, then these Contra Costa Health Plan Requirements will prevail.

Pursuant to State Department of Health/County Contract #96-26103 (County #29-772), effective October 1, 1995, (or the latest revision); requirements of the Waxman-Duffy Prepaid Health Plan Act, (1972) and Knox-Keene Health Care Service Plan Act of 1975; Health and Safety Code §§ 1340 et seq.; Welfare and Institutions Code, §§ 14200 et seq.; Title 22, CCR, §§ 53250, et seq. and Title 28, CCR, §§ 1300.43, et seq., the following requirements are incorporated into the Contract referenced by number above.

1. Contractor is subject to and will comply with all applicable Medi-Cal contracts and, applicable local, state and federal laws and regulations, and contractual obligations incumbent upon the County under County Contract #29-772, and any subsequent amendments thereto. In addition, Contractor will comply with all applicable requirements of the State Department of Health Care Services (hereinafter "DHCS"), Medi-Cal Managed Care Program, including all applicable Medicaid laws, regulations, applicable state and federal laws. County agrees to inform the Contractor of prospective requirements added by DHCS to County's Contract with DHCS before the requirement would be effective, and Contractor agrees to comply with the new requirements within 30 days of the effective date, unless otherwise instructed by DHCS and to the extent possible.
2. A Contractor providing any basic health care service to Contra Costa Health Plan ("Plan") members must meet all of the requirements of Chapters 3 and 4, Subdivision 1, Division 3, Title 22, CCR, (commencing with § 51000) that relate to the services provided by the Contractor.
3. Contractor's compensation hereunder will not be based, in any way, on a percentage of the County's compensation from the State DHCS. This agreement does not preclude the establishment of Contractor's rate based upon Welfare and Institutions Code § 14453.
4. To the extent that Contractor is responsible for the coordination of care for members, County agrees to share with Contractor any utilization data that DHCS has provided to County, and Contractor agrees to receive the utilization data provided and use it as the Contractor is able for the purpose of Member care coordination. Contractor will provide reports and abstract of treatment records in relation to Plan members, as required by County. Contractor shall meet all applicable care coordination requirements for Medi-Cal members as required by DHCS, including but not limited to the following care coordination activities to assure availability and access to care, clinical services, specialty services and care management services, including comprehensive basic and complex case management. Contractor agrees to exchange available information and data, including member-level data, to facilitate care coordination activities in accordance with all applicable HIPAA requirements and other state and federal statutes and regulations.



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5. In addition to the requirements of Paragraph 3. (Records) of the General Conditions, Contractor will comply with the following additional requirements:

Records Disclosure and Access by Government Officials.

- a. **Availability of Records.** Contractor must comply with all monitoring provisions of the County's contracts and any monitoring requests by DHCS. Contractor will allow the audit, inspection, or evaluation of its premises, physical facilities, equipment, examination, and copying of all books and records including, but not limited to, working papers, reports, financial records, medical records, encounter data, medical charts, computers or other electronic systems, and other documentation pertaining to services rendered to Plan members, by the County, the State DHCS, Centers for Medicare and Medicaid Services ("CMS"), the State Department of Managed Health Care ("State DMHC"), the U.S. Department of Health and Human Services ("DHHS") Inspector General, the U.S. Department of Justice ("DOJ"), and their duly authorized representatives. Such books and records, including encounter data, will be made available at all reasonable times at the Contractor's place of business, for a term of at least ten (10) years from the final date of the contract period, or from the date of completion of any audit, whichever is later. If DHCS, CMS or the DHHS Inspector General determines there is a reasonable possibility of fraud or similar risk, DHCS, CMS, or the DHHS Inspector General may inspect, evaluate and audit the Contractor at any time. Upon resolution of a full investigation of fraud, DHCS reserves the right to suspend or terminate the Contractor from participation in the Medicaid program; seek recovery of payments made to the Contractor, or impose other sanctions provided under the State plan or governing All-Plan letters. Contractor shall implement and maintain policies and procedures that are designed to detect and prevent fraud, waste and abuse. Upon request, and subject to legally-required patient consents, Contractor will provide copies of Plan members' medical records to the County and to Plan members' other treating physicians. County will reimburse Contractor for the cost of copying Plan members' medical records that are requested by County. Additionally, upon request, Contractor will timely gather, preserve, and provide to the DHCS, in the form and manner specified by DHCS, any information specified by DHCS, subject to any lawful privileges, in Contractor's possession, relating to threatened or pending litigation by or against DHCS.
- b. **Maintenance of Records.** Contractor must maintain clear and complete books and records that reflect all services rendered to Plan members in a form maintained in accordance with the general standards applicable to such book or record keeping. Contractor will further maintain records of the costs of services provided to Plan members and all co-payments and other payments received by Contractor from Plan members or others on their behalf. Contractor will maintain and submit encounter and provider data in the time, form, and manner required by the County and the State DHCS. Encounter and provider data shall be complete, accurate, reasonable and timely to allow County meet its encounter and provider data reporting requirements to DHCS.
- c. Contractor must preserve its records for the longer of (i) seven (7) years after termination of this Contract, (ii) one (1) year after the Member reaches the age of majority, if the Member is a minor, (iii) the period of time required by applicable law, including the Medicare and Medi-Cal programs and contracts to which Plan is subject, or (iv) ten (10) years from the final date of the Contract or



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from the date of completion of any audit, whichever is longer, or such longer time period if so required by the federal Centers for Medicare and Medicaid Services ("CMS").

- d. Contractor must also comply with all provisions of the Omnibus Reconciliation Act of 1980, the Balanced Budget Act of 1997, and the Medicare Prescription Drug, Improvement and Modernization Act of 2003, regarding access to books, documents, and records. Without limiting the foregoing, Contractor must maintain, provide access to, and provide copies of records, this Contract, and any other information, to Government Officials and such other officials entitled by law or by Plan Government Program Contracts, as may be necessary for compliance by Plan with the provisions of all applicable law and contractual requirements governing Plan. Such records must be available at all reasonable times at Contractor's place of business or at some other mutually agreeable location in California.
 - e. In the event that this Contract pertains to hospital-based physicians or that the Covered Services include any other physician services, County retains the sole right and responsibility to notify Members regarding the termination of this Contract, and the termination of any contract between Contractor and a subcontractor physician, as applicable.
 - f. Contractor must document in each Member's medical record whether or not the Member has executed an advance directive. Contractor is subject to the requirements in Title 42 of the Code of Federal Regulations §§ 2.1 et seq., relating to the maintenance and disclosure of Member Records received or acquired by federally assisted alcohol or drug programs.
 - g. Contractor acknowledges that County is required to provide CMS and other Government Officials with encounter data, as requested by such agencies. Such data may include medical records and other data necessary to characterize each encounter between a Member and Contractor. Contractor agrees to cooperate with County and provide it with all such information in such form and manner requested by County in order to meet such requirements.
 - h. Contractor acknowledges and agrees that Government Officials have the right to inspect, evaluate, and audit the quality, appropriateness, and timeliness of Covered Services.
 - i. **Subcontractor Records.** All of Contractor's subcontracts must be in writing. Contractor must maintain and make available, upon request, copies of all subcontracts and require that the subcontractor: 1. Make all applicable books and records available at reasonable times for inspection, examination, or copying by the State and federal DHCS, DHHS, DOJ, DMHC, and the County; and 2. Retain such books and records for a term of at least ten (10) years from the close of the last fiscal year.
6. General Conditions Paragraph 13. (Subcontract and Assignment) is hereby deleted in its entirety, and replaced with a new Paragraph, to read as follows:

"13. Subcontract and Assignment.

- a. This Contract binds the heirs, successors, assigns and representatives of Contractor. Prior written consent of the County Administrator or his designee, subject to any required state or federal approval, is required before the Contractor may enter into subcontracts for any work contemplated

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Contractor

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under this Contract, or before the Contractor may assign this Contract or monies due or to become due, by operation of law or otherwise.

b. In addition to the consent of the County Administrator or designee, the prior written consent of DHCS is required before the Contractor may enter into any subcontract for any work contemplated under this Contract.

c. Any proposed amendments to any authorized subcontract must be approved in writing and in advance by DHCS. Any proposed amendment to a subcontract must be submitted, in writing, to DHCS, at least thirty (30) calendar days before the effective date of the proposed amendment to compensation, services, or the contract term. Proposed amendments that are neither approved nor disapproved by DHCS, will become effective by operation of law thirty (30) calendar days after DHCS has acknowledged receipt or upon the date specified in the Amendment, whichever date is later.”

7. General Conditions Paragraph 8. (Modifications and Amendments), is hereby deleted in its entirety, and replaced with a new Paragraph, to read as follows:

“8. Modifications and Amendments.


a. General Amendments. In the event that the Payment Limit of this Contract is \$200,000 or less, this Contract may be modified or amended only by a written document executed by Contractor and the County’s Purchasing Agent or the Contra Costa County Board of Supervisors, subject to any required state or federal approval. In the event that the Payment Limit of this Contract exceeds \$200,000, this Contract may be modified or amended only by a written document executed by Contractor and the Contra Costa County Board of Supervisors or, after Board approval, by its designee, subject to any required state or federal approval.


b. Minor Amendments. The Payment Provisions and the Service Plan may be amended by a written administrative amendment executed by Contractor and the County Administrator (or designee), subject to any required state or federal approval, provided that such administrative amendment may not increase the Payment Limit of this Contract or reduce the services Contractor is obligated to provide pursuant to this Contract.

c. Upon the request of DHCS, a copy of any amendment to this contract will be provided to DHCS.”

8. Limitations on Billing of Members and DHCS.

- a. Contractor will not seek payments from the State or Plan members in the event that County does not pay for services performed for Plan members pursuant to this Contract. Notwithstanding insufficient funding of the Medi-Cal Program or Medi-Cal contracts for Covered Services, Contractor will not bill or seek any reimbursement from any Plan member for services provided to that member pursuant to this Contract, except as expressly authorized by this Contract, applicable law, or DHCS. The terms of this provision (i) survive any termination of this Contract, regardless of the cause giving rise to such termination, and will be construed to be for the benefit of Plan


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members and DHCS; and, (ii) supersede any oral or written agreement to the contrary between the parties.

- b. Contractor may bill a Plan member and collect payments from Plan members for services which are not Covered Services to which the Plan member is entitled from Plan or that are not authorized by the Plan, but only if the Plan member executed a written acknowledgement of patient responsibility prior to the provision of the service(s), in which the Plan member acknowledges that such services are not covered by the Plan and are the Plan member's own financial responsibility. Upon request, Contractor must provide County with a copy of any acknowledgment of patient responsibility form executed by the Plan member or a person responsible for his/her care. Notwithstanding the foregoing, Contractor may not bill a Medi-Cal member, Healthy Families member, or any other Government Program Member when prohibited by law.
- c. **Surcharges.** Contractor must provide all covered services to Plan members under this Contract, as periodically amended, with no surcharge to any Plan member.

- 9. Contractor will notify DHCS and Director of the Department of Managed Health Care in the event this Contract is amended or terminated. Notice is considered given when deposited in the U.S. Mail, first class postage prepaid, addressed as follows:

**Medi-Cal Managed Care Division
Department of Health Care Services
1501 Capitol Avenue, MS 4400
Sacramento, California 95899-7413**

**State Department of Managed Health Care
980 9th Street, Suite 500
Sacramento, California 95814-2725**

10. **Turnover and Phase-out Period and Transfer of Care.**

- a. At the expiration or termination of this Contract, Contractor must assist County in the Turnover Period, as required by the State DHCS, in such a manner that the continuity of access and quality of care to Plan members is maintained. Upon termination of this Contract, Contractor must continue to provide Authorized Covered Services to Members who are receiving Covered Services from Contractor until all such Covered Services are completed and the Member is discharged, unless Plan makes reasonable and medically appropriate provision for the assumption of such Covered Services by another hospital or healthcare facility. The compensation and other terms and conditions, including the rates set forth in the Payment Provisions of this Contract, will continue to apply to Covered Services provided to each such Member. The Turnover period consists of the orderly transfer to the State DHCS or successor Contractor, of Plan member's medical care including, but not limited to, the transfer of medical records, patient files, and any other pertinent information necessary for efficient case management of Plan members.
- b. At the completion of the Turnover Period, Contractor must assist County in the Phase-out Period, as required by the State DHCS, which will ensure that County has completed all remaining contractual obligations under this Contract. County will remain liable for covered services provided to Plan members by the Contractor until the services being rendered are completed or County makes reasonable and medically appropriate provisions for the transfer of such services.

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- c. In the event of termination of this Contract for any reason, Contractor will assist the Plan in the transfer of care for Plan members. Plan will continue to provide payment to Contractor at the agreed upon capitation rates listed in the Payment Provisions, that are provided after termination and before transfer of care. In the event of termination of Contractor's subcontract for any reason, Contractor agrees to assist Plan in the transfer of care for Plan members.
 - d. In the event Contractor is suspended, terminated, or decertified from participation in the Medi-Cal Program, or otherwise ceases operations with limited or no prior notice, Contractor will not receive payment for services provided after the decertification, suspension, or termination date. Contractor must notify County immediately upon receiving a decertification notification from the California Department of Public Health or any other notice that Contractor has been suspended or excluded from the Medi-Cal program.
 - e. Contractor agrees to revoke the delegation of activities or obligations, or specify other remedies in instances where DHCS or Plan determine that the Contractor has not performed satisfactorily.
11. **Payment of Claims.** County will timely pay Contractor claims within forty-five (45) working days after receipt. Notice must be provided to Contractor in the case of contested claims within forty-five (45) working days after receipt. County will have sufficient claims processing/payment systems to timely process and pay Contractor and to reasonably determine the status of received claims and calculate provisions for incurred but not reported claims as required under Title 28, CCR, §§ 1300.77.1 and 1300.77.2.
 12. **Third Party Tort Liability.** County and Contractor will not make any claim for recovery of the value of services rendered to a Plan member when such claim would be based on a recovery in an action involving the tort liability of a third party or casualty liability insurance, including Workers' Compensation awards and uninsured motorists coverage. County and Contractor will identify and notify State DHCS of cases in which an action by the Plan member involving the tort or Worker' Compensation liability of a third party could result in recovery by the Plan member of funds to which the State DHCS has lien rights under Article 3.5 (commencing with § 14124.70), Part 3, Division 9, Welfare and Institutions Code. Such cases will be referred to the State DHCS within 10 days of discovery.
 13. **Assumption of Risk.** County assumes the total risk of providing covered services for each Plan member as specified in Title 22, § 53251 (a), (c), (d), and (e), except as otherwise allowed in Contract #29-772 with the State DHCS and any subsequent amendment thereto, and accordingly noted in this Contract.
 14. **Disputes.** General Conditions Paragraph 9. (Disputes), is hereby deleted in its entirety, and replaced with a new Paragraph, to read as follows:
 - "9. **Disputes/Grievances.** Contractor is entitled to all protections afforded them under the Health Care Providers' Bill of Rights. Citation: Health & Safety Code §1375.7. Contractor has the right to submit a grievance and Contractor hereby agrees to abide by the Plan's formal grievance process to resolve Provider grievances as described in the Provider Manual, as periodically amended, which is incorporated herein by reference, and which is on file in the Plan's Administrative offices, located

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at 595 Center Avenue, Suite 100, in Martinez, and a copy of which County has provided to Contractor. Disputes between County and Contractor concerning the meaning, requirements, or performance of this Contract are subject to the formal Provider grievance process. A grievance may be filed with the Contra Costa Health Plan, Director of Provider Relations, in written form via U.S. mail, private courier, or in person to:

Contra Costa Health Plan
c/o Director of Provider Relations
595 Center Avenue, Suite 100
Martinez, California 94553

15. **Health Care Language and Assistance.**

- a. **Interpreter Services.** Contractor will provide all Plan members with all interpretive services required by the Provider Manual.
- b. Contractor must communicate fully and clearly, without regard to benefit coverage limitations, with Plan members and/or their authorized representatives, in a culturally competent manner, about all treatment options, including the option of no treatment, deemed to be medically appropriate for a Plan member's particular condition. Contractor must provide Plan members with disabilities with necessary assistance to effectively communicate between Contractor and Plan member.
- c. Contractor must comply with standards and requirements set forth in the Health and Safety Code § 1367.04 to provide members with access to language assistance in obtaining health care services. In addition, Contractor must cooperate with the County by providing any information necessary to assess compliance with health care language assistance.
- d. County will provide Contractor cultural competency, sensitivity, and diversity training.

16. **Utilization Management/Quality Assurance Programs/Discharge Planning.** For those Contracts that County has determined Contractor is authorized to perform duties and activities associated with Plan operations, including, but not limited to quality assurance, member services, marketing, and credentialing, ("Delegated Contracts"), the following provisions apply:

- a. No individuals responsible for utilization management decisions with respect to Plan members may receive financial incentives that reward the individual for issuing denials of coverage or service or that encourage decisions that result in underutilization.
- b. To the extent applicable, Contractor must comply with the applicable requirements of 42 CFR 422.208 and 422.210, or successor regulations (the "PIP Rules"), including physician incentive plan disclosure and maintenance of stop-loss protection, and must comply with information requests and audits by Plan and CMS regarding compliance with the PIP Rules. Upon request, and as required for Plan to comply with its obligations under the PIP Rules, Contractor must obtain and disclose to Plan and CMS the terms of the payment arrangements between Contractor and


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Contractor Physicians, and must provide evidence of compliance with applicable requirements of the PIP Rules.

- c. Contractor agrees to allow County to use provider's performance data. Quality Improvement disease management, health education/promotion, and cultural and linguistic initiatives will be determined through collaborative processes that include CCHP/CCHS clinical and administrative staff. Contractors are expected to cooperate with Quality Improvement activities.
 - d. Contractor must provide discharge planning services for Plan members. Contractor must cooperate with Plan to assure timely and appropriate discharge of Plan members. Discharge planning services begin upon the Plan member's admission to a hospital and continue until completed by the medically-appropriate discharge date. Contractor must provide to Plan, upon request, documentation of the discharge planning process for any Plan member.
 - e. Contractor must notify the Plan of the hospital admission of any Plan member within the same or next business day.
 - f. Contractor must respond to any request by Plan for medical information within the same or next business day.
17. **Provider Updates.** Contractor shall update the County within five (5) business days if: (i) Contractor is not accepting new patients; or (ii) if Contractor had previously not accepted new patients, but Contractor is currently accepting new patients.
18. If Contractor is not accepting new patients, Contractor shall direct an enrollee or potential enrollee seeking to become a new member to both the Plan for additional assistance in finding a provider and to the Department of Managed Health Care to report any potential directory inaccuracy.
19. For those Network Providers at risk for non-contracted emergency services, Contractor is responsible for coverage and payment of emergency services and post stabilization care services and must cover and pay for emergency services regardless of whether the Provider that furnishes the services has a contract with the Plan. Contractor may not deny payment for treatment obtained when a member had an emergency medical condition, including cases in which the absence of immediate medical attention would not have had the outcomes specified in 42 CFR Section 438.114 (a) of the definition of emergency medical condition. Further, Contractor may not deny payment for treatment obtained when a representative of Contractor instructs the member to seek emergency services.

Approved by County Counsel: December 2021

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[Redacted Signature]
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COMPENSATION

Subject to the provisions of this Contract, County shall pay Contractor at the rates set forth below, but shall not exceed \$650,000 for the period January 1, 2022 through December 31, 2022; \$650,000 for the period January 1, 2023 through December 31, 2023; and \$650,000 for the period January 1, 2024 through December 31, 2024.

1. **For Hospice Services:**
- a. **For Commercial Members and Medi-Cal Members:** County shall pay Provider those rates set forth in the prevailing Medicare Schedule of Maximum Allowances in effect at time of service. Contractor will bill CCHP using the following codes:

Service	Revenue Code	Notes
Routine home care	0650 High rate 0659 Low rate	Routine home care rates include one per diem rate for days 1-60 (High rate), and one per diem rate for days 60+ (Low Rate).
Service Intensity Add-on	552 (billed in 15 minute increments)	Add-on payments for hospice social worker and nursing visits provided during the last 7 days of life when provided during routine home care; minimum of 15 minutes, maximum of 4 hours total per day. There are no Service Intensity Add-On payments during the first 2 days of admission.
Continuous home care	652	Hourly Rate
Inpatient respite care	655	Per Diem Rate
General inpatient care	0656**	Per Diem Rate

** Revenue Code 0656 must be billed in conjunction with HCPCS Code T2045. A treatment authorization request (TAR) is required.

- b. **Long-Term Care shall** include a variety of services designed to meet the Members’ health or personal care needs during a long or short period of time. Members who elect the Medi-Cal hospice benefit are not disenrolled from CCHP. Contractor will bill CCHP using the following codes:

- i. 658: Hospice Care in a Skilled Nursing Facility (SNF) (Per diem), Medi-Cal custodial is 95% of the rate for the SNF; and
- ii. 658: Hospice Long Term Care Room and Board (Per diem), Medi-Cal custodial is 95% of the rate for the SNF.

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ATTACHMENT BNumber: 77-412**c. For Original Medicare (AKA Fee-for-Service Medicare Members):**

Covered services and supplies for Members who are Original Medicare recipients will be reimbursed at the Medicare rate of payment by Centers for Medicare and Medicaid Services (CMS) in effect at time of service. Provider will bill Medicare CMS as primary payor.

2. For Palliative Care Services:**a. For Commercial Members and Medi-Cal Members:**

RATE	CPT CODE	REV CODE	MODIFIER ***	SPECIALTY	DESCRIPTION
\$145.00	99343		P9	MD	Home visit, new patient initial 45 minute
\$205.00	99344		P9	MD	Home visit, new patient initial 60 minute
\$146.00	99349		P9	MD	Home visit, established patient(s) 45 minute
\$200.00	99350		P9	MD	Home visit established patient 60 minute
\$ 86.00	99497		P9	MD	Advanced Care Planning by M.D. first 30 minutes
\$ 80.00	99498		P9	MD	Advanced Care Planning by M.D. >30 minutes
\$165.00	G0299	551	P9	RN	Per Visit
\$190.00	G0155	561	P9	SW	Per Visit

***All CPT codes above to be billed with modifier "P9" for record keeping purposes to separate existing services from Palliative Care services as DHCS has yet to define specific Palliative Care codes.

b. For Original Medicare (AKA Fee-for-Service Medicare Members):

Covered services and supplies for Members who are Original Medicare recipients will be reimbursed at the Medicare rate of payment by Centers for Medicare and Medicaid Services (CMS) in effect at time of service. Provider will bill Medicare CMS as primary payor.

Note: Payment will be made only for those services that are pre approved by CCHB

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HIPAA BUSINESS ASSOCIATE ADDENDUM

To the extent, and as long as required by the Health Insurance Portability and Accountability Act of 1996 and the Health Information Technology for Economic and Clinical Health Act, this HIPAA Business Associate Addendum (“Addendum”) supplements and is made a part of the Contract identified as Number 77-412 (hereinafter referred to as “Agreement”) by and between a Covered Entity (Contra Costa County for its Health Services Department, hereinafter referred to as “County”) and Business Associate (the Contractor identified in the Agreement, hereinafter referred to as “Associate”).

- A. County wishes to disclose certain information to Associate pursuant to the terms of the Agreement, some of which may constitute Protected Health Information (“PHI”) under Federal law, defined below.
- B. County and Associate intend to protect the privacy and provide for the security of PHI disclosed to Associate pursuant to the Agreement as required by the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 (“HIPAA”), the Health Information Technology for Economic and Clinical Health Act, Public Law 111-005 (“HITECH Act”), and the regulations promulgated thereunder by the U.S. Department of Health and Human Services (collectively, the “HIPAA regulations”), and other applicable laws.
- C. As part of the HIPAA regulations, the Privacy Rule and the Security Rule, defined below, require County to enter into a contract containing specific requirements with Associate prior to the disclosure of PHI, as set forth in, but not limited to, Title 45, Sections 164.314(a), 164.502(a) and (e), and 164.504(e) of the Code of Federal Regulations and contained in this Addendum.

In consideration of the mutual promises below and the exchange of information pursuant to this Addendum, the parties agree as follows:

1. **Definitions.** As used in this Addendum, the following terms have the following meanings:
 - a. **Breach** has the meaning given to such term under the HITECH Act and HIPAA regulations set forth at 42 U.S.C. Section 17921 and 45 C.F.R. Section 164.402.
 - b. **Breach Notification Rule** means the HIPAA regulation that is codified at 45 C.F.R. Parts 160 and 164, Subparts A and D.
 - c. **Business Associate** (“Associate”) has the meaning given to such term under the Privacy Rule, the Security Rule, and the HITECH Act, including, but not limited to, 42 U.S.C. Section 17938 and 45 C.F.R. Section 160.103.
 - d. **Confidential Medical Information Act** means California Civil Code Sections 56 et seq.
 - e. **Covered Entity** has the meaning given to such term under the Privacy Rule and the Security Rule, including, but not limited to, 45 C.F.R. Section 160.103.

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- f. **Data Aggregation** has the meaning given to such term under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.501.
- g. **Day** means calendar day unless otherwise indicated.
- h. **Designated Record Set** has the meaning given to such term under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.501.
- i. **Electronic Media** means:
 - (1) Electronic storage media including memory devices in computers (hard drives) and any removable/transportable digital memory medium, such as magnetic tape or disk, optical disk, or digital memory card; or
 - (2) Transmission media used to exchange information already in electronic storage media. Transmission media include, for example, the Internet (wide-open), extranet (using internet technology to link a business with information accessible only to collaborating parties), leased lines, dial-up lines, private networks, and the physical movement of removable/transportable electronic storage media.
- j. **Electronic Protected Health Information (ePHI)** means any Protected Health Information that is stored in or transmitted by electronic media.
- k. **Electronic Health Record** has the meaning given to such term under the HITECH Act, including, but not limited to, 42 U.S.C. Section 17921.
- l. **Health Care Operations** has the meaning given to such term under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.501.
- m. **HIPAA Rules or Final Rule** means the Privacy Rule, Security Rule, Breach Notification Rule and Enforcement Rule set forth at 45 C.F.R. Part 160 and Part 164.
- n. **Privacy Rule** means the Standards for Privacy of Individually Identifiable Health Information set forth in 45 C.F.R. Parts 160 and 164, Subparts A and E.
- o. **Protected Health Information** ("PHI") means any information in any form or medium, including oral, paper, or electronic: (i) that relates to the past, present or future physical or mental condition of an individual; the provision of health care to an individual; or the past, present or future payment for the provision of health care to an individual; and (ii) that identifies the individual or with respect to which there is a reasonable basis to believe the information can be used to identify the individual, and shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.501. Protected Health Information includes electronic Protected Health Information.
- p. **Protected Information** means PHI provided by County to Associate or created, maintained, received or transmitted by Associate on behalf of the County in connection with the Agreement.
- q. **Secretary** means the Secretary of the U.S. Department of Health and Human Services.

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- r. **Security Incident** has the meaning given to such term under the Security Rule, including, but not limited to, 45. C.F.R. Section 164.304.
- s. **Security Rule** means the HIPAA regulation that is codified at 45. C.F.R. Parts 160 and 164, Subparts A and C.
- t. **Unsecured PHI** has the meaning given to such term under the HITECH Act and any guidance issued pursuant to said Act including, but not limited to, 42 U.S.C. Section 17932(h) and 45 C.F.R. Section 164.402.

Terms used in this Addendum but not defined have the meanings given to such terms under the HIPAA Rules.

2. **Obligations of Associate.** Associate acknowledges that it is directly required to comply with HIPAA, the HITECH Act, the HIPAA regulations and the Final Rule, and that Associate is directly liable under the HIPAA Rules, and subject to civil and criminal penalties for failure to comply with the Confidential Medical Information Act or for using and disclosing Protected Information when the use and disclosure is not authorized by the Agreement, the Addendum or as required by law. Associate acknowledges that it is directly liable and subject to civil penalties for failing to safeguard ePHI in accordance with the HIPAA Security Rule. Associate further acknowledges that Associate may be liable for the acts or omissions of its agents or subcontractors.
 - a. **Permitted Uses.** Associate shall not use Protected Information except for the purpose of performing Associate's obligations under the Agreement and as permitted or required under the Agreement and this Addendum or as required by law. Further, Associate shall not use Protected Information in any manner that would constitute a violation of the Privacy Rule or the HITECH Act if the County used it in the same manner.
 - b. **Permitted Disclosures.** Associate shall not disclose Protected Information in any manner that would constitute a violation of the Privacy Rule or the HITECH Act if so disclosed by County. However, Associate may disclose Protected Information (i) in a manner permitted pursuant to the Agreement and this Addendum, (ii) for the proper management and administration of Associate, (iii) as required by law, or (iv) for Data Aggregation purposes for the Health Care Operations of County. To the extent that Associate discloses Protected Information to a third party, Associate must obtain, prior to making any such disclosure (i) reasonable written assurances from such third party that such Protected Information will be held confidential as provided pursuant to this Addendum and used or disclosed only as required by law or for the purposes for which it was disclosed to such third party, and (ii) a written agreement from such third party to immediately notify Associate of any breaches of confidentiality, suspected breaches, security incidents, or unauthorized uses or disclosures of the Protected Information, in accordance with Paragraphs 2.f. and 2.g. of this Addendum, to the extent such third party has obtained knowledge of such occurrences.

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- c. **Prohibited Uses and Disclosures.** Associate shall not use or disclose PHI other than as permitted or required by the Agreement and this Addendum, or as Required by Law. Associate shall not use or disclose Protected Information for fundraising or marketing purposes. Associate shall not disclose Protected Information to a health plan for payment or health care operations purposes if the patient has requested this special restriction, and has paid out-of-pocket in full for the health care item or service to which the PHI solely relates. Associate shall not directly or indirectly receive remuneration in exchange for Protected Information, except with the prior written consent of County and as permitted by the HITECH Act, 42 U.S.C. Section 17935(d)(2) and the HIPAA regulations, 45 C.F.R. Section 164.502(a)(5)(ii); however, this prohibition shall not affect payment by County to Associate for services provided pursuant to the Agreement.
- d. **Appropriate Safeguards.** Associate shall implement appropriate safeguards to prevent the unpermitted use or disclosure of Protected Information, including but not limited to, the administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of Protected Information that it creates, receives, maintains, or transmits on behalf of County as required by the Agreement or this Addendum and in accordance with 42 C.F.R. Sections 164.308, 164.310, and 164.312. Associate shall comply with the policies, procedures, and documentation requirements of the Security Rule, including, but not limited to, 45 C.F.R. Section 164.316.
- e. **Business Associate's Agents and Subcontractors.** Associate shall enter into written agreements with any agent or subcontractor, to whom it provides Protected Information received from the County or created, received, maintained or transmitted by Associate on behalf of the County to implement the safeguards required by paragraph 2.d. above with respect to Electronic PHI. Associate shall ensure that its agents and subcontractors agree in writing to the same restrictions, conditions and requirements that apply to Associate with respect to such information. This includes the requirement to immediately notify the Associate of any instances of any breach, security incident, intrusion, or unauthorized access to or use or disclosure of PI of which it becomes aware. Upon request, Associate shall provide copies of such agreements to the County. Associate shall implement and maintain sanctions against any agent, subcontractor or other representative that violates such restrictions, conditions or requirements and shall mitigate the effects of any such violation.
- f. **Notification of Breach or Suspected Breach.**

Associate will notify County orally and in writing in the manner set forth in paragraph 2.g. within twenty-four (24) hours of its discovery of any suspected or actual breach of Protected Information; any use or disclosure of Protected Information not permitted by the Agreement or this Addendum; any Security Incident; and any actual or suspected use or disclosure of data in violation of applicable federal or state laws or regulations by Associate or its agents or subcontractors. Associate will take (i) prompt corrective action to cure any deficiencies and (ii) any action pertaining to such unauthorized uses or disclosures required by applicable federal and state laws and regulations.

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- g. **Breach Notification Process.** (i) Written Notice. Associate shall notify County by writing to the County's Privacy Officer within twenty-four (24) hours of its discovery of any suspected or actual breach of Protected Information as described by paragraph 2.f. above. Associate's written notification shall be securely transmitted to:

Contra Costa County Privacy Officer
 50 Douglas Drive, Suite 310-E
 Martinez, CA 94553
 Or Privacy.Officer@hds.cccounty.us

- (ii) Oral notice. In addition to the written notice required by 2.g.i., Associate shall notify County by calling the County's Privacy Officer within twenty-four (24) hours of its discovery of any suspected or actual breach of Protected Information as described by paragraph 2.f. above. Associate's oral notification shall be made by calling:

Contra Costa County Privacy Officer
 (925) 957-5430

If the notification is made after business hours, on a weekend or a holiday, Associate will call the 24-hour Privacy Hotline at 1-800-659-4611 to submit the report.

Written and oral notifications shall include, to the extent possible, the identification of each individual whose unsecured Protected Information has been, or is reasonably believed by the Associate to have been accessed, acquired, used, or disclosed, as well as any other information the County is required to include in notification to the individual, the media, the Secretary, and any other entity under the Breach Notification Rule and any other applicable state or federal laws, including, but not limited to, 45 C.F.R. Section 164.404 through 45 C.F.R. Section 164.408. Associate shall take (i) prompt corrective action to cure any such deficiencies; and (ii) any action pertaining to such unauthorized disclosure required by applicable federal and state laws and regulations.

- h. **Access to Protected Information.** Associate agrees to make Protected Information maintained by Associate or its agents or subcontractors in Designated Record Sets available to County for inspection and copying within five (5) days of a request by County to enable County to fulfill its obligations under state law and the Privacy Rule, including but not limited to, 45 C.F.R. Section 164.524. If Associate maintains Protected Information in electronic format, Associate shall provide such information in electronic format to enable County to fulfill its obligations under the HITECH Act and HIPAA regulations, including, but not limited to, 42 U.S.C. Section 17935(e) and 45 C.F.R. Section 164.524.
- i. **Amendment of Protected Health Information.** Within ten (10) days of receipt of a request by County for an amendment of Protected Information or a record about an individual contained in a Designated


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Record Set, Associate and its agents and subcontractors shall make such Protected Information available to County for amendment or other documentation and incorporate any such amendment to enable County to fulfill its obligations under the Privacy Rule including, but not limited to, 45 C.F.R. Section 164.526. If an individual requests an amendment of Protected Information directly from Associate, its agents or subcontractors, Associate must notify County within five (5) calendar days of the request. County, in its sole discretion, will determine whether to approve or deny a request for an amendment of Protected Information maintained by Associate, its agents or subcontractors.

- j. **Availability of Protected Information and Accounting of Disclosures.** Within ten (10) days of a request by County for an accounting of disclosures of Protected Information, Associate and its agents or subcontractors shall make available to County the information required to provide an accounting of disclosures to enable County to fulfill its obligations under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.528, and the HITECH Act, including, but not limited to, 42 U.S.C. Section 17935(c), as determined by County. As set forth in, and as limited by, 45 CFR Section 164.528, Associate need not provide an accounting to County of disclosures: (i) to carry out treatment, payment or health care operations, as set forth in 45 C.F.R. Section 164.506; (ii) to individuals of PHI about them as set forth in 45 CFR 164.502; (iii) incident to a use or disclosure otherwise permitted or required by this Subpart as provided in 45 C.F.R. 164.502; (iv) pursuant to an authorization as provided in 45 C.F.R. Section 164.508; (v) to persons involved in the individual's care or other notification purposes as set forth in 45 CFR Section 164.510; (vi) for national security or intelligence purposes as set forth in 45 C.F.R. Section 164.512(k)(2); (vii) to correctional institutions or law enforcement officials as set forth in 45 C.F.R. Section 164.512(k)(5); or (viii) as part of a limited data set in accordance with 45 C.F.R. 164.514(e). Associate agrees to implement a process that allows for an accounting to be collected and maintained by Associate and its agents or subcontractors for at least six (6) years prior to the request, but not before the compliance date of the Privacy Rule. However, accounting of disclosures from an Electronic Health Record for treatment, payment or health care operations purposes are required to be collected and maintained for only three (3) years prior to the request, and only to the extent that Associate maintains an electronic health record and is subject to this requirement. At a minimum, the accounting must include: (i) the date of disclosure; (ii) the name of the entity or person who received Protected Information and, if known, the address of the entity or person; (iii) a brief description of Protected Information disclosed; and (iv) a brief statement of the purpose of the disclosure that reasonably informs the individual of the basis for the disclosure, or, in lieu of such statement, a copy of the individual's authorization or a copy of the written request for disclosure pursuant to 45 C.F.R. Section 164.502 (a)(2)(ii) or 45 C.F.R. Section 164.512, if any. In the event that the request for an accounting is delivered directly to Associate or its agents or subcontractors, Associate shall forward the request, in writing, to County within five (5) days of receipt. Associate shall not prepare, deliver or otherwise respond to the request for accounting without prior County approval.



- k. **Governmental Access to Records.** Associate agrees to make its internal practices, books, and records relating to the use and disclosure of Protected Information available to County and to the Secretary for purposes of determining Associate's and County's compliance with HIPAA. Associate shall provide


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County a copy of any Protected Information and other documents and records that Associate provides to the Secretary concurrently with providing such Protected Information to the Secretary.

- l. **Minimum Necessary.** Associate and its agents and subcontractors will request, use, and disclose only the minimum amount of Protected Information necessary to accomplish the purpose of the request, use, or disclosure. Associate understands and agrees that the definition of “minimum necessary” is in flux and shall keep itself informed of guidance issued by the Secretary with respect to what constitutes “minimum necessary.”
- m. **Data Ownership.** Associate acknowledges that Associate has no ownership rights with respect to the Protected Information.
- n. **Retention of Protected Information.** Except as provided in Section 3.c. of this Addendum, Associate and its subcontractors and agents must retain all Protected Information throughout the term of the Agreement and must continue to maintain the information required by Section 2.h. of this Addendum for a period of six (6) years after termination or expiration of the Agreement. However, accounting of disclosures from an Electronic Health Record for treatment, payment or health care operations purposes are required to be collected and maintained for three (3) years prior to the request, and only to the extent that Associate maintains an electronic health record and is subject to this requirement.
- o. **Associate’s Insurance.** In addition to any other insurance requirements specified in the Agreement, Associate will, at its sole cost and expense, insure its activities in connection with this Addendum. Associate will obtain, keep in force and maintain insurance or equivalent program(s) of self-insurance with appropriate limits, as determined by County, that will cover losses that may arise from any breach of this Addendum, violation of HIPAA, the HITECH Act, HIPAA regulations or applicable California law. It is expressly understood and agreed that the insurance required herein does not in any way limit the liability of Associate with respect to its activities in connection with this Addendum.
- p. **Breach Pattern or Practice by Associate’s Agents or Subcontractors.** Pursuant to 42 U.S.C. Section 17934(b) and 45 C.F.R. Section 164.504(e) (1) (ii), if the Associate knows of a pattern of activity or practice of an agent or subcontractor that constitutes a material breach or violation of the agent or subcontractor’s obligations under the Agreement or Addendum, the Associate must take reasonable steps to cure the breach or end the violation. Associate shall meet with its agent or subcontractor to discuss and attempt to resolve the matter. Such meeting will be considered one of the reasonable steps to cure the breach or end the violation. If the steps taken are unsuccessful, the Associate must terminate its Agreement with the agent or subcontractor, if feasible. Associate shall provide written notice to County of any pattern of activity or practice of Associate’s agents or subcontractors that Associate believes constitutes a material breach or violation of the agent or subcontractor’s obligations under the Agreement or Addendum within five (5) days of discovery.
- q. **Audits, Inspections and Enforcement.** At any time during the term of the Agreement, with or without notice, County and its authorized agents or contractors may inspect Associate’s facilities, systems, books, records, agreements and written policies and procedures as may be necessary to determine the extent to which Associate’s security safeguards comply with HIPAA, the HITECH Act, HIPAA


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regulations, and this Addendum. The fact that County has the right to conduct such inspection, that County conducts an inspection or fails to inspect, does not relieve Associate of its responsibility to comply with this Addendum. County's failure to detect, or County's detection but failure to notify Associate of, or to require Associate to remediate unsatisfactory practices, does not constitute acceptance of such practice or a waiver of County's rights under the Agreement or Addendum. Associate shall notify County within five (5) days of discovery that it is, or that any of its agents or subcontractors are, the subject of a non-County audit, compliance review or complaint investigation regarding HIPAA or other health privacy-related matter.

3. Termination.

- a. **Material Breach.** A breach by Associate of any material provision of this Addendum, as determined by County, shall constitute a material breach of the Agreement and will be grounds for immediate termination of the Agreement pursuant to the Agreement's General Conditions, paragraph 5 (b), Failure to Perform.
- b. **Reasonable Steps to Cure Breach.** Notwithstanding County's right to terminate the Agreement immediately, if County knows of an activity or practice of Associate that constitutes a material breach or violation of Associate's obligations under the provisions of this Addendum, County may elect to provide Associate an opportunity to cure such breach or end such violation. If Associate's efforts to cure such breach or end such violation are unsuccessful, County will either (i) terminate the Agreement, if feasible or (ii) if termination of the Agreement is not feasible, County will report Associate's breach or violation to the Secretary.
- c. **Effect of Termination.** If the Agreement is terminated for any reason, Associate must, at the exclusive option of County, return or destroy all Protected Information that Associate, its agents and subcontractors, still maintain in any form. Associate may not retain any copies of such Protected Information. If County determines that return or destruction is not feasible, Associate may retain the Protected Information but must continue to extend the protections and satisfy its obligations under this Addendum. With regard to the retained Protected Information, Associate will limit further use of such Protected Information to those purposes that make the return or destruction of such Protected Information infeasible. If County directs Associate to destroy the Protected Information, Associate must act in accordance with the Secretary's guidance regarding the proper destruction of PHI and provide the County with written certification that the Protected Information has been destroyed. The obligations of Associate under this paragraph shall survive the Agreement.
- d. **Indemnification.** In addition to any indemnification requirements of the Agreement, Associate agrees to save, hold harmless and indemnify County for the costs of any mitigation undertaken by Associate. Associate agrees to assume responsibility for any and all costs associated with the County's notification of individuals affected by a breach or unauthorized access, use or disclosure by Associate or its



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employees, officers, subcontractors, agents or other representatives when such notification is required by any state or federal law or regulation, or under any applicable contract to which County is a party. Associate agrees to save, hold harmless, defend at its own expense if County so requests, and indemnify County, including County's employees, directors, officers, subcontractors, agents or other members of its workforce (each of the foregoing hereinafter referred to as "Indemnified Party"), against all actual and direct losses suffered by the Indemnified Party and against all liability to third parties arising from or in connection with any breach of this Agreement or from any acts or omissions related to this Agreement by Associate or its employees, directors, officers, subcontractors, agents or other members of its workforce. Accordingly, on demand, Associate shall reimburse any Indemnified Party for any and all actual and direct losses, liabilities, lost profits, fines, penalties, costs or expenses (including reasonable attorneys' fees) which may for any reason be imposed upon any Indemnified Party by reason of any suit, claim, action, proceeding or demand by any third party which results from the Associate's acts or omissions hereunder. The obligations of Associate under this provision shall survive the Agreement.

4. **Penalties/Fines.** Associate shall pay any penalty or fine assessed against County arising from Associate's failure to comply with the obligations imposed by the Addendum, HIPAA, the HITECH Act, the HIPAA regulations and other state and federal laws related to security and privacy. Associate shall pay any penalty or fine assessed against County arising from Associate's failure to comply with all applicable Federal or State Health Care Program Requirements, including, but not limited to any penalties or fines, which may be assessed under a Federal or State False Claims Act provision.
5. **Disclaimer.** County makes no warranty or representation that compliance by Associate with this Addendum, HIPAA, the HITECH Act, or the HIPAA regulations, will be adequate or satisfactory for Associate's own purposes. Associate is solely responsible for all decisions made by Associate regarding the safeguarding of PHI.
6. **Changes to Privacy Laws.**
 - a. **Compliance with Law.** County and Associate acknowledge that state and federal laws relating to electronic data security and privacy are evolving and that this Addendum may require amendment to ensure compliance with such developments. County and Associate agree to take such action(s) as may be necessary to implement the standards and requirements of HIPAA, the HITECH Act, the HIPAA regulations, and other applicable state and federal laws relating to the security and confidentiality of PHI.
 - b. **Amendment to Addendum.** In the event that a change to state or federal law, statute, or regulation materially affects the terms and conditions of this Addendum, the parties agree that County may


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unilaterally amend the Addendum, if an amendment is required to remain in compliance with state or federal law or regulation.



- c. **Cybersecurity Risk.** In addition to the obligations Associate has in the Agreement and this Addendum, Associate will manage cybersecurity risk by staying current with, and integrating into its security program where appropriate, available federal and state agency guidance regarding cybersecurity of PHI. This includes, but is not limited to, the National Institute of Standards and Technology Cybersecurity Framework, the Cybersecurity Awareness Initiative of the Office for Civil Rights and the Office of the National Coordinator for Health Information Technology.

7. **Miscellaneous Provisions.**

- a. **Assistance in Litigation or Administrative Proceedings.** Associate will make itself, and any subcontractors, employees or agent assisting Associate in the performance of its obligations under the Agreement, available to County, at no cost to County, to testify as witnesses or otherwise, in the event of litigation or administrative proceedings against County, its officers or employees, based upon a claimed violation of HIPAA, the HITECH Act, the HIPAA regulations, or any other laws relating to security and privacy and arising out of the Agreement or this Addendum.
- b. **No Third Party Beneficiaries.** Nothing express or implied in this Addendum is intended to confer, nor shall anything herein confer, upon any person other than County, Associate, and their respective successors or assigns, any rights, remedies, obligations, or liabilities whatsoever.
- c. **Interpretation.** The provisions of this Addendum prevail over any provisions in the Agreement that may conflict, or appear to be inconsistent with, any provision of this Addendum. This Addendum and the Agreement will be interpreted as broadly as necessary to implement and comply with HIPAA, the HITECH Act, the HIPAA regulations and other state and federal laws related to security and privacy. The parties agree that any ambiguity in this Addendum will be resolved in favor of a meaning that complies, and is consistent, with HIPAA, the HITECH Act, the HIPAA regulations and other state and federal laws related to security and privacy.
- d. **Survival.** The obligations of Associate pursuant to Sections 2.j. and 3.c. of this Addendum survive the termination or expiration of the Agreement.

Form approved by County Counsel [11/8/2017]

document1

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11 Cal. Code Reg. Section 999.5(d)(5)(J)

Description of how each health facility will comply with the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983 (H&S Section 129675-130070), including the certified Structural Performance Category of every building affected by the transaction and a copy of every final determination letter received from the Office of Statewide Health Planning and Development (now referred to as the Department of Health Care Access and Information) for every building affected by the transaction or agreement

N/A

11 Cal. Code Reg. Section 999.5(d)(5)(K)

Description of the measure proposed by the applicant to mitigate or eliminate any potential adverse effect on availability or accessibility of health care services to the affected community that may result from the agreement or transaction

Hospice East Bay and Chapters do not anticipate that the Transaction will result in any adverse effect on the availability or accessibility of health care services in Hospice East Bay's service area. Rather, as referenced in the responses to (d)(4)(B) and (d)(5)(H), once the Transaction has been completed Hospice East Bay and Chapters will evaluate opportunities to increase the health care services offered in Hospice East Bay's service area.

Hospice East Bay and Chapters have agreed in Section 7.3 of the Affiliation Agreement that after the Closing all assets of Hospice East Bay will continue to be used for qualifying healthcare and charitable purposes. All assets on Hospice East Bay's balance sheet as of the Closing and any proceeds from the sale of any real property or health facility owned by Hospice East Bay as of the Closing net of any gains or losses on invested assets, including, without limitation (i) that certain real property located at 3470 Buskirk Avenue, Pleasant Hill, California 94523 and (ii) the Bruns House inpatient hospice facility located at 2849 Miranda Avenue, Alamo, California 94507, will, unless otherwise decided by vote of the Hospice East Bay board (excluding board members who are also Chapters officers or employees), be irrevocably dedicated to use in Hospice East Bay's service area.

Hospice East Bay and Chapters have also agreed that for at least five (5) years after the Closing, Chapters shall not take any action to restrict, prohibit or limit Hospice East Bay's ability to maintain existing "specialty" programs that include the Bruns House, Veterans Program, Bridge Program (grief services for children and teens) and Music Therapy as long as any operating losses from those programs can be funded through a combination of Hospice East Bay's fundraising efforts and non-reserved investments.

11 Cal. Code Reg. Section 999.5(d)(5)(L)

A list of the primary languages spoken at the health facility or facility that provides similar health care and the threshold languages for Medi-Cal beneficiaries, as determined by the State Department of Health Care Services for the county where the health facility is located

The threshold languages for Contra Costa County are: English, Chinese and Spanish. English is the primary language spoken at the facility, with Language Line Solutions (formerly AT&T Language Line) available for audio or video interpretation for over 290 languages.

Title 11, California Code of Regulations, § 999.5(d)(6)

POSSIBLE EFFECT ON COMPETITION

11 Cal. Code Reg. Section 999.5(d)(6)(A)

For any agreement or transaction for which a Premerger Notification and Report Form is required to be submitted to the Federal Trade Commission under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, a brief analysis of the possible effect of any proposed merger or acquisition of each health care facility or facility that provides similar health care that is the subject of the agreement or transaction on competition and market share in any relevant product or geographic market.

N/A

11 Cal. Code Reg. Section 999.5(d)(6)(B)

The applicant shall provide the Premerger Notification and Report Form and any attachments thereto as filed with the Federal Trade Commission pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and 16 C.F.R. Parts 801-803. The procedure for designating information as confidential set forth in section 999.5(c)(3) of these regulations shall apply to any information submitted under this subsection.

N/A

Title 11, California Code of Regulations, § 999.5(d)(7)

OTHER PUBLIC INTEREST FACTORS

11 Cal. Code Reg. Section 999.5(d)(7)

The written notice of any proposed agreement or transaction set forth in section 999.5(a)(1) of these regulations shall include a section entitled "Other Public Interest Factors" that contains any other information the applicant believes the Attorney General should consider in deciding whether the proposed agreement or transaction is in the public interest

None beyond the information that is already contained in this notice

11 Cal. Code Reg. Section 999.5(d)(8)

The written notice of any proposed agreement or transaction set forth in section 999.5(a)(1) shall include a resolution of the board of directors of the applicant authorizing the filing of the written notice and a statement by the chair of the board that the contents of the written notice are true, accurate and complete.

Attached to this Section are the following:

- A copy of the Board Chair Attestation by Hospice East Bay
- A copy of the Board Resolution

ATTESTATION

November 13, 2024

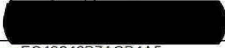
This attestation (this “**Attestation**”) is made consistent with California Code of Regulations tit. 11 § 999.5(d)(8) and relates to the proposed affiliation between Chapters Health System, Inc., a Florida not for profit corporation (“**Chapters**”) and East Bay Integrated Care, Inc. d/b/a Hospice East Bay, a California nonprofit public benefit corporation (“**Hospice East Bay**”). As required under California Corporations Code § 5914, Hospice East Bay is providing written notice to the California Attorney General regarding the proposed affiliation with Chapters (the “**Written Notice**”).

The undersigned, being the Chair of the Board of Directors of Hospice East Bay, hereby attests that the contents of the Written Notice are true, accurate and complete.

**

IN WITNESS WHEREOF, the undersigned has executed this Attestation on the date first written above.

**EAST BAY INTEGRATED CARE, INC. D/B/A
HOSPICE EAST BAY**

Signed by:
By: 
Name: Michelle Lopes
Its: Chair of the Board of Directors

RESOLUTION NO. 2024-8-26

**RESOLUTIONS OF THE BOARD OF DIRECTORS OF
EAST BAY INTEGRATED CARE, INC. D/B/A HOSPICE EAST BAY
REGARDING THE AFFILIATION WITH CHAPTERS HEALTH SYSTEM, INC.**

WHEREAS, it is proposed that East Bay Integrated Care, Inc. d/b/a Hospice East Bay, a California nonprofit public benefit corporation (the “**Corporation**”) affiliate with Chapters Health System, Inc., a Florida not for profit corporation (“**Chapters**”), pursuant to the terms of an Affiliation Agreement (the “**Affiliation Agreement**”) that is summarized in **Exhibit A** and that is in substantially the form presented to the Board and attached to these Resolutions as **Exhibit B**;

WHEREAS, in order to effect the transactions contemplated by the Affiliation Agreement (collectively, the “**Affiliation**”), it is proposed that the Corporation should adopt the Amended and Restated Bylaws in substantially the form presented to the Board and attached to these Resolutions as **Exhibit C** (the “**Amended and Restated Bylaws**”), which would become effective only if the Affiliation is successfully completed and the closing conditions contained in the Affiliation Agreement are all satisfied or waived in accordance with the Affiliation Agreement’s terms;

WHEREAS, as a result of the Affiliation Chapters will become the sole member of the Corporation and the Corporation will become a subsidiary of Chapters;

WHEREAS, the Corporation and Chapters desire to enter into the Affiliation Agreement and consummate the Affiliation to accomplish a number of mutual goals, including the preservation of the Corporation’s legacy and the perpetuation of the nonprofit hospice model of comprehensive, community-based hospice care;

WHEREAS, the Board recognizes that the consummation of the Affiliation will require notice to, or the consent or approval of, various government agencies and private parties, including without limitation the Attorney General of the State of California (with respect to the change of control of the Corporation’s inpatient hospice facility as contemplated by the Affiliation) and the California Department of Public Health (with respect to the licensing of the Corporation’s facilities and operations) (collectively, the “**Required Consents**”);

WHEREAS, the Board has had an opportunity to review the Affiliation Agreement and the Amended and Restated Bylaws; and

WHEREAS, the Board believes the Affiliation is in the best interest of the Corporation, in furtherance of its nonprofit and charitable purposes and for the benefit of the communities served by the Corporation, and desires to approve the Affiliation, the Affiliation Agreement, the Amended and Restated Bylaws, and the documents and transactions they contemplate.

**NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE CORPORATION
RESOLVES AS FOLLOWS:**

1. It is in the best interest of the Corporation, in furtherance of its nonprofit corporate and charitable purposes and for the benefit of the communities served by the Corporation, to enter into the Affiliation Agreement with Chapters, upon the material terms and conditions set forth in the Affiliation Agreement in substantially the form presented to this Board;
2. The Affiliation and the form, material terms, and provisions of the Affiliation Agreement in substantially the form presented to this Board are hereby adopted, approved and ratified in all respects;
3. The Amended and Restated Bylaws in substantially the form presented to this Board are hereby adopted, approved and ratified in all respects, to go into effect only upon the successful completion of the Affiliation and the satisfaction or waiver (in accordance with the Affiliation Agreement's terms) of all required closing conditions contained in the Affiliation Agreement;
4. The Corporation's officers are authorized and directed to negotiate, finalize, execute and deliver the Affiliation Agreement and the Amended and Restated Bylaws in substantially the form presented to this Board, and to approve on behalf of the Corporation any modifications or amendments to the form of the Affiliation Agreement or the Amended and Restated Bylaws presented to this Board that do not alter the material terms of the Affiliation Agreement or the Amended and Restated Bylaws; and
5. The Corporation's officers are authorized and directed to seek all Required Consents, and to provide all necessary notices and make all necessary applications in connection with the Affiliation.

OMNIBUS RESOLUTIONS

1. All officers, agents, attorneys and employees of the Corporation are authorized and directed to do and perform, or cause to be done and performed, all such acts, deeds, and things, and to make, execute, and deliver, or cause to be made, executed, and delivered, all such agreements, undertakings, documents, instruments, or certificates in the name of the Corporation and to retain such counsel, agents, and advisors and to incur and pay such expenses, fees, and taxes as shall, in the opinion of the Corporation's Interim President & CEO, be deemed necessary or advisable (such necessity or advisability to be conclusively evidenced by the execution of such actions) to effectuate or carry out fully the purpose and interest of all of the foregoing resolutions, including without limitation the Affiliation Agreement, the Amended and Restated Bylaws, the Affiliation and all of the actions contemplated thereby, which at or after the closing of the Affiliation Agreement may include the filing of an Amendment to the Articles of Incorporation of the Corporation reflecting that Chapters is the sole member of the Corporation; and
2. All actions taken prior to these Resolutions by the directors, officers, agents, attorneys and employees of the Corporation in connection with the Affiliation Agreement, the Amended

and Restated Bylaws, or the Affiliation are hereby adopted, affirmed, approved, and ratified in all respects as the acts and deeds of the Corporation.

[End of Text; Certificate of the Secretary Follows.]

Certificate of the Secretary

The undersigned, Susan Burroughs, Secretary of the Board of Directors of East Bay Integrated Care, Inc. d/b/a Hospice East Bay does hereby certify that the foregoing Resolution No. 2024-8-26 was passed, approved, and adopted by the Board of Directors of East Bay Integrated Care, Inc. d/b/a Hospice East Bay at a duly called and noticed meeting held on August 26, 2024, at which a quorum was present and voting.

Date: 9/16/2024

By


Susan Burroughs, Secretary

Exhibit A
Summary of Affiliation Agreement and Amended & Restated Bylaws

See attached.

Exhibit B
Form of Affiliation Agreement

See attached.

Exhibit C
Form of Amended and Restated Bylaws

See attached.

Title 11, California Code of Regulations, § 999.5(d)(9)

TRANSFeree INFORMATION

11 Cal. Code Reg. Section 999.5(d)(9)

The written notice of any proposed agreement or transaction set forth in section 999.5(a)(1) shall include a list of the officers and directors of the transferee, the most recent audited financial statements for the transferee, the transferee's governance documents, such as the articles of incorporation and bylaws, and a description of the transferee's policies, procedures, and eligibility requirements for the provision of charity care

Attached to this Section are the following:

- A copy of the Chapters Health System, Inc. Policy and Procedure Manual for Financial Assistance (Charity Care, Expanded Charity Care, & Uninsured Discount) dated August 27, 2024
- A copy of the list of Directors and Officers of Chapters
- A copy of the Chapters Health System, Inc. Consolidated Financial Statements for December 31, 2023 and 2022
- A copy of the Chapters Health System, Inc. Second Articles of Amendment to Third Restated Articles of Incorporation
- A copy of the Chapters Health System, Inc. Third Restated Articles of Incorporation
- A copy of the Chapters Health System, Inc. Twelfth Amended Bylaws

Chapters Health System, Inc POLICY AND PROCEDURE MANUAL		Page 1 of 5
Policy: Financial Assistance (Charity Care, Expanded Charity Care, & Uninsured Discount)	Approved By: Chief Compliance Officer, Chief Financial Officer	Effective Date: 08/27/2024

This Policy applies to all Chapters Health System affiliates, associates, business lines, and subsidiaries.

PURPOSE

Chapters Health System is a nonprofit and consistent with the organization's mission. Chapters offers Charity Care to qualifying indigent patients with an inability to pay for hospice and other rendered services. To define eligibility, application, and approval processes for Financial Assistance (Charity Care, Expanded Charity Care, & Uninsured Discount) offered to underinsured, uninsured, and medically indigent patients who indicate an inability to pay for services rendered by Chapters Health System & Chapters Health System Affiliates.

DEFINITION(S)

Charity Care:

Medical treatment provided to patients who are uninsured or underinsured and who cannot afford to pay for the care according to guidelines of this policy. Charity Care does not include bad debt or contractual allowances from government programs and insurance or uninsured patient discounts, but may include insurance co-payments or deductibles, or both. The patient will have no obligation, or a discounted obligation, to pay for any services received which are deemed to be community care in accordance with this guideline.

Charity Care represents medical services provided to a person for which the Organization has no expectation of receiving full payment. Charity Care may include all or a portion of the patient's balance.

The Organization will establish and consistently apply objective criteria to identify a medically indigent patient and establish the amount of charity care discounts in the manner most responsible to the needs of the community and the organization's long-term ability to fulfill its mission, as well as in compliance with IRS and other applicable rules and guidelines. Charity Care will be recognized separately from bad debt. A person who does not have the means to meet his/her financial obligation associated with his/her medical expenses is generally deemed to be medically indigent. The term medically indigent includes persons whose income is sufficient to pay for basic living expenses but who does not have adequate funds to pay for unexpected and/or large medical bills. Charity Care will be determined based upon family size and household income in accordance with the current years published "Federal Poverty Guidelines" located at on the Health and Human Services website (see reference section below for link to website).

Charity Care:

A patient is eligible for Charity Care if the patient is between 0 – 200% of the Federal Poverty Guidelines.

Expanded Charity Care (ECC):

A patient is eligible for Expanded Charity Care if the patient is within the Federal Poverty Guidelines of 201 – 300%.

Uninsured Discount:

An Uninsured Discount is limited to patients who have no third party (insurance coverage) source of payment or do not qualify for Charity Care, Expanded Charity Care, or Medicaid. A patient is eligible if they within the Federal Poverty Guidelines of 301 – 350%.

Federal Poverty Guidelines (FPG):



2024 Chapters Health System Board Member Roster

Randy Woodruff, Chair (CPA)

Andrew K. Molosky, Vice Chair President/CEO Chapters Health System, Inc.	Gene Fogarty, Secretary (Retired)
Wendy Y. Terry, Treasurer, Partner, CPA	Mary Beth Reardon, RN (Retired)
William F. Becker, Jr., Immediate Past Chair, CPA	Phil Wegman, P.A.
Tige Buchanan, D.C., P.A.	Jamie Novell, Chief Executive – Medical Practice
Rob Adrid, Executive Vice President - Banking	Tom Koutsoumpas, Founder & President – Consulting Firm
Peggy Rodebush, RN (Retired)	James T. Joiner, P.A.
Phillip Walker, Lakeland City Commissioner	William E. Haley, PhD
Clifford R. Rhoades, P.A.	Valerie Goddard, President – Consulting Firm
Scott Gerken, P. A.	Heath Nailos, P. A.
Dr. Michael Howell, MD, MBA, FACP	Dr. Stephen Autry, MD, MBA
Sandy Stilwell, CEO/Owner Enterprise/Restaurant Group	Charles Idelson, Executive Vice President/Regional President – Wealth Management
Bill Novelli, University Professor	

Chapters Health System Board of Directors
2024 Staff

Dr. Tara Friedman Chief Medical Officer - CHS	Todd Webb Chief Financial Officer – CHS
Rhonda White President - Hospice & PACE - CHS	Sheri Strobel Chief Information Officer - CHS
Nikki Romence Chief People Officer – CHS	Valerie Zolman Chief Compliance Officer - CHS
Joe Murray Chief Financial Officer – Capital Caring	
Gayle E. Eaton Assistant Secretary to Committee - CHS	

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
Temple Terrace, Florida

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES

Temple Terrace, Florida

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Chapters Health System, Inc. and Affiliates
Temple Terrace, Florida

Opinion

We have audited the consolidated financial statements of Chapters Health System, Inc. and Affiliates, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Chapters Health System, Inc. and Affiliates as of December 31, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chapters Health System, Inc. and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Chapters Health System, Inc. and Affiliates' ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chapters Health System, Inc. and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chapters Health System, Inc. and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the 2023 consolidated financial statements as a whole. The 2023 obligated group and consolidating balance sheets, obligated group and consolidating statements of operations, and obligated group and consolidating statements of changes in net assets are presented for purposes of additional analysis of the 2023 consolidated financial statements rather than to present the financial position and operations and changes in net assets of the individual affiliates and are not a required part of the 2023 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2023 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2023 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2023 consolidated financial statements or to the 2023 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2023 consolidated financial statements as a whole.

Crowe LLP
Crowe LLP

Tampa, Florida
April 26, 2024

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATED BALANCE SHEETS
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 33,818,101	\$ 13,957,074
Short-term investments	11,572,539	9,291,149
Assets limited as to use, current portion	4,839,261	3,452,644
Patient accounts receivable, net	43,623,346	19,119,599
Capitated accounts receivable	6,516,439	7,099,173
Due from related party	675,980	5,729,953
Note receivable	-	5,000,000
Pledges receivable, current portion	423,454	480,305
Interest rate swap agreements	282,822	678,387
Other current assets	19,547,437	10,073,620
Total current assets	<u>121,299,379</u>	<u>74,881,904</u>
Assets limited as to use, net	5,608,228	1,788,383
Pledges receivable, net	3,667,088	1,116,880
Long-term investments	97,711,164	92,165,502
Property and equipment, net	164,962,290	93,968,878
Right-of-use assets	50,622,821	28,233,549
Beneficial interest in net assets of Comerstone Foundation	7,925,900	6,993,965
Goodwill and intangible assets, net	30,640,428	19,828,480
Other assets	<u>2,359,863</u>	<u>2,133,276</u>
Total assets	<u>\$ 484,797,161</u>	<u>\$ 321,110,817</u>

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATED BALANCE SHEETS
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 21,639,476	\$ 7,358,511
Accrued employee compensation and related benefits	25,132,183	12,425,829
Estimated patient care expenses payable	12,654,636	6,093,588
Third-party medical claims	2,462,980	1,612,982
Lease liabilities, current	7,548,904	4,149,085
Current portion of long-term debt	2,200,646	1,552,300
Annuity obligations, current portion	109,455	159,457
Third-party settlements	1,527,940	1,814,804
Deferred revenue	-	29,807
Total current liabilities	<u>73,276,220</u>	<u>35,196,363</u>
Long-term debt, net of current portion	27,372,177	22,542,808
Lease liabilities, net	44,708,347	25,624,707
Annuity obligations, net	367,552	258,825
Other long-term liabilities	3,011,719	2,765,560
Total liabilities	<u>148,736,015</u>	<u>86,388,263</u>
Net assets		
Without donor restrictions	316,096,599	221,336,505
Noncontrolling interest in subsidiaries	(3,352,699)	(1,042,752)
Total net assets without donor restrictions	312,743,900	220,293,753
With donor restrictions	23,317,246	14,428,801
Total net assets	<u>336,061,146</u>	<u>234,722,554</u>
	<u>\$ 484,797,161</u>	<u>\$ 321,110,817</u>

See accompanying notes to consolidated financial statements

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Net assets without donor restrictions		
Revenues and other support		
Net patient service revenue	\$ 423,243,012	\$ 215,191,792
Capitated non-risk revenue	38,982,807	31,212,715
Contributions	6,018,503	4,153,614
Net assets released from restrictions used for operations	9,642,515	5,490,085
Other operating revenue	9,640,256	6,317,296
Total revenue, gains and support	487,527,093	262,365,502
Expenses		
Salaries and benefits	311,988,176	164,746,108
Purchased services	46,859,869	22,342,452
Insurance and other	60,212,040	40,908,730
Durable medical equipment, medical supplies, and drugs	37,107,842	15,885,746
Medical claims expense	33,852,997	24,912,802
Depreciation and amortization	11,551,948	9,183,759
Interest	2,289,158	1,063,889
Affiliation expenses	1,188,528	375,000
Total expenses	505,030,558	279,418,486
Loss from operations	(17,503,465)	(17,052,984)
Nonoperating revenues and expenses		
Excess of fair value of assets acquired over liabilities assumed in acquisition of Hope Hospice and Community Services, Inc. (Hope) and Capital Caring Health and its affiliates (Capital) (See Note 2)	98,229,329	-
Excess of fair value of assets acquired over liabilities assumed in acquisition of Cornerstone Hospice and Palliative Care, Inc (Cornerstone) (See Note 2)	-	63,662,588
(Loss) gain on sale of property and equipment	(1,623,578)	112,817
Loss on disposal of license	(1,510,134)	-
Loss on sale of a business	-	(344,993)
Investment income (loss)	17,563,507	(18,009,439)
Change in fair value of interest rate swap agreements	(395,565)	1,316,804
Total nonoperating (loss) income	112,263,559	46,737,577
Change in net assets without donor restrictions before other changes	\$ 94,760,094	\$ 29,684,593
Change in net assets with donor restrictions before other changes		
Excess of fair value of assets acquired over liabilities assumed in acquisition of Hope Hospice and Community Services, Inc. (Hope) and Capital Caring Health and its affiliates (Capital) (See Note 2)	7,163,521	-
Excess of fair value of assets acquired over liabilities assumed in acquisition of Cornerstone Hospice and Palliative Care, Inc (Cornerstone) (See Note 2)	-	12,119,093
Contributions	10,153,137	4,789,698
Investment income (loss)	282,367	(308,609)
Change in beneficial interest in net assets of Cornerstone Foundation	931,935	(5,125,128)
Net assets released from restrictions	(9,642,515)	(5,490,085)
Change in net assets with donor restrictions before other changes	\$ 8,888,445	\$ 5,984,969

See accompanying notes to consolidated financial statements

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Net assets without donor restrictions - January 1	\$ 220,293,753	189,613,422
Change in net assets without donor restrictions before other changes	94,760,094	29,684,593
Member distributions	(3,079,562)	(1,571,622)
Change in non-controlling interest	769,615	2,567,360
	<u>(2,309,947)</u>	<u>995,738</u>
Change in net assets without donor restrictions	<u>92,450,147</u>	<u>30,680,331</u>
Net assets without donor restrictions - December 31	<u>\$ 312,743,900</u>	<u>220,293,753</u>
 Net assets with donor restrictions - January 1	 \$ 14,428,801	 8,443,832
Change in net assets with donor restrictions before other changes	<u>6,888,445</u>	<u>5,984,969</u>
Net assets without donor restrictions - December 31	<u>\$ 23,317,248</u>	<u>14,428,801</u>

See accompanying notes to consolidated financial statements

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flow from operating activities		
Change in net assets before other changes	\$ 103,648,539	\$ 35,889,562
Adjustments to reconcile change in net assets to net cash from operating activities		
Excess of fair value of assets over liabilities assumed acquired less cash acquired	(92,955,216)	(49,951,291)
Depreciation and amortization	11,551,948	9,183,759
Change in beneficial interest in net assets of Cornerstone Foundation	(931,935)	5,125,128
Net realized and unrealized (gains) losses on investments	(13,883,811)	21,541,502
Change in fair value of interest rate swap agreements	395,565	(1,316,804)
Loss on sale of a business	-	344,993
Change in non controlling interest	789,815	2,587,360
Loss (gain) on sale/disposal of assets	3,133,712	(112,817)
Change in assets and liabilities		
Patient accounts receivable	(7,848,339)	2,798,137
Capitation receivable	3,809,418	(4,395,437)
Due from related party	5,053,973	(4,237,650)
Hedges receivable	(101,357)	(129,808)
Other current assets	(9,473,817)	1,961,584
Other assets	3,966,355	349,174
Reduction in carrying amount of right-of-use assets	6,144,674	4,560,494
Change in operating lease liabilities	(6,080,760)	(3,825,208)
Accounts payable and accrued expenses	(1,922,235)	(1,337,900)
Estimated patient care expenses payable	6,561,048	1,704,964
Third party medical claims	849,998	(828,522)
Accrued employee compensation and related benefits	(1,296,213)	(2,841,081)
Third-party settlements	(502,508)	(472,282)
Deferred revenue	(29,807)	(7,943)
Other liabilities	(16,585)	(126,402)
Net cash from operating activities	10,642,253	16,223,712
Cash flow from investing activities		
Proceeds from sale of property and equipment	996,201	710,388
Purchase of property and equipment	(3,257,802)	(9,399,671)
Proceeds from sales of investments	49,769,555	41,471,483
Purchases of investments	(19,627,732)	(45,824,545)
Proceeds from sale of a business	-	1,000,000
Note receivable advances converted to consideration (see Notes 2 and 7)	(2,000,000)	(5,000,000)
Net cash from investing activities	25,880,222	(16,442,345)
Cash flow from financing activities		
Payment of member distributions	(3,079,562)	(1,571,622)
Proceeds from long-term debt	9,000,000	-
Repayment of long-term debt	(22,396,862)	(5,318,075)
Payment of deferred financing fees	(185,024)	-
Net cash from financing activities	(16,661,448)	(8,889,697)
Net change in cash and cash equivalents	19,861,027	(7,108,330)
Cash and cash equivalents at beginning of year	13,957,074	21,065,404
Cash and cash equivalents at end of year	\$ 33,818,101	\$ 13,957,074
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 2,269,158	\$ 1,063,889
Leased assets obtained in exchange for new operating lease liabilities	\$ 310,790	\$ 27,135,558
Leased assets obtained during business affiliation	\$ 27,533,946	\$ 6,464,209

See accompanying notes to consolidated financial statements

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Mission: Chapters Health System, Inc. and Affiliates (collectively CHS), is a Florida nonprofit corporation that provides support and care for people in our community with or affected by advanced illnesses by offering a wide variety of compassionate healthcare choices. CHS's service areas include Florida, Georgia, Virginia, Maryland, and Washington DC.

CHS is the sole member of each of the following entities:

LifePath Hospice, Inc. (LPH): LPH is a Florida nonprofit corporation whose mission is to provide hospice and other end of life services for residents living in Hillsborough County, Florida.

Good Shepherd Hospice, Inc. (GSH): GSH is a Florida nonprofit corporation whose mission is to provide hospice and other end of life services for residents living in Polk, Highlands, Hardee, and Monroe counties, Florida.

Chapters Health Pharmacy, LLC (PHA): Pharmacy is a Florida single member limited liability company that provides pharmacy services to the Affiliates.

Chapters Health Palliative Care, LLC (PAL): Palliative Care is a Florida single member limited liability company that provides palliative care services in the counties served by the Affiliates.

Chapters Health Staffing, LLC (HSS): Staffing is a Florida single member limited liability company that primarily provides physician, nursing, and therapy services to the Affiliates.

Hernando-Pasco Hospice, Inc. (HPH): HPH is a Florida nonprofit corporation whose mission is to provide hospice and other end-of-life services for residents living in Hernando, Pasco, Citrus, and Alachua counties. HPH also provided home health services in Pasco, Pinellas, Hardee, Highlands, Hillsborough, and Polk counties until March 2023 at which time those services were discontinued and the Medicare enrollment was voluntarily terminated.

Cornerstone Hospice & Palliative Care, Inc. (COR) is a Florida nonprofit corporation whose mission is to provide hospice and other end of life services for residents living in Marion, Sumter, Lake, Orange, Polk Osceola, Hardee and Highlands counties in Central Florida and Cherokee, Cobb, Gwinnett, and Fulton counties in Northwestern Georgia.

Cornerstone Health Services, LLC (SVC): SVC is a Florida single member limited liability company that provides palliative care services in the counties served by the Affiliates.

Care Partners, LLC (CPL): CPL is a company registered in Delaware whose purpose is to develop and provide consolidated financial and purchasing services to the venture partners as well as other not-for-profit hospice companies. Services may include general financial consulting, specialized financial consulting, IT consulting, operations consulting, bookkeeping, analytics for management, and discounted group purchasing opportunities for clients.

Chapters Health Foundation (Foundation): Foundation is a nonprofit organization that is an affiliate of CHS (as sole member of the Foundation) and will support all current and future CHS affiliates.

Hospice of Okeechobee, Inc. (HOK): HOK is a Florida nonprofit corporation whose mission is to provide hospice and other end-of-life services for residents living in Okeechobee, Martin, and St. Lucie counties.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Hope Hospice and Community Services, Inc. (HOP): HOP is a Florida nonprofit corporation whose mission is to provide hospice and other end-of-life services for residents living in Charlotte, Collier, Glades, Hendry, and Lee counties.

Visiting Nurses Association of Southwest Florida, Inc. (VNA): VNA is a nonprofit corporation that provides home and community based health care services to all people in Charlotte, Collier, Glades, Hendry, and Lee counties. In March 2023, these services were discontinued and the Medicare enrollment was voluntarily terminated.

Capital Caring Health (CCH): CCH is a Virginia nonstock corporation and is the sole member of three supporting organizations: Capital Hospice d/b/a Capital Caring, Capital Caring Stay at Home Services, Inc., and Capital Caring Advanced Illness, Inc.

Capital Hospice d/b/a Capital Caring (CAP): CAP is a nonprofit organization whose mission is to provide hospice and other end-of-life services for residents living in Northern Virginia, Washington D.C., suburban Maryland, and surrounding metropolitan communities. Capital Caring is the sole member of Capital Palliative Care Consultants (CPCC).

Capital Palliative Care Consultants: CPCC is a Virginia single member limited liability company that provides palliative care services in the counties served by CAP.

Capital Caring Stay at Home Services, Inc. (CCSH): CCSH is a Virginia nonprofit organization that offers services that seek to improve patients' social and physical environments as a means of bettering their care and quality of life so that they can ultimately stay at home. Services include care coordination, transportation, assistance with nutritional needs, caregiver training, home safety evaluations, helping with pet care, and other general coordination of medical and homecare services.

Capital Caring Advanced Illness, Inc. (CCAI): CCAI is a Virginia nonprofit organization that services seniors who are home limited or otherwise benefit from receiving most of their care in the home due to an advanced illness or disability.

Allcare Medical of Florida (Allcare): Allcare provides a full range of medical equipment to hospice patients and those with life limiting conditions. At December 31, 2021, CHS owned 90% of Allcare. CHS acquired the remaining 10% of Allcare in 2022 and subsequently sold the entity to an unrelated party for \$1,600,000. CHS recorded a loss of approximately \$345,000.

CareNU, Inc. (CNU): CNU is a Florida for-profit corporation and was established to provide patients with a collaborative team based approach to chronic illness care. CNU is authorized to issue 100,000 shares of common stock. As of December 31, 2023, there are 100,000 common stock shares issued and outstanding.

Assurity Direct Contracting Entity (ADCE): ADCE, a Florida limited liability company, provides and arranges for medical care to beneficiaries through managed care capitation agreements in the state of Florida who have enrolled with various health plans. ADCE's capitation agreements with the various health plans are on a non-risk basis. CNU owns 60% of ADCE and has been consolidated with CNU for financial reporting purposes.

SECUR, Inc (SEC): SEC, is a Florida for-profit corporation and was established as an Institutional Special Needs Medicare Advantage Plan (I-SNP). The sole shareholder of SEC is CareNu, Inc.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation: The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Consolidation: The accompanying consolidated financial statements include the accounts of CHS and its affiliates. All inter-organization accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation: The consolidated financial statements report the changes in and totals of each net asset class based on the existence of donor restrictions, as applicable. Net assets are classified as net assets without donor restrictions or net assets with donor restrictions and are detailed as follows:

Net assets without donor restrictions are net assets that are not subject to donor-restrictions and may be expended for any purpose in performing the primary objectives of CHS.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and will be met by actions of CHS or by passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Non-controlling interest: Non-controlling interest is the portion of the equity ownership in an affiliate not attributable to the parent company (CareNU), who has the controlling interest. CNU owns 60% of ADCE and has been consolidated with CNU for financial reporting purposes.

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to \$250,000. At times these amounts may exceed federally insured limits. Additionally, for purposes of the consolidated statements of cash flows, CHS considers all highly liquid investments of operating cash purchased with an original maturity of three months or less to be cash equivalents.

Patient Accounts Receivable, Net: The patient accounts receivable balance represents the unpaid amounts billed to patients and third-party payors, which include Medicare, Medicaid, and commercial insurers. Contractual adjustments, discounts, and implicit price concessions are recorded to report receivables at net realizable value. Past due receivables are determined based on contractual terms. CHS does not accrue interest on any of its accounts receivable.

Capitated Accounts Receivable: Capitated accounts receivables consist of amounts due from managed care capitated contracts. The capitated receivables are carried at contracted amounts and capitated payments are received in accordance with the risk adjustment model and timeline used by the Centers for Medicare and Medicaid Services.

Notes Receivable: Note receivable represents advances under a line of credit agreement to Capital Caring as well as funds loaned to a software company to help develop computer software for hospice. The software loans are valued at historic cost, including unpaid contractual interest payments, less a valuation allowance for which it is probable that Capital Caring will be unable to collect. See Notes 2 and 7 for additional information.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: All investments are stated at their fair values in the consolidated balance sheets. Unrealized gains and losses are included in the change in net assets. See Note 6 for additional information on the nature of CHS's investments. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included within nonoperating revenues and expenses, unless the income or loss is related to assets with donor restrictions.

Assets Limited as to Use: Certain amounts of CHS's cash and investments are limited as to use by provisions of donor restrictions. These cash and investments are classified as assets limited to use in the accompanying consolidated balance sheets. Amounts required to meet current liabilities have been classified as current assets in the consolidated balance sheets at December 31, 2023 and 2022. The investment income or loss on investments that are restricted by donor or law is recorded as increases or decreases to net assets with donor restrictions.

Interest Rate Swap Agreements: CHS entered into interest rate swap agreements as part of their interest rate risk management strategy, not for speculation. CHS has elected to report the instruments as freestanding derivatives with gains and losses included within change in net assets without donor restrictions from operations.

The derivatives are separated into current and non-current assets or liabilities based on their expected cash flows. Cash inflows expected within one year, including derivative assets that CHS intends to settle, are reported as current assets. Cash inflows expected beyond one year are reported as non-current assets. Cash outflows expected within one year, including derivative liabilities in which the counterparty has the contractual right to settle, are reported as current liabilities. Cash outflows expected beyond one year are reported as non-current liabilities.

Inventories: Inventories are stated at the lower of cost or net realizable value, using the first-in, first-out method.

Other Current Assets: Other current assets are comprised of primarily of prepaid expenses, deposits, other accounts receivable, and other miscellaneous current assets. Prepaid expenses at December 31, 2023 and 2022 were approximately \$7,851,000 and \$5,982,000, respectively. Deposits at December 31, 2023 and 2022 were approximately \$3,448,000 and \$1,930,000, respectively. Other accounts receivable at December 31, 2023 and 2022 were approximately \$8,248,000 and \$646,000, respectively.

Property and Equipment: Property and equipment are stated at cost or, if acquired through an affiliation agreement or donated to CHS, at fair value on the date of acquisition. Property and equipment acquired through a business affiliation is also stated at fair value. Additions and improvements over \$2,500 are capitalized. Expenditures for routine maintenance are charged to operations. Depreciation is provided over the estimated useful lives of the various classes of assets which range from three to thirty years and is computed on the straight-line method.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets are to be used. Gifts of long-lived assets with explicit donor stipulations that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The cost of property and equipment sold or otherwise disposed of and the accumulated depreciation applicable thereto are eliminated from the accounts, and any resulting gain or loss is reflected in the consolidated financial statements in the year of disposition.

Intangible assets: The Organization has acquired intangible assets through its affiliation agreements as described in Note 2. Intangible assets consists of tradenames, certificates of need, and a PACE license. The useful lives of the intangible assets range from 15 to 20 years.

Impairment of Long-Lived Assets: On an ongoing basis, CHS reviews long-lived assets (property and equipment and intangible assets) for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. CHS considers potential impairment losses to exist if the undiscounted cash flow expected to be generated by the assets are less than carrying value. The impairment loss adjusts the assets to fair value. During the year, CHS determined that the Achieve tradename no longer had value as the home health practices were voluntarily dissolved. CHS recorded a loss of \$1,510,134, which is included within loss on disposal of license within the consolidated statements of operations. As of December 31, 2023 and 2022, management believes that no other impairments exist.

Goodwill: Goodwill of approximately \$16,397,000 at December 31, 2023 and 2022, respectively, represents the excess of the purchase price over the assigned fair value of the identifiable net assets acquired in association with CHS's purchase of Good Shepherd Hospice, Inc. (GSH). During the year ended December 31, 2022, CHS sold Allcare, which resulted in the decrease of goodwill of \$1,082,538. Goodwill is tested for impairment annually unless events warrant more frequent testing. CHS has evaluated its existing goodwill for impairment as of December 31, 2023 and 2022 and has determined that goodwill is not impaired.

Patient Care Expenses and Estimated Patient Care Expenses Payable: When a patient receives hospice benefits under the Medicare or Medicaid programs, the hospice provider becomes the payor for all medical services related to the patient's terminal diagnosis. CHS has contracts with various providers of physician, inpatient, and outpatient services which generally state that the provider has approximately 12 months from the date of service to invoice CHS for the hospice related charges. CHS estimates and records a liability for patient care expenses which are incurred but not reported (IBNR). This IBNR estimate is based upon an analysis of invoices paid and estimated current utilization and other statistics. The difference between CHS's estimates of IBNR patient care expense and actual expenses is included in or deducted from patient care expenses in subsequent periods in which such differences are identified. Patient care expenses were approximately \$47,532,000 and \$23,115,000 for the years ended December 31, 2023 and 2022, respectively, and are included in purchased services in the consolidated statements of operations.

Third-Party Medical Claim Expense: Medical claim expenses are costs for providing medical care to patients under the direct contracting entity and PACE programs. The estimated reserve for incurred but not reported claims is included in the liability for third-party medical claims expense. Actual claims expense will differ from the estimated liability due to factors in estimated and actual member utilization of healthcare services, the amount of charges, and other factors. Adjustments to these estimates are recognized in the periods in which more precise data becomes available.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenues: Patient service revenues are reported at the amount that reflects the ultimate consideration CHS expects to receive in exchange for providing patient care. These amounts are due from third-party payors, primarily commercial health insurers and government programs (Medicare and Medicaid), and includes variable consideration for revenue adjustments due to settlements of audits and reviews, as well as certain hospice-specific revenue capitations. Approximately 94% and 92% of the CHS' net patient service revenue was derived from the Medicare and Medicaid programs for the years ended December 31, 2023 and 2022, respectively. Amounts are generally billed monthly or subsequent to patient discharge. Subsequent changes in the transaction price initially recognized are not significant.

Hospice services are provided on a daily basis and the type of service provided is determined based on a physician's determination of each patient's specific needs on that given day. Reimbursement rates for hospice services are on a *per diem* basis regardless of the type of service provided or the payor.

Reimbursement rates from government programs are established by the appropriate governmental agency and are standard across all hospice providers. Reimbursement rates from health insurers are negotiated with each payor and generally structured to closely mirror the Medicare reimbursement model.

The types of hospice services provided and associated reimbursement model for each are as follows:

Routine Home Care occurs when a patient receives hospice care in their home, including a nursing home setting. The routine home care rate is paid for each day that a patient is in a hospice program and is not receiving one of the other categories of hospice care. For Medicare patients, the routine home care rate reflects a two-tiered rate, with a higher rate for the first 60 days of a hospice patient's care and a lower rate for days 61 and after. In addition, there is a Service Intensity Add-on payment which covers direct home care visits conducted by a registered nurse or social worker in the last seven days of a hospice patient's life, reimbursed up to four hours per day in fifteen-minute increments at the continuous home care rate.

General Inpatient Care occurs when a patient requires services in a controlled setting for a short period of time for pain control or symptom management which cannot be managed in other settings. General inpatient care services must be provided in a Medicare or Medicaid certified hospital or long-term care facility or at a freestanding inpatient hospice facility with the required registered nurse staffing.

Continuous Home Care is provided to patients while at home, including a nursing home setting, during periods of crisis when intensive monitoring and care, primarily nursing care, is required in order to achieve palliation or management of acute medical symptoms. Continuous home care requires a minimum of 8 hours of care within a 24-hour day, which begins at midnight. The care must be predominantly nursing care provided by either a registered nurse or licensed nurse practitioner. While the published Medicare and Medicaid continuous home care rates are daily rates, Medicare and Medicaid pay for continuous home care in fifteen-minute increments. This fifteen-minute rate is calculated by dividing the daily rate by 96.

Respite Care permits a hospice patient to receive services on an inpatient basis for a short period of time in order to provide relief for the patient's family or other caregivers from the demands of caring for the patient. A hospice can receive payment for respite care for a given patient for up to five consecutive days at a time, after which respite care is reimbursed at the routine home care rate.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Each level of care represents a separate promise under the contract of care and is provided independently for each patient, contingent upon the patient's specific medical needs as determined by a physician. However, the clinical criteria used to determine a patient's level of care is consistent across all patients, given that, each patient is subject to the same payor rules and regulations. As a result, CHS has concluded that each level of care is capable of being distinct and is distinct in the context of the contract. Furthermore, CHS has determined that each level of care represents a stand ready service provided as a series of either days or hours of patient care. CHS believes that the performance obligations for each level of care meet criteria to be satisfied over time. CHS recognizes revenue based on the service output. CHS believes this to be the most faithful depiction of the transfer of control of services as the patient simultaneously receives and consumes the benefits provided by the performance. Revenue is recognized on a daily or hourly basis for each patient in accordance with the reimbursement model for each type of service. CHS' performance obligations relate to contracts with an expected duration of less than one year. Therefore, CHS has elected to apply the optional exception provided in FASB accounting standard *"Revenue from Contracts with Customers"* (ASC 606) and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially satisfied performance obligations referred to above relate to bereavement services provided to patients' families for up to 12 months after discharge.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance which vary in amount. CHS also provides service to patients without a reimbursement source and may offer those patients discounts from standard charges. CHS estimates the transaction price for patients with deductibles and coinsurance, along with those uninsured patients, based on historical experience and current conditions. The estimate of any contractual adjustments, discounts or implicit price concessions reduces the amount of revenue initially recognized. Subsequent changes to the estimate of the transaction price are recorded as adjustments to patient service revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in the patients' ability to pay (i.e., change in credit risk) are recorded as provision for uncollectible accounts. CHS has no material adjustments related to subsequent changes in the estimate of the transaction price or subsequent changes as the result of an adverse change in the patient's ability to pay for any period reported.

For the CHS' patients in the nursing home setting in which Medicaid pays the nursing home room and board, CHS serves as a pass-through between Medicaid and the nursing home. CHS is responsible for paying the nursing home for that patient's room and board. Medicaid reimburses CHS for 95% of the amount paid to the nursing home. CHS has concluded that the 5% difference between the amount paid to the nursing home and the amount received from Medicaid is an adjustment to transaction price and, as a result, the 5% is recognized as a reduction to revenue recognized in the accompanying consolidated financial statements. Nursing home room and board expenses over revenues for the years ended December 31, 2023 and 2022, were approximately \$2,471,000 and \$1,483,000, respectively.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Compliance with such laws and regulations may be subject to future government review and interpretation. Additionally, the contracts CHS has with commercial health insurance payors provide for retroactive audit and review of claims. Settlement with third party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. The variable consideration is estimated based on the terms of the payment agreement, existing correspondence from the payor and our historical settlement activity. These estimates are adjusted in future periods, as new information becomes available. Management intends to fully cooperate with any governmental agencies in requests for information. Noncompliance with laws and regulations can make the CHS subject to regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Hospice organizations are subject to two specific payment limit caps under the Medicare program. One limit relates to inpatient care days that exceed 20% of the total days of hospice care provided for the year. CHS did not exceed the 20% cap related to inpatient days in 2023 and 2022. The second limit relates to an aggregate Medicare reimbursement cap calculated by the CHS. CHS did not exceed the Medicare reimbursement cap for the years ended December 31, 2023 and 2022.

During 2020, CHS affiliates had select Medicare claims under review. The amount of the settlement accrued as of December 31, 2023 and 2022 was approximately \$226,000 and \$1,004,000, respectively, and is included in third-party settlements in the accompanying consolidated balance sheets. The remaining balance is for miscellaneous third-party overpayments.

During 2022, CHS affiliates had select Medicare claims under review under a Targeted Probe and Educate regulatory claims review. During such review, management determined there was an error in the coding of certain claims. CHS self-reported and paid approximately \$4,144,000 back to Medicare. Management recorded this as a reduction to net patient service revenue during the year ended December 31, 2022.

Additionally, during 2022, the Office of Inspector General (OIG) is performing an audit Medical Part A services claimed by LPH. The objective of the audit is to determine whether services provided by the Hospice during the period January 1, 2020 to December 31, 2021 complied with Medicare requirements. The OIG audit is in process and LifePath has not received any findings from the OIG as December 31, 2023 and through the date of the Independent Auditor's report and therefore has not recorded a liability as of December 31, 2023 or 2022.

Beginning in November 2021, and continuing through February 2022, Medicare conducted a Supplemental Medical Review Contractor (SMRC) claims review. Capital Caring received notifications that the SMRC claims review identified approximately \$2,555,000 of improper payments. The SMRC claims review identified approximately \$1,433,000 as being improperly paid by the State of Virginia and was recouped against payments in 2022. The SMRC claims review identified approximately \$1,122,000 as being improperly paid by the State of Maryland. Approximately \$280,000 was recouped against payments in 2022, and in August 2022, Capital Caring entered into a repayment agreement for the remaining balance of approximately \$842,000 to be repaid in 10 monthly installments, including interest at an annual rate of 9.375%. The remainder of the settlement was paid during the year ended December 31, 2023, and there is no payable at December 31, 2023.

PACE Revenue: CHS operates Hope PACE (Program of All-Inclusive Care for the Elderly), a Medicare and Medicaid program that helps people meet their health care needs in the community instead of going to a nursing home or other care facilities. PACE serves individuals who: are ages 55 or older; certified by their state to need nursing home care; able to live safely in the community at the time of enrollment; and live in a PACE service area. Capitation revenue recognized from the PACE program relates to contracts with participants in which the performance obligation is to provide healthcare services to the participants. CHS contracts directly with Medicare and Medicaid to manage the healthcare needs of the program's participants and records PACE capitation revenue on a per member, per month ("PMPM") basis. Fees are recorded gross in revenues because CHS is acting as a principal in providing for or overseeing comprehensive care provided to the participants. CHS considers all contracts with participants as a single performance obligation to provide comprehensive medical, health, and social services that integrate acute and long-term care. The capitation revenues are recognized based on the estimated PMPM transaction price to transfer the service for a distinct increment of the series (i.e. month). CHS recognizes revenue in the month in which participants are entitled to receive comprehensive care benefits during the contract term. During the year ended December 31, 2023, CHS recognized approximately \$41,402,000 in PACE revenue included within net patient service revenue included in the consolidated statements of operations.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitated Revenue: Capitated contract revenue is recorded as revenue in the month that members are entitled to healthcare services through contracts with ADCE. As of December 31, 2023 and 2022, CHS had capitation agreements in place with one healthcare payer (non-risk).

Charity Care: CHS determines each patient's ability to pay during the admission process. When a patient meets certain criteria, part or all of the patient's charges are deemed charity care and are not billed for collection. Because CHS does not pursue collection of amounts determined to qualify as charity care, those amounts are excluded from net patient service revenue. The cost of charity care provided was approximately \$7,093,000 and \$6,743,000 for the years ended December 31, 2023 and 2022, respectively. This cost estimate was based on the organization-wide cost to charge ratio.

In addition to providing charity care in its continuing effort to further its mission, CHS also provides a variety of programs and services that receive little or no funding. These include medical research, medical education programs, caregiver programs, extensive community bereavement programs, and children's grief centers, including twice-yearly camps.

Contributions: Contributions received and unconditional promises to give are recorded as revenue without donor restrictions or revenue with donor restrictions depending on the existence of donor restrictions and the nature of such restrictions if they exist. Conditional promises to give are recognized in the consolidated statements of operations only when the conditions on which they depend are substantially met and the promises become unconditional.

When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions.

Donor restricted gifts that are received for which their restricted purpose is met during the same year are initially recorded as net assets with donor restrictions and then reported as net assets released from restrictions and reclassified as net assets without donor restrictions.

Donated Services: Donated services are reflected in the consolidated financial statements at the fair value of services received. The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no donated services recognized.

Performance Indicator: The consolidated statements of operations include change in net assets without donor restrictions before other changes which is designated as CHS' performance indicator.

Income Taxes: Chapters and the affiliate organizations, except for CNU, are exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely to be realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The applicable Forms 990 have not been subject to examination by the Internal Revenue Service or the state of Florida for the last three years. CHS does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. CHS recognizes interest and/or penalties related to income tax matters in income tax expense. CHS did not have any amounts accrued for interest and penalties at December 31, 2023 and 2022.

CNU is a C-corporation and is subject to income taxes. The provision for income taxes is determined using the asset and liability approach of accounting for income taxes. Under this approach, the provision for income taxes represents income taxes paid or payable (or received or receivable) for the current year plus the change in deferred taxes during the year. Deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid, and result from differences between the financial and tax basis of the Company's assets and liabilities and are adjusted for changes in tax rates and tax laws when enacted. Tax benefits related to uncertain tax positions taken or expected to be taken on a tax return are recorded when such benefits meet a more likely than not threshold. Otherwise, these tax benefits are recorded when a tax position has been effectively settled, which means that the statute of limitation has expired or the appropriate taxing authority has completed their examination even though the statute of limitations remains open. As of December 31, 2023, CNU believes none of its income tax positions are uncertain and, accordingly, has no amount provided for uncertain tax positions. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve months. Interest and penalties related to uncertain tax positions are recognized as part of the provision for income taxes and are accrued beginning in the period that such interest and penalties would be applicable under relevant tax law until such time that the related tax benefits are recognized.

Reclassifications: Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications did not have any impact on the total net assets or change in net assets.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2023 to determine the need for any adjustments to and/or disclosures within the consolidated financial statements for the year ended December 31, 2023. Management has performed their analysis through April 26, 2024, which is the date the consolidated financial statements were available to be issued.

In January 2024, Chapters and Good Shepherd sold certain assets to Medcare Hospice Services, LLC. in exchange for \$500,000 cash, \$300,000 note receivable and a 20% equity interest in Medcare Hospice Services, LLC. The purpose of this transaction is to enter the hospice market in Miami-Dade County, Florida.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 – AFFILIATION AGREEMENTS

Current year:

Hope Hospice and Community Services, Inc.:

On December 8, 2022, CHS signed an affiliation agreement with Hope Hospice and Community Services, Inc. and its affiliates to expand CHS' market in Southwest Florida. On March 1, 2023, CHS and Hope Hospice and Community Services, Inc. (collectively, the "Hope Parties") closed their affiliation agreement making CHS the sole member of the Hope Parties. Beginning on March 1, 2023, the financial position, results of activities and cash flows of all Hope entities were consolidated with CHS. This transaction was accounted for under the acquisition accounting method of business combinations. As a result, CHS recorded an inherent contribution of \$80,261,224 in 2023. No consideration was exchanged, and no financial commitments were made. CHS incurred approximately \$874,000 in acquisition costs.

The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed at March 1, 2023:

Cash	\$ 9,531,656
Patient accounts receivable	4,989,452
Other accounts receivable	3,026,684
Investments	26,060,170
Intangible assets and tradenames	5,375,000
Right-of-use assets	4,792,536
Property and equipment	61,864,819
Other assets	<u>3,348,273</u>
Total assets	<u>118,988,590</u>
Accounts payable	\$ 6,009,569
Accrued expenses	1,387,540
Accrued payroll liabilities	7,197,485
Long-term debt	19,000,000
Lease liabilities	4,811,293
Other liabilities	<u>321,479</u>
Total liabilities	<u>38,727,366</u>
Excess of fair value of assets acquired over liabilities assumed	<u>\$ 80,261,224</u>
Included within net assets without donor restrictions	\$ 80,024,844
Included within net assets with donor restrictions	\$ 236,380

During the period March 1, 2023 to December 31, 2023, the acquired debt was paid in full.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 – AFFILIATION AGREEMENTS (Continued)

The following methods were used to determine fair value:

Property and equipment - fair value was determined using the cost and sales comparison approach.
Tradenames - fair value was determined using the royalty relief method, a form of the income approach.

Certificate of Need and PACE license - fair value was determined using the cost approach.

Contractual accounts receivable approximates the fair value of accounts receivable.

Capital Caring Health:

On December 27, 2022, CHS signed an affiliation agreement with Capital Caring Health and its affiliates to expand CHS' market into the Virginia, Maryland and the Washington D.C. metropolitan areas. On May 1, 2023, CHS and Capital Caring Health (collectively, the "Capital Parties" or "Capital Caring") closed their affiliation agreement making CHS the sole member of Capital Caring Health. Beginning on May 1, 2023, the financial position, results of activities and cash flows of all Capital entities were consolidated with CHS.

This transaction was accounted for under the acquisition accounting method of business combinations. As a result, CHS recorded an inherent contribution of \$25,131,626 in 2023. Prior to the closing of the affiliation agreement on May 1, 2023, CHS loaned the Capital Parties \$7,000,000 in two tranches of \$5,000,000 (prior to December 31, 2022) and \$2,000,000 (prior to May 1, 2023). As part of the affiliation transaction, the \$7,000,000 was accounted for as consideration paid to the Capital Parties. CHS incurred approximately \$612,000 in acquisition costs.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 – AFFILIATION AGREEMENT (Continued)

The following table summarizes the estimated fair value of Capital Caring's assets and liabilities at May 1, 2023:

Cash	\$ 2,905,979
Patient accounts receivable	11,665,956
Pledges receivable	2,392,000
Investments	3,231,356
Intangibles and tradenames	7,200,000
Right-of-use assets	23,741,410
Property and equipment	19,729,999
Other assets	<u>844,669</u>
Total assets	<u>71,711,369</u>
Accounts payable	\$ 3,098,597
Accrued expenses	5,707,494
Accrued payroll liabilities	6,805,082
Lease liabilities	23,752,926
Other liabilities	<u>215,644</u>
Total liabilities	<u>39,579,743</u>
Excess of fair value of assets acquired over liabilities assumed	\$ 32,131,626
Less consideration	<u>\$ (7,000,000)</u>
	<u>\$ 25,131,626</u>
Included within net assets without donor restrictions	\$ 18,204,485
Included within net assets with donor restrictions	\$ 6,927,141

The following methods were used to determine fair value:

Property and equipment - fair value was determined using the cost and sales comparison approach.
Tradenames - fair value was determined using the royalty relief method, a form of the income approach.

Contractual accounts receivable approximates the fair value of accounts receivable.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 – AFFILIATION AGREEMENT (Continued)

Prior year:

Cornerstone Hospice & Palliative Care, Inc.:

On December 2, 2021, CHS signed an affiliation agreement with Cornerstone to expand CHS' market in Central Florida and four counties in Northwest Georgia. On April 1, 2022, CHS and Cornerstone (collectively, the "Parties") closed their affiliation agreement making CHS the sole member of Cornerstone. Beginning on April 1, 2022, the balance sheet, results of activities and cash flows of all Cornerstone entities were consolidated with CHS. This transaction was accounted for under the acquisition accounting method of business combinations. As a result, CHS recorded an inherent contribution of \$75,781,681 in 2022. No consideration was exchanged, and no financial commitments were made. CHS incurred approximately \$375,000 in acquisition costs.

The following table summarizes the estimated fair value of Cornerstone's assets and liabilities at April 1, 2022:

Cash	\$ 25,830,390
Patient accounts receivable	5,205,884
Prepays	2,590,145
Interest in net assets of Cornerstone Foundation	12,119,093
Intangibles and Tradenames	1,600,000
Right-of-use assets	6,464,209
Property and equipment	37,583,339
Other assets	1,026,207
Due from related party	1,492,303
Total assets	93,911,570
Accounts payable	2,092,997
Accrued expenses and payroll liabilities	6,555,139
Right-of-use liabilities	6,464,209
Note payable	2,510,039
Other liabilities	507,505
Total liabilities	18,129,889
Excess of fair value of assets acquired over liabilities assumed	\$ 75,781,681
Included within net assets without donor restrictions	\$ 63,662,588
Included within net assets with donor restrictions	\$ 12,119,093

The following methods were used to determine fair value:

Property and equipment - fair value was determined using the cost and sales comparison approach.
Tradenames - fair value was determined using the royalty relief method, a form of the income approach.
Contractual accounts receivable approximates the fair value of accounts receivable.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 33,818,101	\$ 13,957,074
Short-term investments	11,572,539	9,291,149
Patient accounts receivable, net	43,623,346	19,119,599
Capitation receivable	6,516,439	7,099,173
Due from related party	675,980	5,729,953
Pledges receivable, current portion	423,454	480,305
Other current assets	<u>5,396,021</u>	<u>1,717,744</u>
	<u>\$ 102,025,880</u>	<u>\$ 57,394,997</u>

As part of CHS' liquidity management plan, management invests cash in excess of daily requirements in short-term investments and money market funds. CHS has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet sixty days of normal operating expenses. CHS has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The CHS treasury management function is consolidated at the parent level and pays expenses on behalf of its affiliates. CHS typically collects patient accounts receivable within sixty days of the date of service and its Florida based hospice affiliates participate in the Medicare Periodic Interim Payment program (PIP) which provides bi-weekly cash payments based on management's estimate of census. CHS reconciles PIP with actual billings three times per year and the net PIP position is recorded in patient accounts receivable. In the event of an unanticipated liquidity need, CHS could utilize the long-term investments that are not donor restricted. CHS could utilize the line of credit as described in Note 10 should liquidity needs arise.

NOTE 4 – PATIENT ACCOUNTS RECEIVABLE

At December 31, patient accounts receivable by payor category consists of the following:

	<u>2023</u>	<u>2022</u>
Medicare	\$ 55,529,123	\$ 35,704,938
Medicaid	11,426,481	8,200,953
Other third-party payors	9,751,401	7,683,526
Less Medicare Periodic Interim Payments (PIP)	(12,776,227)	(14,045,031)
Less implicit price concessions	<u>(20,307,432)</u>	<u>(18,424,787)</u>
	<u>\$ 43,623,346</u>	<u>\$ 19,119,599</u>

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 – ASSETS LIMITED AS TO USE

The composition of assets limited as to use at December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 6,629,801	\$ 3,452,644
Money market funds	1,953,565	60,097
Mutual funds	1,864,123	1,728,286
	<u>10,447,489</u>	<u>5,241,027</u>
Less current portion	<u>(4,839,261)</u>	<u>(3,452,644)</u>
	<u>\$ 5,608,228</u>	<u>\$ 1,788,383</u>

NOTE 6 – INVESTMENTS

Investments, stated at fair value, at December 31 include:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 859,729	\$ 1,780,247
Money market funds	3,252,303	7,420,132
U.S. government agencies	1,527,559	673,813
Corporate bonds	991,281	258,390
Equity mutual funds	74,242,791	71,095,887
Bond mutual funds	9,802,093	8,818,080
Commodities mutual funds	1,422,439	1,509,974
Real estate fund	1,010,474	943,147
Equity securities	16,175,034	8,956,981
	<u>109,283,703</u>	<u>101,456,651</u>
Less current portion	<u>(11,572,539)</u>	<u>(9,291,149)</u>
	<u>\$ 97,711,164</u>	<u>\$ 92,165,502</u>

Investment income from assets limited as to use and investments is comprised of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Interest and dividends, net of fees	\$ 3,962,063	\$ 3,223,454
Net realized gains on sales of securities	5,655,183	119,521
Net unrealized gains (losses)	<u>8,228,628</u>	<u>(21,661,023)</u>
	<u>\$ 17,845,874</u>	<u>\$ (18,318,048)</u>

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 – NOTES RECEIVABLE

Capital Caring: During 2022, CHS entered into a line of credit agreement with Capital Caring. The note is a revolving line of credit (i) for the period prior to the occurrence of the affiliation event, an amount of up to \$5,000,000 and (ii) after the occurrence of the affiliation event, an amount of up to \$10,000,000. In the occurrence of an affiliation termination Event, the revolving line of credit shall be reduced to \$0 and no further advances may be requested or made without the written consent of CHS. Capital Caring may borrow, repay, and reborrow hereunder and CHS may advance and readvance under this note from time to time until the expiration date. The affiliation event is defined as the consummation of the affiliation agreement whereby CHS becomes the sole member of Capital Caring, which occurred in May 2023. The affiliation termination event is defined as the time that Capital Caring notifies CHS that they will no longer execute or consummate the affiliation agreement. The note bears an interest rate at the sum of the Wall Street Journal Prime rate plus 2%.

On closing of the affiliation agreement, the note receivable balance between CHS and Capital Caring was settled. As of May 1, 2023, Capital Caring had a balance outstanding of \$7,000,000, which CHS recognized as consideration paid to Capital Caring as part of the affiliation agreements. CHS and Capital Caring continue to utilize the credit agreement to lend and repay funds between the organizations. The terms did not change post-affiliation. The outstanding balance on the note receivable was \$3,000,000 as of December 31, 2023. As of and subsequent to the Affiliation Event the note receivable eliminates in the consolidated financial statements.

Software company: Capital Caring advanced funds to a software company headquartered in New Orleans, Louisiana. The software company develops computer software for the hospice industry. All advances are to be used solely for business purposes and are stated at unpaid principal balances. The loans are secured by the assets of the borrower and guarantor of the advances. There were no fees involved in these transactions. No new loans will be made to the software company beyond those listed below.

Interest on the loans is recognized over the lives of the loans and is calculated on the outstanding principal balance.

Loan receivable originating in April 2015: \$1,000,000 payable in full in April 2020 or payable upon sale or transfer as defined below; interest accrues quarterly at the 12% (12% at December 31, 2023). An allowance for doubtful accounts in the amount \$1,000,000 has been recorded for the outstanding receivable balance at December 31, 2023.

Loan receivable originating in April 2016 for \$1,500,000 original note was amended several times for a total balance of \$2,970,000; payable in full in February 2021 or payable upon sale or transfer as defined below; interest accrues quarterly at 12% (12% at December 31, 2023). Interest on the amended amounts accrues at an annual interest rate of 12%. An allowance for doubtful accounts in the amount \$2,970,000 has been recorded for the outstanding receivable balance at December 31, 2023.

If a sale or transfer of the borrower occurs prior to the loan maturity dates, principal and any unpaid interest is due in full plus a percentage of the gross sale proceeds in excess of \$10,000,000. If no sale or transfer occurs within five years of the origination date, the repayment amount is equal to the principal plus a percentage of the borrower entity's current value based on a multiple of the borrower entity's earnings before interest, depreciation, and amortization.

An allowance for doubtful accounts of \$1,154,265 has been established for the remaining interest amounts contractually due from the software company as management has determined it is probable the organization may not be able to collect such amounts. Per the related note agreements, Capital Caring can, in the event of default and after notice to the borrower, commence such legal actions or proceedings against the borrower and guarantor, as permitted under the agreement or otherwise at law or at equity.

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NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment as of December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Land and land improvements	\$ 26,083,826	\$ 15,888,782
Building and leasehold improvements	207,509,257	99,819,814
Furniture, fixtures, and equipment	74,430,027	50,147,656
Vehicles	2,225,084	281,948
Projects in process	960,430	12,459,483
	<u>311,208,624</u>	<u>178,597,683</u>
Less accumulated depreciation	<u>(146,246,334)</u>	<u>(84,628,805)</u>
	<u>\$ 164,962,290</u>	<u>\$ 93,968,878</u>

Projects in process at December 31, 2023 consist primarily of software implementation and general facility upgrades to be placed in service in calendar year 2024. There are not any significant projects planned or commitments entered into.

Depreciation expense for the years ended December 31, 2023 and 2022, was approximately \$11,262,000 and \$9,033,000, respectively. No interest expense was capitalized during 2023 or 2022.

NOTE 9 – LEASES

At the inception of an arrangement, CHS determines if an arrangement is a lease based on all relevant facts and circumstances. Leases are classified as operating or finance leases at the lease commencement date. Operating leases are included in operating lease ROU assets, current operating lease liabilities and long-term operating lease liabilities on the balance sheets. Finance leases are included in property and equipment, current maturities of long-term debt and finance leases and long-term debt and finance leases, net of current maturities, on the balance sheets. Leases are classified between current and long-term liabilities based on their payment terms. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Leases with a term of 12 months or less (short-term leases) are not recorded on the balance sheets. ROU assets represent CHS's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. ROU assets also include prepaid rent and are adjusted by the unamortized balance of lease incentives.

As the implicit rate is generally not readily determinable for all of CHS's leases, CHS utilized the risk free rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments. Some leases include one or more options to extend the lease, with extension terms that can extend the lease term by one to five years. The exercise of lease extension options is at CHS's sole discretion. The lease term includes options to extend or terminate the lease when it is reasonably certain that CHS will exercise that option. CHS generally concluded options to extend the lease are reasonably certain to be exercised when it is cost prohibitive to relocate operations or pursue alternative leased assets. Certain leases contain early termination penalties; however, as of December 31, 2023, it is not reasonably certain that CHS will exercise or become subject to such early termination penalties.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 – LEASES (Continued)

Nonperformance-related default covenants, cross-default provisions, subjective default provisions and material adverse change clauses contained in material lease agreements, if any, are also evaluated to determine whether those clauses affect lease classification. Real estate and vehicle leases comprise the majority of CHS's leasing activities.

CHS accounts for lease agreements with lease and non-lease components separately. Operating expenses and property taxes due for leased facilities are accounted for as non-lease components. Leases with a term greater than one year are recognized on the consolidated balance sheet as ROU assets and lease liabilities. CHS has elected not to recognize on the consolidated balance sheet leases with terms of one year or less.

At December 31, 2023 and 2022, the right-of-use asset related to operating leases was approximately \$50,623,000 and \$28,234,000, respectively, and is recorded in the accompanying consolidated balance sheets.

Lease expense is recognized on a straight-line basis over the term of the lease and presented as a single charge in the consolidated statements of operations. During the years ended December 31, 2023 and 2022, CHS recorded approximately \$8,278,00 and \$4,580,000, respectively, in lease expense. The weighted-average remaining operating lease life was 8.14 years at December 31, 2023. The weighted average discount rate is 1.60%.

A summary of future operating lease payments at December 31, 2023 is as follows:

A summary of maturities for operating leases at December 31, 2023 is as follows:

2024	\$ 9,020,207
2025	8,176,284
2026	7,070,256
2027	6,182,386
2028	5,621,209
Thereafter	22,820,227
Total lease payments	58,890,569
Less: Amount representing interest	(6,633,318)
	<u>\$ 52,257,251</u>

NOTE 10 – LINES OF CREDIT

Cornerstone has obtained two lines of credit, a revolving line of credit and a non-revolving line of credit, from a financial institution. The revolving line of credit has availability of \$7,500,000, however, of that balance, \$330,000 is restricted as a letter of credit for the workers compensation insurance policy. There is no outstanding balance on this line of credit at December 31, 2022. Cornerstone's non-revolving line of credit has an available borrowing limit of \$11,250,000. There is no outstanding balance on this line of credit at December 31, 2022. Both lines of credit accrue interest at a variable rate of Bloomberg Short-Term Bank Yield Index rate plus 1.75%. The lines of credit are secured by a Negative Pledge agreement which will expired on April 30, 2023. Management did not extend the lines of credit after April 30, 2023.

In May 2023, Chapters obtained a revolving line of credit with a financial institution. The line has availability of \$7,500,000 and incurs interest at a rate of monthly simple SOFR plus 1.45%. As of December 31, 2023, there was no outstanding balance on the line of credit. The line matures in May 2024.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
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NOTE 11 – LONG-TERM DEBT

A summary of long-term debt and capital lease obligations as of December 31 is as follows:

	<u>2023</u>	<u>2022</u>
City of Temple Terrace, Florida Revenue Refunding Bond, (Chapters Health System Project), Series 2017, with Regions Bank as bondholder, commencing April 2017, maturing April 2031, secured by certain assets of CHS, principal maturing in varying amounts, interest payable monthly at 0.67% of one-month simple SOFR plus 1.12% (4.79% at December 31, 2023) (Series 2017 Bond).	\$ 9,620,300	\$ 10,749,600
Conventional taxable loan, with Regions Bank as bondholder, commencing April 2017, maturing December 2035, secured by certain assets of CHS, principal maturing in varying amounts, interest payable monthly at 0.67% of one-month simple SOFR plus 1.75% (7.22% at December 31, 2023) due through 2035 (Taxable Loan).	13,256,000	13,679,000
Conventional term loan, with Regions Bank, commencing May 2023, secured by certain assets of CHS, principal maturing in varying amounts, interest payable at 1.75% plus one-month simple SOFR (5.41% at December 31, 2023) due through May 2027	7,160,089	-
	30,036,389	24,428,600
Less current portion of long-term debt	(2,200,646)	(1,552,300)
Less unamortized debt issuance costs	(463,566)	(333,492)
	<u>\$ 27,372,177</u>	<u>\$ 22,542,808</u>

The agreement underlying the bond issues and the 2017 Taxable Loan as described above were modified in May 2023 to change the Obligated Group. The Obligated Group now includes Chapters Health Palliative Care, LLC, Chapters Health Pharmacy, LLC, Chapters Health Staffing, LLC, Chapters Health Home Connect, Inc., Hospice of Okeechobee, and Cornerstone Health Services, LLC. The addition was to add Cornerstone.

The agreements underlying the bond issues and the 2017 Taxable Loan described above contain covenants that provided for, among other things, the maintenance of certain ratios, conditions for issuance of additional indebtedness and the transferability of funds. At December 31, 2023, CHS was out of compliance with certain financial covenants. CHS obtained a waiver from the financial institution subsequent to year end. The Series 2017 Bond and 2017 Taxable Loan are secured under a Master Trust Indenture and Supplemental Indentures and are collateralized by pledged revenues, all rights, titles, interests and estates in and to all real property and the revenue fund as outlined in the agreements.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
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NOTE 11 – LONG-TERM DEBT (Continued)

Debt Issuance Costs: Debt issuance costs are netted against the related obligation and amortized over the term of the related obligation. In conjunction with the issuance of the Series 2017 Bond, 2017 Taxable Loan, 2023 Term Loan, and 2023 Revolver, CHS recorded debt issuance costs of approximately \$185,000.

Unamortized debt issuance costs as of December 31, 2023 and 2022, was approximately \$463,000 and \$333,000, respectively, and is included in the non-current portion of long-term debt in the accompanying consolidated balances sheets. Amortization expense was approximately \$60,000 for the years ended December 31, 2023 and 2022 and is included in interest in the accompanying consolidated statements of operations.

Debt Maturities: Maturities of long-term debt and capital lease obligations are as follows:

	Series 2017 & 2023 Bonds & Loans
2024	\$ 2,200,646
2025	2,284,337
2026	2,367,458
2027	6,986,097
2028	1,795,400
Thereafter	14,402,451
	<u>\$ 30,036,389</u>

Interest Rate Swap Agreements: CHS utilizes interest rate swap agreements to modify CHS's exposure to interest rate risk by converting a portion of its variable rate borrowings to a fixed-rate basis, thus reducing the impact of interest-rate changes on future interest expense. These agreements involve the receipt of variable-rate payments amounts in exchange for fixed-rate interest payments over the life of the agreements without an exchange of the underlying principle amount. In conjunction with the Series 2017 Bond and 2017 Taxable Loan, in March 2017, CHS entered into two interest rate swap agreements with Regions Bank to convert a portion of its variable-rate borrowings to a fixed-rate basis. These swap agreements matured on April 1, 2024.

CHS pays a fixed rate of 1.45% and receives a variable-rate payment based on 67% of SOFR for one swap and pays a fixed rate of 2.182% and receives a variable-rate payment based on SOFR for the other swap. At December 31, 2023 and 2022, the notional amount of these swap agreements totaled approximately \$22,876,000 and \$24,429,000, respectively.

NOTE 12 – EMPLOYEE BENEFIT PLANS

CHS sponsors noncontributory supplemental executive retirement plans (SERP) for a select group of management or highly compensated employees. The plans call for benefits to be paid in a lump sum amount on the 45th day following separation from service as long as the participant has attained the vesting dates for employer-contributed amounts. Employee-contributed amounts may be distributed based on a list of options provided in the plans.

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
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NOTE 12 – EMPLOYEE BENEFIT PLANS (Continued)

Distributions equal to 100% of the amount credited to the participant's account will be made to the participant or beneficiary if the event of total and permanent disability, death, termination due to change in the control of the employer or termination without cause prior to the vesting date. Total assets held to fund the liability and total accrued liabilities to the plans were approximately \$2,117,000 and \$1,851,000 at December 31, 2023 and 2022, respectively, and are included in other assets and other long-term liabilities in the accompanying consolidated balance sheets.

CHS, in its sole discretion, may at any time make additional deposits of cash or other property in trust with the plans' trustee to augment the principle to be held, administered, and disposed of by the Plans' trustee as provided in the trust agreement. Expenses related to these plans were approximately \$1,021,000 and \$697,000 for the years ended December 31, 2023 and 2022, respectively.

CHS has established a retirement plan under Section 403(b) of the Internal Revenue Code whereby eligible employees may elect to defer a portion of their salary. The plan allows employees to make deposits to self-directed savings accounts through payroll deductions. CHS has the option to make discretionary nonelective contributions for eligible participating employees, as well as matching contributions based upon the amount of eligible compensation contributed by the employee up to certain specified limitations. Employees vest in the employer discretionary nonelective contributions and matching contribution over a six-year period. Participants' forfeitures are used to offset CHS's future plan contributions. Employer contributions to the plan were approximately \$2,247,000 and \$1,829,000 for the years ended December 31, 2023 and 2022, respectively.

Cornerstone has established a retirement plan under Section 403(b) of the Internal Revenue Code whereby eligible employees may elect to defer a portion of their salary. The plan allows employees to make deposits to self-directed savings accounts through payroll deductions. CHS has the option to make discretionary nonelective contributions for eligible participating employees, as well as matching contributions based upon the amount of eligible compensation contributed by the employee up to certain specified limitations. Employees must normally work in excess of twenty hours a week to participate in the plan and over 1,000 hours a year to vest in the employer's contribution. Employer contributions to the plan were approximately \$234,000 for the period of April 1, 2022 through December 31, 2022 and are included in salaries and benefits on the consolidated statements of operations. Cornerstone migrated to the CHS plan on October 1, 2022.

Hope has established 3 retirement plans under Section 403(b) of the Internal Revenue Code whereby eligible employees may elect to defer a portion of their salary. Two of the plans only allow for employee contributions. Hope does not contribute to either of those two plans. The third plan is a retirement plan under Section 403(b) of the Internal Revenue Code in which eligible employees who are at least 21 years of age and have one year of service. This retirement plan is solely funded by Hope, at the discretion of the board of directors and is determined annually. Employer contributions to the plan were approximately \$798,000 for the period of March 1, 2023 through December 31, 2023, and are included in salaries and benefits on the consolidated statements of operations.

Capital Caring has established a retirement plan under Section 403(b) of the Internal Revenue Code whereby eligible employees may elect to defer a portion of their salary. Capital Caring matches employee contributions dollar for dollar up to 1% of each eligible employee's salary. Employer contributions to the plan were approximately \$158,000 for the period of May 1, 2023 through December 31, 2023, and are included in salaries and benefits on the consolidated statements of operations.

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NOTE 13 – RELATED PARTY TRANSACTIONS

Cornerstone Foundation was established to exclusively foster, promote, support, develop, and encourage the functions of Cornerstone. U.S. GAAP requires Cornerstone to recognize as an asset its interest in the net assets of Cornerstone Foundation, and to reflect in its changes in net assets the changes in the net assets of Cornerstone Foundation. Total net assets held by the Foundation as of December 31, 2023 and 2022 amounted to \$7,925,900 and \$6,993,965, respectively, and are classified as interest in net assets of Cornerstone Foundation on the consolidated balance sheets and with donor restrictions by Cornerstone because Cornerstone does not control the timing or amount of the contributions made by Cornerstone Foundation. The change in beneficial interest in the net assets of Cornerstone Foundation is recorded within the consolidated statements of operations within the changes in net assets with donor restrictions.

During the period ended December 31, 2023 and 2022, Cornerstone Foundation made grants to Cornerstone totaling approximately \$1,500,000 and \$5,619,000, respectively to provide funding for certain programs of Cornerstone. Cornerstone Foundation owed Cornerstone \$536,633 and \$1,492,303 at December 31, 2023 and 2022, respectively, for operating expenses paid on Cornerstone Foundation's behalf and unpaid grants to Cornerstone. Such amounts are recorded as due from related party in the consolidated balance sheets at December 31, 2023 and 2022.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Litigation: During the normal course of business, CHS may be subject to various threatened or asserted claims related to professional liability, employment or other matters. CHS maintains commercial insurance on a claims-made basis for medical malpractice, as well as other commercial insurance to cover general liabilities. Management is not aware of any threatened claims that are not covered by its risk management programs or that, in the event of an adverse outcome, would have a significant impact on the financial position of CHS.

Workers' Compensation: CHS maintains workers' compensation insurance through a captive insurance company. Accruals for workers' compensation claims have been estimated by management based upon loss runs and claims data provided by the insurance company. Estimated accruals for workers' compensation claims totaled approximately \$1,299,000 and \$632,000 at December 31, 2023 and 2022, respectively, and are included in accrued employee compensation and related benefits in the accompanying consolidated balance sheets.

NOTE 15 – SELF-FUNDED INSURANCE

Employee Health Insurance: CHS is self-insured for employee health care to provide medical and other health care benefits to eligible employees and covered dependents. Reinsurance, covering costs above \$200,000, for years ended December 31, 2023 and 2022, per individual is maintained through a commercial excess coverage policy. Estimated accruals for claims incurred but not yet reported totaled approximately \$2,092,000 and \$1,420,000 at December 31, 2023 and 2022, respectively, and are included in accrued employee compensation and related benefits in the accompanying consolidated balance sheets. The estimate of the liability for unasserted claims arising from incurred but not reported claims is based on an analysis of historical claims data. CHS incurred approximately \$20,819,000 and \$10,512,000 in expense related to self-insured employee health benefits in the accompanying consolidated statements of operations during the years ended December 31, 2023 and 2022, respectively.

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NOTE 15 – SELF-FUNDED INSURANCE (Continued)

Cornerstone was self-insured for a portion of employee health benefits and migrated to CHS' plan in October 2022. Estimated accruals for claims incurred but not yet reported totaled approximately \$589,000 at December 31, 2022 and are included in accrued employee compensation and related benefits in the accompanying consolidated balance sheets. The estimate of the liability for unasserted claims arising from incurred but not reported claims is based on an analysis of historical claims data. Cornerstone incurred approximately \$3,370,000 in expense related to self-insured employee health benefits in the accompanying consolidated statements of operations during the period of April 1 through December 31, 2022.

Capital Caring is self-insured for employee health care to provide medical and other health care benefits to eligible employees and covered dependents. Estimated accruals for claims incurred but not yet reported totaled approximately \$722,000 at December 31, 2023 and are included in accrued employee compensation and related benefits in the accompanying consolidated balance sheets. The estimate of the liability for unasserted claims arising from incurred but not reported claims is based on an analysis of historical claims data. Capital Caring incurred approximately \$3,179,000 in expense related to self-insured employee health benefits in the accompanying consolidated statements of operations during the period of May 1, 2023 through December 31, 2023.

NOTE 16 – LIABILITY FOR UNPAID CLAIMS

Medical claims expense and the liability for unpaid claims include estimates of CHS' obligations for medical care services that have been rendered by third parties on behalf of insured consumers for which the CHS is contractually obligated to pay (through the CHS' capitation arrangements), but for which claims have either not yet been received, processed, or paid. CHS develops estimates for medical care services incurred but not reported ("IBNR"), which includes estimates for claims that have not been received or fully processed, utilizing actuarial models. CHS recorded a liability for accrued third-party medical expense claims of approximately \$2,463,000 and \$1,613,000 at December 31, 2023 and 2022, respectively.

CHS purchases provider excess insurance to protect against significant, catastrophic claims expenses incurred on behalf of its patients. The total amount of provider excess insurance premiums was \$4,065,215 and \$440,509 for the years ended December 31, 2023 and 2022, respectively. The provider excess insurance premiums less reimbursements are reported in medical claims expense in the consolidated statements of operations. Recoveries due are included in capitated accounts receivable in the consolidated balance sheets. CHS' provider excess insurance deductible for the plan was \$17.52 and \$17.70 per member per month for the years ended December 31, 2023 and 2022, respectively.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
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NOTE 17 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2023</u>	<u>2022</u>
Beneficial interest in the net assets of Cornerstone Foundation	\$ 7,925,900	\$ 6,993,965
For the operations of LifePath Hospice	4,178,730	3,125,461
For the operations of Good Shepherd Hospice	2,254,725	2,157,307
For the operations of Hernando-Pasco Hospice	1,805,032	732,700
For the operations of Capital Caring Hospice	3,492,559	-
For the operations of Hope Healthcare	223,591	-
Endowment – LifePath Hospice	844,605	844,605
Endowment – Good Shepherd Hospice	166,994	166,994
Endowment – Capital Caring	2,481,515	-
For the operations of Chapters Health Foundation	(56,405)	407,769
	<u>\$ 23,317,246</u>	<u>\$ 14,428,801</u>

NOTE 18 – FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

U.S. GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the CHS's principle or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value as follows:

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. The fair values of cash and cash equivalents, money market funds, mutual funds, equity securities, and real estate funds are determined by obtaining quoted prices on nationally recognized securities exchanges.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. The fair values of CHS's government debt securities and corporate bonds are determined by matrix pricing, a market method, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities. CHS's derivatives, which are comprised of two interest rate swap agreements, are also reported at fair value using Level 2 inputs. CHS obtained the fair value from a financial institution which utilizes internal models with observable market data inputs to estimate the value of this instrument (market approach valuation technique).

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 18 – FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. The interest in net assets of Cornerstone Foundation is based on the underlying assets of Cornerstone Foundation, which are not redeemable upon request by Cornerstone or CHS. The interest in net assets of Cornerstone Foundation is largely composed of underlying investments that have observable inputs and market activity allowing for pricing based on the market prices of the items in the investments (market approach valuation technique).

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following tables present the financial instruments carried at fair value on a recurring basis as of December 31, 2023 and 2022, by valuation hierarchy, all of which were based on the market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets.

Assets and liabilities measured on a recurring basis are as follows:

Fair Value Measurement at December 31, 2023				
	Level 1	Level 2	Level 3	Total
Assets				
Assets limited as to use:				
Cash and cash equivalents	\$ 6,629,801	\$ -	\$ -	\$ 6,629,801
Money market funds	1,953,565	-	-	1,953,565
Mutual funds	1,864,123	-	-	1,864,123
Total assets limited as to use	<u>10,447,489</u>	<u>-</u>	<u>-</u>	<u>10,447,489</u>
Investments				
Cash and cash equivalents	859,729	-	-	859,729
Money market funds	3,252,303	-	-	3,252,303
U.S. government agencies	-	1,527,559	-	1,527,559
Corporate bonds	-	991,281	-	991,281
Equity mutual funds	74,242,791	-	-	74,242,791
Bond mutual funds	9,802,093	-	-	9,802,093
Commodities mutual funds	1,422,439	-	-	1,422,439
Real estate fund	16,175,034	-	-	16,175,034
Equity securities	1,010,474	-	-	1,010,474
Total investments	<u>106,764,863</u>	<u>2,518,840</u>	<u>-</u>	<u>109,283,703</u>
Interest rate swap agreements	-	282,822	-	282,822
Interest in net assets of Cornerstone Foundation	-	-	7,925,900	7,925,900
Total assets	<u>\$ 117,212,352</u>	<u>\$ 2,801,662</u>	<u>\$ 7,925,900</u>	<u>\$ 127,939,914</u>

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 18 – FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurement at December 31, 2022				
	Level 1	Level 2	Level 3	Total
Assets				
Assets limited as to use:				
Cash and cash equivalents	\$ 3,452,644	\$ -	\$ -	\$ 3,452,644
Money market funds	60,097	-	-	60,097
Mutual funds	1,728,286	-	-	1,728,286
Total assets limited as to use	<u>5,241,027</u>	<u>-</u>	<u>-</u>	<u>5,241,027</u>
Investments				
Cash and cash equivalents	1,780,247	-	-	1,780,247
Money market funds	7,420,132	-	-	7,420,132
U.S. government agencies	-	673,813	-	673,813
Corporate bonds	-	258,390	-	258,390
Equity mutual funds	71,095,887	-	-	71,095,887
Bond mutual funds	8,818,080	-	-	8,818,080
Commodities mutual funds	1,509,974	-	-	1,509,974
Real estate fund	943,147	-	-	943,147
Equity securities	8,956,981	-	-	8,956,981
Total investments	<u>100,524,447</u>	<u>932,203</u>	<u>-</u>	<u>101,456,651</u>
Interest rate swap agreements	-	678,387	-	678,387
Interest in net assets of Cornerstone Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,993,965</u>	<u>\$ 6,993,965</u>
Total assets	<u>\$ 105,765,475</u>	<u>\$ 1,610,590</u>	<u>\$ -</u>	<u>\$ 107,376,065</u>

A reconciliation of beginning and ending balances for Organization's fair value measurements using Level 3 inputs is as follows:

	Interest in Net Assets of Cornerstone Founda
Assets at January 1, 2023	\$ 6,993,965
Change in interest in net assets of Cornerstone Foundation	<u>931,935</u>
Assets at December 31, 2023	<u>\$ 7,925,900</u>

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 19 – FUNCTIONAL EXPENSES

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

<u>Year ended December 31, 2023</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses 2023</u>
Salaries and benefits	\$ 299,526,441	\$ 6,663,622	\$ 5,798,112	\$ 311,988,176
Purchased services	44,733,195	1,194,317	932,357	46,859,869
Durable medical equipment, supplies and drugs	35,448,878	956,932	702,032	37,107,842
Medical claims expense	32,857,719	362,227	633,051	33,852,997
Insurance and other	57,729,584	1,389,153	1,093,302	60,212,040
Depreciation and amortization	11,113,640	220,485	217,823	11,551,948
Interest	2,164,514	64,673	39,971	2,269,158
Affiliation expenses	-	1,188,528	-	1,188,528
	<u>\$ 483,573,972</u>	<u>\$ 12,039,937</u>	<u>\$ 9,416,649</u>	<u>\$ 505,030,558</u>
<u>Year ended December 31, 2022</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Expenses 2022</u>
Salaries and benefits	\$ 135,224,058	\$ 26,684,925	\$ 2,837,125	\$ 164,746,108
Purchased services	21,612,084	463,010	267,358	22,342,452
Durable medical equipment, supplies and drugs	15,885,746	-	-	15,885,746
Medical claims expense	24,912,802	-	-	24,912,802
Insurance and other	35,655,789	3,048,320	2,204,621	40,908,730
Depreciation and amortization	-	9,183,759	-	9,183,759
Interest	-	1,063,889	-	1,063,889
Affiliation expenses	-	375,000	-	375,000
	<u>\$ 233,290,479</u>	<u>\$ 40,818,903</u>	<u>\$ 5,309,104</u>	<u>\$ 279,418,486</u>

SUPPLEMENTARY INFORMATION

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
OBLIGATED GROUP BALANCE SHEET
December 31, 2023

	Chapters Health System	Chapters Stone	LifePoint Hospice	Good Shepherd Hospice	Foundations	CareNu	Hemando- Pinto Hospice	Other	Total Before Eliminations	Eliminations Total	Obligated Group Total
ASSETS											
Current assets											
Cash and cash equivalents	\$ 5,622,572	\$ 34,271	\$ -	\$ -	\$ 1,404,159	\$ 9,137,080	\$ 1,000	\$ (390)	\$ 18,198,692	\$ -	\$ 18,198,692
Short-term investments	2,888,249	-	-	-	230,712	491,438	-	-	3,610,391	-	3,610,391
Assets limited to use, current portion	-	-	-	-	4,639,261	-	-	-	4,639,261	-	4,639,261
Patient accounts receivable, net	-	8,421,133	11,043,660	2,841,263	-	-	2,666,451	831,665	24,104,174	-	24,104,174
Capitalization receivable	-	-	-	-	-	6,516,438	-	-	6,516,438	-	6,516,438
Due from related party	2,566,729	536,833	-	-	-	-	-	249	3,103,811	(2,002,841)	1,100,770
Note receivable	3,000,000	-	-	-	-	-	-	-	3,000,000	-	3,000,000
Pledges receivable, current portion	-	-	-	-	412,084	-	-	-	412,084	-	412,084
Interest rate swap agreements	262,822	-	-	-	-	-	-	-	262,822	-	262,822
Other current assets	9,360,197	3,867,829	41,926	2,723	160,266	1,642,030	60,315	267,594	15,412,802	-	15,412,802
Total current assets	23,720,563	10,859,866	11,085,586	2,844,986	7,036,802	17,786,985	2,927,766	1,219,216	77,480,276	(2,002,841)	75,477,435
Assets limited as to use, net											
Pledges receivable, net	-	-	-	-	1,963,314	-	-	-	1,963,314	-	1,963,314
Long-term investments	84,044,211	-	-	-	1,407,974	-	-	-	1,407,974	-	1,407,974
Property and equipment, net	49,280,215	41,396,655	-	-	4,737,146	8,029,807	-	-	97,711,164	-	97,711,164
Right-of-use assets	13,864,489	5,106,418	2,242,436	16,018	1,177,819	-	384,819	1,430,207	24,124,288	-	24,124,288
Interest in net assets of affiliates	-	-	20,231,079	14,174,846	-	-	3,977,394	-	38,383,318	(38,383,318)	-
Interest in net assets of related party	16,142,309	7,925,900	-	-	-	-	-	-	24,068,209	(16,142,309)	7,925,900
Goodwill and intangibles, net	16,805,428	1,460,000	-	-	-	-	-	-	18,065,428	-	18,065,428
Other assets	2,330,522	-	-	-	-	17,500	-	-	2,348,022	-	2,348,022
Total assets	\$ 266,667,737	\$ 65,845,852	\$ 33,559,097	\$ 17,634,849	\$ 16,761,187	\$ 25,534,292	\$ 7,299,979	\$ 2,362,166	\$ 378,440,598	\$ 156,520,460	\$ 534,961,058

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
OBLIGATED GROUP BALANCE SHEET
December 31, 2023

	Chapters Health System	Comerstone	LifePath Hospice	Good Shepard Hospice	Foundation	CareNu	Hemando- Pasco Hospice	Other	Total Before Eliminations	Eliminations Total	Consolidated Total
LIABILITIES AND NET ASSETS											
Current liabilities											
Accounts payable and accrued expenses	\$ 4,800,735	\$ 1,466,568	\$ 675,404	\$ 386,890	\$ 744,882	\$ 1,784,582	\$ 415,078	\$ 183,161	\$ 10,237,396	\$ -	\$ 10,237,396
Accrued employee compensation and related benefits	8,931,143	2,824,581	1,505,278	810,373	191,397	175,838	901,021	56,834	15,096,135	-	15,096,735
Estimate patient care expenses payable	-	3,708,410	2,519,413	1,456,039	-	-	885,257	215,051	8,784,170	-	8,784,170
Third-party medical claim expense	-	-	-	-	-	2,482,980	-	-	2,482,980	-	2,482,980
Due to related party	-	-	-	-	340,825	1,681,918	-	-	2,002,841	(2,002,841)	-
Lease liabilities, current	1,988,560	682,960	457,629	16,303	623,663	-	185,747	358,926	4,291,777	-	4,291,777
Current portion of long-term debt	2,200,648	-	-	-	-	-	-	-	2,200,648	-	2,200,648
Current portion of annuity obligations	-	-	-	-	34,285	-	-	-	34,285	-	34,285
Third-party settlements	-	775,044	487,345	577,824	-	-	84,429	14,502	1,939,144	-	1,939,144
Total current liabilities	17,701,084	9,167,621	6,046,569	3,227,429	1,905,152	6,085,416	2,471,530	626,273	47,049,974	(2,002,841)	46,047,133
Long-term debt, net of current portion and debt issuance costs	27,372,177	-	-	-	-	-	-	-	27,372,177	-	27,372,177
Lease liabilities, net	12,758,515	4,847,059	1,847,243	-	690,852	-	219,865	1,110,883	21,178,407	-	21,178,407
Annuity obligations, net	-	-	-	-	149,795	-	-	-	149,795	-	149,795
Other long-term liabilities	2,887,620	13,430	-	-	-	-	-	-	2,901,050	-	2,901,050
Total liabilities	60,717,396	13,818,010	7,492,812	3,227,429	2,681,799	6,085,416	2,691,385	1,937,156	98,851,403	(2,002,841)	96,848,562
Net assets											
Net assets without donor restriction	146,950,341	45,095,742	20,994,115	11,385,701	4,945,377	23,101,575	2,803,582	714,944	254,992,357	(45,226,705)	209,765,651
Noncontrolling interest	-	-	-	-	-	(3,352,899)	-	-	(3,352,899)	-	(3,352,899)
Total Net assets without donor restriction	146,950,341	45,095,742	20,994,115	11,385,701	4,945,377	19,748,676	2,803,582	714,944	251,639,458	(45,226,705)	206,412,752
Net assets with donor restrictions	-	7,525,906	5,072,170	2,421,779	9,134,916	-	1,805,032	-	26,358,933	(9,208,927)	17,150,005
Total net assets	146,950,341	52,621,647	26,066,285	13,807,480	14,079,393	19,748,676	4,608,614	714,944	277,998,391	(54,435,632)	223,472,758
	<u>\$ 200,667,737</u>	<u>\$ 66,440,652</u>	<u>\$ 33,559,097</u>	<u>\$ 17,034,909</u>	<u>\$ 16,781,192</u>	<u>\$ 25,834,292</u>	<u>\$ 7,299,979</u>	<u>\$ 2,652,100</u>	<u>\$ 370,859,895</u>	<u>\$ (56,528,483)</u>	<u>\$ 320,121,413</u>

See accompanying independent auditor's report.

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATING BALANCE SHEET
December 31, 2023

	Obligated Group	Hopa Healthcare	Capital Caring Hospice	Other	Total Before Eliminations	Eliminations Total	Consolidated Total
ASSETS							
Current assets							
Cash and cash equivalents	\$ 16,198,692	\$ 10,453,924	\$ 6,875,674	\$ 289,811	\$ 33,818,101	\$ -	\$ 33,818,101
Short-term investments	3,610,391	7,962,148	-	-	11,572,539	-	11,572,539
Assets limited to use, current portion	4,839,261	-	-	-	4,839,261	-	4,839,261
Patient accounts receivable, net	24,104,174	8,791,271	10,388,811	339,090	43,623,346	-	43,623,346
Capitation receivable	6,516,439	-	-	-	6,516,439	-	6,516,439
Due from related party	1,100,770	-	169,993	-	1,270,763	(594,783)	675,980
Note receivable	3,000,000	-	-	-	3,000,000	(3,000,000)	-
Pledges receivable, current portion	412,084	-	11,370	-	423,454	-	423,454
Interest rate swap agreements	282,822	-	-	-	282,822	-	282,822
Other current assets	15,412,802	3,136,091	950,871	47,673	19,547,437	-	19,547,437
Total current assets	75,477,435	30,343,434	18,396,719	676,574	124,894,162	(3,594,783)	121,299,379
Non-current assets							
Assets limited as to use, net	1,963,314	-	3,644,914	-	5,608,228	-	5,608,228
Pledges receivable, net	1,407,974	-	2,259,114	-	3,667,088	-	3,667,088
Long-term investments	97,711,164	-	-	-	97,711,164	-	97,711,164
Property and equipment, net	91,097,905	54,935,261	18,929,124	-	164,962,290	-	164,962,290
Right-of-use assets	24,124,288	3,823,101	22,675,432	-	50,622,821	-	50,622,821
Interest in net assets of related party	7,925,900	-	-	-	7,925,900	-	7,925,900
Goodwill and intangibles, net	18,065,428	5,375,000	7,200,000	-	30,640,428	-	30,640,428
Other assets	2,348,022	-	11,841	-	2,359,863	-	2,359,863
Total assets	\$ 320,121,430	\$ 94,476,796	\$ 73,117,144	\$ 676,574	\$ 488,391,944	\$ (3,594,783)	\$ 484,797,161

(Continued)

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATING BALANCE SHEET
December 31, 2023

	Obligated Group	Hope Healthcare	Capital Caring Hospice	Other	Total Before Eliminations	Eliminations Total	Consolidated Total
LIABILITIES AND NET ASSETS							
Current liabilities							
Accounts payable and accrued expenses	\$ 10,237,396	\$ 5,267,853	\$ 6,069,539	\$ 64,688	\$ 21,639,476	\$ -	\$ 21,639,476
Accrued employee compensation and related benefits	15,096,735	4,434,489	5,506,679	94,280	25,132,183	-	25,132,183
Estimate patient care expenses payable	8,784,170	1,135,711	2,734,755	-	12,654,636	-	12,654,636
Third-party medical claim expense	2,462,980	-	-	-	2,462,980	-	2,462,980
Due to related party	-	335,227	-	259,556	594,783	(594,783)	-
Lease liabilities, current	4,291,777	1,068,835	2,190,292	-	7,548,904	-	7,548,904
Current portion of long-term debt	2,200,646	-	3,000,000	-	5,200,646	(3,000,000)	2,200,646
Current portion of annuity obligations	34,285	-	75,170	-	109,455	-	109,455
Third-party settlements	1,938,144	(795,725)	384,521	-	1,527,940	-	1,527,940
Total current liabilities	45,047,133	11,444,390	19,960,956	418,524	76,871,003	(3,594,783)	73,276,220
Long-term debt, net of current portion and debt issuance costs							
	27,372,177	-	-	-	27,372,177	-	27,372,177
Lease liabilities, net	21,178,407	2,802,414	20,727,526	-	44,708,347	-	44,708,347
Annuity obligations, net	149,795	217,757	-	-	367,552	-	367,552
Other long-term liabilities	2,901,050	90,196	20,473	-	3,011,719	-	3,011,719
Total liabilities	96,648,562	14,554,757	40,708,955	418,524	152,330,798	(3,594,783)	148,736,015
Net assets							
Net assets without donor restriction	209,765,651	79,698,448	26,434,115	198,385	316,096,599	-	316,096,599
Noncontrolling interest	(3,352,699)	-	-	-	(3,352,699)	-	(3,352,699)
Total Net assets without donor restriction	206,412,952	79,698,448	26,434,115	198,385	312,743,900	-	312,743,900
Net assets with donor restrictions	17,059,916	223,591	5,974,074	59,665	23,317,246	-	23,317,246
Total net assets	223,472,868	79,922,039	32,408,189	258,050	336,061,146	-	336,061,146
	\$ 320,121,430	\$ 94,476,796	\$ 73,117,144	\$ 676,574	\$ 488,391,944	\$ (3,594,783)	\$ 484,797,161

See accompanying notes to consolidated financial statements

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
OBLIGATED GROUP STATEMENT OF OPERATIONS
Year ended December 31, 2023

	Chapters Health System	Genesis Hospital	LifePath Hospital	Good Shepherd Hospital	Foundation Hospital	CareNu Hospital	Hernando Hospital	Other	Total Before Eliminations	Eliminations Total	Obligated Group Total
Net assets without donor restrictions											
Revenue and other support											
Net patient service revenue	\$ -	\$ 88,301,321	\$ 85,924,237	\$ 38,226,888	\$ -	\$ -	\$ 47,284,398	\$ 5,408,232	\$ 269,235,774	\$ -	\$ 269,235,774
Capitalized non-risk revenue	-	-	-	-	-	38,882,897	-	-	38,882,897	-	38,882,897
Contributions	-	1,500,000	1,182,492	628,206	27,340	-	888,672	79,868	4,208,612	(2,771,472)	1,527,340
Net assets released from restrictions used for operations	-	-	-	-	8,825,591	-	-	-	8,825,591	-	8,825,591
Other operating revenue	913,652	-	-	10,000	2,824,941	1,971,790	-	18,754,194	24,471,577	(17,744,922)	5,728,655
Intercompany asset allocations	82,135,811	-	-	-	-	-	-	-	82,135,811	(82,135,811)	69,866
Total revenue, gains and support	83,049,063	89,801,321	86,206,729	38,663,788	9,877,872	40,984,997	48,171,269	24,226,334	425,949,972	(101,585,922)	323,964,050
Expenses											
Salaries and benefits	45,753,164	57,187,708	42,906,889	24,870,247	3,643,465	3,789,105	27,503,885	21,878,218	225,978,178	(11,854,241)	214,024,534
Purchased services	758,048	8,284,781	8,982,508	2,635,509	227,610	1,714,097	2,774,868	265,280	23,530,505	-	23,530,505
Insurance and other	26,838,351	16,308,609	17,358,535	(9,437,821)	2,294,389	769,183	12,317,325	3,945,502	93,383,831	(52,624,380)	38,738,095
Durable medical equipment, medical supplies, and drugs	-	6,690,230	7,908,742	3,485,273	-	-	4,324,103	2,543,797	26,040,145	(9,700,982)	20,249,453
Medical claims expense	-	-	-	-	-	33,882,897	-	-	33,882,897	-	33,882,897
Depreciation and amortization	8,538,442	90,000	-	-	-	-	-	-	8,628,442	-	8,628,442
Interest	1,193,221	-	-	-	-	18,337	-	-	1,211,558	-	1,211,558
Contributions to affiliates	-	-	-	-	2,771,472	-	-	-	2,771,472	(2,771,472)	-
Affiliate expenses	1,188,828	-	-	-	-	-	-	-	1,188,828	-	1,188,828
Intercompany cost allocations	-	4,385,237	11,817,718	8,338,376	303,065	(848,041)	2,669,178	818,439	29,551,249	(29,551,249)	802,888
Total expenses	83,049,754	86,897,758	70,172,184	36,401,456	4,684,866	40,984,752	41,384,340	27,344,248	445,083,428	(101,585,922)	343,497,506
Income (loss) from operations	(1,013,691)	(6,996,437)	(155,455)	(11,737,668)	(5,806,994)	(14,155)	(4,212,072)	(3,117,914)	(19,133,456)	-	(10,133,456)
Nonoperating revenues and expenses											
Note receivable converted to consideration in affiliate debt	(7,000,000)	-	-	-	-	-	-	-	(7,000,000)	-	(7,000,000)
Gain (loss) on sale of property and equipment	986,201	-	-	-	-	-	-	-	986,201	-	986,201
Loss on disposal of assets	(1,810,134)	-	-	-	-	-	-	-	(1,810,134)	-	(1,810,134)
Investment income (loss)	14,813,484	-	-	-	658,968	84,131	-	-	15,356,611	-	15,356,611
Change in fair value of interest rate swap agreements	(385,385)	-	-	-	-	-	-	-	(385,385)	-	(385,385)
Total nonoperating income	8,704,266	-	-	-	658,968	84,131	-	-	13,654,113	-	13,654,113
Net asset with donor restrictions											
Contributions	\$ -	\$ -	\$ -	\$ -	\$ 8,282,617	\$ -	\$ -	\$ -	\$ 8,282,617	\$ -	\$ 8,282,617
Investment income	-	-	-	-	231,154	-	-	-	231,154	-	231,154
Change in restricted interest	-	831,936	1,102,104	97,416	-	-	1,072,333	-	3,203,790	(2,271,685)	831,936
Net assets released from restrictions	-	-	-	-	(8,825,591)	-	-	-	(8,825,591)	-	(8,825,591)
Change in net assets with donor restrictions before other changes	-	831,936	1,102,104	97,416	(8,592,974)	-	1,072,333	-	4,093,910	(2,271,685)	1,822,225

See accompanying notes to consolidated financial statements

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS
Year ended December 31, 2023

	Obligated Group	Hope Hospice	Capital Caring Hospice	Other	Total Before Eliminations	Eliminations Total	Consolidated Total
Net assets without donor restrictions							
Revenue and other support							
Net patient service revenue	\$ 269,235,774	\$ 98,987,868	\$ 53,864,742	\$ 1,154,828	\$ 423,243,012	\$ -	\$ 423,243,012
Capitalized non-risk revenue	38,982,807	-	-	-	38,982,807	-	38,982,807
Contributions	1,527,349	1,100,789	3,375,289	15,085	6,018,503	-	6,018,503
Net assets released from restrictions used for operations	8,825,591	1,225,963	1,458,810	134,181	9,642,515	-	9,642,515
Other operating revenue	8,724,355	2,846,462	30,808	238,631	9,840,256	-	9,840,256
Intercompany cost allocations	628,888	-	-	-	628,888	(628,888)	-
Total revenue, gains and support	323,994,973	103,961,182	56,227,449	1,540,285	485,722,901	(628,888)	485,722,901
Expenses							
Salaries and benefits	314,423,934	57,958,417	37,754,867	2,252,168	311,988,176	-	311,988,176
Purchased services	23,500,005	22,388,295	867,868	84,611	46,839,889	-	46,839,889
Insurance and other	29,793,663	8,896,044	11,167,057	310,274	50,212,040	-	50,212,040
Durable medical equipment, medical supplies, and drugs	20,243,463	12,066,464	4,792,679	7,216	37,107,842	-	37,107,842
Medical claims expense	31,893,997	-	-	-	33,852,997	-	33,852,997
Depreciation and amortization	8,815,447	2,151,041	785,460	-	11,551,948	-	11,551,948
Interest	1,211,558	375,800	681,711	89	2,269,158	-	2,269,158
Affiliation expenses	1,188,528	-	-	-	1,188,528	-	1,188,528
Intercompany cost allocations	695,888	-	-	-	695,888	(695,888)	-
Total expenses	343,107,465	103,929,881	56,038,827	2,656,236	505,730,409	(695,888)	505,030,558
Income (loss) from operations	(19,113,430)	35,101	2,688,627	(1,113,953)	(17,503,485)	-	(17,503,485)
Nonoperating revenues and expenses							
Excess of fair value of assets acquired over liabilities assumed in acquisition of Hope Hospice and Community Services, Inc. (Hope) and Capital Caring Health and its affiliates (Capital) (See Note 2)	-	80,024,844	16,794,674	1,408,811	98,229,329	-	98,229,329
Note receivable converted to consideration at affiliation date	(7,000,000)	-	7,000,000	-	-	-	-
Gain (loss) on sale of property and equipment	998,201	(2,454,406)	(185,371)	-	(1,523,576)	-	(1,523,576)
Loss on disposal of assets	(1,510,134)	-	-	-	(1,510,134)	-	(1,510,134)
Investment income (loss)	15,354,511	2,092,911	115,585	-	17,563,507	-	17,563,507
Change in fair value of interest rate swap agreements	(395,555)	-	-	-	(395,555)	-	(395,555)
Total nonoperating income	7,446,113	79,663,347	13,745,288	1,408,811	112,263,559	-	112,263,559
Change in net assets without donor restrictions before other changes	(11,668,317)	79,899,448	26,434,115	285,848	94,760,094	-	94,760,094
Net asset with donor restrictions							
Excess of fair value of assets acquired over liabilities assumed in acquisition of Hope Hospice and Community Services, Inc. (Hope) and Capital Caring Health and its affiliates (Capital) (See Note 2)	-	236,360	8,832,680	94,461	7,163,521	-	7,163,521
Contributions	8,283,817	1,213,174	648,991	89,365	10,163,137	-	10,163,137
Change in beneficial interest	931,835	-	-	-	931,835	-	931,835
Investment income	231,154	-	51,213	-	282,367	-	282,367
Net assets released from restrictions	(8,825,591)	(1,225,963)	(1,458,810)	(134,181)	(9,642,515)	-	(9,642,515)
Change in net assets with donor restrictions before other changes	2,391,115	223,569	5,974,074	249,645	8,838,443	-	8,838,443

See accompanying independent auditor's report.

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
OBLIGATED GROUP STATEMENT OF CHANGES IN NET ASSETS
Year ended December 31, 2023

	Chapters Health System	Covenantone	LifePoint Hospice	Good Shepherd Hospice	Foundation	CareNu	Hemando- Pascua Hospice	Other	Total Before Eliminations	Eliminations	Obligated Group Total
Net assets without donor restrictions - December 31, 2022	\$ 146,623,213	\$ 66,303,445	\$ 18,100,482	\$ 18,366,840	\$ 3,247,395	\$ 5,486,831	\$ 3,143,824	\$ 2,000,898	\$ 248,115,726	\$ (29,884,388)	\$ 220,031,328
Change in net assets without donor restrictions before other changes	6,890,290	(66,446)	(166,459)	(11,837,669)	1,897,982	69,986	(4,217,072)	(3,118,014)	(11,859,318)	1	(11,859,317)
Net asset transfer	(6,363,162)	(11,120,258)	3,060,092	19,713,527	-	359,717	3,676,510	1,833,182	359,868	-	359,868
Member distributions	-	-	-	-	-	(3,079,562)	-	-	(3,079,562)	-	(3,079,562)
Additional paid in capital	-	-	-	-	-	18,142,308	-	-	18,142,308	(18,142,308)	-
Change in non-controlling interest	(6,363,162)	(11,120,258)	3,060,092	19,713,527	-	789,815	-	-	769,915	-	769,915
Change in net assets without donor restrictions	(2,972,872)	(11,206,703)	2,893,833	(824,138)	1,897,982	14,262,045	(340,262)	(1,285,752)	2,523,932	(18,142,308)	(13,818,376)
Net assets without donor restrictions - December 31, 2023	\$ 143,650,341	\$ 45,096,742	\$ 20,994,315	\$ 17,542,701	\$ 5,145,377	\$ 19,748,876	\$ 2,803,562	\$ 714,846	\$ 251,835,556	\$ (45,226,706)	\$ 206,608,850
Net assets with donor restrictions - December 31, 2022	\$ -	\$ 8,893,895	\$ 3,970,056	\$ 2,324,301	\$ 7,434,836	\$ -	\$ 732,899	\$ -	\$ 21,455,067	\$ (7,027,068)	\$ 14,428,001
Change in net assets with donor restrictions before other changes	-	831,836	1,102,104	97,418	1,899,160	-	1,072,333	-	4,902,972	(3,277,855)	1,625,117
Net assets without donor restrictions - December 31, 2023	\$ -	\$ 9,725,731	\$ 5,072,170	\$ 2,421,719	\$ 9,334,016	\$ -	\$ 1,805,032	\$ -	\$ 26,366,537	\$ (8,298,921)	\$ 18,067,616

See accompanying independent auditor's report.

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
Year ended December 31, 2023

	Obligated Group	Hopa Healthcare	Capital Caring Hospice	Other	Total Before Eliminations	Eliminations Total	Consolidated Total
Net assets without donor restrictions - December 31, 2022	\$ 220,031,328	\$ -	\$ -	\$ 262,425	\$220,293,753	\$ -	\$220,293,753
Change in net assets without donor restrictions before other changes	(11,688,317)	79,698,448	26,434,115	295,848	94,760,084	-	94,760,084
Net asset transfer	359,888	-	-	(359,888)	-	-	-
Member distributions	(3,079,562)	-	-	-	(3,079,562)	-	(3,079,562)
Change in non-controlling interest	769,615	-	-	-	769,615	-	769,615
	(1,950,059)	-	-	(359,888)	(2,309,847)	-	(2,309,847)
Change in net assets without donor restrictions	(13,616,376)	79,698,448	26,434,115	(64,040)	92,450,147	-	92,450,147
Net assets without donor restrictions - December 31, 2023	\$ 206,412,952	\$ 79,698,448	\$ 26,434,115	\$ 198,385	\$312,743,900	\$ -	\$312,743,900
Net assets with donor restrictions - December 31, 2022	\$ 14,428,801	\$ -	\$ -	\$ -	\$ 14,428,801	\$ -	\$ 14,428,801
Change in net assets with donor restrictions before other changes	2,831,115	223,591	5,974,074	59,565	8,888,445	-	8,888,445
Net assets with donor restrictions - December 31, 2023	\$ 17,259,916	\$ 223,591	\$ 5,974,074	\$ 59,565	\$ 23,317,246	\$ -	\$ 23,317,246

See accompanying independent auditor's report.

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTE TO CONSOLIDATING FINANCIAL STATEMENTS
Year ended December 31, 2023

NOTE 1 – CONSOLIDATING DETAIL

The accompanying consolidating balance sheet and consolidating statement of operations reflect the financial position and operations and changes in net assets of Chapters Health System, Inc. (CHS) and its major operating entities. The amounts included in CNU are comprised of CNU, Assurity Direct Contracting Entity, Inc., and eliminations between the two companies.

The amounts included in other within the Obligated Group includes: Chapters Health Palliative Care, LLC, Chapters Health Pharmacy, LLC, Chapters Health Staffing, LLC, Chapters Health Home Connect, Inc., Hospice of Okeechobee, and Cornerstone Health Services, LLC.

The amounts included in Capital Caring includes: Capital Caring Health and Capital Hospice.

The amounts included in other that are not in the Obligated Group are comprised of Allcare Medical of Florida, Care Partners, LLC, Achieve Home Care, LLC, Capital Caring Health, Capital Palliative Care Consultants, Capital Caring Stay at Home Services, Inc., and Capital Caring Advanced Illness Services, Inc.

See accompanying independent auditor's report.



FLORIDA DEPARTMENT OF STATE
Division of Corporations

January 11, 2022

CORPORATION SERVICE COMPANY

Re: Document Number 763935

The Articles of Amendment to the Articles of Incorporation of CHAPTERS HEALTH SYSTEM, INC., a Florida corporation, were filed on January 10, 2022.

Should you have any questions regarding this matter, please telephone (850) 245-6050, the Amendment Filing Section.

Irene Albritton
Regulatory Specialist III
Division of Corporations

Letter Number: 622A00000783

Account number: I20000000195

Amount charged: 35.00

SECOND ARTICLES OF AMENDMENT
to
THIRD RESTATED ARTICLES OF INCORPORATION
of
CHAPTERS HEALTH SYSTEM, INC.

Pursuant to the provisions of Sections 617.1001, 617.1002 and 617.1006 of the Florida Statutes, Chapters Health System, Inc., a Florida not for profit corporation, hereby adopts the following amendments to its Third Restated Articles of Incorporation (the "**Articles of Incorporation**" or "**Articles**"), to be effective upon filing:

1. **Name of Corporation.** The name of the corporation is Chapters Health System, Inc. (the "**Corporation**").
2. **Text of Amendments.**

FIRST: Article I of the Articles of Incorporation is hereby deleted in its entirety and replaced with the following:

ARTICLE I

Name and Address

The name of the Corporation is Chapters Health System, Inc. (the "**Corporation**"). The principal office address of the Corporation is 12470 Telecom Drive, Suite 301, Temple Terrace, Florida 33637.

SECOND: Article III of the Articles of Incorporation is hereby deleted in its entirety and replaced with the following:

ARTICLE III

Purposes

The Corporation is a not for profit corporation that is (i) organized exclusively for charitable, religious, educational, and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code, as amended, or the corresponding section of any future federal tax code

(the "Code"), (ii) established, organized and operated in accordance with Section 501(c)(3) of the Code; (iii) incorporated under the Florida Not For Profit Corporation Act; and, (iv) organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the tax-exempt purposes and missions of LifePath Hospice, Inc., Good Shepherd Hospice, Inc., Hernando-Pasco Hospice, Inc., Hospice of Okeechobee, Incorporated and Chapters Health Home Connect, Inc., each an organization described in Section 501(c)(3) and classified as a public charity under Section 509(a)(2) of the Code (collectively, the "Supported Organizations"), for so long as the Supported Organizations qualify as organizations described in Section 501(c)(3) of the Code and classified as public charities under Section 509(a)(2) of the Code. In connection with its relationship with the Supported Organizations, no less than a majority of the directors of the Corporation must also be persons who are directors of the Supported Organizations. The Corporation is also authorized to perform any lawful act or activity for which corporations not-for-profit may be formed under the Florida Not For Profit Corporation Act, including, without limitation:

1. To own, lease, establish, support, manage or furnish, directly or indirectly, any asset, facility, single-member limited liability company (the single-member of which shall be the Corporation) or service for the support and care of persons with or affected by advanced illness.
2. To promote the philosophy that the quality of life is important and that life should be lived to its fullest extent by those persons with or affected by advanced illness.
3. To promote understanding of the needs of persons with or affected by advanced illness.
4. To obtain public involvement and support by disseminating the aims, purposes and activities of the Supported Organizations, this Corporation and its single member limited liability companies to the general public.
5. To solicit, raise and receive funds and endowments for the purpose of carrying out the purposes of the Corporation.
6. To operate without regard to race, creed, age, sex, religion or national origin.
7. To do all other tasks, including the conducting of all activities, necessary, suitable, convenient, useful or expedient in connection with, or incidental to, the accomplishment of any of the purposes set forth herein to the full extent permitted by the laws of the sovereign State of Florida.

Restrictions. Notwithstanding any other provisions of these Articles to the contrary, the Corporation shall not have or exercise any power which would cause it not to qualify as a tax-exempt organization under Sections 501(c)(3) or 509(a)(3) of the Code; nor shall the Corporation engage directly or indirectly in any activity which would cause the loss of such qualification.

Notwithstanding any other provision of these Articles to the contrary, the Corporation shall not pay dividends and no part of the net earnings, current or accumulated, or property of the Corporation, shall inure to the benefit of, or be distributed to, the Corporation's members, directors, officers or other private persons, except that the Corporation may pay compensation in a reasonable amount to its members, directors, or officers for services rendered, may confer benefits upon its members in conformity with the Corporation's purposes so long as such members are qualifying exempt organizations under Section 501(c)(3) of the Code at the time of conferring such benefits, and upon dissolution, final liquidation or partial liquidation, may make distributions to its qualifying members to the extent permitted by these Articles of Incorporation and applicable law.

Notwithstanding any other provision of these Articles to the contrary, no substantial part of the activities of the Corporation shall be carrying on of propaganda, or otherwise attempting to influence legislation.

Notwithstanding any other provision of these Articles to the contrary, the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office.

Notwithstanding any other provision of these Articles to the contrary, the Corporation shall not be controlled directly or indirectly by one or more disqualified persons (as defined in Section 4946 of the Code) other than foundation managers and other than one or more organizations described in Sections 509(a)(1) or 509(a)(2) of the Code.

THIRD: Article IV of the Articles of Incorporation is hereby deleted in its entirety and replaced with the following:

ARTICLE IV

Registered Agent and Office Address

The Registered Agent for this Corporation is Andrew K. Molosky. The Registered Office address for this Corporation is 12470 Telecom Drive, Suite 301 Temple Terrace, Florida 33637.

FOURTH: Article V of the Articles of Incorporation is hereby deleted in its entirety and replaced with the following:

ARTICLE V


Management

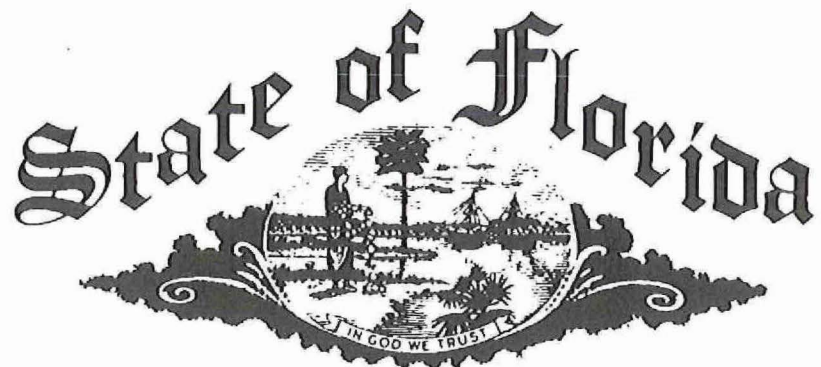
The affairs of the Corporation shall be managed by its Board of Directors. The number of directors, election and terms of office shall be determined by the By-Laws of the corporation. An elected Director may be removed from the Board of Directors for cause at any time by a majority vote of all Directors then entitled to vote. An elected Director may be removed from the Board without cause at any time by a vote of two-thirds of the Directors then entitled to vote.

3. **Date and Manner of Adoption.** There are no members or members entitled to vote on these Articles of Amendment. These Articles of Amendment were approved by the Corporation's Board of Directors at a regularly scheduled meeting held on December 7, 2021 at which a quorum of directors was present, to be effective upon filing. The number of votes cast in favor of approval of these Articles of Amendment was sufficient for approval.

IN WITNESS WHEREOF, the President of the Corporation has executed these Second Articles of Amendment to Third Restated Articles of Incorporation on this 7th day of December, 2021, to be effective upon filing.

CHAPTERS HEALTH SYSTEM, INC.

By 
Andrew K. Molosky, President/CEO



Department of State


I certify the attached is a true and correct copy of the Restated Articles of Incorporation, filed on December 17, 2012, for CHAPTERS HEALTH SYSTEM, INC., a Florida corporation, as shown by the records of this office.

The document number of this corporation is 763935.

Given under my hand and the
Great Seal of the State of Florida
at Tallahassee, the Capital, this the
Seventeenth day of December, 2012



CR2EO22 (1-11)


Ken Detzner
Secretary of State

THIRD RESTATED
ARTICLES OF INCORPORATION
of
CHAPTERS HEALTH SYSTEM, INC.
(A Corporation Not for Profit)

These Third Restated Articles of Incorporation restate the original provisions of the Second Restated Articles of Incorporation of Chapters Health System, Inc., f/k/a HPC Healthcare, Inc., f/k/a LifePath Hospice and Palliative Care, Inc., f/k/a LifePath, Inc., f/k/a Hospice of Hillsborough, Incorporated, filed on May 1, 2008, as amended on January 24, 2011, May 25, 2011 and June 1, 2011, and as amended by the Articles of Restatement dated November 27, 2012, to be effective as of December 17, 2012.

ARTICLE I

Name and Address

The name of the Corporation is Chapters Health System, Inc. (the "Corporation"). The principal office address of the Corporation is 12470 Telecom Drive, Suite 300 West, Temple Terrace, Florida 33637.

ARTICLE II

Term of Existence

This not for profit corporation shall have perpetual existence.

ARTICLE III

Purposes

The Corporation is a not for profit corporation that is (i) organized exclusively for charitable, religious, educational, and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code, as amended, or the

corresponding section of any future federal tax code (the "Code"), (ii) established, organized and operated in accordance with Section 501(c)(3) of the Code; (iii) incorporated under the Florida Not For Profit Corporation Act; and, (iv) organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the tax-exempt purposes and missions of LifePath Hospice, Inc., Good Shepherd Hospice, Inc., and Chapters Health Senior Independence, Inc., each an organization described in Section 501(c)(3) and classified as a public charity under Section 509(a)(2) of the Code (collectively, the "Supported Organizations"), for so long as the Supported Organizations qualify as organizations described in Section 501(c)(3) of the Code and classified as public charities under Section 509(a)(2) of the Code. In connection with its relationship with the Supported Organizations, no less than a majority of the directors of the Corporation must also be persons who are directors of the Supported Organizations. The Corporation is also authorized to perform any lawful act or activity for which corporations not-for-profit may be formed under the Florida Not For Profit Corporation Act, including, without limitation:

1. To own, lease, establish, support, manage or furnish, directly or indirectly, any asset, facility, single-member limited liability company (the single-member of which shall be the Corporation) or service for the support and care of persons with or affected by advanced illness.
2. To promote the philosophy that the quality of life is important and that life should be lived to its fullest extent by those persons with or affected by advanced illness.
3. To promote understanding of the needs of persons with or affected by advanced illness.
4. To obtain public involvement and support by disseminating the aims, purposes and activities of the Supported Organizations, this Corporation and its single member limited liability companies to the general public.
5. To solicit, raise and receive funds and endowments for the purpose of carrying out the purposes of the Corporation.

6. To operate without regard to race, creed, age, sex, religion or national origin.

7. To do all other tasks, including the conducting of all activities, necessary, suitable, convenient, useful or expedient in connection with, or incidental to, the accomplishment of any of the purposes set forth herein to the full extent permitted by the laws of the sovereign State of Florida.

Restrictions. Notwithstanding any other provisions of these Articles to the contrary, the Corporation shall not have or exercise any power which would cause it not to qualify as a tax-exempt organization under Sections 501(c)(3) or 509(a)(3) of the Code; nor shall the Corporation engage directly or indirectly in any activity which would cause the loss of such qualification.

Notwithstanding any other provision of these Articles to the contrary, the Corporation shall not pay dividends and no part of the net earnings, current or accumulated, or property of the Corporation, shall inure to the benefit of, or be distributed to, the Corporation's members, directors, officers or other private persons, except that the Corporation may pay compensation in a reasonable amount to its members, directors, or officers for services rendered, may confer benefits upon its members in conformity with the Corporation's purposes so long as such members are qualifying exempt organizations under Section 501(c)(3) of the Code at the time of conferring such benefits, and upon dissolution, final liquidation or partial liquidation, may make distributions to its qualifying members to the extent permitted by these Articles of Incorporation and applicable law.

Notwithstanding any other provision of these Articles to the contrary, no substantial part of the activities of the Corporation shall be carrying on of propaganda, or otherwise attempting to influence legislation.

Notwithstanding any other provision of these Articles to the contrary, the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office.

Notwithstanding any other provision of these Articles to the contrary, the Corporation shall not be controlled directly or indirectly by one or more disqualified persons (as defined in Section 4946 of the Code) other than foundation managers and other than one or more organizations described in Sections 509(a)(1) or 509(a)(2) of the Code.

ARTICLE IV

Registered Agent and Office Address

The Registered Agent for this corporation is Kathy L. Fernandez. The Registered Office address for this corporation is 12470 Telecom Drive, Suite 300 West, Temple Terrace, Florida 33637.

ARTICLE V

Management

The affairs of the Corporation shall be managed by its Board of Directors. Number of members, election and terms of office shall be determined by the By-Laws of the corporation. Any member of the Board of Directors may be removed by at least a two-thirds majority vote of the Board of Directors present at a regularly called meeting containing a quorum of 50% plus one person.

ARTICLE VI

By-Laws

The By-Laws of this Not for Profit Corporation shall be adopted by the Board of Directors and said By-Laws may be thereafter altered, amended, added to or rescinded by at least a majority vote of the directors then in office.

ARTICLE VII

Amendments

The Corporation reserves the right to amend these Third Restated Articles of Incorporation at any regular or special meeting of the Board of Directors by at least a majority vote of the directors then in office.

ARTICLE VIII

Distributions on Liquidation or Dissolution

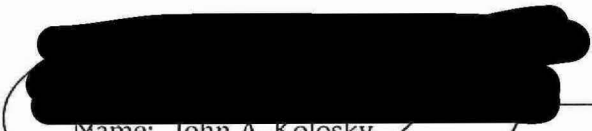
Upon dissolution of the Corporation, or liquidation of its assets, whether voluntary or involuntarily or by operation of law, except as, and to the extent otherwise provided or required by law, the net assets remaining after payment of all debts and obligations of the Corporation and of all costs and expenses of such liquidation or dissolution, shall be distributed to an organization which shall have qualified for a Federal Income Tax Exemption under the terms of section 501(c)(3) of the Code, as amended, or to the State of Florida, Educational Trust Fund, subject always to the provisions of these Articles, a specific condition of which is that none of the net assets of this Corporation shall be distributed to or used for the benefit of any officer or director of the Corporation or any other private individual; provided, however, that nothing contained in these Articles shall be construed to prevent a distribution from the net assets of the Corporation to a distributee otherwise properly made in accordance with the provisions of these Articles and applicable law.

ARTICLE IX

Indemnification

The Corporation shall indemnify any officer, director or employee, or any former officer, director or former employee, to the fullest extent permitted by law.

WHEREFORE, the undersigned Chair of the Board of Directors of Chapters Health System, Inc., has executed these Third Restated Articles of Incorporation this 27th day of November, 2012, to be effective as of December 17, 2012.


Name: John A. Kolosky
As Its: Chair of Board of Directors

FIRST ARTICLES OF AMENDMENT
to
THIRD RESTATED ARTICLES OF INCORPORATION
of
CHAPTERS HEALTH SYSTEM, INC.
(Document No. 763935)

FILED
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Pursuant to the provisions of Sections 617.1001, 617.1002 and 617.1006 of the Florida Statutes, Chapters Health System, Inc., a Florida not for profit corporation, hereby adopts the following amendments to its Third Restated Articles of Incorporation (the "**Articles of Incorporation**" or "**Articles**"), to be effective as of February 1, 2015:

1. **Name of Corporation.** The name of the corporation is Chapters Health System, Inc. (the "**Corporation**").
2. **Text of Amendments.**

FIRST: Article III of the Articles of Incorporation is hereby deleted in its entirety and replaced with the following:

ARTICLE III

Purposes

The Corporation is a not for profit corporation that is (i) organized exclusively for charitable, religious, educational, and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code, as amended, or the corresponding section of any future federal tax code (the "**Code**"), (ii) established, organized and operated in accordance with Section 501(c)(3) of the Code; (iii) incorporated under the Florida Not For Profit Corporation Act; and, (iv) organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the tax-exempt purposes and missions of LifePath Hospice, Inc., Good Shepherd Hospice, Inc., Hernando-Pasco Hospice, Inc., and Chapters Health Home Connect, Inc., each an organization described in Section 501(c)(3) and classified as a public charity under Section 509(a)(2) of the Code (collectively, the "**Supported Organizations**"), for so long as the Supported Organizations qualify as organizations described in Section 501(c)(3) of the Code and classified as public charities under Section 509(a)(2) of the Code. In connection with its relationship with the Supported Organizations, no less than a majority of the

directors of the Corporation must also be persons who are directors of the Supported Organizations. The Corporation is also authorized to perform any lawful act or activity for which corporations not-for-profit may be formed under the Florida Not For Profit Corporation Act, including, without limitation:

1. To own, lease, establish, support, manage or furnish, directly or indirectly, any asset, facility, single-member limited liability company (the single-member of which shall be the Corporation) or service for the support and care of persons with or affected by advanced illness.
2. To promote the philosophy that the quality of life is important and that life should be lived to its fullest extent by those persons with or affected by advanced illness.
3. To promote understanding of the needs of persons with or affected by advanced illness.
4. To obtain public involvement and support by disseminating the aims, purposes and activities of the Supported Organizations, this Corporation and its single member limited liability companies to the general public.
5. To solicit, raise and receive funds and endowments for the purpose of carrying out the purposes of the Corporation.
6. To operate without regard to race, creed, age, sex, religion or national origin.
7. To do all other tasks, including the conducting of all activities, necessary, suitable, convenient, useful or expedient in connection with, or incidental to, the accomplishment of any of the purposes set forth herein to the full extent permitted by the laws of the sovereign State of Florida.

Restrictions. Notwithstanding any other provisions of these Articles to the contrary, the Corporation shall not have or exercise any power which would cause it not to qualify as a tax-exempt organization under Sections 501(c)(3) or 509(a)(3) of the Code; nor shall the Corporation engage directly or indirectly in any activity which would cause the loss of such qualification.

Notwithstanding any other provision of these Articles to the contrary, the Corporation shall not pay dividends and no part of the net earnings, current or accumulated, or property of the Corporation, shall inure to the

benefit of, or be distributed to, the Corporation's members, directors, officers or other private persons, except that the Corporation may pay compensation in a reasonable amount to its members, directors, or officers for services rendered, may confer benefits upon its members in conformity with the Corporation's purposes so long as such members are qualifying exempt organizations under Section 501(c)(3) of the Code at the time of conferring such benefits, and upon dissolution, final liquidation or partial liquidation, may make distributions to its qualifying members to the extent permitted by these Articles of Incorporation and applicable law.

Notwithstanding any other provision of these Articles to the contrary, no substantial part of the activities of the Corporation shall be carrying on of propaganda, or otherwise attempting to influence legislation.

Notwithstanding any other provision of these Articles to the contrary, the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office.

Notwithstanding any other provision of these Articles to the contrary, the Corporation shall not be controlled directly or indirectly by one or more disqualified persons (as defined in Section 4946 of the Code) other than foundation managers and other than one or more organizations described in Sections 509(a)(1) or 509(a)(2) of the Code.

SECOND: Article V of the Articles of Incorporation is hereby deleted in its entirety and replaced with the following:

ARTICLE V

Management



The affairs of the Corporation shall be managed by its Board of Directors. The number of directors, election and terms of office shall be determined by the By-Laws of the corporation. Any member of the Board of Directors may be removed by at least a two-thirds majority vote of the Board of Directors present at a regularly called meeting containing a quorum of 50% plus one person.

3. **Date and Manner of Adoption.** There are no members or members entitled to vote on these Articles of Amendment. These Articles of Amendment were approved by the Corporation's Board of Directors at a regularly scheduled meeting held on

December 2, 2014, at which a quorum of directors was present, to be effective upon filing. The number of votes cast in favor of approval of these Articles of Amendment was sufficient for approval.

IN WITNESS WHEREOF, the President of the Corporation has executed these First Articles of Amendment to Third Restated Articles of Incorporation on this 2nd day of December, 2014, to be effective as of February 1, 2015.

CHAPTERS HEALTH SYSTEM, INC.


by 
Kathy L. Fernandez, President

Twelfth Amended Bylaws
of
Chapters Health System, Inc.

ARTICLE I: Name

The name of the corporation shall be Chapters Health System, Inc. (the "Corporation"), a not-for-profit, non-political, non-sectarian Florida corporation.

ARTICLE II: Purpose

The purposes of this Corporation are those stated in Article III of its Articles of Incorporation.

ARTICLE III: Place of Business

The principal office of the Corporation shall be located at 12470 Telecom Drive, Suite 300 West, Temple Terrace, Florida, or at such other location in Hillsborough County, Florida, approved by the Board of Directors.

ARTICLE IV: Fiscal Year

The fiscal year of the Corporation shall be from January 1 to December 31, both inclusive, of each year.

ARTICLE V: Board of Directors

SECTION 1. Membership

The Board of Directors of the Corporation (the "Board" or the "Board of Directors") shall consist of the President and Chief Executive Officer ("President/CEO") of the Corporation and not less than fourteen (14) or more than twenty (20) other duly elected members (each individually, a "Director," collectively, the "Directors").

SECTION 2. Qualifications

Each Director shall be eighteen (18) years of age or older, of good moral character and reputation and shall possess by reason of education, experience and background the technical skills and judgment to be a director of the Corporation.

SECTION 3. Election

- A. Any Director or other person may submit a name to the Nominating Committee for consideration as an elected director. Election of persons to replace elected Directors whose terms have expired shall occur at the annual meeting. Election of persons to fill vacated or newly created seats on the Board may occur at any meeting of the Board. The Nominating Committee shall submit its slate of nominees for election as directors at the applicable meeting of the Board. Directors may also make nominations from the floor. Those persons who are approved by a majority vote of the Directors present at such meeting at which a quorum is present shall be deemed elected.
- B. Effective April 1, 2022, through March 31, 2027, the Board shall include eight (8) individuals elected by the Board in its discretion from among individuals presented to the Nominating Committee for consideration by Cornerstone Hospice & Palliative Care, Inc., a Florida not-for-profit corporation ("Cornerstone"). During the five (5) year period following April 1, 2022, the Cornerstone board of directors (the "Cornerstone Board") will present to the Nominating Committee individuals to succeed such Directors (or for renewal of their existing terms), and the Board will only elect successors (or renewals) of such eight (8) Directors from individuals designated by the Cornerstone Board. In the event the Board fails to elect an individual designated by the Cornerstone Board, then any vacancy in such eight (8) Board seats shall be filled by a representative designated by the Cornerstone Board and such representative(s) shall have full rights and authority as any other member of the Board. From April 1, 2022 through March 31, 2027, in the event of an increase in the maximum number of Board seats as set forth in Article V, Section 1 of these Bylaws, the Cornerstone Board shall have the sole authority to designate individuals to additional seats (in addition to the eight (8) Board seats referenced above) if necessary to assure that the ratio of individuals designated by the Cornerstone Board to serve on the Chapters Board shall not be less than one-third (1/3) of the total members of the Chapters Board. For purposes of designating individuals to serve on the Chapters Board as referenced in this Article V, Section 3.B., all references to "Cornerstone Board" shall be interpreted as excluding all officers and employees of the Corporation serving thereon.

SECTION 4. Term of Office

- A. Directors elected by the Board of Directors at the annual meeting shall hold office until a successor has been elected or until death, resignation, removal or declaration of vacancy. Each term of an elected Director who is not an employee of the Corporation shall consist of three (3) years or any portion thereof.
- B. An elected Director who is not an employee of the Corporation may serve no longer than three (3) consecutive terms, or, if his or her initial term was less than one (1) year as required by Article V, Section 4.C below, no longer than four (4) consecutive terms, and may be re-elected to the Board after a one (1) year hiatus following the completion of his or her service as a Director. If an elected Director reaches the maximum term limit described above while he or she is serving as the Immediate Past Board Chairperson on the Executive Committee, his or her term shall be extended until he or she is replaced by a new Immediate Past Board

Chairperson on the Executive Committee.

- C. The initial term of a Director elected at a regular meeting to fill a vacancy created by reason of the departure of a Director or an increase in the number of directors shall expire at the next annual meeting at which Directors are elected.

SECTION 5. Attendance

If an elected Director is absent unreasonably from two (2) consecutive Board meetings, a letter may be sent asking that his or her intent be clarified. If an elected Director is absent unreasonably from three (3) consecutive Board meetings, the Director may be removed for cause from the Board of Directors and his or her seat on the Board declared vacant by a majority vote of all Directors then entitled to vote. The Director who is removed and whose seat is declared vacant will be notified of such declaration.

SECTION 6. Resignation

An elected Director may resign at any time by giving written notice of such resignation to the Chairperson of the Board of Directors. Such resignation will be effective on the date specified in the resigning Director's notice of resignation, but if no effective date is set forth in such notice, then the effective date of such resignation shall be the date of such notice of resignation. If a resignation is made effective at a later date, then the vacancy created by such resignation may be filled before the vacancy occurs, provided, however, the new Director may not take office until the vacancy occurs.

SECTION 7. Removal

An elected Director may be removed from the Board of Directors for cause at any time by a majority vote of all Directors then entitled to vote. An elected Director may be removed from the Board without cause at any time by a vote of two-thirds (2/3) of the Directors then entitled to vote. Any Director who is removed from the Board is not eligible to stand for election again until the next annual meeting at which directors are elected. Any Director removed from the Board of Directors shall turn over to the Board within 72 hours any and all records of the Corporation in his or her possession.

SECTION 8. Vacancies

Any seat on the Board that becomes vacant through resignation, removal or death of an elected Director, or through an increase in the number of directors, shall be filled without undue delay. At the next regular meeting of the Board after a vacancy occurs where a quorum is present, following a nomination by the Nominating Committee, a new Director shall be elected to fill the vacant seat by a majority vote of the Directors present, with vacancies in the eight (8) Board seats filled by individuals designated by the Cornerstone Board to be filled in the manner described in Article V, Section 3.B. of these Bylaws.

SECTION 9. Quorum

- A. A quorum of the Directors shall be 8 if the total number of Directors on the Board is then 15, 16 or 17.
- B. A quorum of the Directors shall be 9 if the total number of Directors on the Board

is then 18 or 19.

- C. A quorum of the Directors shall be 10 if the total number of Directors on the Board is then 20 or 21.
- D. A quorum of the Directors shall be a simple majority if the total number of Directors on the Board is then less than 15 due to any vacancy or vacancies not yet filled as prescribed in these Bylaws. However, under no circumstances shall a quorum of Directors be fewer than five (5).
- E. If no quorum is present at a meeting of the Board and if written notification of the meeting and agenda has been given to all Directors, the Executive Committee may act on all matters on the agenda, except as limited by Article VII, Section 1, of these Bylaws.

SECTION 10. Meetings

- A. Regular meetings of the Board of Directors shall be held not less than quarterly in each calendar year, or as often as deemed necessary by at least one-third of the Directors present at a meeting at which a quorum is present, at a date, time, and place that they determine. Meeting notices shall be given to all Directors at least ten (10) days in advance, either orally (by telephone or in person) or by written notice delivered via hand delivery, overnight commercial courier, United States mail or facsimile, or by correct delivery of the notice to an electronic mail ("e-mail") address at which the Director has consented to receive notice.
- B. Special meetings of the Board of Directors may be called by the Chairperson of the Board or by any three Directors. All requests for special meetings must be given to the Secretary or Assistant Secretary in writing signed by the requesting Director(s). The Secretary or Assistant Secretary shall notify all Directors of the date, time and place of such special meetings, specifying the purpose, at least two (2) days in advance, either orally (by telephone or in person) or by written notice delivered via hand delivery, overnight commercial courier, United States mail or facsimile, or by correct delivery of the notice to an e-mail address at which the Director has consented to receive notice.
- C. The annual meeting of the Corporation shall be convened by the Board of Directors on or before May 31st of each year.
- D. Directors may participate in a meeting of the Board of Directors or a committee thereof by means of a conference telephone or similar electronic communication device whereby all persons can hear each other at the same time. Such participation shall constitute presence in person at the meeting.
- E. Any action required to be taken or that may be taken at a meeting of the Board of Directors or a committee thereof, may be taken without a meeting if a consent in writing, setting forth the action so taken or to be taken, signed by all of the Directors or all of the members of the committee, as the case may be, is filed in the minutes of the proceedings of the Board of Directors or of the committee, as the case may be. Such consent shall have the same effect as a unanimous vote.

SECTION 11. *Waiver of Notice of Meeting*

Notice of a meeting of the Board of Directors need not be given to any Director who signs a waiver of notice either before or after the meeting.

SECTION 12. *Powers and Duties*

The powers and duties of the Board of Directors shall be as follows:

- A. To assume ultimate responsibility and full legal authority for the Corporation;
- B. To ensure that proper policies are in place for governance of the Corporation's total operation;
- C. To develop and implement an effective organizational planning process addressing the needs of external and internal customers of the Corporation;
- D. To define the Corporation's long range strategic and operational plans, budget and resource allocation;
- E. To ensure the organizational mission, core purpose and core values of the Corporation are sustained over time;
- F. To ensure that ethical and legal standards are practiced and monitored by exercising reasonable oversight with respect to the adoption and implementation of an effective corporate compliance plan and reporting system;
- G. To hold meetings of the Board and its committees as specified;
- H. To elect and remove Directors of the Corporation;
- I. To appoint and remove the principle executive officer of the Corporation;
- J. To ensure that proper financial controls are in place for disbursement of the funds of the Corporation;
- K. To ensure that an annual financial statement audit is conducted in accordance with generally accepted auditing standards by an independent certified public accountant selected by the Audit and Compliance Committee;
- L. To appoint and elect officers of the Corporation as set forth in these Bylaws;
- M. To take all actions that the Corporation or Board or Directors are required or authorized to take in accordance with the articles of incorporation, articles of organization, bylaws or operating agreements of all not-for-profit corporations or limited liability companies of which the Corporation is the sole member; and
- N. To devise and carry into execution such other policies and programs as the Board deems necessary or proper to promote the objectives of the Corporation.

SECTION 13. *Conflict of Interest*

- A. No contract or other business or personal transaction or relationship between the Corporation and one or more of its Directors or any other corporation, firm, association, entity in which one or more of its Directors are directors, officers, or employees or are financially interested, or a person with which one or more of its directors are related, shall be void or voidable because of such interest or kinship, because such Director or Directors are present at the meeting of the Board of Directors or a committee thereof which authorizes, approves, or ratifies such contract, transaction or relationship, or because his or her or their vote(s) are counted for such purpose, if:
 - 1. The fact of such interest or kinship is disclosed by the interested or related Director(s) as soon as practicable and in no case later than five (5) days following knowledge of its existence, or the fact of such interest or kinship is otherwise known to the Board of Directors or committee which authorizes, approves or ratifies the contract, transaction or relationship by a vote or consent sufficient for the purpose without counting the vote(s) or consent(s) of such interested or related Director(s); or
 - 2. The contract, transaction or relationship is fair and reasonable as to the Corporation at the time it is authorized by the Board, a committee, or the Directors entitled to vote on such contract, transaction or relationship.
- B. Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such contract, transaction or relationship.

SECTION 14. Compliance

- A. The Board of Directors shall abide by the authority and objectives set forth in all applicable federal and state laws and rules, governmental third party program requirements, accreditation standards, and these Bylaws as adopted and amended.
- B. The Board of Directors shall act with the highest integrity to advance the best interests of the Corporation and to help the Corporation achieve its mission and operate in a manner consistent with its charitable purposes.
- C. Any Director who contributes to or participates in activities that are not in compliance with or that contribute to the Corporation's non-compliance with any applicable federal or state law or rule, governmental third party program requirement, accreditation standard, or these Bylaws as adopted and amended, or who fails to act with the highest integrity to advance the best interests of the Corporation and to help the Corporation achieve its mission and operate in a manner consistent with its charitable purpose, shall be subject to removal from the Board for cause.

SECTION 15. Compensation

Directors who are not employees of the Corporation shall receive no compensation for their services as members of the Board of Directors or any committee thereof; provided, however, Directors may, pursuant to Article V, Section 13 of these Bylaws, receive compensation that is fair and reasonable for services rendered to the Corporation in a separate capacity. The Board

of Directors may authorize the reimbursement of expenses incurred by any Director for the benefit of the Corporation.

ARTICLE VI: Officers

SECTION 1. Categories

The officers of the Corporation shall be the Chairperson, Vice Chairperson, Secretary and Treasurer of the Board, the President/CEO, and one or more other senior executive officers who have the word "chief" in their titles ("C-Suite Officers"). There may also be one or more Assistant Secretaries.

SECTION 2. Election/Appointment and Term of Office

- A. At the annual meeting of the Board of Directors, the Directors shall elect, by a majority of those present, one Director to serve as Chairperson, one Director to serve as Vice Chairperson, one Director to serve as Treasurer and one Director to serve as Secretary of the Board. Notwithstanding any other provision of these Bylaws to the contrary, the Chairperson, Vice Chairperson, Treasurer and Secretary of the Board must be elected at a meeting of the Board of Directors at which a quorum is present. The Chairperson, Vice Chairperson, Treasurer and Secretary of the Board shall serve for a term of two (2) years.
- B. The President/CEO of the Corporation shall be appointed by the Board of Directors and serve until resignation, removal or death.
- C. The C-Suite Officers shall be appointed by the President/CEO and shall serve until resignation, removal or death.
- D. The Executive Assistant to the President/CEO shall serve in the capacity as an Assistant Secretary until his or her resignation, removal or death. In the temporary absence of the Executive Assistant to the President/CEO, an Executive Assistant or Administrative Assistant appointed by the President/CEO shall serve as an Assistant Secretary.

SECTION 3. Vacancies

Any officer position that becomes vacant through resignation, removal or death shall be filled without undue delay. Should the position of Chairperson, Vice Chairperson, Treasurer or Secretary become vacant, at the next regular meeting of the Board after the vacancy occurs where a quorum is present, the Directors shall elect a director to fill the vacant office by a majority vote of those present.

SECTION 4. Powers and Duties

The powers and duties of the respective officers of the Corporation shall be as follows:

A. Chairperson of the Board

- 1. The Chairperson of the Board shall preside over all Board meetings and perform all duties incident to the office of Chairperson and such duties as

from time to time may be assigned to him or her by the Board of Directors.

2. The Chairperson of the Board shall chair the Executive Committee of the Board of Directors

B. Vice Chairperson of the Board

In the temporary absence of the Chairperson of the Board, the Vice Chairperson of the Board shall act as the Chairperson and perform all duties assigned to that position.

C. Secretary and Assistant Secretaries

1. The Secretary shall keep the minutes of the meetings of the Board of Directors, insure that all notices are duly given in accordance with the provisions of these Bylaws, be custodian of the Corporation's records, and, in general, perform all duties incident to the office of Secretary and such duties as from time to time may be assigned to him or her by the Board of Directors or the Chairperson of the Board.
2. Each Assistant Secretary shall assist the Secretary in keeping the minutes of the meetings of the Board of Directors, insuring that all notices are duly given in accordance with the provisions of these Bylaws, and being custodian of the Corporation's records, and, in general, shall perform all duties incident to the office of Assistant Secretary and such duties as from time to time may be assigned to him or her by the Board of Directors, the Chairperson of the Board, the President/CEO or the Secretary.

D. Treasurer

1. The Treasurer shall be responsible for the financial affairs of the Corporation and shall generally perform all duties and possess such powers incident to the office of treasurer of a Florida corporation; including such other duties and powers as may from time to time be assigned or delegated to that office by the Board of Directors, or by the Chairperson. The day-to-day implementation of financial policy decisions of the Board of Directors shall be the responsibility of the President/CEO.
2. The Treasurer shall chair the Finance Committee of the Board of Directors. The Treasurer shall submit to the Finance Committee an unaudited fiscal report monthly.
3. The Treasurer shall provide all financial reports and statements to the Board of Directors and Executive Committee as they may require or request.

E. President/CEO

1. The President/CEO shall be the principal executive officer of the Corporation and shall, in general, supervise and control all of the business and affairs of the Corporation. He or she may sign on behalf of the

Corporation all contracts, deeds, mortgages, bonds and other financial or transactional instruments, as well as any other instruments which the Board has authorized to be executed, except where execution thereof is expressly delegated by the Board of Directors or by these Bylaws, or by statute, to some other officer or agency of the Corporation.

2. The President/CEO shall perform all duties incident to his or her office, and other duties as may be prescribed by the Board of Directors from time to time. The President/CEO or his or her designee shall represent the Corporation in matters of policy and negotiation with other agencies, and shall be responsible for administering the work of the Corporation in conformity with these Bylaws, the Corporation's Policies and Procedures, and other policies established by the Board of Directors.

F. C-Suite Officers

The C-Suite Officers shall have such powers and duties that may be assigned to them from time to time by the President/CEO or the Board of Directors.

SECTION 5. Chain of Command – Absence of President/CEO

In the temporary absence of the President/CEO, the Corporation's Chain of Command Policy and Procedure will dictate the individual responsible to perform the duties of the President/CEO. Except for the powers inuring to the President/CEO as a member of the Board of Directors, this individual shall have all the powers of and be subject to all the restrictions upon the President/CEO.

ARTICLE VII: Committees

SECTION 1. Executive Committee

- A. The Executive Committee shall carry out the work of the Board of Directors between meetings and at meetings in accordance with Article V, Section 9.E, of these Bylaws and make recommendations to the Board of Directors for its action. The Executive Committee shall have all the authority of the Board of Directors except that the Executive Committee is not authorized to: (1) recommend actions or proposals required to be approved by Board members; (2) fill vacancies on the Board or any committee thereof; or (3) adopt, amend, supplement, restate, repeal, or rescind these Bylaws.
- B. The members of the Executive Committee shall be as follows:
 1. Chairperson, Vice Chairperson, Treasurer and Secretary of the Board;
 2. Immediate past Chairperson of the Board;
 3. President/CEO of the Corporation;
 4. Effective April 1, 2022, and continuing until March 31, 2027, four (4) of the eight (8) individuals elected to the Board in its discretion from

among individuals presented to the Nominating Committee for consideration by the Cornerstone Board; and

5. No less than two (2) additional elected Directors and/or elected directors of affiliate boards as appointed by the Board Chairperson.
- C. The Chairperson of the Board shall chair the Executive Committee.
- D. The appointed Directors shall serve on the Executive Committee for a term of two (2) years. A Director appointed to the Executive Committee may be re-appointed by the Board Chairperson without any hiatus following the applicable two (2) year term.
- E. The Executive Committee shall meet monthly, or as necessary or appropriate.

SECTION 2. Other Standing Committees

- A. Other standing committees and their purposes shall be as follows:

1. **Finance Committee**

The Finance Committee oversees, reviews and approves budgets and Corporation funding, recommends fiscal policies affecting operations, and monitors all fiscal operations. Its members shall be the Treasurer of the Board, President/CEO of the Corporation, all members of the Executive Committee and any other members appointed at the discretion of the Chairperson of the Finance Committee. Appointed Committee members shall serve a term of two (2) years. The Committee shall be chaired by the Treasurer and shall meet as necessary and appropriate, but at least six (6) times per year.

2. **Investment Committee**

The Investment Committee assists the Board and the Corporation in ensuring that the Corporation's financial resources are preserved and increased through prudent investment strategies. Its members shall be appointed by the Chairperson of the Investment Committee and shall include the President/CEO of the Corporation. The Committee may include, from time to time, qualified individuals who are not Directors. Appointed Committee members shall serve a term of two (2) years. The Chairperson of the Investment Committee shall be appointed by the Chairperson of the Board. The Investment Committee shall meet as necessary and appropriate.

3. **Development Committee**

The Development Committee oversees and assists the Board and the Corporation in development and fund raising. Its members shall be appointed by the Chairperson of the Development Committee and may include, from time to time, qualified individuals who are not Directors. Appointed Committee members shall serve a term of two (2) years. The Chairperson of the Development Committee shall be appointed by the

Chairperson of the Board. The Development Committee shall meet as necessary and appropriate.

4. Bioethics Committee

The Bioethics Committee reviews ethical issues and provides recommendations and guidance to the standards and policies governing the delivery of health care services by the Corporation and its affiliates. The Bioethics Committee shall be composed of multi-disciplinary community leaders experienced and qualified to participate in discussions related to current ethical topics, some of whom may be Directors of the Corporation. The Bioethics Committee serves as an educational resource for Staff Ethics Committee(s) of the Corporation and/or its affiliates and reviews cases involving ethical dilemmas presented to Staff Ethics Committee(s) for additional insight and recommendations. The Bioethics Committee also serves as an advisory and review committee for research activities of the Corporation and, in that capacity, provides review of appropriate organizational studies, evaluates potential risk, privacy and other research-related related issues.

The Bioethics Committee members shall be appointed by the Chairperson of the Bioethics Committee and may include, from time to time, qualified individuals who are not Directors. Appointed Committee members shall serve a term of two (2) years. The Chairperson of the Bioethics Committee shall be appointed by the Chairperson of the Board. The Bioethics Committee shall meet as necessary and appropriate.

5. Nominating Committee

The Nominating Committee develops, in accordance with these Bylaws, the slate of candidates to serve as elected Directors, and recommends nominees to fill vacancies. The Nominating Committee also develops and submits to the Board a slate of candidates to serve in the offices of Chairperson, Vice Chairperson, Secretary and Treasurer of the Board, and recommends nominees to fill vacancies in those offices.

The members of the Nominating Committee shall be appointed by the Chairperson of the Nominating Committee from among the sitting Board of Directors and shall include the Immediate Past Chairperson of the Board, the President/CEO of the Corporation and a minimum of three (3) additional Directors. Appointed Committee members shall serve a term of two (2) years. The Nominating Committee shall be chaired by the Immediate Past Chairperson of the Board and shall meet as necessary and appropriate.

6. Compensation Committee

The Compensation Committee establishes a compensation philosophy for the Corporation and evaluates the performance and development of the Corporation's President/CEO on an annual basis in achieving corporate goals and objectives and to assure that the President/CEO of the Corporation is compensated effectively in a manner consistent with the strategy of the Corporation, competitive practice, and all tax, accounting,

legal and regulatory requirements. With the assistance of the President/CEO and external compensation specialist(s), as needed, the Compensation Committee also oversees and approves the administration of all compensation, equity and executive staff/disqualified persons benefit plans and programs and approves or disapproves all requests for additions and/or deletions of corporate officer positions. The Compensation Committee shall have the resources and authority necessary to discharge its duties and responsibilities, including but not limited to, the sole authority to select, retain and terminate such compensation consultants, outside legal counsel and other advisors as the Committee may deem necessary.

Voting members of the Compensation Committee shall be composed of all members of the Executive Committee and shall be independent and free of conflicts of interest. The Corporation's President/CEO and most senior Human Resources staff member shall be ex officio, non-voting members of the Committee. Voting members of the Committee shall serve a term of two (2) years. The Compensation Committee shall be chaired by the Chairperson of the Board and shall meet at least annually, or as necessary and appropriate.

7. Audit and Compliance Committee

The Audit and Compliance Committee oversees the establishment and implementation of accounting policies and processes that ensure the integrity of the Corporation's financial statements and the effectiveness of the Corporation's internal control over financial reporting. The Audit and Compliance Committee oversees the selection and performance of the Corporation's internal audit function and independent public accountants. The Audit and Compliance Committee oversees the effectiveness of the Corporation's compliance and risk processes with respect to high risk areas and assists the Board of Directors in promoting an organizational culture that encourages a commitment to compliance with the law. In addition to ensuring that the Corporation implements and maintains a corporate information and reporting system designed to prevent and detect violations of the law, the Audit and Compliance Committee exercises reasonable oversight with respect to the effectiveness of such system and educates the Board about its content and operation. The Audit and Compliance Committee ensures that legally appropriate document retention policies and procedures are in place and that "non-retaliation" protections are in place for employees who disclose potential legal violations under the reporting system. The Corporation's Chief Compliance Officer shall have direct access and report to the Audit and Compliance Committee. The Chief Compliance Officer shall have direct, overall responsibility for the Corporation's compliance system and be given adequate resources and authority to carry out such responsibility. The Audit and Compliance Committee shall report to the Board of Directors regularly including an annual report regarding the Corporation's independent audit results and compliance activities.

The Audit and Compliance Committee members shall be appointed by the Chairperson of the Audit and Compliance Committee from among the sitting Board of Directors and shall include a minimum of three (3)

independent elected Directors. Non-voting members shall include the Corporation's President/CEO, Chief Operating Officer, Chief Medical Officer, Chief Financial Officer, Chief Compliance Officer, Chief Information Officer and most senior Human Resources staff member. Appointed Committee members shall serve a term of two (2) years. The Chairperson of the Audit and Compliance Committee shall be appointed by the Chairperson of the Board. The Audit and Compliance Committee shall meet quarterly, or as necessary and appropriate.

8. Bylaws Committee

The Bylaws Committee reviews the bylaws of the Corporation and its affiliate corporations annually, or more frequently if necessary and appropriate, and submits recommendations for amendments, if any, to the Board of Directors. Its members shall include the Chairperson and Immediate Past Chairperson of the Board, the vice chairperson of the board of directors of each of the Corporation's affiliate corporations, and the Corporation's President/CEO. The Bylaws Committee shall be chaired by the Immediate Past Chairperson of the Board and shall meet as necessary and appropriate. When a member of the Bylaws Committee is acting in his or her capacity as a vice chairperson of one of the Corporation's affiliate corporations at a Bylaws Committee meeting, he or she shall only be entitled to vote at such meeting concerning recommended amendments to the bylaws of the corporation for which he or she serves as vice chairperson.

- B. Unless otherwise indicated, standing committees shall meet as necessary or appropriate.

SECTION 3. Ad Hoc Committees

Ad Hoc committees may be appointed at the discretion of the Chairperson of the Board and meet as necessary or appropriate.

SECTION 4. Committee Chairpersons

Unless otherwise stated in Article VII, Section 2 of these Bylaws, the Chairperson of the Board shall appoint committee chairpersons and may serve as a chairperson and/or voting member of one or more committees.

SECTION 5. Quorum

Unless otherwise designated by the Board of Directors, a majority of the whole committee shall constitute a quorum.

SECTION 6. Rules

Each committee may adopt rules for its own government not inconsistent with these Bylaws or with the rules adopted by the Board of Directors.

SECTION 7. Removal

The Chairperson of the Board may remove any committee member at will.

ARTICLE VIII: Fiscal Policies

SECTION 1. Contracts

The Board of Directors may authorize any officer or agent, in addition to the officers so authorized by these Bylaws or the Corporation's Contracting Policy and Procedure and/or Guidelines, to enter into any contract or execute and deliver any instrument in the name of or to the Corporation.

SECTION 2. Checks, Drafts, Etc.

All checks, drafts, or orders for the payment of money, notes or other evidence of indebtedness issued in the name of the Corporation shall be signed by such officer(s) or agent(s) as determined by resolution of the Board of Directors.

SECTION 3. Deposits

All corporate funds shall be deposited to the credit of the Corporation in such bonds, trusts, or other depositories as the Board of Directors may select.

ARTICLE IX: Books and Records

SECTION 1. Minute Book

The Corporation shall keep at its principle office, or such other place as the Board of Directors may order, a book of the minutes of all meetings of directors, with the times and places of holding, whether regular or special, how authorized, the notice given, the names of those present, and the proceedings thereof.

SECTION 2. Corporate Records

The Corporation shall keep and maintain at its principle office, or such other place as the Board of Directors may order, adequate and correct accounts of its properties and business transactions, including accounts of its assets, liabilities, receipts, disbursements, gains and losses.

SECTION 3. Confidentiality of Patient/Family Information

The records of any committee or board of the Corporation which contain information relating specifically to any patient served by the Corporation or any of its affiliates shall be considered confidential. Any disclosure of such information shall be in accordance with statutes and rules of the State of Florida and the United States, in effect at the time, pertaining to disclosure of confidential patient information.

ARTICLE X: Waiver of Notice

When notice is required under the provisions of the Florida Not for Profit Corporation Act, the Corporation's Articles of Incorporation or these Bylaws, a written waiver signed by the person or persons entitled to such notice, whether before or after the time stated herein, shall be deemed equivalent to the giving of such notice.

ARTICLE XI: Amendments

The Board of Directors may amend, supplement, restate, repeal, or rescind these Bylaws or any of them or any combination of them by a majority vote of those Directors present at any meeting of the Board at which a quorum is present, provided that written notice of the meeting and of the proposed change is mailed or otherwise delivered or communicated to all sitting Directors at least ten (10) days prior to the meeting date. Notwithstanding the prior sentence, from April 1, 2022 through March 31, 2027, before any amendment, restatement, repeal or rescission of any of the following Bylaws provisions becomes effective, to the extent it impacts on the rights of those Directors designated by Cornerstone then serving on the Board, at least one such Director designated by Cornerstone must be among the Directors approving such amendment, restatement, repeal or rescission: Article V, Section 3.B.; Article V, Section 8; and Article VII, Section 1. B.4.

ARTICLE XII: Indemnification

To the fullest extent permitted by applicable law, the Directors, Officers and committee members of the Corporation shall be indemnified and held harmless by the Corporation for any and all claims made against them personally while acting within the scope of their duties for the Corporation.

Approved by the Corporation's Board of Directors on December 2, 2021 to be effective as of April 1, 2022.

CHAPTERS HEALTH SYSTEM, INC.

By 

Andrew K. Molosky
President & CEO

Title 11, California Code of Regulations, § 999.5(d)(10)

PUBLIC COMMUNICATIONS

11 Cal. Code Reg. Section 999.5(d)(10)

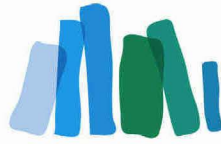
The written notice of any proposed agreement or transaction set forth in section 999.5(a)(1) shall include a description of the applicant's efforts to inform local governmental entities, professional staff and employees of the health facility or facility that provides similar health care and the general public of the proposed transaction.

This description shall include any comments or reaction to this effort.

An internal announcement was issued to employees of Chapters on October 29, 2024. An internal announcement was issued to employees of Hospice East Bay on October 31, 2024. A public press release was issued by Chapters on October 30, 2024. Copies of the Chapters internal announcement and public press release are attached and the Hospice East Bay internal announcement is part of this application as the response to (d)(1)(c). A video related to the proposed affiliation titled Chapters Health West Affiliation Announcement was also published on YouTube and can be accessed at the following link.

<https://www.youtube.com/watch?v=cUqdBtT4TO4>

In addition, once the affiliation transaction was announced “town hall” meetings were held with employees of Hospice East Bay.



CHAPTERS

HEALTH® SYSTEM

TO: Chapters Health System All Staff

FROM: Andrew Molosky, President/CEO, Chapters Health System
Bill Musick, Interim CEO, Hospice East Bay
Cathy Conway, CEO, Hospice of Santa Cruz County
Karen Rubel, President/CEO, Nathan Adelson Hospice
Iria T. Nishimura, Willamette Vital Health

SUBJECT: Creation and Launch of Chapters Health West

DATE: October 29, 2024

We have exciting news to share with you. Chapters Health System, in partnership with Hospice East Bay, Hospice of Santa Cruz County, Nathan Adelson Hospice and Willamette Vital Health, have joined together to create and launch Chapters Health West. A press release announcing the launch of Chapters Health West is scheduled for distribution to the media on Wednesday, October 30, 2024.

Chapters Health and all the Chapters Health West affiliates share missions that historically demonstrate the preservation as well as enhancement of the not-for-profit hospice model of comprehensive, community-based care. In 2024, a new era in chronic disease management begins for Chapters Health, and the other Chapters Health West affiliates as together we are destined to change the healthcare landscape. Combining resources, we continue to support ongoing innovation and critical care expansion with increased opportunities for team members.

We recognize questions may arise regarding the creation of Chapters Health West but wanted to emphasize the commitment to not only preserving but promoting and advancing our combined legacy of exceptional care for the communities we collectively serve.

As always, thank you for your commitment and for all you do for patients, families and communities!



FOR IMMEDIATE RELEASE

Chapters Health System Launches New Chapters Health West Division

Pioneering a New Era of Not-for-Profit Hospice Care in Western States

Temple Terrace, FL (October 30, 2024): Chapters Health System, in collaboration with four highly respected not-for-profit organizations — Hospice East Bay (Pleasant Hill, CA), Hospice of Santa Cruz County (Santa Cruz, CA), Nathan Adelson Hospice (Las Vegas, NV) and Willamette Vital Health (Salem, OR) — is proud to announce the creation and official launch of **Chapters Health West**. This landmark partnership signifies the beginning of a new era in not-for-profit hospice care across the Western United States, blending innovation with a commitment to compassionate, community-based care.

“We are building a future where we can do more, innovate more and serve more,” said Andrew Molosky, MBA, CHPCA, president and chief executive officer for Chapters Health. “By aligning our strengths, we will continue to deliver exceptional care while expanding our capacity to meet the growing needs of those navigating serious illness and grief in our communities.”

The launch of Chapters Health West comes at a critical time when the healthcare landscape is rapidly changing, with a growth prevalence of for-profit entities in hospice care. The new partnership underscores the mission of all involved affiliates to preserve and enhance the not-for-profit hospice model, prioritizing patient care over profit.

“Chapters Health West will leverage the combined strengths of its partner organizations to enhance services, foster innovation and ensure the legacy of compassionate care remains intact,” continued Molosky. “While joining forces under the broader Chapters Health System, each hospice will maintain its local leadership, culture and deep-rooted community relationships. This ensures that care remains personal, meaningful and aligned with the values of each unique community.”

The Chapters Health West partnership unites the pioneering spirit of the Western United States with the long-standing values of not-for-profit care. Patients, families and caregivers can expect expanded services, advanced resources and continued support at every stage of serious illness and grief.

“As we officially welcome Hospice East Bay, Hospice of Santa Cruz County, Nathan Adelson Hospice and Willamette Vital Health into the Chapters Health family, we are excited to work in lock step with our shared mission to constantly elevate home and community-based, end-of-life care while at the same time preserve their long-standing tradition in the community,” added Molosky.

--more--



CHAPTERS

HEALTH® SYSTEM

Page 2: Chapters Health Launches New Chapters Health West Division Press Release

About Chapters Health System

As a forward-thinking leader and distinguished healthcare organization, Chapters Health System is committed to pioneering care across the spectrum of chronic illness and beyond. Established in 1983 as a community-centered, not-for-profit entity, Chapters Health has continually expanded its reach and offerings to meet evolving healthcare needs. Dedication to innovation and excellence is evident through its diverse portfolio of companies, including 10 hospices, comprehensive behavioral health services, PACE Centers and an integrated pharmacy company. As part of its ongoing mission to enhance the patient and family experience, Chapters Health continues to evolve and innovate, ensuring that individuals facing advanced illness receive compassionate, comprehensive care tailored to their unique needs. To learn more, visit www.chaptershealth.org, like us on [Facebook](#) or follow us on [X](#) and [LinkedIn](#).

About Hospice East Bay

Hospice East Bay is a nonprofit hospice agency dedicated to providing compassionate care, supportive services, and grief counseling to individuals and families facing life-limiting illnesses. Founded in 1977, our mission is to enhance the quality of life for patients and support the journey of their loved ones.

About Hospice of Santa Cruz County

Since 1978, Hospice of Santa Cruz County has committed to ensuring dignified living and dying for the people of Santa Cruz and Northern Monterey County. As the leading nonprofit provider of hospice care for individuals of all ages, the organization has consistently demonstrated exemplary end-of-life care. Its broad spectrum of services includes community grief support for adults, Camp Erin for bereaved children, palliative care services, KidWISE for concurrent care for children, pet companion, and music therapy programs, hospice care for veterans, and bilingual end-of-life education and outreach. Accredited by ACHC, Hospice of Santa Cruz County boasts the highest quality scores in the region.

About Nathan Adelson Hospice

Hospice Nathan Adelson Hospice, the trusted partner in hospice care and palliative medicine, is the largest and longest-established hospice in southern Nevada. Founded in 1978, Nathan Adelson Hospice provides comprehensive end-of-life care to more than 400 patients and families every day. Recognized as a national model for superior care, the vision of Nathan Adelson Hospice is that no one should end the journey of life alone, afraid or in pain. For more information, visit www.nah.org.

About Willamette Vital Health

Willamette Vital Health has been the area's non-profit, mission-driven provider of hospice and supportive care services in the mid-Willamette Valley for over 45 years. In addition to expert care and support for patients facing life-limiting illnesses and their families, Willamette Vital Health offers the Tokarski Home and a range of community Grief Care services.

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Title 11, California Code of Regulations, § 999.5(d)(11)

ADDITIONAL ATTACHMENTS

11 Cal. Code Reg. Section 999.5(d)(11)(A)

Any board minutes or other documents relating or referring to consideration by the board of directors of the applicant and any related entity, or any committee thereof of the agreement or transaction or of any other possible transaction involving any of the health facilities or facilities that provide similar health care that are the subject of agreement or transaction.

Please see (d)(11)(D) for all documents related to the consideration of this transaction. HEB has considered numerous alternative transactions, but that none of them were in direct competition with this transaction.

11 Cal. Code Reg. Section 999.5(d)(11)(B)

Copies of all documents relating or referring to the reasons why any potential transferee was excluded from further consideration as a potential transferee for any of the health facilities or facilities that provide similar health care that are the subject of the agreement or transaction.

N/A

11 Cal. Code Reg. Section 999.5(d)(11)(C)

Copies of all Requests for Proposal sent to any potential transferee, and all responses received thereto.


N/A

11 Cal. Code Reg. Section 999.5(d)(11)(D)

All documents reflecting the deliberative process used by the applicant and any related entity in selecting the transferee as the entity to participate in the proposed agreement or transaction.

Book Club is a code word that was used for Chapters Health Systems in meetings prior to announcement. Attached to this Section are the following:

- A copy of the Strategic Planning Committee Minutes dated March 5, 2024
- A copy of the Board of Directors Minutes dated March 7, 2024
- A copy of the Board of Directors Minutes dated April 25, 2025
- A copy of the Board of Directors Minutes dated May, 21 2024
- A copy of the Board of Directors Minutes dated July 15, 2024
- A copy of the Board of Directors Minutes dated August 26, 2024
- A copy of the Strategic Planning Committee Minutes dated October 14, 2024

		Group Name: EBIC STRATEGIC PLANNING COMMITTEE Minutes		
Date: March 5, 2024 Time: 11:00am-12:00pm Location: Zoom	Facilitator: Marcia Gerg			
	Note Taker: Bill Musick			
	Board Committee Members: Marcia Gerg, Sue Burroughs, Frank Puglisi, Cindy Silva			
	Emeritus Committee Members: Lynn Brady, Sharon Iversen			
HEB Staff: Bill Musick				
Guests: Karen Rubel – CEO, Nathan Adelson Hospice (Las Vegas), Cathy Conway – CEO, Hospice of Santa Cruz				
Ground Rules:				
<div><div>• Start and end meetings on time</div><div>• Focus on solutions</div><div>• One person talks</div><div>• Respect and honor ideas</div><div>• Come prepared</div><div>• Silence means agreement</div><div>• Everyone listens</div></div>				
Agenda Topics	Time	Leader	Discussion	Action/Timelines/Responsible
Welcome/Introduction of Guests		Marcia Gerg	Marcia Gerg called the meeting to order at 11:03am	-
CEO Perspectives on Affiliation		Bill Musick, Karen Ruebel, Cathy Conway	Karen Rubel and Cathy Conway discussed why their organizations are considering affiliation as a subsidiary of a parent sole member and why they consider Chapters Health to be an option worth exploring. Both answered questions from the committee members.	
Strategic Planning Committee Meeting Minutes Approval for January 24, 2024		Marcia Gerg	Motion: <i>Move to approve minutes of the January 24, 2024 meeting without corrections.</i>	Motion to approve the Strategic Planning Committee Meeting Minutes for January 24, 2024 Motion: Frank Puglisi Second: Sue Burroughs Vote: Unanimously approved


Submitted by: Bill Musick Date: 03.11.2024

Strategic Filters/Criteria for Member Substitution Model		Bill Musick	Review 2017 document with an eye toward addressing a merger in which HEB becomes a subsidiary of a larger organization. Proposed Motion: <i>Recommend revised criteria document as discussed to the full board.</i>	This item was tabled
Actively pursue Book Club Project?		All	The committee discussed the Book Club opportunity. Motion: <i>Recommend to the full board that HEB continue to participate in Western States exploration of the Book Club opportunity.</i>	<u>Motion:</u> Marcia Gerg <u>Second:</u> Frank Puglisi <u>Vote:</u> Approved unanimously
Committee Charter Update		Bill Musick	The committee's charter was updated during our committee transition process that included Sue Burroughs, Marcia Gerg and Bill Musick. The revised version is provided to the full committee for review and approval. Proposed motion: <i>to recommend revised charter to the Governance Committee.</i>	<u>Motion:</u> Cindy Silva <u>Second:</u> Frank Puglisi <u>Vote:</u> Approved unanimously
Future Meeting Schedule			- June 4 th – Retreat Planning	-
a. Adjournment			The meeting was adjourned at 12:22pm	

*Governance Committee: Vote to approve Give AND Get Policy	5 min	Cindy Silva	<ul style="list-style-type: none"> - Mechanism for follow up- at end of every year, we would ask board members to self-evaluate; we would provide them with the information on meeting attendance, giving, getting, etc. and having conversation with each board member to discuss where we might be able to provide assistance. - At the end of year, management will send out report showing what each board member (no name listed) has contributed monetarily, volunteering, amount of “get”. - Will send out the report of min, max, avg and median for past 3 years. 	<p>Motion to approve the Give AND Get Policy as presented <u>Motion:</u> Cindy Silva <u>Second:</u> Lori McAdams <u>Vote:</u> Approved unanimously</p>
*Finance Committee – May Financials (Intro PPT/Overview PPT)	20 min	John Kopchik	<ul style="list-style-type: none"> - Introduction regarding financials provided by Bill Musick. - July 2024 financial update provided by Rahel Legesse 	-
<p>Other Committee Reports</p> <ul style="list-style-type: none"> - *Investment – Eric Rudney - *Audit – Cindy Silva - Strategic Planning – Marcia Gerg - Bruns House – Cindy Silva - *Quality, Safety & Compliance– Lindsay Duggan - Retail Ops– Dennis Ross - *Development– Lorna Lee 	20 min	Michelle Lopes	<p>*Committee has met since the last board meeting, draft minutes attached.</p> <ul style="list-style-type: none"> - <i>See draft minutes beginning at pp. 23</i> - Investment- Investment committee meeting held and we are doing very well with an approximate \$29 million in our portfolio. We did our review of John Pogue and decided to continue working with him. - Audit- Financial audit presented and approved earlier in today’s agenda - Strategic Planning- deferred to CEO Update- Book Club - Bruns House- No update - Quality, Safety & Compliance- Discussion regarding audits (Advance directives, pulse, etc)... moving to audit in real time so that we can make adjustments accordingly. - Retail Ops- No update - Development-MoTown in Rossmoor event taking place on August 8th. Hops for Hospice in Moraga on September 26th. Working on the next gala and looking for venue. As part of engagement activities we have partnered with a company to publish a Hospice Information guide, which is free to us, with the costs being subsidized by advertisers. Will be used as a marketing tool for us. 	<ul style="list-style-type: none"> - Lorna will have Mats send info on Hops for Hospice and MoTown to the Board members

CEO Update: HR Concerns (PPT)	10 min	Bill Musick	<ul style="list-style-type: none"> - Standby pay investigation update provided by Bill Musick. 	
CEO Update: Book Club (PPT)	20 min	Bill Musick	<ul style="list-style-type: none"> - Book Club update provided by Bill Musick - Schedule Committee meeting prior to August 26th Board meeting to discuss succession planning/local leadership recommendation - It would be critical for Bill to know if there are certain things that board members would like to know or have before the August 26th board meeting so that we can, potentially, make yes/no decision at that meeting. <ul style="list-style-type: none"> - Quality of care for patients - Level of employee satisfaction - Financials of all affiliates on par - Bruns House- research any contracts/agreements in place with the Bruns family and/or stipulations that we want to put in place in definitive agreement. - What types of losses are we willing to incur if we continue to have losses at Bruns House (internal decision)? 	<ul style="list-style-type: none"> - Education session/assessment on whether there should be any restrictions in agreement re: Bruns House and specialty programs prior to August meeting? - Lynn and Sharon to talk to Bruns family to see if there are any agreements in place - Bill- What has Chapters done with other hospice houses to “turn them around”? Track record on other IPU’s within th system. - Rahel- Financials for Bruns for the past few years for its performance.
Future Meeting Schedule	5 min	Michelle Lopes	<ul style="list-style-type: none"> - August 26th, 1pm- 5pm- potential vote on definitive agreement (could require special meeting if timing does not align) – In person 	<ul style="list-style-type: none"> - Mexico timeshare decision
Meeting Review <ul style="list-style-type: none"> a. What worked? b. What needs to be done differently? 			<ul style="list-style-type: none"> - 	Motion to adjourn meeting at 9:22pm Motion: Cindy Silva Second: John Kopchik


				<u>Vote:</u> Approved unanimously
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		Group Name: BOARD OF DIRECTORS MEETING MINUTES		
Date: March 7, 2024 Location: HEB Offices, 3470 Buskirk Avenue, Pleasant Hill, CA 94523	Facilitator: Michelle Lopes			
	Note Taker: Bill Musick			
	Board Committee Members: Michelle Lopes, Marcia Gerg, Sue Burroughs, John Kopchik, Frank Puglisi, Lindsay Duggan, Lorna Lee, Anneke Reza, Cindy Silva, Paulina Van			
	Board Emeritus Members: Lynn Brady			
HEB Staff: Bill Musick, Rahel Legasse (Virtual), Emma Baron, Dr. Mina Chang, Stacey Manley, Marlo Johnston				
Guest: Andrew Molosky, CEO – Chapters Health System				
Ground Rules: <ul style="list-style-type: none">• Start and end meetings on time• Focus on solutions• One person talks• Respect and honor ideas• Come prepared• Silence means agreement• Everyone listens				
Agenda Topics	Time	Leader	Discussion	Action/Timelines/Responsible
Welcome/Mission Moment/Award		Michelle Lopes	- The meeting was called to order by Michelle Lopes at 5:31pm	
Introductions of New Leaders and Guests		Bill Musick	- Bill Musick introduced Rahel Legesse, Interim CFO, and Stacey Manley, VP – Community Engagement	
Approval of December 12, 2023 Board meeting minutes		Michelle Lopes	-	Motion: Cindy Silva Second: Frank Puglisi Vote: Unanimously approved
Approval of Consent Calendar - Mexico Timeshare		Michelle Lopes	- East Bay Integrated Care Board of Directors Resolution Change of “Designated Ownership” of Vindanta Timeshare - RESOLVED, that this Board of Directors authorizes and directs Mats Wallin, Chief Development Officer to	Motion: Marcia Gerg Second: Frank Puglisi Vote: Approved unanimously

Submitted by: Bill Musick Date: 03.26.2024

			replace former Chief Executive Officer, Cynthia Hatton, as the designated owner of the Vindanta Timeshare on behalf of East Bay Integrated Care, Inc for communications, reservations, etc.	
Hard Start at 5:45pm Chapters Health System		Andrew Molosky	<ul style="list-style-type: none"> - Bill Musick introduced Andrew Molosky, CEO – Chapters Health System, who provided an overview of Chapters Health and Care Nu, and provided thoughts about the creation of a Western Region of Chapters. - Andrew responded to questions from those in attendance 	
Board Chair Report		Michelle Lopes	<ul style="list-style-type: none"> - Michelle Lopes ceded the time for other discussion 	
CEO Update		Bill Musick	<ul style="list-style-type: none"> - Bill Musick alluded to the CEO Report in the board packet and asked for questions. He noted that the Value Based Insurance Design pilot to carve in hospice will be terminated early on 12/31/2024. 	
Annual Quality & Safety Update		Emma Baron	<ul style="list-style-type: none"> - Bill Musick called attention to the Annual Quality and Safety Update in the board packet and asked for questions that Emma Baron responded to. 	
Committees <ul style="list-style-type: none"> - * Investment – Eric Rudney - * Finance – John Kopchik - Audit – Cindy Silva - * Strategic Planning – Marcia Gerg - * Governance - Frank Puglisi - * Human Resources / Compensation – Sue Burroughs 		Michelle Lopes	<ul style="list-style-type: none"> - Rahel Legesse reported that the Investment Committee met in February and that the committee will be reviewing the investment manager’s performance at its next meeting. - John Kopchik reported that the committee was working on revising the content and format of the financial reports to the board, and that January net operating income was lower than anticipated due to high labor costs. - Cindy Silva reported that the Audit Committee would be meeting March 14 for a kick-off meeting with HEB’s external auditors - Marcia Gerg deferred discussion to the next item on the agenda 	


<ul style="list-style-type: none"> - *Quality, Safety & Compliance– Lindsay Duggan - * Development– Lorna Lee 			<ul style="list-style-type: none"> - Frank Puglisi reported that the committee had met to discuss a Give/Get Policy and was expecting to arrive at a policy that including expectations for a meaningful financial contribution and participation in fund development activities to get contributions from others. He reported that he and Bill Musick are scheduling a meeting with a board candidate identified by Lindsay Duggan. - Sue Burroughs reported that virtual interviews were being scheduled with four candidates for the CEO position next week. - Lindsay Duggan reported that the Quality, Safety & Compliance Committee had met and referenced the Annual Report discussed earlier. - Lorna Lee called the board’s attention to the Giving in the Garden Event on May 18, and reminded board members to drop off bottles of wine for a Board “Cellar” auction item, to purchase tickets and share information with others. Stacey Manley will ensure that ticket information is sent to all board members. 	
Book Club Project	45 min	Marcia Gerg/Bill Musick	<ul style="list-style-type: none"> - Bill Musick led a discussion of the pros and cons of this project. - Motion: To continue to explore this opportunity and participate in the April 16 meeting in Las Vegas. 	<p><u>Motion:</u> Cindy Silva <u>Second:</u> Frank Puglisi <u>Vote:</u> Approved unanimously</p>
Future Meeting Schedule			<ul style="list-style-type: none"> - Next meeting: April 25 (Virtual) 	-
Adjournment			<ul style="list-style-type: none"> - Motion to adjourn at 7:41pm 	<p><u>Motion:</u> Frank Puglisi <u>Second:</u> Marcia Gerg <u>Vote:</u> Approved unanimously</p>

 Hospice East Bay <i>Here When You Need Us</i>		Group Name: BOARD OF DIRECTORS MEETING		
Date: April 25, 2024 Time: 5:30pm-8:30pm Location: Zoom	<u>Facilitator:</u> Michelle Lopes			
	<u>Note Taker:</u> Cynthia Lo			
	<u>Board Members Present:</u> Michelle Lopes, Marcia Gerg, Sue Burroughs, John Kopchik, Frank Puglisi, Lindsay Duggan, Lorna Lee, Anneke Reza, Eric Rudney, Paulina Van, Larry Sly			
	<u>Board Absent:</u> Cindy Silva			
	<u>Emeritus Board Present:</u> Lynn Brady, Jamie Gerson,			
<u>Emeritus Board Absent:</u> Burt Bassler, Sharon Iversen, Dennis Ross, Ernie Wintter				
<u>Staff Present:</u> Bill Musick, Rahel Legesse, Emma Baron, Dr. Mina Chang, Stacey Manley, Marlo Johnston, Debra Batten				
<u>Ground Rules:</u> <ul style="list-style-type: none">• Start and end meetings on time• Focus on solutions• One person talks• Respect and honor ideas• Come prepared• Silence means agreement• Everyone listens				
Agenda Topics	Time	Leader	Discussion	Action/Timelines/Responsible
Welcome/Mission Moment			<ul style="list-style-type: none">- Meeting called to order at 5:30pm by Michelle Lopes- Mission moment reflected on the volunteer appreciation dinner that was held last night.	-
Approval of the March 7, 2024 Board meeting minutes		Michelle Lopes	-	Motion to approve the March 7, 2024 minutes <u>Motion:</u> Marcia Gerg <u>Second:</u> Frank Puglisi <u>Vote:</u> Approved unanimously
The Board’s Role in an Effective Compliance Program	15 min	Debra Batten	<ul style="list-style-type: none">- Debra Batten gave presentation on the Board’s Role in an Effective Compliance Program	<u>Marlo-</u> Send Standards of Business Conduct to all Board members.
Committees	30 min	Michelle Lopes	*Committee has met since the last board meeting, draft minutes attached. <ul style="list-style-type: none">- See draft minutes beginning at pp. 7	

Submitted by: Cynthia Lo Date: 04.25.2024


<ul style="list-style-type: none"> - Investment – Eric Rudney - Finance – John Kopchik - * Audit – Cindy Silva - Strategic Planning – Marcia - * Governance- Frank Puglisi - * Human Resources / Compensation – Sue Burroughs - Quality, Safety & Compliance– Lindsay Duggan - Development– Lorna Lee 			<ul style="list-style-type: none"> - Investment- Last 15 months have been a good time for the equity and fixed income market. We have been able to grow our endowment to a very encouraging amount. - Finance- To be reported in 1st quarter finances topic below. - Audit- Financial audit 1st draft was due on April 15th which is being reviewed by Rahel. 403b audit is going very smoothly this year and will be completed on time. - Strategic Planning-tabled until later in meeting - Governance- Has met several times and has a recommendation on the agenda tonight to approve a new director. Working on give/get policy and anticipate it will be presented at the July board meeting for approval. - HR/Compensation- CEO recruitment will be discussed later in the agenda. Committee met with labor attorney to review bargaining strategy. - Quality, Safety & Compliance- Committee met in February 2024. Quality measures look good and there is nothing further to report. - Development- Gearing up for Giving in the garden on May 18th. All Board members are encouraged to attend and invite friends. Bottles of wine need to be turned into Mats/Fund Development. 2 Board donations received for a Board match challenge. 	
Board Chair Report	5 min	Michelle Lopes	- No report as everything is later in the agenda to be discussed.	
CEO Update	10 min	Bill Musick	- Nothing additional to add to the CEO report in the agenda packet	
1st Quarter Financials	15 min	Rahel Legesse / John Kopchik	March YTD financials (See attachment at pp. 21) reviewed and discussed.	
Vote to elect new Director	10 min	Frank Puglisi / Bill Musick	Discuss and vote on Governance Committee recommendation to elect Lori McAdams as a director of EBIC. (bio attached at pp. 15)	<p>Motion to elect Lori McAdams as a director of EBIC.</p> <p><u>Motion</u>: John Kopchik</p> <p><u>Second</u>: Lindsay Duggan</p> <p><u>Vote</u>: Approved unanimously</p>

Book Club Decision	45 min	Michelle Lopes / Sharon Iversen / Bill Musick	Recommendation from the Executive Committee to: authorize the Executive Committee to negotiate a Letter of Intent with Book Club. Meeting notes: pp. 28; Slides: pp. 35	Motion to authorize the Executive Committee to negotiate a Letter of Intent with the Book Club <u>Motion:</u> Anneke Reza <u>Second:</u> Eric Rudney <u>Vote:</u> Approved unanimously
CEO Search Decision	20 min	Sue Burroughs	Recommendation from the Executive Committee: to pause the CEO Search while the Book Club project remains under consideration.	Motion to pause the CEO Search while the Book Club project remains under consideration. <u>Motion:</u> Anneke Reza <u>Second:</u> Eric Rudney <u>Vote:</u> Approved unanimously
Future Meeting Schedule		Michelle Lopes	Next scheduled meeting: July 15 th via Zoom Proposal to set a meeting in late May to vote on final LOI. Cynthia will send out a Doodle poll to see if the time scheduled for an Executive Committee meeting on Tues May 21 st 5:00pm-6:00pm will work for others. If so, an Executive Committee meeting will be rescheduled.	<u>Cynthia-</u> poll Board members for availability for meeting on 5/21/24 at 5pm (complete)
Meeting Review a. What worked? b. What needs to be done differently?				Motion to adjourn meeting at 8:13pm <u>Motion:</u> Marcia Gerg <u>Second:</u> Sue Burroughs <u>Vote:</u> Approved unanimously

 Hospice East Bay <i>Here When You Need Us</i>		Group Name: BOARD OF DIRECTORS MEETING- SPECIAL MEETING ON BOOK CLUB LOI		
Date: May 21, 2024 Time: 5:00pm-6:00pm Location: Zoom	<u>Facilitator:</u> Michelle Lopes			
	<u>Note Taker:</u> Cynthia Lo			
	<u>Board Members Present:</u> Michelle Lopes, Sue Burroughs, John Kopchik, Frank Puglisi, Lorna Lee, Anneke Reza, Eric Rudney, Larry Sly, Lori McAdams, Paulina Van			
	<u>Board Absent:</u> Cindy Silva, Marcia Gerg, Lindsay Duggan			
	<u>Emeritus Board Present:</u> Sharon Iversen			
<u>HEB Staff Present:</u> Bill Musick, Mina Chang				
<u>Guests:</u> Robert Miller, Hooper Lundy				
<u>Ground Rules:</u> <ul style="list-style-type: none">• Start and end meetings on time• Focus on solutions• One person talks• Respect and honor ideas• Come prepared• Silence means agreement• Everyone listens				
Agenda Topics	Time	Leader	Discussion	Action/Timelines/Responsible
Welcome/Mission Moment			<ul style="list-style-type: none">- Meeting called to order by Michelle Lopes at 5:01pm- Introduction of our newest Board member, Lori McAdams	-
Board of Directors Meeting Minutes Approval for April 25, 2024	2 min	Michelle Lopes	<ul style="list-style-type: none">-	Motion to approve the April 25, 2024 minutes. <u>Motion:</u> Eric Rudney <u>Second:</u> Frank Puglisi <u>Vote:</u> Approved unanimously
Book Club Update	15 min	Bill Musick	<ul style="list-style-type: none">- Bill provided an update on the Book Club project. Meeting scheduled in Tampa with the hospice CEO’s, Andrew Molosky and the Book Club leadership. One day of this meeting will be to work out details of leadership and governance for a Western Region	-

Submitted by: Cynthia Lo Date: 05.21.2024

LOI	20 min	Bill Musick	<ul style="list-style-type: none"> - Bill reviewed the key items/key terms that have been discussed and included in the LOI sent via email on 5/20/24. - The Book Club has set a desired timeline to have all LOI's signed by May 31st. The next step would be all due diligence completed by end of July/beginning of August. A Definitive Agreement would then follow. The next step would be regulatory approvals. The timeline for regulatory approvals is more an unknown as it is out of our control. We could close the deal after we receive regulatory approvals. The first three months following the close are planned as an assessment period with no changes, with a focus on integrating functions across the local, regional or parent level. - Bill referred to the draft due diligence request that was sent out with the draft LOI. There were no comments. He will plan to send that with the signed LOI. 	<p>Motion to approve the LOI (sent via email by Bill Musick on 5/20/24).</p> <p><u>Motion</u>: Frank Puglisi <u>Second</u>: Larry Sly <u>Vote</u>: Approved unanimously</p>
Preview for July 15 Board Meeting	5 min	Bill Musick	<p>Bill provided a quick review of the proposed agenda topics for the July 15 board meeting.</p> <ul style="list-style-type: none"> - 2023 Audit Presentation - Guest Speaker: The Board's Fiduciary Responsibilities - May YTD Financials - Give AND Get Policy - Labor Strategy/Update - Book Project Update - Decision on August Meeting (planned as retreat – likely to change with Book Club project) 	
Future Meeting Schedule			<ul style="list-style-type: none"> - July 15th at 5:30pm - There was consensus that this meeting be held In-Person (with Zoom option) 	<p>Motion to adjourn meeting at 6: 02pm</p> <p><u>Motion</u>- Frank Puglisi <u>Second</u>- John Kopchik <u>Vote</u>: Approved unanimously</p>

 Hospice East Bay <i>Here When You Need Us</i>		Group Name: BOARD OF DIRECTORS MEETING		
Date: July 15, 2024 Time: 5:30pm-8:30pm Location: HEB Offices/ Zoom https://us06web.zoom.us/j/87687625755?pwd=7as8zuub08eAcccEQ8libwEDmUaypL.1 Meeting ID: 876 8762 5755 Passcode: 615018		<u>Facilitator:</u> Michelle Lopes <u>Note Taker:</u> Cynthia Lo <u>Board Members Present in Person:</u> Michelle Lopes, Sue Burroughs, John Kopchik, Lindsay Duggan, Lorna Lee, Cindy Silva, Larry Sly, Lori McAdams, Anneke Reza <u>Board Members Present via Zoom:</u> Eric Rudney, Paulina Van <u>Board Members Absent:</u> Marcia Gerg, Frank Puglisi <u>Board Emeritus Present via Zoom:</u> Lynn Brady, Sharon Iversen <u>HEB Staff:</u> Bill Musick, Emma Baron, Stacey Manley, Rahel Legesse, Mina Chang, Marlo Johnston, Stacie Chin <u>Guests:</u> Noel Caughman, Best, Best & Krieger LLP; Renee Gravalin, Eide Bailey		
<u>Ground Rules:</u> <ul style="list-style-type: none">• Start and end meetings on time• Focus on solutions• One person talks• Respect and honor ideas• Come prepared• Silence means agreement• Everyone listens				
Agenda Topics	Time	Leader	Discussion	Action/Timelines/Responsible
Welcome/Mission Moment	2 min	Michelle Lopes	<ul style="list-style-type: none">- Moment of silence for Catherine McLanahan (Jamie Gerson’s mother)- Congratulations- Paulina Van-Luminary Fellowship	-
Guest Speaker: The Board’s Fiduciary Responsibilities (PPT)	30 min	Noel Caughman	<ul style="list-style-type: none">- Noel Caughman presented.	Cynthia- Send out documents & PPT provided by Noel to board members
Financial Audit presentation	20 min	Renee Gravalin	<ul style="list-style-type: none">- Renee Gravalin presented the financial audit.- On the balance sheet what/who are ”Funds held for others”?<ul style="list-style-type: none">- That line is related to stale dated checks as part of the escheatment process. They are held in that account until we need to send them to the state	Motion to accept the 2023 financial audit, as presented. <u>Motion:</u> Cindy Silva <u>Second:</u> Sue Burroughs <u>Vote:</u> Approved unanimously

Submitted by: Cynthia Lo Date: 07.15.2024

Board of Directors Meeting Minutes Approval for May 21, 2024	2 min	Michelle Lopes	-	Motion to approve the May 21, 2024 minutes Motion: Sue Burroughs Second: Cindy Silva Vote: Approved anonymously
Board Chair Comments	5 min	Michelle Lopes	- Deferred comments for discussion on topics later on the agenda	
HR Committee: Vote on recommendation to approve 403b audit	5 min	Sue Burroughs	<ul style="list-style-type: none"> - Sue Burroughs gave an overview of the 403b audit and letter of corrections for 5 findings. - We will be going back to review all employees to ensure that all corrections needed are made. - We will report back to the board once we have developed the action plan and how we will be moving forward. 	Motion to approve the 403b audit as presented Motion: Cindy Silva Second: Larry Sly Vote: Approved unanimously
Authorization for Task Force to Set PAGA Negotiating Cap	5 min	Bill Musick	- Mediation currently scheduled for August 2 nd for PAGA case.	Motion to authorize Michelle Lopes, Sue Burroughs and John Kopchik to work with HEB staff to set PAGA negotiating cap and strategy on behalf of the Board Motion: Cindy Silva Second: Linday Duggan Vote: Approved unanimously
Governance Committee: Vote to elect Marta Hudson as director with term Jul 15, 2024 – Dec 31, 2026	5 min	Cindy Silva	<ul style="list-style-type: none"> - Reminder: Buddies for Lori McAdams and Marta Hudson - Lori McAdams- Cindy Silva - Marta Hudson- Bill will follow up with Board 	Motion to elect Marta Hudson as Director for term of July 15, 2024-December 31, 2026 Motion: Cindy Silva Second: Anneke Reza Vote: Approved unanimously



Hospice East Bay
Here When You Need Us

Group Name: BOARD OF DIRECTORS MEETING DRAFT

Date: August 26, 2024

Time: 12:00pm-5:00pm

Location: Hospice East Bay,
3470 Buskirk Avenue,
Pleasant Hill, CA / Zoom

Join Zoom Meeting

<https://us06web.zoom.us/j/82943543767>

Meeting ID: 829 4354 3767

Facilitator: Michelle Lopes

Note Taker: Cynthia Lo

Board Members Present In person: Michelle Lopes, Sue Burroughs, John Kopchik, Frank Puglisi, Lorna Lee, Anneke Reza, Cindy Silva, Larry Sly, Lori McAdams, Marta Hudson

Board Members Present via Zoom: Eric Rudney, Paulina Van, Marcia Gerg

Board Absent: Lindsay Duggan

Emeritus Board Present In person: Sharon Iversen, Lynn Brady

Emeritus Board Present via Zoom: Jamie Gerson

HEB Staff: Bill Musick, Rahel Legesse, Emma Baron, Dr. Mina Chang, Stacey Manley, Marlo Johnston

Guests: Robert Miller- Hooper Lundy; Andrew Molosky-CHS

Agenda Topics	Time	Leader	Discussion	Action/Timelines/Responsible
In-Person Lunch	12:00	All	- Meeting called to order at 12:19pm by Michelle Lopes	-
Welcome/Mission Moment/Chair Comments	12:20	Michelle Lopes	- Moment of Silence in acknowledgement of the passing of Patricia Joyce Sobeck (Sue Burrough's mother) - Congratulations to Marcia Gerg and Larry Sly on the births of their grandchildren.	-
Role Call/Quorum of Active Members	12:25	Cynthia Lo	- 14 active voting members (11 in person, 3 via Zoom- Marcia Gerg had to leave meeting at 1:45pm) - 3 emeritus members (2 in person, 1 via Zoom) - 5 members of the HEB leadership team - We have met quorum	
Board of Directors Meeting Minutes Approval for July 15, 2024	12:30	Michelle Lopes	-	Motion to approve the July 15, 2024 minutes Motion: Frank Puglisi

Submitted by: Cynthia Lo Date: 08.26.2024


				Second: Cindy Silva Vote: Approved unanimously
<p>Committee Reports</p> <ul style="list-style-type: none"> - Investment – Eric Rudney - Finance – John Kopchik - Audit – Cindy Silva - Strategic Planning – Marcia - Human Resources / Compensation – Sue Burroughs - Quality, Safety & Compliance– Lindsay Duggan * Development– Lorna Lee * Governance – Frank Puglisi 	12:35	Michelle Lopes	<p>*Committee has met since the last board meeting, draft minutes attached (Governance & Development). See draft minutes beginning at pp. 11</p> <ul style="list-style-type: none"> - Investment- will be meeting tomorrow. Market increases recently have us in a very good position. We have made the decision to continue with John Pogue of KCM Investment Advisors for another 3 years. - Finance- have not met since last Board meeting. Census is still low but we can see improvements in rate of expenditures. Bruns House is having one of its better years financially. - Audit- Nothing to report - Strategic Planning- Nothing to report - HR/Comp- have not met since last Board meeting. Issues reported in CEO Report - QSC- will be meeting tomorrow - Development-Upcoming events include Hops for Hospice, Bruns Brick Ceremony, Tree Of Lights. Gala planning has started for 2025. - Governance- Conflict of interest vote below 	
Governance Committee: Conflict of Interest Policy	12:55	Frank Puglisi	Move to approve Conflict of Interest Policy (see Governance Committee draft minutes)	<p>Motion to approve Conflict of Interest Policy</p> <p>Motion: Cindy Silva</p> <p>Second: Anneke Reza</p> <p>Vote: Approved unanimously</p>
Overview of Affiliation Documents and Process	1:00 – 1:30	Robert Miller	<p>Review of affiliation documents (provided in the agenda packet) by Robert Miller.</p> <ul style="list-style-type: none"> - Robert explained membership substitution and what that means for HEB in this situation. - Affiliation agreement may have additional future changes based on the resolution of final issues with Book Club and what other members of the Western Region might propose. - The updated bylaws act just like our current bylaws. The key difference relates to the reserved rights as Book Club as the sole member. 	

			<ul style="list-style-type: none"> - Discussion related to pros and cons of HEB signing the definitive agreement earlier than the other potential affiliates. HEB will need to go through regulatory approvals process that the other potential affiliates are not required to do. If we sign sooner than the other affiliates, we may be able to start this process sooner so that there is a better chance that all affiliates will close at the same time. The risk of starting this process and seeking regulatory approval from the Attorney General before closing is that the transaction information will become public and could be disclosed through a public records request. We would request a confidentiality clause in place so that it would not become public and if not agreed upon, we will likely wait until we have made our public announcement when all affiliates have signed definitive agreements. 	
Questions by Category	1:30 – 1:45	All	<ul style="list-style-type: none"> - Discussion surrounding projections of future financial implications being done by the other affiliates. The results will be shared with HEB. - Sharing of potential revisions to the definitive agreement are being shared between the affiliates. - Discussion regarding the restrictions on use of Hospice East Bay assets; maintenance of specialty programs. - Discussion regarding the makeup of the Board of Directors under the potential affiliation as well as the Western Region advisory council. - Discussion regarding the use of HEB investment dollars designated for use in the local service area. 	
Break	1:45 – 2:00			
Remarks from and Questions for CHS CEO	2:00 – 3:00	Andrew Molosky	<p>Introduction, background, and general comments by Andrew Molosky</p> <ul style="list-style-type: none"> - Questions by Board members of Andrew and follow up discussion. 	
Additional Discussion	3:00 – 3:30	All / Robert Miller	<p>Reactions from Q & A with Andrew Molosky</p> <ul style="list-style-type: none"> - Andrew comes across as very consistent. He doesn't change his answers based on how the question is asked or who asks it. - Discussion about the Book Club leadership team. - Employee engagement scores are impressive - Pleased with Andrew's responses around payroll and benefits - Very encouraging in terms of support of specialty programs as long as we cover any expenses due to them being unprofitable. 	

			<ul style="list-style-type: none"> - It felt like we would be joining a “family” and not being bought out and overshadowed. 	
Consensus poll on approval of Affiliation Resolution	3:30 – 3:40	Michelle Lopes	<p>For all board members, emeritus members, and leadership staff, what is your sense? (no vote from Eric Rudney or Marcia Gerg who were not available at this time in the meeting)</p> <ul style="list-style-type: none"> - Fully Approve - 19 - Approve with Reservations - 1 - Serious Reservations - 0 	
Break	3:40 – 3:50		-	
Any further discussion from voting members?	3:50 – 4:10	Voting Members	<ul style="list-style-type: none"> - None 	
Vote on resolution to approve affiliation	4:10 – 4:20	Michelle Lopes	<ul style="list-style-type: none"> - Further Board action would be needed if there is material change to the definitive agreement. - The Board would like a communication from Bill Musick prior to signing of the agreement as to whether there have been any changes or updates to the document. <p><u>Official Vote</u></p> <ul style="list-style-type: none"> - Bill Musick- yes - Michelle Lopes- yes - Frank Puglisi- yes - Marta Hudson- yes - Cindy Silva- yes - John Kopchik- yes - Larry Sly- yes - Sue Burroughs- yes - Anneke Reza- yes - Lori McAdams- yes - Lorna Lee- yes - Dr. Paulina Van- yes 	<p>Motion to approve the affiliation resolution, as presented (gives Bill Musick the authority to sign the definitive agreement and bylaws, with the date of signing being at his discretion)</p> <p><u>Motion:</u> Cindy Silva <u>Second:</u> Frank Puglisi <u>Vote:</u> Approved unanimously</p>
Governance Committee Recommendation on West Region Council Representatives	4:20 – 4:30	Frank Puglisi	<ul style="list-style-type: none"> - Proposal is that each of the new affiliates would each nominate 2 members from their current board. - Discussion took place at the Governance committee about who those 2 members should be, if this proposal is adopted. 	Motion to nominate Michelle Lopes and Paulina Van as the Hospice East Bay representatives to the

			<ul style="list-style-type: none"> - Survey was sent out to Board members about their desire to be on the Western Regions Advisory Board and strong interest was shown by Michelle Lopes and Paulina Van. 	<p>Western Region Advisory Council, should the most recent proposal for the Western Region Council be approved by Book Club</p> <p><u>Motion:</u> Frank Puglisi <u>Second:</u> Sue Burroughs <u>Vote:</u> Approved unanimously</p>
Executive Committee recommendation on CEO succession	4:30 – 4:45	Michelle Lopes / Sue Burroughs	<ul style="list-style-type: none"> - At what point do we transition to Executive Director to replace Bill? - One suggestion is to have a bridge period with Bill Musick remaining as CEO, bring on COO/ED apparent. Bill would cut back on his time and salary and the reporting structure would change so that the COO would take on the areas they would have reporting to them as the Executive Director - Of the two previously vetted finalists for the CEO position, one is still interested but is actively interviewing. The second candidate is no longer interested. - The Executive Committee felt that we should have on-site interviews for at least 2 candidates. - Our recruiter suggested that we interview 2 candidates that we didn't interview for the CEO position but that may be good candidates for the Executive Director position. - Suggestion to bring Keith Everett in for an onsite interview while screening other candidates. - HR/CEO Search committee will reengage recruiter, meet to discuss, narrow down candidates, and begin interviews for the COO/ED position, once candidates identified. - Bill has committed to stay full time through December and through June part time. 	<p>Cynthia- set up CEO Search Committee meeting within the next week</p>
Communications Plan/Confidentiality	4:45 – 4:55	Bill Musick	<ul style="list-style-type: none"> - Holding off on any communication until all of the affiliates have signed definitive agreements. - Meeting tomorrow with Book Club leadership to discuss our future communications plans. 	-

Future Meeting Schedule			- October 8 th – 5:30pm (virtual)	-
Meeting Review			Motion to adjourn meeting at 3:54pm	
a. What worked?			<u>Motion:</u> Frank Puglisi	
b. What needs to be done differently?			<u>Second:</u> John Kopchick	
			<u>Vote:</u> Approved unanimously	

 Hospice East Bay <i>Here When You Need Us</i>		Group Name: EBIC STRATEGIC PLANNING COMMITTEE DRAFT		
Date: October 14, 2024 Time: 3:00pm-4:00pm Location: Zoom https://us06web.zoom.us/j/84926921274?pwd=xmzjJadOoAiYyT1gJQMf5O4g8bnNlr.1 Meeting ID: 849 2692 1274 Passcode: 284726		Facilitator: Marcia Gerg Note Taker: Cynthia Lo Board Present: Marcia Gerg, John Kopchik, Cindy Silva, Lori McAdams Board Absent: Sue Burroughs, Frank Puglisi Emeritus Board Present: Lynn Brady, Jamie Gerson Staff Present: Bill Musick, Rahel Legesse, Emma Baron		
Ground Rules: <ul style="list-style-type: none">• Start and end meetings on time• Focus on solutions• One person talks• Respect and honor ideas• Come prepared• Silence means agreement• Everyone listens				
Agenda Topics	Time	Leader	Discussion	Action/Timelines/Responsible
Welcome/Mission Moment			-	-
Strategic Planning Committee Meeting Minutes Approval for March 5, 2024	2 min	Marcia Gerg	-	Motion to approve the March 5, 2024 meeting minutes Motion: Cindy Silva Second: Marcia Gerg Vote: Approved – Lori McAdams and John Kopchik abstained
Hospice CARE Act – Rep Blumenauer	10 min	Bill Musick	Bill provided an overview of the Hospice Care Accountability, Reform and Enforcement (CARE) Act that was introduced in Congress this month. It would be a major reform of the Medicare Hospice Benefit and associated regulations. He highlighted some key areas that could impact HEB if it is passed in its current form.	-
Bruns House and Specialty Programs	30 min	Bill Musick	Bill gave an overview of the information that was discussed by a small task force (Bill, Cindy, John, Lori) that met after discussions about language specific to the Bruns House in the affiliation agreement. The intent in this meeting is to help ensure that there is a common understanding of the current programs (Veterans	

Submitted by: Cynthia Lo Date: 10.18.2024

			<p>Program, Bruns House, Bridge Program, Music Therapy) and determine what next steps, if any, the board would like to take.</p> <ul style="list-style-type: none"> - Criteria to use when looking at whether or not to continue these programs: <ul style="list-style-type: none"> - Review programs in terms of which ones help make a difference in terms of referral sources/patients and families would be more likely to use HEB than another hospice program. - Which programs are more likely to be supported by grants if we make a concerted effort moving forward? - Suggestion to invest in someone that is good at grant writing to work with the Fund Development department. 	
2025 Goals	15 min	Bill Musick	<p>For 2025, Bill proposed that we continue our 2024 goals with the addition of an Affiliation goal and caveat in that regard.</p> <ol style="list-style-type: none"> 1. Adopt goals that are timely markers for achieving a CMS Four-Star Rating of Service Quality 2. Achieve turnover rate of 22% or less (as a marker for employee engagement)* 3. Exhibit financial discipline by a net operating margin equal to or better than budget* 4. Formulate affiliation integration plan and successfully implement regional priorities <p><i>* Subject to impact by #4</i></p>	
Future Meeting Schedule			<ul style="list-style-type: none"> - Meeting adjourned at 4:05pm 	
Meeting Review <ol style="list-style-type: none"> a. What worked? b. What needs to be done differently? 			-	-

11 Cal. Code Reg. Section 999.5(d)(11)(E)

Copies of each Proposal received by the applicant from any potential transferee suggesting the terms of a potential transfer of applicant's health facilities or facilities that provide similar health care, and any analysis of each such Proposal

N/A

11 Cal. Code Reg. Section 999.5(d)(11)(F)

The applicant's prior two annual audited financial statements, the applicant's most current unaudited financial statement, business projection data and current capital asset valuation data.

Attached to this Section are copies of the following financial statements for Hospice East Bay:

- A copy of the Unaudited financial statements dated September 2024
- A copy of the Audited financial statements for 2023
- A copy of the Audited financial statements for 2022

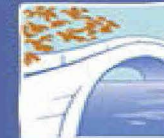
Hospice East Bay Finance Committee

September 2024



Hospice East Bay
Here When You Need Us

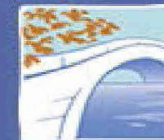
Page 1



Palliative Care
of the East Bay

Financial Overview

- Consolidated Clinical Operations revenue continues to be below budget by \$311k (Sep) and \$739k YTD due to low admissions and lower than budgeted census.
- Positive trends:
 - ADC in October MTD is showing improvement (193 vs 183 end of September)
 - 2 admissions nurses were hired in September – we now have 4 additional admission capacity per day, 5 days out of the week.
 - Retail Shoppes had a favorable month, with Sales exceeding budget by \$20k and Labor below budget by \$10k. Retail added \$73k to our Consolidated Operating Income for the month.
 - Bruns continue to get more visibility in the community. If it was not for the higher than usual write off in Sep (see note on page 3), Bruns would have outperformed in revenue for the month.
 - We are seeing Medicare payments for the ADRs starting to come through. So far in October, we have received 50K for 2020 & 2021 claims.



Clinical Operations Summary

\$\$\$ in Thousands (000's)

	September				YTD September			
	Actual vs Budget				YTD Actual vs YTD Budget			
	Actual	Budget	\$ Var	% Var	YTD Actual	YTD Budget	\$ Var	% Var
Hospice								
Patient Days	5,367	6,675	(1,308)	-19.6%	56,333	60,965	(4,632)	-7.6%
ADC	178.9	222.5	(43.6)	-19.6%	205.6	222.5	(16.9)	-7.6%
Revenue	\$ 1,703	\$ 2,001	\$ (298)	-14.9%	\$ 17,345	\$ 18,277	\$ (931)	-5.1%
Expense	\$ 1,215	\$ 1,316	\$ 100	7.6%	\$ 11,786	\$ 11,231	\$ (555)	-4.9%
Operating Income/(Loss)	\$ 488	\$ 686	\$ (197)	-28.8%	\$ 5,559	\$ 7,046	\$ (1,487)	-21.1%
Bruns House								
GIP Pt Days	75	47	28	58.6%	474	432	42	9.7%
Routine Pt Days	55	23	32	140.8%	326	209	117	56.3%
Cont Care & Respite Pt Days	8	8	0	1.9%	131	72	59	82.6%
Total Pt Days	138	78	60.0	76.9%	931	712	218.6	30.7%
ADC	4.6	2.6	2.0	76.9%	31.0	23.7	7.3	30.7%
Revenue	\$ 105	\$ 120	\$ (15)	-12.3%	\$ 1,294	\$ 1,097	\$ 196	17.9%
Expense	\$ 234	\$ 201	\$ (34)	-16.8%	\$ 1,932	\$ 1,706	\$ (225)	-13.2%
Operating Income/(Loss)	\$ (129)	\$ (80)	\$ (49)	-60.4%	\$ (638)	\$ (609)	\$ (29)	-4.8%
Palliative Care								
Palliative Patients	67	72	(5)	-6.9%	639	586	53	9.0%
MD Visits	17	44	(27)	-61.5%	184	359	(175)	-48.8%
NP Visits	47	26	21	81.2%	463	211	252	119.3%
Revenue	\$ 22	\$ 22	\$ (1)	-2.2%	\$ 175	\$ 182	\$ (7)	-3.8%
Expense	\$ 30	\$ 22	\$ (8)	-36.3%	\$ 244	\$ 187	\$ (57)	-30.4%
Operating Income/(Loss)	\$ (8)	\$ 0	\$ (9)	-4245.5%	\$ (69)	\$ (5)	\$ (64)	-1265.3%
MD/NP								
Revenue	\$ 4	\$ 2	\$ 2	105.2%	\$ 19	\$ 16	\$ 3	22.4%
Expense	\$ 112	\$ 137	\$ 25	18.1%	\$ 1,102	\$ 1,166	\$ 63	5.4%
Operating Income/(Loss)	\$ (108)	\$ (135)	\$ 27	19.7%	\$ (1,083)	\$ (1,150)	\$ 67	5.8%
G&A								
Revenue	\$ -	\$ -	\$ -		\$ 0	\$ -	\$ 0	
Expense	\$ 729	\$ 850	\$ 120	14.1%	\$ 6,934	\$ 7,340	\$ 406	5.5%
Operating Income/(Loss)	\$ (729)	\$ (850)	\$ 120	14.1%	\$ (6,934)	\$ (7,340)	\$ 406	5.5%

Direct Labor

All RN's and NP's received a market adjustment increase in August impacting Direct Labor costs. This was an unbudgeted increase due to market demand and will continue to impact the variance for 2024.

Hospice

Revenue

- \$298k (15%) below budget driven by low admissions and census. Recent trending in October is showing improvement.

Bruns House

Revenue

- \$108k revenue adjustment (write off) booked in Sep representing Charity Care for a long term (90 days+) patient. This was primarily driven by a unique situation – patient was at the Bruns house since mid-July and recently passed in September.

Direct Labor

- Higher census caused Direct Labor (mainly Nurses) to be unfavorable to budget by \$24k. This was driven by required staffing ratios for GIP Hospice facilities.

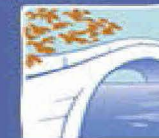
Palliative Care

Direct Labor

- Direct Labor unfavorable to budget by \$11k, driven by unbudgeted hire of Palliative Care Case Manager and higher than planned NP Labor (more visits)



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Palliative Care
of the East Bay

Non-Clinical and Total HEB Summary

\$\$\$ in Thousands (000's)

	September				YTD September			
	Actual vs Budget				YTD Actual vs YTD Budget			
	Actual	Budget	\$ Var	% Var	YTD Actual	YTD Budget	\$ Var	% Var
Clinical Operations (prev slide)								
Revenue	\$ 1,834	\$ 2,145	\$ (311)	-14.5%	\$ 18,833	\$ 19,572	\$ (739)	-3.8%
Expense	\$ 2,321	\$ 2,525	\$ 204	8.1%	\$ 21,999	\$ 21,630	\$ (368)	-1.7%
Operating Income/(Loss)	\$ (487)	\$ (379)	\$ (108)	-28.4%	\$ (3,165)	\$ (2,059)	\$ (1,107)	-53.8%
Fund Development								
Revenue	\$ 76	\$ 150	\$ (74)	-49.1%	\$ 662	\$ 873	\$ (211)	-24.2%
Expense	\$ 55	\$ 45	\$ (10)	-23.0%	\$ 447	\$ 381	\$ (67)	-17.5%
Operating Income/(Loss)	\$ 21	\$ 105	\$ (84)	-80.0%	\$ 215	\$ 493	\$ (278)	-56.4%
Retail Thrift Shoppes								
Revenue	\$ 328	\$ 308	\$ 20	6.4%	\$ 2,493	\$ 2,491	\$ 1	0.1%
Expense	\$ 255	\$ 255	\$ 0	0.1%	\$ 2,317	\$ 2,169	\$ (148)	-6.8%
Operating Income/(Loss)	\$ 73	\$ 53	\$ 20	38.4%	\$ 176	\$ 322	\$ (146)	-45.4%
HEB Total								
Revenue	\$ 2,238	\$ 2,603	\$ (365)	-14.0%	\$ 21,988	\$ 22,937	\$ (948)	-4.1%
Expense	\$ 2,631	\$ 2,825	\$ 194	6.9%	\$ 24,763	\$ 24,180	\$ (582)	-2.4%
Operating Income/(Loss)	\$ (393)	\$ (222)	\$ (171)	-77.3%	\$ (2,775)	\$ (1,244)	\$ (1,531)	-123.1%
Philanthropic	\$ (27)	\$ (32)	\$ 5	16.7%	\$ (263)	\$ (273)	\$ 10	3.6%
Investment/Other	\$ 360	\$ 147	\$ 214	145.8%	\$ 3,407	\$ 1,339	\$ 2,068	154.4%
NET INCOME/(LOSS)	\$ (60)	\$ (108)	\$ 48	44.4%	\$ 370	\$ (178)	\$ 547	308.3%

Fund Development Revenue

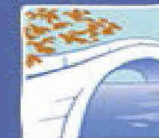
- September Revenue was unfavorable to budget by \$74k. We believe this is a timing issue and anticipate revenue to pick up as we approach the end of the year. Planned giving YTD is \$32k vs Budget of \$280k.

Retail Thrift Shoppes

- All Shoppes showed favorable sales compared to budget in September. This was driven by the September events (Labor Day sales and Vintage Days event)
- September Labor expense were also favorable to budget in all Shoppes. This was driven by efforts to effectively manage staffing in each of the Shoppes and control Labor expenses.



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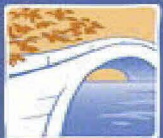
Palliative Care
of the East Bay

Cash Flow

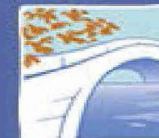
\$\$\$ in Thousands (000's)	Sep-24
Net income	\$ (60)
Depreciation	\$ 51
A/R	\$ 143
Prepaid Expenses	\$ 9
Other Current asset/Security deposit	\$ 30
Accounts Payable	\$ 61
Accrued payroll & Bonuses	\$ 141
Accrued PTO	\$ 17
Other Accrued Expenses	\$ (66)
Cash Flow from Operations	\$ 327
Investment	
Capital Expenditure	\$ (39)
Donated Securities	\$ -
Cash Flow from investing	\$ (39)
Net Source/(use) of Cash	\$ 12
Cash, Beginning of Period	\$ 2,077
Cash, End of Period	\$ 2,088

Assets

- **Cash at End of Period**
September continues to be a strong month for collections and despite the reduction in revenue, we are seeing good cash inflow
- **Palliative DSO** decreased by 18.5 days as compared to prior month.
- **Hospice DSO** without ADR's also decreased showing a reduction of 3.1 days compared to prior month. The overall DSO showed a similar reduction of 3.3 days.
- **Investments** - Increased by \$381k over prior month due to continued favorable market conditions.



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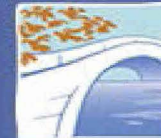
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Appendix

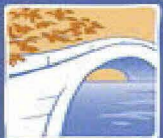
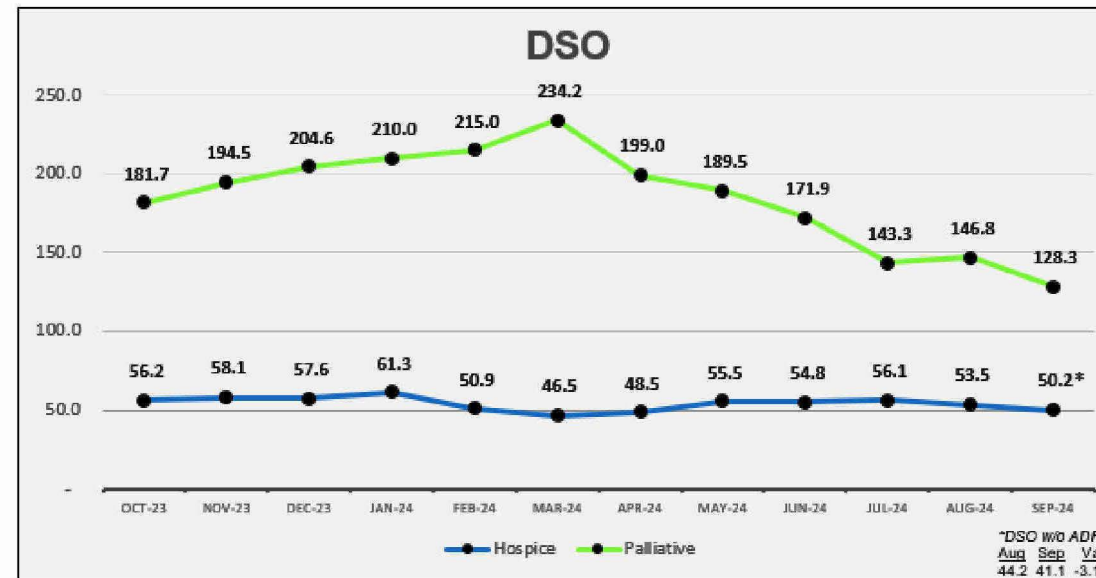
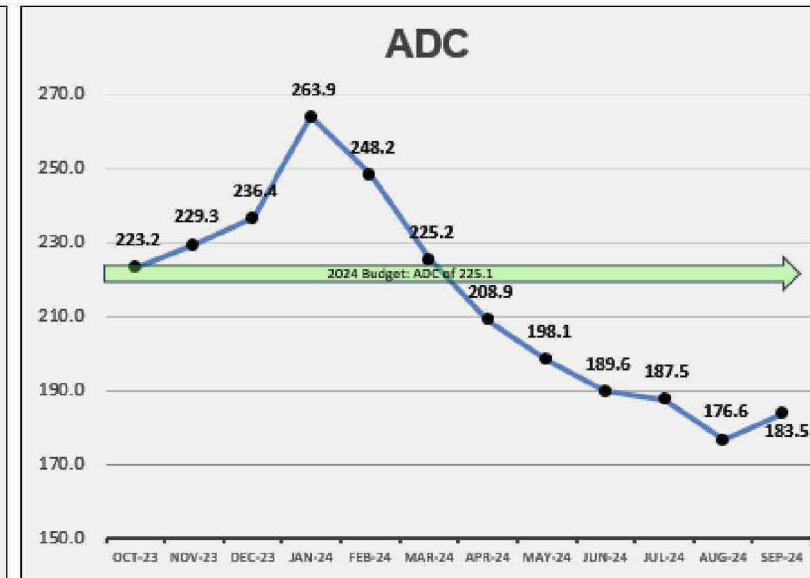
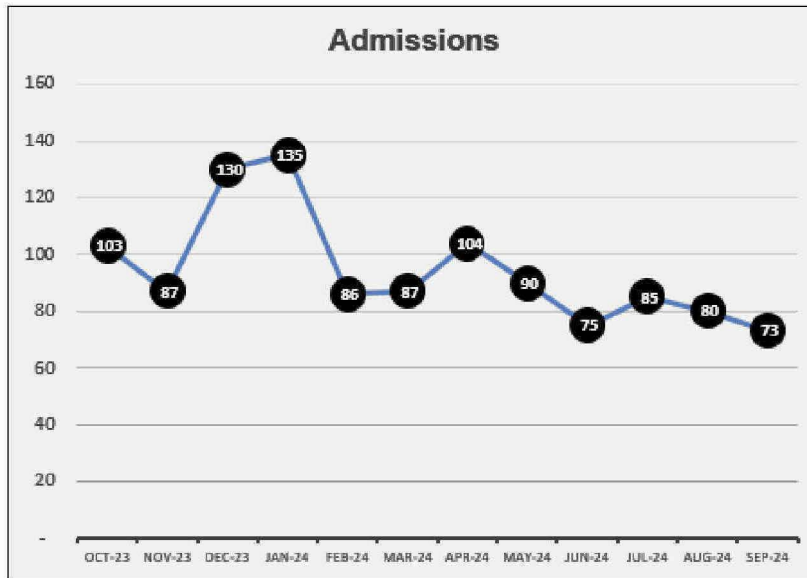


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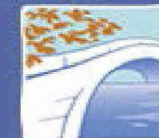
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Palliative Care
of the East Bay



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Palliative Care
of the East Bay

Balance Sheet

\$\$\$ in Thousands (000's)

Assets

Current Assets

Cash and Cash Equivalents	\$ 2,088	\$ 2,077	\$ 2,333
Total AR-Net	\$ 3,819	\$ 3,962	\$ 4,694
Inventory	\$ 1	\$ 1	\$ 1
Prepaid Expenses	\$ 558	\$ 567	\$ 566
Other Current Assets	\$ 286	\$ 316	\$ 267
Total Current Assets	\$ 6,752	\$ 6,922	\$ 7,862

Fixed Equipments

Property, Plant, & Equipment	\$ 11,850	\$ 11,875	\$ 12,241
Accumulated Depreciation	\$ (5,072)	\$ (5,046)	\$ (5,121)
Rights of Use Asset (net)	\$ 2,283	\$ 2,349	\$ 2,282

Total Fixed Assets

Investments	\$ 31,114	\$ 30,733	\$ 26,926
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Total Assets

\$ 46,927	\$ 46,833	\$ 44,190
------------------	------------------	------------------

Liabilities & Equities

Current Liabilities

Accounts Payable	\$ 1,061	\$ 1,000	\$ 1,076
Accrued Payroll and Bonuses	\$ 1,200	\$ 1,060	\$ 963
Accrued PTO	\$ 854	\$ 837	\$ 807
Other Accrued Liabilities	\$ 208	\$ 274	\$ 191
Total Current Liabilities	\$ 3,323	\$ 3,170	\$ 3,037

Long Term Liabilities

Other LT Liabilities	\$ -	\$ -	\$ -
LT Capital Lease Liability	\$ 2,122	\$ 2,122	\$ 2,126

Total Liabilities

\$ 5,445	\$ 5,291	\$ 5,164
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Fund Balances

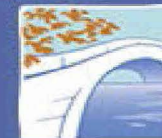
Fund Balance	\$ 39,459	\$ 39,459	\$ 36,738
Current Year Earnings	\$ 370	\$ 430	\$ 697
Temporarily Restricted	\$ 1,153	\$ 1,153	\$ 1,091
Permanently Restricted	\$ 500	\$ 500	\$ 500
Total Fund Balance	\$ 41,482	\$ 41,542	\$ 39,026

Total Liabilities & Fund Balance

\$ 46,927	\$ 46,833	\$ 44,190
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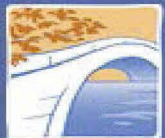
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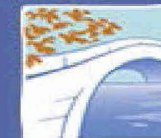
Palliative Care
of the East Bay

Consolidated Income Statement

\$\$\$ in Thousands (000's)	September									YTD September						Board approved Budget	
	Actual vs Budget				Actual vs Prior Month				YTD Actual vs YTD Budget								
	Actual	Budget	Var		Prior Month	Var		YTD Actual	YTD Budget	Var				YTD	Annual		
Revenue	\$ 2,238	\$ 2,603	\$ (365)	●	\$ 2,182	\$ 56	●	\$ 21,988	\$ 22,937	\$ (948)	●		\$ 22,937	\$ 30,908			
Direct Labor	\$ 1,170	\$ 1,194	\$ 23	●	\$ 1,195	\$ 25	●	\$ 10,705	\$ 10,037	\$ (668)	●		\$ 10,037	\$ 13,617			
Direct Patient Related Expenses	\$ 167	\$ 199	\$ 32	●	\$ 187	\$ 20	●	\$ 1,758	\$ 1,818	\$ 59	●		\$ 1,818	\$ 2,426			
Total Direct Expenses	\$ 1,338	\$ 1,393	\$ 55	●	\$ 1,382	\$ 45	●	\$ 12,463	\$ 11,854	\$ (609)	●		\$ 11,854	\$ 16,043			
Indirect Labor	\$ 850	\$ 977	\$ 128	●	\$ 994	\$ 145	●	\$ 8,390	\$ 8,190	\$ (200)	●		\$ 8,190	\$ 11,098			
Administrative Expenses	\$ 261	\$ 283	\$ 22	●	\$ 239	\$ (22)	●	\$ 2,277	\$ 2,585	\$ 309	●		\$ 2,585	\$ 3,453			
Facility-Related Expenses	\$ 183	\$ 172	\$ (11)	●	\$ 184	\$ 1	●	\$ 1,633	\$ 1,551	\$ (82)	●		\$ 1,551	\$ 2,073			
Total Indirect Expenses	\$ 1,294	\$ 1,432	\$ 139	●	\$ 1,418	\$ 124	●	\$ 12,300	\$ 12,326	\$ 26	●		\$ 12,326	\$ 16,625			
Total Operating Expenses	\$ 2,631	\$ 2,825	\$ 194	●	\$ 2,800	\$ 169	●	\$ 24,763	\$ 24,180	\$ (582)	●		\$ 24,180	\$ 32,668			
Operating Income/(Loss)	\$ (393)	\$ (222)	\$ (171)	●	\$ (618)	\$ 225	●	\$ (2,775)	\$ (1,244)	\$ (1,531)	●		\$ (1,244)	\$ (1,760)			



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Average Daily Census

2023	Hospice Trend				Palliative Trend		
	Home Hospice	Bruns House	Emeryville	Total	Patients	NP Visits	MD Visits
January	241.0	2.0	41.3	284.3	68	35	32
February	227.7	3.5	39.7	270.9	68	28	32
March	212.4	1.6	35.6	249.6	68	27	39
April	220.1	2.8	37.0	259.9	67	14	29
May	218.5	2.3	38.6	259.4	64	17	54
June	218.4	2.3	30.1	250.8	50	9	48
July	207.0	2.2	29.5	238.7	50	21	50
August	203.7	1.4	28.3	233.4	59	34	21
September	203.4	2.4	24.8	230.6	65	26	9
October	196.7	3.2	23.3	223.2	67	58	10
November	198.2	2.8	28.3	229.3	68	27	20
December	202.2	1.9	32.3	236.4	69	41	18
YTD AVERAGE	212.4	2.4	32.4	247.2	64	28	30

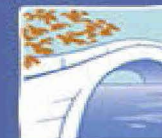
2024	Hospice Trend				Palliative Trend		
	Home Hospice	Bruns House	Emeryville	Total	Patients	NP Visits	MD Visits
January	219.3	2.4	42.2	263.9	69	49	19
February	207.4	3.0	37.8	248.2	67	45	18
March	188.1	3.3	33.8	225.2	70	39	18
April	177.4	2.5	28.8	208.7	75	44	18
May	168.9	3.7	25.5	198.1	77	62	18
June	159.8	4.1	25.7	189.6	75	51	26
July	156.0	3.0	28.5	187.5	71	63	28
August	149.8	4.0	22.8	176.6	68	63	22
September	154.4	4.6	24.5	183.5	67	47	17
October							
November							
December							
YTD AVERAGE	175.7	3.4	30.0	209.0	71	51	20

	Hospice				Palliative (YTD is Avg)		
	Home Hospice	Bruns House	Emeryville	Total	Patients	NP Visits	MD Visits
September - Actual	154.4	4.6	24.5	183.5	67	47	17
September - Budget	236.0	3.0	0.0*	239.0	72	44	26
September 2023 - Actual	203.4	2.4	24.8	230.6	65	26	26
September YTD - Actual	175.7	3.4	30.0	209.0	71	51	20
September YTD - Budget	236.0	3.0	0.0*	239.0	65	40	23
September 2023 YTD - Actual	216.9	2.3	33.9	253.1	34	23	23
2024 Budget (Avg)	236.0	3.0	0.0*	239.0	68	42	25

*Note: 2024 Home Hospice was budgeted in total - there is not a separate budget for Emeryville



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of the East Bay



Financial Statements

December 31, 2023 and 2022

East Bay Integrated Care, Inc.

dba Hospice of the East Bay

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Independent Auditor's Report

To the Board of Directors
East Bay Integrated Care, Inc.
dba Hospice of the East Bay
Pleasant Hill, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of East Bay Integrated Care, Inc. dba Hospice of the East Bay (Organization), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, and the results of its operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Fargo, North Dakota
May 21, 2024

East Bay Integrated Care, Inc.

Balance Sheets

December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,980,962	\$ 2,814,765
Patient accounts receivable, net	4,559,962	4,210,407
Interest and dividends receivable	114,784	119,451
Prepaid expenses and other	607,697	470,627
Total current assets	8,263,405	7,615,250
Noncurrent Assets		
Beneficial interest in charitable trust	208,013	169,460
Investments	27,605,464	25,854,128
Property and equipment, net	7,124,993	7,364,542
Right of use assets - operating	2,097,652	2,172,761
Deposits	308,124	221,832
Total noncurrent assets	37,344,246	35,782,723
Total assets	\$ 45,607,651	\$ 43,397,973

East Bay Integrated Care, Inc.

Balance Sheets

December 31, 2023 and 2022

	2023	2022
Liabilities and Net Assets		
Current Liabilities		
Line of credit	\$ -	\$ 338,508
Accounts payable	727,729	720,801
Accrued expenses	1,636,514	1,807,546
Funds held for others	4,851	5,078
Operating lease liability	632,804	703,555
Total current liabilities	3,001,898	3,575,488
Noncurrent Liabilities		
Operating lease liability, net of current portion	1,493,486	1,493,648
Total liabilities	4,495,384	5,069,136
Net Assets		
Without donor restrictions	39,459,039	36,737,660
With donor restrictions	1,653,228	1,591,177
Total net assets	41,112,267	38,328,837
Total liabilities and net assets	\$ 45,607,651	\$ 43,397,973

East Bay Integrated Care, Inc.
Statements of Operations
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenue, Gains, and Other Support Without Donor Restrictions		
Patient service revenue	\$ 27,745,652	\$ 28,777,320
Retail revenue	3,188,288	3,242,546
Special events, net	156,452	176,983
Other income	152	42
Net assets released from restriction for operations	<u>311,049</u>	<u>246,040</u>
Total revenues, gains, and other support	<u>31,401,593</u>	<u>32,442,931</u>
Expenses		
Salaries and benefits	22,817,805	23,781,514
Contract labor and services	2,442,545	2,473,099
Occupancy	2,170,873	2,204,635
Medical supplies and equipment	1,211,893	1,404,104
Other expenses	887,489	845,827
Pharmacy, therapies, hospital and laboratory	794,631	824,570
Professional fees	959,269	556,401
Depreciation	604,512	553,140
Inpatient facility	251,535	242,834
Patient related transportation	228,052	268,350
General liability insurance	291,725	233,367
Printing and office supplies	159,969	183,106
Education	<u>58,568</u>	<u>123,070</u>
Total expenses	<u>32,878,866</u>	<u>33,694,017</u>
Operating Loss	<u>(1,477,273)</u>	<u>(1,251,086)</u>
Other Income (Expense)		
Rental income	17,971	63,029
Investment income (loss)	3,346,371	(2,316,909)
Unrestricted contributions and grants	<u>834,310</u>	<u>1,050,147</u>
Total other income, net	<u>4,198,652</u>	<u>(1,203,733)</u>
Revenues in Excess of (Less Than) Expenses and Change in Net Assets Without Donor Restrictions	<u><u>\$ 2,721,379</u></u>	<u><u>\$ (2,454,819)</u></u>

East Bay Integrated Care, Inc.
Statements of Changes in Net Assets
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Net Assets Without Donor Restrictions		
Revenues in excess of (less than) expenses and change in net assets without donor restrictions	<u>\$ 2,721,379</u>	<u>\$ (2,454,819)</u>
Net Assets With Donor Restrictions		
Contributions restricted by donors	291,405	188,023
Change in beneficial interest in charitable trust	38,553	(41,667)
Investment income (loss)	43,142	(36,020)
Net assets released from restrictions	<u>(311,049)</u>	<u>(246,040)</u>
Change in net assets with donor restrictions	<u>62,051</u>	<u>(135,704)</u>
Change in Net Assets	2,783,430	(2,590,523)
Net Assets, Beginning of Year	<u>38,328,837</u>	<u>40,919,360</u>
Net Assets, End of Year	<u><u>\$ 41,112,267</u></u>	<u><u>\$ 38,328,837</u></u>

East Bay Integrated Care, Inc.
Statements of Functional Expenses
Year Ended December 31, 2023

	Program Services		Supporting Services			
	Hospice Care	Bruns	General and Administrative	Fundraising	Retail	Total
Salaries and Benefits	\$ 14,380,883	\$ 1,733,889	\$ 4,588,281	\$ 488,561	\$ 1,626,191	\$ 22,817,805
Contract Labor and Services	1,924,764	161,870	355,911	-	-	2,442,545
Occupancy	202,140	-	807,811	-	1,160,922	2,170,873
Medical Supplies and Equipment	1,211,893	-	-	-	-	1,211,893
Other Expenses	250,869	140	454,764	63,922	117,794	887,489
Pharmacy Therapies, Hospital and laboratory	794,631	-	-	-	-	794,631
Professional Fees	84,307	-	874,962	-	-	959,269
Depreciation	123,294	50,899	384,211	-	46,108	604,512
Inpatient Facility	1,964	249,571	-	-	-	251,535
Patient Related Transportation	225,318	2,734	-	-	-	228,052
General Liability Insurance	686	-	291,039	-	-	291,725
Printing and Office Supplies	50,674	-	72,445	18,760	18,090	159,969
Education	32,323	-	26,079	166	-	58,568
Total expenses	<u>\$ 19,283,746</u>	<u>\$ 2,199,103</u>	<u>\$ 7,855,503</u>	<u>\$ 571,409</u>	<u>\$ 2,969,105</u>	<u>\$ 32,878,866</u>

East Bay Integrated Care, Inc.
Statements of Functional Expenses
Year Ended December 31, 2022

	Program Services		Supporting Services			
	Hospice Care	Bruns	General and Administrative	Fundraising	Retail	Total
Salaries and Benefits	\$ 15,794,250	\$ 1,890,793	\$ 4,015,063	\$ 433,520	\$ 1,647,888	\$ 23,781,514
Contract Labor and Services	2,126,547	68,710	277,842	-	-	2,473,099
Occupancy	178,662	-	900,565	-	1,125,408	2,204,635
Medical Supplies and Equipment	1,404,104	-	-	-	-	1,404,104
Other Expenses	216,164	140	462,057	62,449	105,017	845,827
Pharmacy Therapies, Hospital and laboratory	824,570	-	-	-	-	824,570
Professional Fees	108,446	-	447,955	-	-	556,401
Depreciation	62,840	50,755	401,486	-	38,059	553,140
Inpatient Facility	3,207	239,627	-	-	-	242,834
Patient Related Transportation	260,298	8,052	-	-	-	268,350
General Liability Insurance	686	-	231,487	-	1,194	233,367
Printing and Office Supplies	78,195	-	61,609	26,073	17,229	183,106
Education	47,228	-	75,347	-	495	123,070
Total expenses	<u>\$ 21,105,197</u>	<u>\$ 2,258,077</u>	<u>\$ 6,873,411</u>	<u>\$ 522,042</u>	<u>\$ 2,935,290</u>	<u>\$ 33,694,017</u>

East Bay Integrated Care, Inc.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Change in net assets	\$ 2,783,430	\$ (2,590,523)
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized (gain) loss on investments	(2,504,662)	3,119,161
Depreciation	604,512	553,140
Gain on disposal of capital asset	(823)	-
Change in beneficial interest of charitable trust	(38,553)	41,667
Changes in assets and liabilities		
Patient accounts receivable, net	(349,555)	(709,362)
Interest and dividends receivable	4,667	(19,715)
Contributions receivable	-	100,000
Prepaid expenses and other	(137,070)	25,469
Deposits	(86,292)	25,533
Accounts payable	6,928	50,808
Accrued expenses	(171,032)	(120,870)
Funds held for others	(227)	(976)
Operating lease assets and liabilities	4,196	24,442
Unearned revenue	-	(21,874)
Net Cash from Operating Activities	<u>115,519</u>	<u>476,900</u>
Investing Activities		
Purchases of investments	(11,051,880)	(8,982,839)
Donated securities	(54,245)	(75,134)
Proceeds from sales of investments	11,859,451	6,387,799
Purchases of property and equipment	(390,865)	(767,589)
Proceeds from sales of property and equipment	26,725	-
Net Cash from (used for) Investing Activities	<u>389,186</u>	<u>(3,437,763)</u>
Financing Activity		
Increase (decrease) in line of credit	(338,508)	338,508
Net Change in Cash and Cash Equivalents	166,197	(2,622,355)
Cash and Cash Equivalents, Beginning of Year	<u>2,814,765</u>	<u>5,437,120</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,980,962</u>	<u>\$ 2,814,765</u>
Supplemental Disclosure of Non-cash Investing and Financing Activity		
Lease liabilities arising from obtaining right of use assets	<u>\$ 83,246</u>	<u>\$ -</u>

Note 1 - Nature of Operations

Organization

East Bay Integrated Care, Inc. (dba Hospice of the East Bay) (Organization) is a California nonprofit organization which provides hospice care to terminally ill patients and their families throughout Contra Costa, Alameda and Solano Counties. The Organization also operates a state licensed hospice inpatient facility in the East Bay, The Bruns House. Patient care services are usually covered by Medicare, Medi-Cal, and private insurance payors; however, not every patient accepted for care is eligible for insurance coverage, and not every service provided is included under such coverage. Medically eligible patients are accepted regardless of type of illness, age, color, sex, religious affiliation, or national origin. The Organization has specialty programs such as a community-based Palliative Care Program, the Give Me a Break respite program, the Bridge Program, the Tuck-In Program, We Honor Veterans Program, and the Music and Memory Program which has board-certified music therapists.

The Organization provides funding for charity care and other programs. The Organization receives support from grants, community donations and fundraising activities and annual special events. In addition, the Organization operates six thrift stores in Contra Costa County, which sell donated used clothing and household goods. The related sales and operating expenses are reported as Retail Operations in the statements of operations. Retail sales also include estate and vehicle sale proceeds.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting refers to the timing of measurement made, regardless of the measurement focus applied. The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting. Revenues are recognized as performance obligations are satisfied and expenses are recognized when incurred.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with Financial Accounting Standards Board (FASB) ASC 958 and ASC 954. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – The Organization reports contributions that are not subject to donor-imposed restrictions as net assets without donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

Net Assets with Donor Restrictions – The Organization reports contributions as net assets with donor restrictions if they are received with donor-imposed restrictions that can be met either by passage of time, or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Income Taxes

The Organization is organized as a California nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from Federal and State income tax under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax liabilities in income tax expense if such interest and penalties are incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Functional Allocation of Expenses

The costs of providing programs and activities have been summarized on a functional basis in the accompanying statements of functional expenses, which presents the natural classification detail of expenses by function. Expenses are charged directly to program services or supporting services categories based on direct expenses incurred. An expense not directly chargeable to a functional expense category is allocated based on personnel activity, square footage and other criteria. The expenses that are allocated based on square footage include occupancy and depreciation. Salaries and benefits, insurance, and other, are allocated based on estimated time and effort.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

Patient Accounts Receivable

Patient receivables are uncollateralized patient and third-party payor obligations. The Organization does not charge interest on unpaid patient receivables. Payments of patient receivables are allocated to the specific claims identified in the remittance advice, or if unspecified, on self-paid claims are applied to the earliest unpaid claim.

Patient accounts receivables are reduced by an allowance for implicit and explicit price concessions. In evaluating the collectability of accounts receivable, the Organization analyzes accounts for adverse changes in a patient's or third-party's ability to pay that may have occurred subsequent to recognition. Management regularly reviews specific data about receivable balances and its past history with similar cases to estimate the appropriate allowance for implicit and explicit price concessions.

The Organization's patient receivable balance as of January 1, 2022 was \$3,501,045.

Beneficial Interest in Charitable Trusts Held by Others

The Organization has been named as an irrevocable beneficiary of a charitable trust held and administered by an independent trustee. This trust was created independently by donors and are administered by outside agents designated by the donors. The Organization has neither possession nor control over the assets of the trust. At the date the Organization receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statement of changes in net assets and a beneficial interest in charitable trusts held by others is recorded in the balance sheet at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the balance sheet, which changes in fair value recognized in the statement of changes in net assets.

Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions. Trust distributions with donor-imposed restrictions that are perpetual in nature are transferred to the endowment, in which case, net assets with donor-restrictions are not released.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities, are reported at their fair values in the statement of financial position. The fair values are based on quoted market prices. Donated investments are recorded at the market value on the date of donation. Unrealized gains and losses are included in the performance indicator. Investment income is reported net of related investment expenses.

Property and Equipment

Property and equipment additions in excess of \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 1 to 25 years. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any resulting gain or loss is included in the statements of operations. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The estimates useful lives of property and equipment are as follows:

Land improvements	5-20 years
Buildings	25 years
Building improvements	1-20 years
Office furniture and equipment	1-10 years
Vehicles	1-5 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to net assets without donor restrictions and are excluded from the performance indicator, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service.

The Organization considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. No impairment was identified for the years ended December 31, 2023 and 2022.

Patient Services Recognition of Revenue

Patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Organization bills the patients and third-party payors at the end of the month for services provided. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving hospice, palliative, or primary care services. The Organization measures the performance obligation through visits to the patient up to the point when it is no longer required to provide services to that patient. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the Organization does not believe it is required to provide additional goods or services to the patient.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy, and/or implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history.

Charity Care

The Organization has a policy for providing necessary care to hospice and palliative care patients regardless of third-party reimbursement status. The Organization relies on contributions and grants from the community to ensure that charity care services continue to be offered. The Organization provided \$265,287 and \$317,853 in charity care support based on charges forgone for the years ended December 31, 2023 and 2022 at an estimated cost of \$269,000 and \$313,000, respectively. The estimated cost of providing these services was calculated by multiplying the ratio of cost to gross charges for the Organization by the gross uncompensated charges associated with providing charity care to its patients.

Retail Revenue Recognition

For performance obligations related to the sale of items at the Organization's thrift shoppes, control transfers to the customer at a point in time. The Organization records revenue for retail sales at the point of sale when delivery to the customer occurred.

Performance Indicator

Revenues in excess of (less than) expenses is the performance indicator and excludes contributions of long-lived assets, which includes assets acquired using contributions which were restricted by donors.

Contributions and Grants

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restricted net assets, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of changes in net assets as net assets released from restrictions.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

In-kind Contributions

In-kind contributions include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods and services received. In addition to in-kind contributions, volunteers contribute significant amounts of time to program services, administration, thrift shoppes, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

All in-kind contributions received during the years ended December 31, 2023 and 2022 were unrestricted.

Advertising Costs

Costs incurred for producing and distributing advertising are expensed as incurred. The Organization incurred \$207,833 and \$245,401 for advertising costs for the years ended December 31, 2023 and 2022, respectively.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts and investments with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policies and guidelines are prudent for the long-term welfare of the organization.

The Organization maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2023 and 2022, the Organization has approximately \$2,988,000 and \$2,688,000, respectively, in excess of FDIC-insured limits.

Subsequent Events

Subsequent events have been evaluated through May 21, 2024, the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2023	2022
Cash and Cash Equivalents	\$ 2,980,962	\$ 2,814,765
Patient Accounts Receivable, Net	4,559,962	4,210,407
Total	<u>\$ 7,540,924</u>	<u>\$ 7,025,172</u>

The Organization's endowment fund consists of one donor-restricted endowment. Income from the donor-restricted endowment is restricted for specific purpose of the Bruns House ongoing operations on an annual basis. Donor-restricted endowment funds are not available for general expenditures.

As part of the Organization's liquidity management plan, the Organization retains at least \$2,300,000 in an operating account. On a monthly basis, cash in excess of this amount is transferred to an investments account. Cash is invested in Fixed Income Mutual Funds, Preferred Stocks, Domestic and Foreign based Equities and Mutual Funds and Common Stock. As the Organization's governance does not intend to use its investments, including the interest and dividends receivable, for general expenditure within one year of the balance sheet date, investments are not included in the above table, but could be made available as needed.

Note 4 - Patient Service Revenue

The Organization has agreements with third-party payors that provide for prospectively determined daily rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicare and Medicaid – The Organization's services provided to Medicare and Medicaid program beneficiaries are paid at prospectively determined rates. The rates vary according to level of care and where the patient lives. These rates are not subject to retroactive adjustments.

The Organization has also entered into payment agreements with certain commercial insurance carriers and other organizations. The payment methodology under these agreements is similar to Medicare and Medicaid, although the amounts are different.

Concentrations of net revenues by major payor accounted for the following percentage of the Organization's patient service revenues for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Medicare	90%	91%
Medi-Cal	3%	3%
Commercial Insurance	5%	5%
Private Pay	<u>2%</u>	<u>1%</u>
	<u>100%</u>	<u>100%</u>

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. The ability to estimate the collectability of uninsured and other self-pay patients is contingent on the patient's ability or willingness to pay for the services provided. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as credit loss expense.

The nature, amount, timing and uncertainty of revenue and cash flows are affected by several factors that the Organization considers in its recognition of revenue. Following are some of the factors considered:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement/payment methodologies.
- Length of the patient's service/episode of care.
- Geography of the service location.
- The Organization's line of businesses that provided the service (for example, hospice, palliative, inpatient, etc.).

For the years ended December 31, 2023 and 2022, the Organization recognized patient revenue of \$27,745,652 and \$28,777,320 from services and goods provided over time.

Note 5 - Property and Equipment

	2023	2022
Land	\$ 3,875,000	\$ 3,875,000
Land Improvements	219,244	211,314
Building	4,025,008	4,025,008
Building Improvements	1,058,223	1,014,213
Office Furniture, Equipment, and Software	2,307,602	2,032,235
Vehicles	795,068	799,977
Construction in Progress	108,526	74,595
Gross Property and Equipment	12,388,671	12,032,342
Less: Accumulated Depreciation	(5,263,678)	(4,667,800)
Net property and equipment	<u>\$ 7,124,993</u>	<u>\$ 7,364,542</u>

Depreciation expense charged to operations was \$604,512 in 2023 and \$553,140 in 2022.

Note 6 - Investments

Investments consist of the following at December 31, 2023 and 2022:

	2023	2022
Fixed Income	\$ 15,653,838	\$ 16,192,728
Equity Securities	8,826,914	7,335,508
Mutual Funds-Equities	3,124,712	2,324,366
Warrants and Rights	-	1,526
Total Investments	<u>\$ 27,605,464</u>	<u>\$ 25,854,128</u>

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least possible that changes in risks in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

Investment income consisted of the following for the years ended December 31, 2023 and 2022:

	2023	2022
Investment Income		
Interest and dividend income, net	\$ 893,235	\$ 843,774
Realized loss	(86,858)	(11,317)
Unrealized gain (loss)	2,591,520	(3,108,339)
Investment fees	(51,526)	(41,027)
	<u>\$ 3,346,371</u>	<u>\$ (2,316,909)</u>
Changes in Net Assets with Donor Restrictions		
Interest and dividend income, net	<u>\$ 43,142</u>	<u>\$ (36,020)</u>

Note 7 - Fair Value Measurements

The Organization reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three- tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset or liability.

A portion of the investments are classified within Level 1 because they comprise various mutual funds and equities with readily determinable fair values based on daily redemption values. Fixed income securities are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2. The fair value of the beneficial interest in the charitable trust is determined by using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of the trust investments as reported by the trustee.

The following table presents the balances of the assets measured at fair value on a recurring basis at December 31, 2023:

	Fair Value Measurements at Report Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments				
Fixed income	\$ -	\$ 15,653,838	\$ -	\$ 15,653,838
Equity securities	8,826,914	-	-	8,826,914
Mutual funds-equities	3,124,712	-	-	3,124,712
	<u>\$ 11,951,626</u>	<u>\$ 15,653,838</u>	<u>\$ -</u>	<u>\$ 27,605,464</u>
Beneficial interest in charitable trust	<u>\$ -</u>	<u>\$ 208,013</u>	<u>\$ -</u>	<u>\$ 208,013</u>

The following table presents the balances of the assets measured at fair value on a recurring basis at December 31, 2022:

	Fair Value Measurements at Report Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments				
Fixed income	\$ -	\$ 16,192,728	\$ -	\$ 16,192,728
Equity securities	7,335,508	-	-	7,335,508
Mutual funds-equities	2,324,366	-	-	2,324,366
Publicly traded other	1,526	-	-	1,526
	<u>\$ 9,661,400</u>	<u>\$ 16,192,728</u>	<u>\$ -</u>	<u>\$ 25,854,128</u>
Beneficial Interest in charitable trust	<u>\$ -</u>	<u>\$ 169,460</u>	<u>\$ -</u>	<u>\$ 169,460</u>

Note 8 - Leases

The Organization leases certain office space and thrift shops for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2030 and provide for renewal options ranging from three to five years. The Organization included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum or maximum increases. Also, the agreements generally require the Company to pay real estate taxes, insurance, and repairs.

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, the Organization estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Organization's applicable borrowing rates and the contractual lease term.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

Total lease costs for the years ended December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Operating Lease Cost	\$ 862,758	\$ 838,669

The following table summarizes the supplemental cash flow information for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash Paid for Amounts Included in The Measurement of Lease Liabilities		
Operating cash flows from operating leases	\$ 858,562	\$ 814,227
Right of Use Assets Obtained in Exchange for Lease Liabilities		
Operating leases	\$ 83,246	\$ -

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

	<u>2023</u>	<u>2022</u>
Weighted-Average Remaining Lease Term:		
Operating leases	3.38 years	4.26 years
Weighted-Average Discount Rate:		
Operating leases	4.24%	4.31%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2023:

	<u>Amount</u>
2024	\$ 705,906
2025	606,278
2026	399,733
2027	237,466
2028	177,698
Thereafter	181,556
Total Lease Payments	<u>2,308,637</u>
Less interest	<u>(182,347)</u>
Present Value of Lease Liabilities	<u>\$ 2,126,290</u>

Note 9 - Line of Credit

The Organization has a bank line of credit for \$4,000,000. The line of credit is secured by the Organization's investment portfolio. Interest is charged on the outstanding balance at the prime rate less 1.75%. The prime rate at December 31, 2023 was 8.0% so the interest rate on the line of credit was 6.25%. There was a balance of \$0 and \$338,508 at December 31, 2023 and 2022, respectively. The line of credit expires July 15, 2025.

The Organization has a second bank line of credit for \$500,000. The line of credit is secured by real property. Interest is charged on the outstanding balance at 2.538% above the SOFR (Secured Overnight Financing Rate) index. There were no outstanding balances at December 31, 2023 and 2022. The line of credit does not have a pre-set maturity date.

Note 10 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	2023	2022
Subject to Expenditure for Specified Purpose		
Respite care	\$ 177,395	\$ 173,108
Give me a break	507,499	515,027
Music and memory	20,952	27,127
Veterans program	1,000	-
Earnings on restricted funds to be allocated to specific purposes	238,369	206,455
	945,215	921,717
Subject to The Passage of Time		
Beneficial interest in charitable trust	208,013	169,460
Endowments		
Held in perpetuity, the income from which is expendable to support Bruns House	500,000	500,000
	<u>\$ 1,653,228</u>	<u>\$ 1,591,177</u>

During 2023 and 2022, net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes and the expiration of time restrictions in the amounts of \$311,049 and \$246,040 as detailed below. These amounts are included in net assets released from restrictions in the accompanying financial statements.

	2023	2022
Satisfaction of Purpose Restrictions		
Volunteer Program Donations	\$ 2,758	\$ 4,750
Bereavement - General	1,589	5,621
Bruns House general	171,334	84,480
Childrens Program	550	808
Education	309	957
Rossmoor Respite Care donation	-	1,728
Give me a Break Respite	9,203	10,895
Spiritual Care	412	204
Patient Care	6,163	9,912
Palliative Care	54,872	21,295
Music & Memory	6,378	4,255
Music Therapist	57,481	1,135
Satisfaction of Time Restriction	-	100,000
Total	<u>\$ 311,049</u>	<u>\$ 246,040</u>

Note 11 - Endowment

The Organization's endowment (the Endowment) consists of an individual fund, the Bruns House, established by a donor to provide annual funding for the ongoing expenses at Bruns House. The Organization determined the net assets forming the Bruns House Fund is legally restricted as an endowment fund and should therefore be reported as net assets with donor restrictions. The Organization's Board of Directors has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Organization and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Organization.
- The investment policies of the Organization.

As of December 31, 2023 and 2022, the Organization had the following endowment net asset composition by type of fund:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>December 31, 2023</u>			
Donor-Restricted Endowment Funds			
Original donor-restricted gift amounts required to be maintained in perpetuity	\$ -	\$ 500,000	\$ 500,000
	Without Donor Restrictions	With Donor Restrictions	Total
<u>December 31, 2022</u>			
Donor-Restricted Endowment Funds			
Original donor-restricted gift amounts	\$ -	\$ 500,000	\$ 500,000

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. At December 31, 2023 and 2022, there were no underwater endowments.

Investment and Spending Policies

The Organization has adopted an investment policy that attempts to maximize total return consistent with acceptable levels of risk, which applies to all investments, including the endowment fund. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, in order to minimize the risk of large losses. A well-qualified investment advisor maintains the portfolio; efforts are made to control risk and are evaluated regularly to ensure that the risk assumed is commensurate with the given objectives.

Changes in endowment net assets for the years ended December 31, 2023 and 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance as of December 31, 2021	\$ -	\$ 500,000	\$ 500,000
Investment income	-	-	-
Balance as of December 31, 2022	-	500,000	500,000
Investment income	-	-	-
Balance as of December 31, 2023	\$ -	\$ 500,000	\$ 500,000

Note 12 - Fund Development

Fund development activities reported individually in accordance with the applicable financial reporting framework in the statements of operations are summarized as follows for the years ended December 31, 2023 and 2022:

<u>December 31, 2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Contributions and Grants	\$ 834,310	\$ 291,405	\$ 1,125,715
Special Events, Net	156,452	-	156,452
Net Assets Released from Restriction	311,049	(311,049)	-
	<u>\$ 1,301,811</u>	<u>\$ (19,644)</u>	<u>\$ 1,282,167</u>
 <u>December 31, 2022</u>	 <u>Without Donor Restrictions</u>	 <u>With Donor Restrictions</u>	 <u>Total</u>
Contributions and Grants	\$ 1,050,147	\$ 188,023	\$ 1,238,170
Special Events, Net	176,983	-	176,983
Net Assets Released from Restriction	246,040	(246,040)	-
	<u>\$ 1,473,170</u>	<u>\$ (58,017)</u>	<u>\$ 1,415,153</u>

Note 13 - Retirement Plan (403b Plan)

The Organization provides a salary deferral plan for all eligible employees. Upon completing 1,000 hours of service, the employer matches up to \$2,000 annually per employee. The employer matching contributions to the plan were \$281,634 and \$288,272 for the years ended December 31, 2023 and 2022, respectively.

Note 14 - Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Medicare	76%	82%
Medi-Cal	18%	8%
Other Third-Party Payors	5%	9%
Patients	1%	1%
	<u>100%</u>	<u>100%</u>

Note 15 - Commitments and Contingencies

State and Federal Revenue

The Organization receives patient services revenue from Federal and State funds for specific purposes that are subject to review and audit by the governmental agencies. Although such audits could generate expenditure disallowances under terms of the payments from the Federal and State agencies, in the opinion of management, any required reimbursements will not be material.

Litigations, Claims, and Disputes

The Organization is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. Management assesses the ultimate settlement of any litigations, claims, and disputes in process in determining whether a liability should be recorded, or a disclosure should be presented.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to Medicare and Medi-Cal program, can be subject to government review and interpretations, as well as regulatory actions unknown and unasserted at this time. Federal government activity with respect to investigations and allegations concerning possible violations of regulations by healthcare providers could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

Paycheck Protection Program Loan (PPP)

Loans issued under the PPP were subject to good-faith certifications of the necessity of the loan request. Borrowers with loans issued under the program in excess of \$2 million are subject to review by the Small Business Administration (SBA) for compliance with the program requirements. If the SBA determines that a borrower lacked an adequate basis for the loan or did not meet the program requirements, the loan will not be eligible for loan forgiveness and the SBA will seek repayment of the outstanding loan balance. As such, the potential exists that the Organization may be deemed ineligible for loan forgiveness and be required to repay the loan.

The Organization applied for and received loan forgiveness from the SBA on its PPP loan in 2021. In accordance with PPP loan requirements, the Organization is required to maintain PPP loan files and certain underlying supporting documents for periods ranging from three to six years. The Organization is also required to permit access to such files upon request by the SBA. Accordingly, there is potential the PPP loan could be subject to further review by the SBA and that previously recognized forgiveness could be reversed based on the outcome of this review.

Note 16 - Risk Management

The Organization is exposed to various risks of loss in the ordinary course of business as a result of torts, theft of, damage to, or destruction of assets, business interruption, allegations of medical malpractice (professional liability), natural disasters, injury, employee and officer errors and omissions, and employee workers' compensation and medical claims. The Organization purchases commercial insurance coverage against risk of loss due to errors and omissions, fiduciary liability, property damage and theft, pollution liability, and various other insurable risks. Professional liability coverage is on a claims-made basis with limits of \$3 million per occurrence subject to a \$5 million aggregate limit.

The Organization is a member of BETA Healthcare Group (BETA) for workers' compensation coverage. BETA provides coverage to hospitals, healthcare facilities and medical groups. BETA is a risk management joint powers authority (JPA) formed pursuant to the California Government Code. The purpose of the JPA is to purchase and administer workers' compensation insurance for the pooling of self-insured losses and to purchase excess insurance coverage whereby the risk of loss is mitigated by the JPA. BETA purchases workers' compensation insurance under a claims-made policy with limits of \$2 million per occurrence. BETA also purchases excess insurance coverage for claims in excess of \$2 million up to statutory limits.

BETA members are assessed a contribution for each program in which they participate. Members may be subject to additional supplemental assessments if it is determined that the contributions are insufficient. Members may withdraw from BETA with thirty day written advance notice. BETA may cancel a membership for failure to implement loss control or risk management recommendations upon a majority vote of the Board of Directors and with sixty days written notice. Upon withdrawal or cancellation, a member shall not remain subject to additional assessments for the program periods they have participated.



Financial Statements
December 31, 2022 and 2021

East Bay Integrated Care, Inc.

dba Hospice of the East Bay

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Independent Auditor's Report

To the Board of Directors
East Bay Integrated Care, Inc.
Pleasant Hill, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of East Bay Integrated Care, Inc. (Organization), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the results of its operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, the Organization has adopted the provisions of FASB Accounting Standards Codification Topic 842, *Leases*, as of January 1, 2022 using the modified retrospective approach with an adjustment at the beginning of the adoption period. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

[REDACTED]

Fargo, North Dakota
June 30, 2023

East Bay Integrated Care, Inc.

Balance Sheets

December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,814,765	\$ 5,437,120
Patient accounts receivable, net	4,210,407	3,501,045
Interest and dividends receivable	119,451	99,736
Contributions receivable	-	100,000
Prepaid expenses and other	470,627	496,096
Total current assets	7,615,250	9,633,997
Noncurrent Assets		
Beneficial interest in charitable trust	169,460	211,127
Investments	25,854,128	26,303,115
Property and equipment, net	7,364,542	7,150,093
Right-of-use asset, net	2,172,761	-
Deposits	221,832	247,365
Total noncurrent assets	35,782,723	33,911,700
Total assets	\$ 43,397,973	\$ 43,545,697

East Bay Integrated Care, Inc.

Balance Sheets

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 720,801	\$ 669,993
Line of credit	338,508	-
Accrued expenses	1,807,546	1,928,416
Funds held for others	5,078	6,054
Unearned revenue	-	21,874
Operating lease liability	<u>703,555</u>	<u>-</u>
Total current liabilities	3,575,488	2,626,337
Noncurrent Liabilities		
Operating lease liability	<u>1,493,648</u>	<u>-</u>
Total liabilities	<u>5,069,136</u>	<u>2,626,337</u>
Net Assets		
Without donor restrictions		
Undesignated	<u>36,737,660</u>	<u>39,192,479</u>
With donor restrictions		
Purpose restrictions	1,421,717	1,415,754
Time-restricted for future periods	<u>169,460</u>	<u>311,127</u>
Total net assets with donor restrictions	<u>1,591,177</u>	<u>1,726,881</u>
Total net assets	<u>38,328,837</u>	<u>40,919,360</u>
Total liabilities and net assets	<u><u>\$ 43,397,973</u></u>	<u><u>\$ 43,545,697</u></u>

East Bay Integrated Care, Inc.
Statements of Operations
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue, Gains, and Other Support Without Donor Restrictions		
Patient service revenue	\$ 28,777,320	\$ 30,683,590
Retail revenue	3,242,546	2,866,845
Special events, net	176,983	198,777
Contributions - Paycheck Protection Program Loan	-	3,495,364
Other income	42	1,050
Net assets released from restriction for operations	<u>246,040</u>	<u>196,557</u>
Total revenues, gains, and other support	<u>32,442,931</u>	<u>37,442,183</u>
Expenses		
Salaries and benefits	23,781,514	24,242,303
Contract labor and services	2,473,099	1,761,238
Occupancy	2,204,635	2,335,358
Medical supplies and equipment	1,404,104	1,408,572
Other expenses	845,827	885,293
Pharmacy, therapies, hospital and laboratory	824,570	769,955
Professional fees	556,401	396,609
Depreciation and amortization	553,140	509,753
Inpatient facility	242,834	224,542
Patient related transportation	268,350	294,170
General liability insurance	233,367	177,100
Printing and office supplies	183,106	158,856
Education	<u>123,070</u>	<u>48,683</u>
Total expenses	<u>33,694,017</u>	<u>33,212,432</u>
Operating Income (Loss)	<u>(1,251,086)</u>	<u>4,229,751</u>
Other Income (Expense)		
Rental income	63,029	142,155
Investment income	(2,316,909)	2,461,309
Unrestricted contributions and grants	1,050,147	1,043,265
Contributions - Provider Relief Funds	<u>-</u>	<u>654,382</u>
Total other income, net	<u>(1,203,733)</u>	<u>4,301,111</u>
Revenues in Excess of (Less Than) Expenses and Change in Net Assets Without Donor Restrictions	<u><u>\$ (2,454,819)</u></u>	<u><u>\$ 8,530,862</u></u>

East Bay Integrated Care, Inc.
Statements of Changes in Net Assets
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Net Assets Without Donor Restrictions		
Revenues in excess of (less than) expenses and change in net assets without donor restrictions	<u>\$ (2,454,819)</u>	<u>\$ 8,530,862</u>
Net Assets With Donor Restrictions		
Contributions restricted by donors	188,023	162,144
Change in beneficial interest in charitable trust	(41,667)	140,249
Investment income	(36,020)	40,114
Net assets released from restrictions	<u>(246,040)</u>	<u>(196,557)</u>
Change in net assets with donor restrictions	<u>(135,704)</u>	<u>145,950</u>
Change in Net Assets	(2,590,523)	8,676,812
Net Assets, Beginning of Year	<u>40,919,360</u>	<u>32,242,548</u>
Net Assets, End of Year	<u><u>\$ 38,328,837</u></u>	<u><u>\$ 40,919,360</u></u>

East Bay Integrated Care, Inc.
Statements of Functional Expenses
Year Ended December 31, 2022

	Program Services		Supporting Services			
	Hospice Care	Bruns	General and Administrative	Fundraising	Retail	Total
Salaries and benefits	\$ 15,794,250	\$ 1,890,793	\$ 4,015,063	\$ 433,520	\$ 1,647,888	\$ 23,781,514
Contract labor and services	2,126,547	68,710	277,842	-	-	2,473,099
Occupancy	178,662	-	900,565	-	1,125,408	2,204,635
Medical supplies and equipment	1,404,104	-	-	-	-	1,404,104
Other expenses	216,164	140	462,057	62,449	105,017	845,827
Pharmacy, therapies, hospital and laboratory	824,570	-	-	-	-	824,570
Professional fees	108,446	-	447,955	-	-	556,401
Depreciation	62,840	50,755	401,486	-	38,059	553,140
Inpatient facility	3,207	239,627	-	-	-	242,834
Patient related transportation	260,298	8,052	-	-	-	268,350
General liability insurance	686	-	231,487	-	1,194	233,367
Printing and office supplies	78,195	-	61,609	26,073	17,229	183,106
Education	47,228	-	75,347	-	495	123,070
Total expenses	<u>\$ 21,105,197</u>	<u>\$ 2,258,077</u>	<u>\$ 6,873,411</u>	<u>\$ 522,042</u>	<u>\$ 2,935,290</u>	<u>\$ 33,694,017</u>

See Notes to Financial Statements

East Bay Integrated Care, Inc.
Statements of Functional Expenses
Year Ended December 31, 2021

	Program Services		Supporting Services			
	Hospice Care	Bruns	General and Administrative	Fundraising	Retail	Total
Salaries and benefits	\$ 16,560,747	\$ 1,931,296	\$ 3,810,990	\$ 440,212	\$ 1,499,058	\$ 24,242,303
Contract labor and services	1,395,913	29,068	336,257	-	-	1,761,238
Occupancy	203,662	-	1,104,382	-	1,027,314	2,335,358
Medical supplies and equipment	1,408,572	-	-	-	-	1,408,572
Other expenses	370,744	140	385,199	46,763	82,447	885,293
Pharmacy, therapies, hospital and laboratory	769,955	-	-	-	-	769,955
Professional fees	96,809	-	299,800	-	-	396,609
Depreciation	18,068	56,462	393,823	-	41,400	509,753
Inpatient facility	15,225	209,317	-	-	-	224,542
Patient related transportation	288,448	5,722	-	-	-	294,170
General liability insurance	686	-	176,414	-	-	177,100
Printing and office supplies	64,466	-	64,467	21,490	8,433	158,856
Education	20,577	-	27,583	230	293	48,683
Total expenses	<u>\$ 21,213,872</u>	<u>\$ 2,232,005</u>	<u>\$ 6,598,915</u>	<u>\$ 508,695</u>	<u>\$ 2,658,945</u>	<u>\$ 33,212,432</u>

See Notes to Financial Statements

East Bay Integrated Care, Inc.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Activities		
Change in net assets	\$ (2,590,523)	\$ 8,676,812
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized (gain) loss on investments	3,119,161	(1,949,582)
Donated securities	(75,134)	(36,064)
Depreciation and amortization	553,140	509,753
Change in beneficial interest of charitable trust	41,667	(140,249)
Paycheck Protection Program (PPP) loan forgiveness	-	(3,495,364)
Changes in assets and liabilities		
Patient accounts receivable, net	(709,362)	199,946
Interest and dividends receivable	(19,715)	(4,861)
Contributions receivable	100,000	-
Prepaid expenses and other	25,469	(42,296)
Deposits	25,533	(78,412)
Accounts payable	50,808	160,297
Accrued expenses	(120,870)	(126,163)
Funds held for others	(976)	(18,454)
Operating lease assets and liabilities	24,442	-
Refundable advance-Provider Relief Funds	-	(654,382)
Unearned revenue	(21,874)	17,477
Net Cash from Operating Activities	<u>401,766</u>	<u>3,018,458</u>
Investing Activities		
Purchases of investments	(8,982,839)	(20,133,209)
Proceeds from sales of investments	6,387,799	15,752,803
Purchases of property and equipment	(767,589)	(144,370)
Proceeds from sales of property and equipment	-	490,590
Net Cash used for Investing Activities	<u>(3,362,629)</u>	<u>(4,034,186)</u>
Financing Activity		
Increase in line of credit	<u>338,508</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	(2,622,355)	(1,015,728)
Cash and Cash Equivalents, Beginning of Year	<u>5,437,120</u>	<u>6,452,848</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,814,765</u>	<u>\$ 5,437,120</u>

Note 1 - Nature of Operations

Organization

East Bay Integrated Care, Inc. (dba Hospice of the East Bay) (Organization) is a California nonprofit organization which provides hospice care to terminally ill patients and their families throughout Contra Costa, Alameda and Solano Counties. The Organization also operates a state licensed hospice inpatient facility in the East Bay, The Bruns House. Patient care services are usually covered by Medicare, Medi-Cal, and private insurance payors; however, not every patient accepted for care is eligible for insurance coverage, and not every service provided is included under such coverage. Medically qualified patients are accepted regardless of type of illness, age, color, sex, religious affiliation, or national origin. The Organization has specialty programs such as a community-based Palliative Care Program, the Give Me a Break respite program, the Bridge Program, the Tuck-In Program, We Honor Veterans Program, and the Music and Memory Program which has board-certified music therapists.

The Organization provides funding for charity care and other programs. The Organization receives support from grants, community donations and fundraising activities and annual special events. In addition, the Organization operates six thrift stores in Contra Costa County, which sell donated used clothing and household goods. The related sales and operating expenses are reported as Retail Operations in the statements of operations. Retail sales also include estate and vehicle sale proceeds.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting refers to the timing of measurement made, regardless of the measurement focus applied. The accompanying financial statements of East Bay Integrated Care, Inc. have been prepared on the accrual basis of accounting. Revenues are recognized as performance obligations are satisfied and expenses are recognized when incurred.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with Financial Accounting Standards Board (FASB) ASC 958 and ASC 954. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – The Organization reports contributions that are not subject to donor-imposed restrictions as net assets without donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

Net Assets with Donor Restrictions – The Organization reports contributions as net assets with donor restrictions if they are received with donor-imposed restrictions that can be met either by passage of time, or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Income Taxes

The Organization is organized as a California nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from Federal and State income tax under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax liabilities in income tax expense if such interest and penalties are incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Functional Allocation of Expenses

The costs of providing programs and activities have been summarized on a functional basis in the accompanying statements of functional expenses, which presents the natural classification detail of expenses by function. Expenses are charged directly to program services or supporting services categories based on direct expenses incurred. An expense not directly chargeable to a functional expense category is allocated based on personnel activity, square footage and other criteria. The expenses that are allocated based on square footage include occupancy and depreciation and amortization. Salaries and benefits, insurance, and other, are allocated based on estimated time and effort.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

Patient Accounts Receivable

Patient receivables are uncollateralized patient and third-party payor obligations. The Organization does not charge interest on unpaid patient receivables. Payments of patient receivables are allocated to the specific claims identified in the remittance advice, or if unspecified, on self-paid claims are applied to the earliest unpaid claim.

Patient accounts receivables are reduced by an allowance for implicit and explicit price concessions. In evaluating the collectability of accounts receivable, the Organization analyzes accounts for adverse changes in a patient's or third-party's ability to pay that may have occurred subsequent to recognition. Management regularly reviews specific data about receivable balances and its past history with similar cases to estimate the appropriate allowance for implicit and explicit price concessions.

The Organization's patient receivable balance as of January 1, 2021 was \$3,700,991.

Beneficial Interest in Charitable Trusts Held by Others

The Organization has been named as an irrevocable beneficiary of a charitable trust held and administered by an independent trustee. This trust was created independently by donors and are administered by outside agents designated by the donors. The Organization has neither possession nor control over the assets of the trust. At the date the Organization receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statement of changes in net assets and a beneficial interest in charitable trusts held by others is recorded in the balance sheet at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the balance sheet, which changes in fair value recognized in the statement of changes in net assets.

Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions. Trust distributions with donor-imposed restrictions that are perpetual in nature are transferred to the endowment, in which case, net assets with donor-restrictions are not released.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities, are reported at their fair values in the statement of financial position. The fair values are based on quoted market prices. Donated investments are recorded at the market value on the date of donation. Unrealized gains and losses are included in the performance indicator. Investment income is reported net of related investment expenses.

Property and Equipment

Property and equipment additions in excess of \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 25 years. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any resulting gain or loss is included in the statements of operations. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The estimates useful lives of property and equipment are as follows:

Land improvements	5-20 years
Buildings	25 years
Building improvements	1-20 years
Office furniture and equipment	1-10 years
Vehicles	1-5 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to net assets without donor restrictions and are excluded from the performance indicator, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service.

The Organization considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. No impairment was identified for the years ended December 31, 2022 and 2021.

Patient Services Recognition of Revenue

Patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Organization bills the patients and third-party payors at the end of the month for services provided. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving hospice, palliative, or primary care services. The Organization measures the performance obligation through visits to the patient up to the point when it is no longer required to provide services to that patient. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the Organization does not believe it is required to provide additional goods or services to the patient.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy, and/or implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history.

Charity Care

The Organization has a policy for providing necessary care to hospice and palliative care patients regardless of third-party reimbursement status. The Organization relies on contributions and grants from the community to ensure that charity care services continue to be offered. The Organization provided \$317,853 and \$411,259 in charity care support based on charges forgone for the years ended December 31, 2022 and 2021 at an estimated cost of \$313,000 and \$373,000, respectively. The estimated cost of providing these services was calculated by multiplying the ratio of cost to gross charges for the Organization by the gross uncompensated charges associated with providing charity care to its patients.

Retail Revenue Recognition

For performance obligations related to the sale of items at the Organization's thrift shoppes, control transfers to the customer at a point in time. The Organization records revenue for retail sales at the point of sale when delivery to the customer occurred.

Performance Indicator

Revenues in excess of (less than) expenses is the performance indicator and excludes contributions of long-lived assets, which includes assets acquired using contributions which were restricted by donors.

Contributions and Grants

The Organization reports contributions restricted by donors as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of changes in net assets as net assets released from restrictions.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

In-kind Contributions

In-kind contributions include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods and services received. In addition to in-kind contributions, volunteers contribute significant amounts of time to program services, administration, thrift shoppes, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

All in-kind contributions received during the years ended December 31, 2022 and 2021 were unrestricted.

Advertising Costs

Costs incurred for producing and distributing advertising are expensed as incurred. The Organization incurred \$245,401 and \$324,750 for advertising costs for the years ended December 31, 2022 and 2021, respectively.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts and investments with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policies and guidelines are prudent for the long-term welfare of the organization.

The Organization maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2022 and 2021, the Organization has approximately \$2,688,000 and \$4,452,000, respectively, in excess of FDIC-insured limits.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between period presented. The reclassifications had no impact on previously reported net assets.

Note 3 - Change in Accounting Principle

Effective January 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (Topic 842). The Organization elected to apply the guidance as of January 1, 2022, the beginning of the adoption period. The comparative financial information and disclosures presented are in accordance with the legacy standard, ASC 840. The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the income statement as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing leases as either finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022, the beginning of the adoption period, no cumulative effect adjustment to net assets, an operating lease liability of \$2,938,285, and an operating right-of-use asset of \$2,913,843. The adoption of the new standard did not materially impact the Organization's statements of operations or statements of cash flows. See Note 11 for further disclosure of the Organization's lease contracts.

Note 4 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2022	2021
Cash and cash equivalents	\$ 2,814,765	\$ 5,437,120
Patient accounts receivable, net	4,210,407	3,501,045
Total	<u>\$ 7,025,172</u>	<u>\$ 8,938,165</u>

The Organization's endowment fund consists of one donor-restricted endowment. Income from the donor-restricted endowment is restricted for specific purpose of the Bruns House ongoing operations on an annual basis. Donor-restricted endowment funds are not available for general expenditures.

As part of the Organization's liquidity management plan, the Organization retains at least \$2,300,000 in an operating account. On a monthly basis, cash in excess of this amount is transferred to an investments account. Cash is invested in Fixed Income Mutual Funds, Preferred Stocks, Domestic and Foreign based Equities and Mutual Funds and Common Stock. As the Organization's governance does not intend to use its investments, including the interest and dividends receivable, for general expenditure within one year of the balance sheet date, investments are not included in the above table, but could be made available as needed. In addition, the contribution receivable is restricted by the donor.

Note 5 - Patient Service Revenue

The Organization has agreements with third-party payors that provide for prospectively determined daily rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicare and Medicaid – The Organization's services provided to Medicare and Medicaid program beneficiaries are paid at prospectively determined rates. The rates vary according to level of care and where the patient lives. These rates are not subject to retroactive adjustments.

The Organization has also entered into payment agreements with certain commercial insurance carriers and other organizations. The payment methodology under these agreements is similar to Medicare and Medicaid, although the amounts are different.

Concentrations of net revenues by major payor accounted for the following percentage of the Organization's patient service revenues for the years ended December 31, 2022 and 2021:

	2022	2021
Medicare	94%	92%
Medi-Cal	2%	3%
Other third-party payors	4%	5%
	<u>100%</u>	<u>100%</u>

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. The ability to estimate the collectability of uninsured and other self-pay patients is contingent on the patient's ability or willingness to pay for the services provided. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as implicit price concession. Implicit price concessions for the years ended December 31, 2022 and 2021 were (\$6,086) and \$100,923, respectively.

The nature, amount, timing and uncertainty of revenue and cash flows are affected by several factors that the Organization considers in its recognition of revenue. Following are some of the factors considered:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement/payment methodologies
- Length of the patient's service/episode of care
- Geography of the service location
- The Organization's line of businesses that provided the service (for example, hospice, palliative, inpatient, etc.)

For the years ended December 31, 2022 and 2021, the Organization recognized patient revenue of \$28,777,320 and \$30,683,590 from services and goods provided over time.

Note 6 - Provider Relief Funds

The Organization received \$1,511,069 of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS). The funds are subject to terms and conditions imposed by HHS. Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to coronavirus. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. HHS currently has various deadlines to incur eligible expenses. Unspent funds will be expected to be repaid.

These funds are recorded as a refundable advance when received and are recognized as revenues in the accompanying statements of operations as all terms and conditions are considered met. The terms and conditions are subject to interpretation, changes and future clarification, the most recent of which have been considered through the date that the financial statements were available to be issued. In addition, this program may be subject to oversight, monitoring and audit. Failure by a provider that received a payment from the Provider Relief Fund to comply with any term or condition can subject the provider to recoupment of some or all the payment. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

During the years ended December 31, 2022 and 2021, the Organization recognized \$0 and \$654,382 as revenue in the accompanying statements of operations.

Note 7 - Paycheck Protection Program (PPP) Advance

The Organization was granted a \$3,495,364 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and fully guaranteed by the Federal government. The Organization elected to account for the funding as a conditional contribution by applying ASC 958-605, *Not-for-Profit – Revenue Recognition*. The Organization initially recorded the loan as a refundable advance and subsequently recognized contribution revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization recognized \$3,495,364 as contribution revenue for the year ended December 31, 2021.

Note 8 - Property and Equipment

	2022	2021
Land	\$ 3,875,000	\$ 3,875,000
Land improvements	211,314	211,314
Building	4,025,008	4,025,008
Building improvements	1,014,213	991,126
Office furniture, equipment, and software	2,032,235	1,982,913
Vehicles	799,977	167,018
Construction in progress	74,595	12,375
Gross property and equipment	12,032,342	11,264,754
Less: accumulated depreciation	(4,667,800)	(4,114,661)
Net property and equipment	<u>\$ 7,364,542</u>	<u>\$ 7,150,093</u>

Depreciation expense charged to operations was \$553,140 in 2022 and \$509,753 in 2021.

Note 9 - Investments

Investments consist of the following at December 31, 2022 and 2021:

	2022	2021
Fixed income	\$ 16,192,728	\$ 14,554,830
Equity securities	7,335,508	8,654,005
Mutual funds-equities	2,324,366	3,093,813
Warrants and rights	1,526	467
Total Investments	<u>\$ 25,854,128</u>	<u>\$ 26,303,115</u>

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least possible that changes in risks in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

Investment income consisted of the following for the years ended December 31, 2022 and 2021:

	2022	2021
Investment income		
Interest and dividend income, net	\$ 843,774	\$ 549,765
Realized gain (loss)	(11,317)	13,919
Unrealized gain (loss)	(3,108,339)	1,938,962
Investment fees	(41,027)	(41,337)
	<u>\$ (2,316,909)</u>	<u>\$ 2,461,309</u>
Changes in net assets with donor restrictions		
Interest and dividend income, net	\$ (36,515)	\$ 43,413
Realized gain (loss)	495	(3,299)
	<u>\$ (36,020)</u>	<u>\$ 40,114</u>

Note 10 - Fair Value Measurements

The Organization reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three- tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset or liability.

A portion of the investments are classified within Level 1 because they comprise various mutual funds and equities with readily determinable fair values based on daily redemption values. Fixed income securities are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2. The fair value of the beneficial interest in the charitable trust is determined by using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of the trust investments as reported by the trustee.

The following table presents the balances of the assets measured at fair value on a recurring basis at December 31, 2022

	Fair Value Measurements at Report Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments				
Fixed income	\$ -	\$ 16,192,728	\$ -	\$ 16,192,728
Equity securities	7,335,508	-	-	7,335,508
Mutual funds-equities	2,324,366	-	-	2,324,366
Warrants and rights	1,526	-	-	1,526
	<u>\$ 9,661,400</u>	<u>\$ 16,192,728</u>	<u>\$ -</u>	<u>\$ 25,854,128</u>
Beneficial interest in charitable trust	<u>\$ -</u>	<u>\$ 169,460</u>	<u>\$ -</u>	<u>\$ 169,460</u>

The following table presents the balances of the assets measured at fair value on a recurring basis at December 31, 2021

	Fair Value Measurements at Report Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments				
Fixed income	\$ -	\$ 14,554,830	\$ -	\$ 14,554,830
Equity securities	8,654,005	-	-	8,654,005
Mutual funds-equities	3,093,813	-	-	3,093,813
Publicly traded other	467	-	-	467
	<u>\$ 11,748,285</u>	<u>\$ 14,554,830</u>	<u>\$ -</u>	<u>\$ 26,303,115</u>
Beneficial interest in charitable trust	<u>\$ -</u>	<u>\$ 211,127</u>	<u>\$ -</u>	<u>\$ 211,127</u>

Note 11 - Leases

The Organization leases certain office space for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2030 and provide for renewal options ranging from three to five years. The Organization included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum or maximum increases. Also, the agreements generally require the Company to pay real estate taxes, insurance, and repairs.

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, the Organization estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Organization's applicable borrowing rates and the contractual lease term.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

Total lease costs for the year ended December 31, 2022 were as follows:

	<u>2022</u>
Operating lease cost	\$ 838,669

Total lease expense for the year ended December 31, 2021 for all operating leases was \$933,720.

The following table summarizes the supplemental cash flow information for the year ended December 31, 2022:

	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ (814,227)

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

	<u>2022</u>
Weighted-average remaining lease term:	
Operating leases	4.26 years
Weighted-average discount rate:	
Operating leases	4.31%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2022:

	<u>2022</u>
	<u>Operating</u>
2023	\$ 779,405
2024	543,985
2025	440,690
2026	261,613
2027	103,813
Thereafter	<u>268,388</u>
Total lease payments	2,397,894
Less interest	<u>(200,691)</u>
Present value of lease liabilities	<u><u>\$ 2,197,203</u></u>

Future minimum payments determined under the guidance in Topic 840 are listed below as of December 31, 2021:

	2021
	<u>Operating</u>
2022	\$ 798,092
2023	1,440,756
2024	491,372
2025	383,562
2026	219,461
Thereafter	<u>288,641</u>
Total lease payments	3,621,884
Less interest	<u>(306,961)</u>
Present value of lease liabilities	<u><u>\$ 3,314,923</u></u>

Note 12 - Line of Credit

The Organization has a bank line of credit for \$4,000,000. The line of credit is secured by the Organization's investment portfolio. Interest is charged on the outstanding balance at the prime rate less 1.75%. The prime rate at December 31, 2022 was 7.5% so the interest rate on the line of credit was 5.75%. There was a balance of \$338,508 and \$0 at December 31, 2022 and 2021, respectively. The line of credit expires July 15, 2025.

The Organization has a second bank line of credit for \$500,000. The line of credit is secured by real property. Interest is charged on the outstanding balance at 2.538% above the LIBOR rate index. There were no outstanding balances at December 31, 2022 and 2021. The line of credit does not have a pre-set maturity date.

Note 13 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose		
Respite care	\$ 173,108	\$ 126,276
Give me a break	515,027	525,897
Music and memory	27,127	30,721
Endowment earnings	<u>206,455</u>	<u>232,860</u>
	921,717	915,754
Subject to the passage of time		
Beneficial interest in charitable trust	169,460	311,127
Endowments		
Held in perpetuity, the income from which is expendable to support Bruns House	<u>500,000</u>	<u>500,000</u>
	<u><u>\$ 1,591,177</u></u>	<u><u>\$ 1,726,881</u></u>

During 2022 and 2021, net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes and the expiration of time restrictions in the amounts of \$146,040 and \$196,557 as detailed below. These amounts are included in net assets released from restrictions in the accompanying financial statements.

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions		
Volunteer Program Donations	\$ 4,750	\$ 8,631
Bereavement - General	5,621	8,157
Bruns House general	84,480	89,726
Childrens Program	808	1,777
Education	957	363
Rossmoor Respite Care donation	1,728	3,573
Give me a Break Respite	10,895	32,188
Spiritual Care	204	150
Patient Care	9,912	6,803
Palliative Care	21,295	41,793
Music & Memory	4,255	12
Music Therapist	1,135	3,384
Satisfaction of time restriction	<u>100,000</u>	<u>-</u>
Total	<u><u>\$ 246,040</u></u>	<u><u>\$ 196,557</u></u>

Note 14 - Endowment

The Organization's endowment (the Endowment) consists of an individual fund, the Bruns House, established by a donor to provide annual funding for the ongoing expenses at Bruns House. The Organization determined the net assets forming the Bruns House Fund is legally restricted as an endowment fund and should therefore be reported as net assets with donor restrictions. The Organization's Board of Directors has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2022 and 2021, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Organization and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Organization.
- The investment policies of the Organization.

As of December 31, 2022 and 2021, the Organization had the following endowment net asset composition by type of fund:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>December 31, 2022</u>			
Donor-restricted endowment funds			
Original donor-restricted gift amounts			
required to be maintained in perpetuity	\$ -	\$ 500,000	\$ 500,000
Accumulated investment earnings	<u>-</u>	<u>206,455</u>	<u>206,455</u>
	<u>\$ -</u>	<u>\$ 706,455</u>	<u>\$ 706,455</u>

	Without Donor Restrictions	With Donor Restrictions	Total
<u>December 31, 2021</u>			
Donor-restricted endowment funds			
Original donor-restricted gift amounts required to be maintained in perpetuity	\$ -	\$ 500,000	\$ 500,000
Accumulated investment earnings	-	232,860	232,860
	<u>\$ -</u>	<u>\$ 732,860</u>	<u>\$ 732,860</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. At December 31, 2022 and 2021, there were no underwater endowments.

Investment and Spending Policies

The Organization has adopted an investment policy that attempts to maximize total return consistent with acceptable levels of risk, which applies to all investments, including the endowment fund. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, in order to minimize the risk of large losses. A well-qualified investment advisor maintains the portfolio; efforts are made to control risk and are evaluated regularly to ensure that the risk assumed is commensurate with the given objectives.

Changes in endowment net assets for the years ended December 31, 2022 and 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance as of December 31, 2020	\$ -	\$ 701,195	\$ 701,195
Investment income	-	31,665	31,665
			-
Balance as of December 31, 2021	-	732,860	732,860
Investment income (loss)	-	(26,405)	(26,405)
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ 706,455</u>	<u>\$ 706,455</u>

Note 15 - Fund Development

Fund development activities reported individually in accordance with the applicable financial reporting framework in the statements of operations are summarized as follows for the years ended December 31, 2022 and 2021:

<u>December 31, 2022</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Contributions and grants	\$ 1,050,147	\$ 188,023	\$ 1,238,170
Special events, net	176,983	-	176,983
Net assets released from restriction	246,040	(246,040)	-
	<u>\$ 1,473,170</u>	<u>\$ (58,017)</u>	<u>\$ 1,415,153</u>
 <u>December 31, 2021</u>	 <u>Without Donor Restrictions</u>	 <u>With Donor Restrictions</u>	 <u>Total</u>
Contributions and grants	\$ 1,043,265	\$ 302,393	\$ 1,345,658
Special events, net	198,777	-	198,777
Net assets released from restriction	196,557	(196,557)	-
	<u>\$ 1,438,599</u>	<u>\$ 105,836</u>	<u>\$ 1,544,435</u>

Note 16 - Retirement Plan (403b Plan)

The Organization provides a salary deferral plan for all eligible employees. Upon completing 1,000 hours of service, the employer matches up to \$2,000 annually per employee. The employer matching contributions to the plan were \$288,272 and \$347,357 for the years ended December 31, 2022 and 2021, respectively.

Note 17 - Rental Income

Rental income arises from the leasing of a portion of the Organization's Pleasant Hill property to three unrelated parties. The lease terms for the tenants are five years, four years and one year, respectively. Gross rental income for the years ended December 31, 2022 and 2021 was \$63,029 and \$142,155, respectively.

Future minimum rental income under these leases is as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2023	<u>\$ 11,872</u>

Note 18 - Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2022 and 2021 was as follows:

	2022	2021
Medicare	82%	74%
Medi-Cal	8%	18%
Other third-party payors	9%	7%
Patients	1%	1%
	<u>100%</u>	<u>100%</u>

Note 19 - Commitments and Contingencies

State and Federal Revenue

The Organization receives patient services revenue from Federal and State funds for specific purposes that are subject to review and audit by the governmental agencies. Although such audits could generate expenditure disallowances under terms of the payments from the Federal and State agencies, in the opinion of management, any required reimbursements will not be material.

Paycheck Protection Program Loan Review

Loans issued under the Paycheck Protection Program (PPP) were subject to good-faith certifications of the necessity of the loan request. Borrowers with loans issued under the program in excess of \$2 million are subject to review by the Small Business Administration (SBA) for compliance with the program requirements. If the SBA determines that a borrower lacked an adequate basis for the loan or did not meet the program requirements, the loan will not be eligible for loan forgiveness and the SBA will seek repayment of the outstanding PPP balance. As such, the potential exists that the Organization may be deemed ineligible for loan forgiveness and would be required to repay the balance.

Litigations, Claims, and Disputes

The Organization is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. Management assesses the ultimate settlement of any litigations, claims, and disputes in process in determining whether a liability should be recorded, or a disclosure should be presented.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to Medicare and Medi-Cal program, can be subject to government review and interpretations, as well as regulatory actions unknown and unasserted at this time. Federal government activity with respect to investigations and allegations concerning possible violations of regulations by healthcare providers could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

Note 20 - Risk Management

The Organization is exposed to various risks of loss in the ordinary course of business as a result of torts, theft of, damage to, or destruction of assets, business interruption, allegations of medical malpractice (professional liability), natural disasters, injury, employee and officer errors and omissions, and employee workers' compensation and medical claims. The Organization purchases commercial insurance coverage against risk of loss due to errors and omissions, fiduciary liability, property damage and theft, pollution liability, and various other insurable risks. Professional liability coverage is on a claims-made basis with limits of \$3 million per occurrence subject to a \$5 million aggregate limit.

The Organization is a member of BETA Healthcare Group (BETA) for workers' compensation coverage. BETA provides coverage to hospitals, healthcare facilities and medical groups. BETA is a risk management joint powers authority (JPA) formed pursuant to the California Government Code. The purpose of the JPA is to purchase and administer workers' compensation insurance for the pooling of self-insured losses and to purchase excess insurance coverage whereby the risk of loss is mitigated by the JPA. BETA purchases workers' compensation insurance under a claims-made policy with limits of \$2 million per occurrence. BETA also purchases excess insurance coverage for claims in excess of \$2 million up to statutory limits.

BETA members are assessed a contribution for each program in which they participate. Members may be subject to additional supplemental assessments if it is determined that the contributions are insufficient. Members may withdraw from BETA with thirty day written advance notice. BETA may cancel a membership for failure to implement loss control or risk management recommendations upon a majority vote of the Board of Directors and with sixty days written notice. Upon withdrawal or cancellation, a member shall not remain subject to additional assessments for the program periods they have participated.

Note 21 - Subsequent Events

Subsequent events have been evaluated through June 30, 2023, the date the financial statements were available to be issued.

11 Cal. Code Reg. Section 999.5(d)(11)(G)

Any requests for opinions to the Internal Revenue Service for rulings attendant to this transaction and any Internal Revenue Service responses thereto.

N/A

11 Cal. Code Reg. Section 999.5(d)(11)(H)

**Pro forma post-transaction balance sheet for the surviving or successor
nonprofit corporation**

The affiliation Transaction will not result in an immediate change to Hospice East Bay's balance sheet. As a result, no pro forma post-Transaction balance sheet has been prepared.

Chapters and Hospice East Bay anticipate that Hospice East Bay's balance sheet will improve incrementally over time as new strategic plans for Hospice East Bay are developed and implemented, and as Hospice East Bay gains new efficiencies in its operations and takes advantage of opportunities as part of the Chapters health system that would not otherwise be available.