

**BEFORE THE BOARD OF DIRECTORS OF THE
MARK TWAIN HEALTH CARE DISTRICT**

RESOLUTION 2018 -01

**RESOLUTION TO APPROVE TERMS FOR A NEW LEASE AND
RELATED AGREEMENTS WITH DIGNITY HEALTH**

The Board of Directors of the Mark Twain Health Care District (“District Board”) does hereby resolve as follows:

WHEREAS, in 1989 the Mark Twain Health Care District (the “District”) entered into a joint venture with St. Joseph’s Regional Health System of Stockton (“St. Joseph’s”) to manage and make continuing improvements to Mark Twain Hospital, which later was renamed the Mark Twain Medical Center (the “Medical Center”); and

WHEREAS, as part of the joint venture, the District and St. Joseph’s formed the Mark Twain Medical Center corporation (the “Corporation”) and the District then entered into an agreement with the Corporation to lease the Medical Center to the Corporation (the “1989 Lease”), which lease will expire on December 31, 2019; and

WHEREAS, St. Joseph’s later merged into Catholic Healthcare West, which was later renamed as Dignity Health, a California nonprofit corporation; and

WHEREAS, in order to prepare for the expiration of the 1989 Lease and in light of the District Board’s desire to continue and improve operations of the Medical Center and the District, the District Board undertook a multi-year planning process to identify an approach to best meet the District’s objectives of enhancing the economic viability of the Medical Center and promoting a broad range of healthcare services to the residents of Calaveras County; and

WHEREAS, the District Board’s planning process included numerous public study and input sessions, medical community input, provision for necessary financing, and ongoing strategic planning; and

WHEREAS, the District Board considered a wide range of potential operational models for the Medical Center, both free-standing and with non-Dignity Health affiliations, including the evaluation of feasible and desirable changes to the operation of the Medical Center; and

WHEREAS, the District Board ultimately determined that a new long-term lease to the Corporation for 10 years with 20 years of renewal options (the “New Lease”) and other terms of the proposed deal with Dignity Health would provide the optimal choice for meeting the above described objectives and more particularly to:

- improve the health and quality of life of the communities served by the District and Medical Center
- improve the County-based healthcare system in order to maintain the full continuum of services provided by the Medical Center and the District
- provide a stronger opportunity for developing and expanding hospital and physician services needed in the local community
- provide superior quality healthcare at a competitive price, while being better equipped to control health care costs; and
- position the Medical Center and its affiliated physicians to best meet national and state health reform initiatives impacting healthcare delivery and reimbursement; and

WHEREAS, as a result of negotiations and opportunities for public input, the District and Dignity Health have agreed to terms for the New Lease and the termination of the 1989 Lease as specified in the “*Term Sheet for Wind-up of Prior Lease*” dated January 12, 2018 attached hereto as Exhibit A and the “*Term Sheet*” dated January 12, 2018 attached hereto as Exhibit B (the two term sheets together, the “Term Sheets”). The Term Sheets describe a process whereby the parties will terminate the 1989 Lease, commence the New Lease, agree to the amendment of the articles and bylaws of the Corporation, and agree to certain financial obligations including a transfer of most of the District’s 50% ownership interest in the Corporation, a mechanism for the future allocation of Corporation assets, and contributions by Dignity Health, subject to voter approval for the transfer of assets as described below; and

WHEREAS, to satisfy Section 32121(p)(1) of the Health & Safety Code of the State of California which requires the District to determine if it is obtaining fair and reasonable value for the assets being transferred, the District retained VMG Health, an independent expert on appraisal and valuation of healthcare-related facilities and assets, in order to determine the value of the assets being leased or transferred by the District and the value being obtained by the District under the proposed transactions, whose report dated January 18, 2018 (the “Valuation Report”) was prepared in compliance with and to address the requirements of Section 32121(p)(1); and

WHEREAS, pursuant to Section 32121(p)(1), the Valuation Report determined that the consideration being received by the District from the Corporation and from Dignity Health satisfies the “fair and reasonable consideration” requirement of Section 32121(p)(1), even recognizing the District’s utility and other obligations under the Term Sheets, which consideration consists of, among other things, the following:

- The form of operations that will produce the optimal chance for long term successful provision of nonprofit, community based, hospital and related healthcare services for Calaveras County is continued operation of the Medical Center by a nonprofit corporation under the New Lease with specified adjustments and tradeoffs regarding rent, utilities and other expenses, as opposed to a sale or lease at maximum potential value to an outside entity without District oversight.
- Dignity Health will pay the District \$14.5 Million at closing as compensation for the right to 49 percent of the Corporation’s assets. After deducting the District’s payment for early termination of the current lease, the District estimates that the arrangement will provide at least \$3-6 Million upfront that it may use in part to support community-based health care services.
- The District will receive rent of at least \$100,000 per month. The first five years’ rent will be prepaid at closing (i.e., at least \$6 Million), that the District may use in part to support community-based health care services,
- Dignity Health will pay up to \$1 Million to match any contribution by the District to the Mark Twain Medical Center Foundation to support programs and projects at the Medical Center.
- The Corporation will provide office space and furniture for the District to conduct its affairs and a room for Board meetings.
- The New Lease will ensure continued operation of the general acute care hospital and emergency room for at least 10 years – and up to 30 years – versus less than two years remaining under the 1989 Lease. As an incentive to continue leasing and operating the Medical Center, if the lease is not renewed for the full 30 years an early termination fee will be paid to the District equal to \$10,000 for each month of the remaining 30 years (e.g., \$2.4 Million if terminated after 10 years), which the District can use to help fund alternative arrangements for the Medical Center.
- The New Lease will give the District authority to preserve at least 25 acute care beds, telemedicine services, and other licensed services in the Medical Center for at least five years.

- The District will have added ability and support to develop new clinic facilities and upgrade healthcare services in Valley Springs and other Calaveras County communities; and

WHEREAS, the District Board finds that the transactions contemplated by the Term Sheets are the best alternative to other arrangements it considered, especially by maintaining healthcare facilities and services in a nonprofit setting; and

WHEREAS, the District Board finds that the transactions contemplated by the Term Sheets are necessary to provide for the continued maintenance and operation of the District's healthcare facilities, services and programs, thereby assuring availability to residents of the District of local emergency and hospital services, and has determined it to be in the public interest, in the best interests of the District, and in the best interests of the communities served by the District, and in furtherance of the purposes of the District, that the District consummate the transactions contemplated by the Term Sheets, including the New Lease.

NOW, THEREFORE, the Board of Directors of the Mark Twain Health Care District hereby resolve:

1. That all the determinations, findings, and conclusions of the District Board described above are hereby severally ratified, confirmed, approved and adopted in all respects.
2. That the form, terms and provisions of the Term Sheets are hereby approved in all respects.
3. That the District shall hereby submit to the voters of the District a measure proposing to approve the transfer of assets as contemplated by the Term Sheets.
4. That the President of the District Board or the Executive Director with assistance by District staff, its general counsel and other consultants as may be required are hereby authorized and directed to negotiate and prepare or cause to be prepared the New Lease, amendments to the Corporation articles and bylaws, and other documents required to implement the Term Sheets, as contemplated by or as consistent with the terms of the Term Sheets and this Resolution, including without limitation any exhibits, schedules, certificates, letters, agreements, papers and instruments (collectively, the "Transaction Documents").
5. That contingent on and following approval of the Term Sheets by the voters, and following completion of the Transaction Documents, the Transaction Documents shall be presented to the District Board at a public meeting for approval and execution.

PASSED AND ADOPTED on January ____, 2018, by the following votes:

AYES: _____

NOES: _____

ABSENT: _____

ABSTAIN: _____

_____, Secretary,
Board of Directors of the
Mark Twain Health Care District

_____, President,
Board of Directors of the
Mark Twain Health Care District

**CERTIFICATE OF SECRETARY
Mark Twain Health Care District,
a California Special District**

The undersigned, _____, being the Secretary of Mark Twain Health Care District (the "District"), hereby certifies for and on behalf of the District that the foregoing and attached Resolution is a true and correct copy of this Resolution of the District, as adopted by the Board of Directors at a properly noticed meeting at which a quorum was present, and that the same is in full force and effect.

DATED January ____, 2018.

_____, Secretary, Board of Directors

M0449001/4838-1929-4042-1

EXHIBIT A
Term Sheet for Wind-up of Prior Lease

EXHIBIT B
Term Sheet for New Lease and Other Deal Points

Term Sheet for Wind-up of Prior Lease

Draft 01/18/18

I. Parties

- A. Mark Twain Health Care District (District)
- B. Mark Twain Medical Center (MTMC)

II. Background

The parties are negotiating terms by which to terminate the existing 1989 Lease Agreement (Prior Lease) between District and MTMC no later than 09/30/2018 (which is prior to the Prior Lease's 12/31/2019 expiration). This "Term Sheet for Wind-up of Prior Lease" addresses the termination and wind-up of the Prior Lease. A separate Term Sheet sets forth the terms the parties and Dignity Health are negotiating with regard to a potential New Lease.

III. Consideration

Pursuant to the termination provisions of the Prior Lease, at Closing District will purchase MTMC's unamortized Tenant Improvements (including but not limited to buildings, building services equipment, renovations and fixed and moveable equipment) from MTMC. "District's Acquisition Cost" shall be the net book value of MTMC's property, plant & equipment including construction-in-progress (i.e. MTMC's acquisition cost less accumulated depreciation) as of the termination date, less \$4,699,000. "District's Acquisition Cost" shall be paid to MTMC no later than the termination date, and shall consist of cash and a Note Payable (if any).

Pursuant to paragraph V. of the aforementioned Term Sheet, Dignity Health will contribute Consideration to the Closing in cash. Should "District's Acquisition Cost" exceed such Consideration, District may contribute cash and/or a Note Payable as required to meet its Closing obligations. Such Note (if any) shall be payable to MTMC, and shall have terms no less favorable to MTMC than: (a) a five year term, (b) interest at Wall Street Journal Prime rate + 1%, adjusted monthly, and (c) annual payments comprising the accrued interest and at least 20% of the principal.

The parties acknowledge that (i) under the existing lease, MTMC needs the District's approval for the Angels Camp project, (ii) the District cannot afford to approve any substantial portion of, or expenditure on, the Angels Camp project prior to the termination of the Prior Lease, as that would increase the "District Acquisition Cost" under the Prior Lease to an amount that could exceed the Consideration and thus would require that the District assume debt in order to complete the early termination of the Prior Lease, which – other than as set forth in the immediately preceding paragraph – the District has very limited means of accomplishing, and (iii) that MTMC cannot make substantial expenditures to build the Angels Camp project without assurance that either (a) the New Lease is in place, or (b) that the District will purchase the Angels Camp project upon termination of the Prior Lease. Accordingly, the parties agree that substantial expenditures on the Angels Camp project will be delayed until the effective date of the New Lease, and that – provided the election result is favorable – the parties will use best efforts to accomplish an early termination of the Prior Lease and a Closing, as of the last day of a month occurring as soon as practicable following a favorable election result.

Term Sheet
Draft 01/12/18

I. Parties

- A. Mark Twain Health Care District (District)
- B. Dignity Health (Dignity)

II. The parties are negotiating terms by which:

- A. To revise the Articles and Bylaws of Mark Twain Medical Center (MTMC).
- B. Pursuant to “Term Sheet for Wind-up of Prior Lease”, to terminate the existing 1989 Lease Agreement (Prior Lease) between District and MTMC, no later than 09/30/2018 (which is prior to Prior Lease’s 12/31/2019 expiration).
- C. To execute a new Lease Agreement (New Lease) between District and MTMC.
- D. To seek a simple majority vote of the District Electorate, authorizing the District to consummate the contemplated transactions.

III. MTMC Articles and Bylaws

The parties agree to modify the MTMC Articles and Bylaws such that:

- A. Upon the dissolution or winding up of the corporation, 99% of its assets remaining after payment, or provision for payment, of all debts and liabilities of the corporation shall be distributed to Dignity, and 1% shall be distributed to District.
- B. The Board of Trustees shall have 5 voting trustees, all of whom shall be appointed by Dignity. Four shall be Dignity executives. One shall be a District Board member nominated by District, whose appointment by Dignity shall not be unreasonably withheld. Terms shall be 3 years, to a maximum of 3 consecutive full-3-year terms on the Board.
- C. The Board of Trustees shall delegate the following responsibilities to a 7 member Community Board: approval of Medical Staff bylaws, Medical Staff privileging and credentialing, and quality oversight. The Board of Trustees shall also seek the advice of the Community Board regarding: (i) the MTMC mission, vision, and strategic direction, (ii) priorities for MTMC’s community benefits, (iii) proposals for material changes in clinical services, and (iv) strategic plans. The 7 member Community Board shall be constituted as follows:

	<i>Term / Term Limit</i>	<i>Initial Appointments</i>	<i>Subsequent</i>	
			<i>Nomination</i>	<i>Appointment</i>
MTMC CEO	Ex-officio			
MTMC Chief of Staff	Ex-officio			

	<i>Term / Term Limit</i>	<i>Initial Appointments</i>	<i>Subsequent</i>	
			<i>Nomination</i>	<i>Appointment</i>
MTMC Board Member who is not also a District Board Member	Two years / Maximum of 3 consecutive full-2-year terms on Community Board	Two years. Chosen and appointed by Dignity Health		Chosen and appointed by MTMC Board
District Board Member	Two years / Maximum of 3 consecutive full-2-year terms on Community Board	As agreed between District and Dignity Health, and appointed by Dignity Health, per Closing documents.	Nominated by District Board	Appointment by MTMC Board, which shall not be unreasonably withheld
Three at large Calaveras County residents	Two years / Maximum of 3 consecutive full-2-year terms on Community Board	After consultation with a committee comprising the MTMC CEO, MTMC Chief of Staff, a District Board Member and a Dignity Health executive, District and Dignity Health will specify the 3 individuals in the Closing documents. One shall be appointed to a one year initial term; two shall be appointed to two year initial terms.	Nominated by a Nominating Committee comprising: MTMC CEO, MTMC Chief of Staff, the District Board Member who sits on the Community Board, and the MTMC Board Member who is not also a District Board Member and sits on the Community Board	Appointed by MTMC Board, which shall not be unreasonably withheld

D. Values Based Discernment process –

- a. The Community Board shall ensure that MTMC utilizes a Values Based Discernment process if MTMC is considering taking an action – other than one caused by the suspension or termination of privileges resulting from a peer review process – that: (i) would eliminate or relocate beyond 5 miles, any medical service line, department or rural health clinic; and/or (ii) could reasonably be expected to result in the exodus from Calaveras County of a recognized medical specialty previously available therein.
- b. At minimum, the Values Based Discernment process shall include participation of the District Board member who sits on the MTMC Community Board, one additional District Board member, and the MTMC Medical Executive Committee.
- c. The purposes of – and processes for – a Values Based Discernment process are as outlined in the attached. The MTMC Board must receive and consider the final report-

out from the Values Based Discernment process, prior to taking the action for which the Values Based Discernment process was conducted.

- E. After consultation with the MTMC Board, Dignity shall appoint the CEO of MTMC. CEO shall serve as the full-time MTMC administrator.
- F. MTMC will provide District access to operational and financial information necessary to complete all regulatory, compliance, auditing, and legal reports as well as reports or metrics specified in the New Lease.

IV. Facility Lease

The parties agree:

- A. Pursuant to “Term Sheet for Wind-up of Prior Lease”, to terminate the Prior Lease between District and MTMC.
- B. To execute a New Lease between District (Landlord) and MTMC (Tenant), with the following terms:
 - a. Initial Term – 10 years, commencing the first of the month following Closing. Closing is the termination and wind-up of the Prior Lease as set forth in “Term Sheet for Wind-up of Prior Lease”.
 - b. Automatic Renewals – Lease shall automatically renew for four consecutive 5 year terms (for a total of 30 years), unless Tenant: (i) gives notice to prevent such automatic renewal from occurring no later than 36 months in advance of such automatic renewal, and (ii) pays the Termination Fee. Termination Fee equals [\$10,000] times [360 minus the number of months (during New Lease term) the Tenant occupied the leased premises], and is due and payable within 60 days of Tenant’s notice. By way of example, if Tenant gives notice to prevent the automatic renewal as of the beginning of year 21, then the Termination Fee calculated as of the end-of-year 20 termination shall be \$1,200,000 [i.e. \$10,000 * (360-240)]. Should the actual termination date differ from the date used to compute and pay (within 60 days of Tenant’s notice) the Termination Fee, such Termination Fee shall be trued-up (without interest) by refund to Tenant or additional payment to Landlord.
 - c. Tenant obligations
 - i. Fixed (for 30 years) payments of a minimum of \$100,000 per month. The first 60 months of rent shall be prepaid (with no discount for such prepayment) to the Landlord at Closing. Beginning in month 61, such monthly rent shall be paid the first of each month. The amount of such monthly payment shall be the sum of: (a) \$100,000, plus (b) the excess (if any) of the “District’s Acquisition Cost” over \$8,000,000, divided into 360 monthly payments, at an interest rate of 8.00%. “District’s Acquisition Cost” is defined in the “Term Sheet for Wind-up of

Prior Lease". As set forth in paragraph IV.B.d.ii. regarding electric utilities, in certain circumstances such monthly rent amount may decrease.

- ii. Maintain and operate a General Acute Care hospital (as defined by Title 22), including a 24x7 emergency room, in the leased premises.
- iii. During the initial 5 year period, Tenant must obtain Landlord's written approval prior to: (a) reducing available General Acute Care beds below 25, (b) eliminating a service listed on the MTMC license as of the Closing date, or (c) eliminating telemedicine services. The parties acknowledge and agree that Tenant's maintenance of 24x7 telemedicine services can, from time-to-time, be beyond Tenant's control because of physician contracts, available physician coverage, technology and other changes which impact how such services can be reasonably provided.
- iv. Other than the items for which Landlord assumes financial responsibilities pursuant to IV. B. d. ii and iii below, Tenant to pay all costs of the leased property, including but not limited to: hazardous and medical waste removal; insurance; maintenance; repair; painting; tenant improvements; County assessments; janitorial; building services equipment maintenance, repair and replacement; hospital equipment maintenance, repair and replacement; etc.
- v. To seek Landlord's written approval prior to:
 - 1. Committing to alterations, additions or improvements (e.g. equipment acquisition and installation, building on leased premises, renovations, etc) that – as of the potential non-lease renewal dates – would have a cumulative net book value (i.e. unamortized cost) in excess of:
 - a. End of Year 10 \$12.0 million
 - b. End of Year 15 \$14.5 million
 - c. End of Year 20 \$17.0 million
 - d. End of Year 25 \$19.5 million
 - e. End of Year 30 \$22.0 million
 - 2. Incurring debt which would cause MTMC's debt-to-capital ratio to exceed 75%.
- vi. [paragraph not used]
- vii. To limit its use of the name 'Mark Twain' to healthcare operations owned and operated by MTMC.
- viii. Tenant currently operates certain clinics located in various Calaveras County locations. One of those clinics – Valley Springs – is aged and undersized.

Landlord and Tenant have been collaborating on plans to construct a replacement Valley Springs clinic. Landlord has secured financing which would enable it to develop, construct and own a Valley Springs clinic building. Tenant and Landlord intend to continue collaborating with the intent that: (a) a primary care clinic (such as a Federally Qualified Healthcare Clinic, or a clinic defined under California Health & Safety Code sections 1204a, 1206b or 1206d) will be operated (by Landlord or by Tenant or in collaboration with one another or by a Landlord facilitated partner) in the Landlord-developed and owned Valley Springs clinic building, (b) upon the opening of the clinic operation in the new Valley Springs clinic building, Tenant would on a reasonably timely basis cease to operate its existing Valley Springs Rural Health Clinic location, (c) thereafter such services and those operated by Tenant elsewhere in Calaveras County shall be operated as components of a single clinically integrated network of healthcare services, and (d) thereafter such services shall not be aligned with a competing healthcare system in Calaveras or an immediately adjacent county.

- ix. Tenant will continue to provide Landlord with approximately 520 square feet of administrative space, as set forth in Section 5.12 of the 1989 Lease (as amended). However, clause 'd' of that Section 5.12 regarding the provision by Tenant of certain administrative services to Landlord shall not be carried forward into the New Lease.

d. Landlord obligations

- i. As of the Effective Date, to provide Tenant full access and occupancy to the leased premises, which shall comprise a fully equipped, fully functioning, general acute care hospital consistent with those premises leased to Tenant pursuant to the Prior Lease. As of the Effective Date, Tenant and Landlord shall stipulate that the leased premises meet this standard.
- ii. To pay electric utilities of the leased premises. Landlord shall pay such electric utilities for the entire term of the lease unless through no fault of its own, Landlord becomes ineligible to purchase discounted electricity. Should that occur, then at any time after such occurrence, Landlord may in its sole discretion via 60 days prior written notice to Tenant, terminate its obligation to pay such electric utilities and monthly rent shall decrease by \$55,000.
- iii. To pay the following utilities associated with the leased premises: natural gas, water/sewer, telephone other than the main AT&T telephone bill, and waste removal other than hazardous or medical waste. Landlord may upon 90 day prior written notice to Tenant, require that Tenant make an "Annual Reimbursement" to Landlord for Landlord's prospectively incurred costs for the utilities specified in this paragraph 'iii'. Such "Annual Reimbursement" shall be determined annually on a calendar year basis (the first such period of which

may be a prorated partial period ending December 31). Such “Annual Reimbursement” shall be the amount by which Landlord’s costs of such utilities exceeds “Threshold”. “Threshold” shall be: (a) \$300,000 per calendar year during the initial 5 year period, and (b) thereafter, such annual amount (not less than zero) as established (no more frequently than annually) by the Landlord in its sole discretion. Landlord may require Tenant to make monthly or quarterly progress payments toward such “Annual Reimbursement” based on good faith estimates of the “Annual Reimbursement”, provided that a final reconciliation and true-up shall be completed no later than March 31 following the close of each calendar year.

- iv. Upon New Lease termination, to purchase all alterations, additions or improvements (e.g. equipment acquisition and installation, building on leased premises, renovations, etc.), at their then net book value (i.e. their unamortized cost). Twenty (20%) of the amount to be paid by Landlord shall be paid within one hundred and eighty (180) days after the termination or expiration of this Lease. Each year thereafter for four (4) years on the annual anniversary of the one hundred and eightieth (180th) day after the termination or expiration, another twenty (20%) of the amount to be paid shall be paid by Landlord. Provided, however, that Landlord may, without penalty prepay any amount owing. And further provided, that the amount due shall accrue interest at the Wall Street Journal Prime rate plus one (1 %) percent adjusted monthly. And further provided, that should Tenant seek to dissolve following termination or expiration of the Lease and Tenant determines that the provisions of this subsection (iv) permitting payment over time may become a constraining factor in the wind-up of Tenant's affairs, then the Landlord shall use its best efforts to obtain alternative financing to enable Landlord to pay the outstanding balance in full so as to permit Tenant to timely wind-up its affairs and dissolve.
- v. To give MTMC a first-right-of-refusal to buy the leased premises.
- vi. To give MTMC the right to participate in any healthcare programs of District, specifically including District’s financial support for uninsured and under-insured patients.
- vii. Non-compete
 - 1. Landlord and Tenant share a common mission and vision for providing excellent healthcare services to the Calaveras County community. Landlord intends to rebrand itself as a community-based healthcare district. As such Tenant and Landlord shall collaborate to develop and agree proactively on a community needs assessment and plan with the intent to establish coordinated investments to advance the health of the population of Calaveras County. As a community-based healthcare

district, Landlord intends to initiate, develop and provide healthcare services to meet unmet community needs (such as senior living, child advocacy, and behavioral health) and develop partnerships to facilitate such services, in Calaveras County.

2. During the term of New Lease, no entity that is affiliated with Landlord shall, directly or indirectly, participate or engage in any healthcare or healthcare related program, transaction or activity in Calaveras County that competes with Tenant, unless: (a) the prior written approval of Tenant is obtained, which approval Tenant shall not unreasonably withhold, condition or delay (provided that it shall be reasonable for Tenant to withhold approval for any program, transaction or activity that would materially reduce or impair Tenant's financial condition), or (b) such program, transaction or activity is identified in the allowed services list below.
3. Allowed programs, transactions or activities which do not require any approval by MTMC:
 - a. Valley Springs primary care community clinic, identified in paragraph IV.B.c.viii. above
 - b. Ambulance services,
 - c. Medical transportation,
 - d. Non acute care hospital continuing care retirement community facilities
 - e. Assisted living and residential care facilities for the elderly and poor
 - f. Senior housing and services
 - g. Adult day care
 - h. Behavioral health outpatient or residential care
 - i. Partnering with local governments to create opportunities for healthy lifestyles
 - j. Homes and services for individuals with developmental disabilities, including group residences to serve individuals with disabilities
 - k. Senior wellness
 - l. Nutrition and fitness education
 - m. Grief and support counseling services
 - n. Youth counseling and child advocacy
 - o. Medical office development and/or leasing
4. The process by which Tenant's prior written approval shall be obtained in those circumstances where – pursuant to paragraph IV.B.d.vii.2.

above – Landlord’s contemplated healthcare related program, transaction or activity requires such prior written approval shall include:

- a. Approval or disapproval by MTMC within 90 days
- b. Language that defines “competes with Tenant” to be “any service which materially reduces or impairs the financial condition of the Tenant.”

V. Consideration

- A. In consideration of the Articles and bylaws changes – specifically including the change in the MTMC liquidation rights – at Closing, Dignity will pay District \$14.5 million.
- B. In consideration of the execution of the New Lease, if within 90 days after Close District makes a cash contribution to the Mark Twain Medical Center Foundation restricted for the benefit of one or more Mark Twain Medical Center programs and projects, Dignity will match such contribution up to \$1,000,000.

**BEFORE THE BOARD OF DIRECTORS OF THE
MARK TWAIN HEALTH CARE DISTRICT**

RESOLUTION 2018 -02

CALL FOR JUNE 5, 2018 BALLOT MEASURE ELECTION AND CONSOLIDATION

The Board of Directors of the Mark Twain Health Care District does hereby resolve as follows:

RESOLVED, that pursuant to the authority contained in Section 32121(p) of the Health & Safety Code of the State of California, the Board of Directors of the Mark Twain Health Care District does hereby call for an election of the voters of the District to be held June 5, 2018, to approve a measure, by a majority of the voters voting on the measure, proposing (1) early termination of the current lease of Mark Twain Medical Center and its campus and operations (the "Medical Center"), (2) a new long-term lease of the Medical Center to the current tenant, the non-profit Mark Twain Medical Center Corporation (the "Corporation"), (3) revisions to the articles and bylaws of the Corporation regarding its management and operations, and (4) agreements for transfer of most of the District's interest in the Corporation to Dignity Health and future allocation of assets of the Corporation (which together will transfer more than 50 percent of the District's assets and thus require an election pursuant to Section 32121(p)), all pursuant to the terms approved by the Board by its Resolution 2018 - 01 adopted this same date and attached hereto as Exhibit A, and does hereby determine and fix the date of the election as of June 5, 2018, which date being the first Tuesday after the first Monday in June, 2018. "Full text" is not required to appear in the Sample Ballot Pamphlet.

The ballot measure shall read and appear on the ballot as follows:

Measure _____

Shall the Mark Twain Health Care District sign a new lease with the nonprofit Mark Twain Medical Center Corporation and take other actions assuring 10-30 years of hospital operation with substantial investments by Dignity Health in the Mark Twain Medical Center and community services, continuing hospital care, emergency care, and other services at the Medical Center, and supporting medical services provided by the District, per terms approved by Resolution 2018-1 adopted January 24, 2018.

YES _____ NO _____

BE IT FURTHER RESOLVED, that the consideration received by the District in exchange for the new 10-year lease with 20 years of renewal options and for future allocation of Corporation assets, consists of those considerations set forth in the Board's **Resolution 2018 - 01** and the two term sheets attached thereto, all incorporated herein and attached hereto as Exhibit A.

BE IT FURTHER RESOLVED, that the requirements of Section 32121(p)(1) of the Health & Safety Code are satisfied in that the District will receive fair, reasonable and adequate consideration for its facilities and assets, based on the report dated **January _____, 2018** by VMG Health, an independent consultant with expertise in methods of appraisal and valuation of such facilities and assets and in accordance with applicable governmental and industry standards for appraisal and valuation.

BE IT FURTHER RESOLVED, that pursuant to Section 1002 of the California Elections Code, and Section 32121(p) of the Health & Safety Code, this Board does hereby notify the Calaveras County Board of Supervisors, and the Calaveras County Elections Office, that this Board chooses to hold such election on the first Tuesday after the first Monday in **June, 2018**, and requests consolidation with any election that may be held on the same day, in the same territory or in territory that is in part the same.

BE IT FURTHER RESOLVED, that pursuant to Elections Code section 10002 and 10400, the Board of Directors of the Mark Twain Health Care District hereby requests the Board of Supervisors of the County of Calaveras to authorize the Calaveras County Elections Official to render all services otherwise required to be performed by the Secretary of the District for the election to be held on June 5, 2018. Said services include, but are not limited to:

- Publication of Notices calling the election
- Publication of Notices calling for ballot arguments
- Provision of voter lists
- Preparation and printing of ballots
- Conducting polling place election
- Counting of ballots
- Certification of election
- All aspects of election not specified above that may be agreed upon by the County Clerk or County Registrar of Voters and the Secretary of the District

BE IT FURTHER RESOLVED, that the Executive Director or President of the Board or his/her designee(s) are hereby authorized to execute any other document and to perform all acts necessary to place the measure on the ballot, and to comply with requirements of law and election officials.

BE IT FURTHER RESOLVED, that the Board of Supervisors is hereby authorized and directed to canvass the returns of the election and to certify the results of the election to the District as required by law.

BE IT FURTHER RESOLVED, that the Mark Twain Health Care District shall reimburse the County of Calaveras for all proportional costs and expenses incurred by the County in conducting said election upon presentation of a bill to the District.

BE IT FURTHER RESOLVED, that the District Secretary is hereby authorized and directed to file a copy of this Resolution with the Board of Supervisors and the County Clerk upon its adoption by the Board of Directors of the Mark Twain Health Care District.

PASSED AND ADOPTED on January ____, 2018, by the following votes:

AYES: _____

NOES: _____

ABSENT: _____

ABSTAIN: _____

_____, Secretary,
Board of Directors of the
Mark Twain Health Care District

_____, President,
Board of Directors of the
Mark Twain Health Care District

CERTIFICATE OF SECRETARY

**Mark Twain Health Care District,
a California Special District**

The undersigned, _____, being the Secretary of Mark Twain Health Care District (the "District"), hereby certifies for and on behalf of the District that the foregoing and attached Resolution is a true and correct copy of this Resolution of the District, as adopted by the Board of Directors at a properly noticed meeting at which a quorum was present, and that the same is in full force and effect.

DATED January ____, 2018.

_____, Secretary, Board of Directors

M0449001/4822-1148-6554-1

EXHIBIT A

Resolution 2018 -01 Approving New Arrangements (with Term Sheets)

ACHD Advocate

In this edition

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- [Stanford Health Promotion Network Announces 2018 Well-Being Summit](#)
- [2018 Calendar of Events is now on ACHD.org](#)

From the Desk of Ken Cohen, Executive Director

Let me wish all of our Healthcare Districts and Members a very Happy New Year, before the phone lines get jammed and the internet hanged. A new year is like a blank book, and the pen is in our hands. I am feeling enthusiastically optimistic that the experience and talents of the Board, Staff, and Healthcare Districts; working together will result in a successful year for us all. Working with all of you has been truly inspirational and we are all incredibly proud of Healthcare Districts like you, who make our journey such an enriching experience. As you helped ACHD to reach our goals in the past year, this New Year let us raise a toast to those wonderful journeys and challenges ahead, and be hopeful about many more to come.



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ACHD Reflects On 2017

Membership Drives Change

AN ASSOCIATION OF CALIFORNIA HEALTHCARE DISTRICTS NEWSLETTER



Last year was an incredibly successful and productive year for the Association in Advocacy, Member Services, and Education. We would like to take another opportunity to thank all California Healthcare Districts, Trustees, Executives, Clerks, Medical Staff, and all of your employees that make our Association strong. It is your commitment to your Districts that inspires us to work hard in helping you meet your missions to improve the health in your communities.

To read our 2017 Year In Review, [click here](#).

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Legislative Update

Back in Session!

The Legislature reconvened this week for the second half of their two-year session. If you'd like to stay up-to-date on bills, hearings, and other news, below are some links you may find helpful:

- [Click here](#) for the full legislative calendar and important deadlines.
- [Click here](#) to see reports of all the bills ACHD is continuing to track this session.
- [Click here](#) to watch daily hearings in the Legislature.
- Assembly Speaker Anthony Rendon [announced Committee changes](#).
- The Assembly Local Government Committee [compiled a summary](#) of all bills referred to their committee in 2017. Please note that Healthcare District related bills can be found on page 12 of the pdf.

2018 Legislative Day

Registration for ACHD's 2018 Legislative Day is now open! Join us on April 16-17 to learn about high priority legislative issues facing Healthcare Districts, hear

from health care experts on universal coverage proposals, and hear from Legislators on what to expect for the 2018 Legislative Session, and network with other Healthcare Districts. Click [here](#) for more information and to register for this important event.

Please contact [Amber King](#) at (916) 266-5207, with questions or comments.

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ACHD's Leadership Academy is Just Around the Corner- Register Now!



The goal of the Leadership Academy is to provide newly elected and returning District Trustees, CEOs, District Staff and Board Clerks with the tools necessary to improve governance effectiveness, sharpen organizational intelligence and be successful leaders in their Healthcare Districts. The Leadership Academy will take place February 8-9, 2018, at the Hyatt Regency Hotel in Sacramento.

We are excited to offer topics including:

- How the Board can ensure an effective delivery of services in the changing health care landscape;
- How to work efficiently with your Local Agency Formation Commission;
- How ACHD is working collaboratively to improve the Healthcare District Law, and what this means for the future of your District;
- How you and your Board can adopt best practices in leadership and governance;
- Complete your AB 1234 Ethics Training, and;
- Increase your understanding of District's financials and the metrics needed to ensure a strong financial performance.

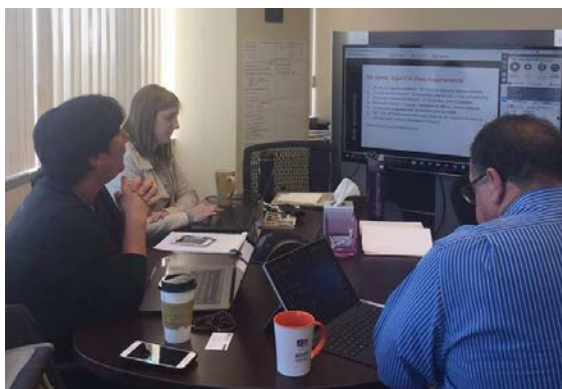
To register for Leadership Academy, [click here](#).

Please contact [Sheila Johnston](#) with any questions.

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ACHD Webinar Education Series

On December 14, ACHD hosted their monthly installment in the Educational Webinar Series, **Website Compliance**. The webinar featured speaker Sloane Dell'Orto, Founder of Get Streamlined, who reviewed new requirements of [AB 1728](#) as it applies to Healthcare Districts, as well as the other California state requirements for Special District websites.



If you were unable to participate in the webinar but would like to access a recording of the series, [click here](#). To access a copy of the slide deck, [click here](#).

If you like to participate in future webinar education series, please reference the table below to access a schedule of upcoming webinar education topics and registration information. You may also access our [website](#) to learn more about our webinar series.

<p>Workplace Violence January 18, 2018/11:00 am Register Here</p>
<p>Board Clerk Training February 15, 2018/10:00 am Register Here</p>

Please contact [Sheila Johnston](#) with any questions.

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In Case You Missed It... Healthcare District News from Around the State



[Salinas Valley Memorial Healthcare System Clinical Coordinator receives STAR Award](#)

Salinas Valley Memorial Healthcare System (SVMHS) has recognized Joel Castillo with the STAR Award for the exceptional and compassionate care he provides patients.

[New book showcases legacy of Grossmont Hospital](#)

Local historian Jim Newland is adding to his collection of books focusing on East County with his latest tome, "Grossmont Hospital: A Legacy of Community Service."

"Grossmont Hospital" documents the history of the La Mesa hospital owned by East County residents. Newland partnered with Grossmont Hospital and the Grossmont Healthcare District to tell the story about the hospital, whose history dates back to the 1920s.

[Good nutrition to be focus of workshop in Mariposa](#)

A new nutrition workshop is set to start in January, and it could be a catalyst for improving personal health in 2018. The 8-week workshop is a partnership between John C. Fremont Healthcare District and the University of California Cooperative Extension (UCCE).

[Sierra View Medical Center to build clinic in Strathmore](#)

Sierra View Medical Center announced last week that they have purchased land in Strathmore to be the future home of a community health clinic. The clinic is expected to open in 2019 and will improve access to comprehensive healthcare for the rural areas of the District.

[Hospital employees practice what they preach](#)

The Bear Valley Community Healthcare District is going meatless, on Mondays at least.

The Healthcare District hosted a two-day Meatless Monday workshop with The Humane Society of the United States. The plant-based chef training taught healthcare district cafeteria staff and general hospital staff how to cook without meat and dairy.

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Health Professions Education Foundation: Loan Repayment Opportunity



Steven M. Thompson Physician Corps Loan Repayment Program Application cycle: November 1, 2017 - January 31, 2018

To be considered for an award, you must:

- Be an allopathic or osteopathic physician or surgeon
 - Be free of any contractual service obligations (i.e the National Health Service Corps Federal Loan Repayment Program or other financial incentive programs)
 - Have outstanding educational debt from a government or commercial lending institution
 - Have a valid, unrestricted MD or DO license to practice medicine in California
 - Be currently employed or have accepted employment as a primary care doctor or as a specialist at a qualifying practice site in a Health Professional Shortage Area-Primary Care (HPSA-PC) or Primary Care Shortage Area (PCSA) in California
 - Commit to providing full-time medical services in a HPSA-PC or PCSA for a minimum of three (3) years
- Application cycle: November 1, 2017 - January 31, 2018

The Steven M. Thompson Physician Corps Loan Repayment Program encourages recently licensed physicians and surgeons to practice in Health Professional Shortage Areas (HPSAs) and Primary Care Shortage Areas (PCSA) in California. The program repays up to \$105,000 in educational loans in exchange for full-time service for a minimum of three (3) years.

[Click here to view this loan repayment opportunity.](#)

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Stanford Health Promotion Network Announces 2018 Well-Being Summit



Stanford Health Promotion Network (SPHN) is pleased to announce that their 2018 Well-Being Summit will take place at Stanford University on March 15th! This year's theme focuses on best practices in wellness and explores ways you and your

team can shape your program and your lives. Additionally, SPHN is extending their membership rate for their summit to Healthcare Districts!

To find out more about the summit, [click here](#).

If your District is interested in attending the Summit, please contact [Sheila Johnston](#) for the discount code.

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2018 Calendar of Events is now on ACHD.org

ACHD is pleased to announce that our events for 2018 is now loaded on our website! Our calendar features committee and Board meetings, and all educational events for the entire year. To access our calendar, [click here](#) and once you find an event, simply click on the event title to save the event into your calendar.



For more information, contact [Sheila Johnston](#).

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About ACHD:

The Association of California Healthcare Districts (ACHD) represents Healthcare Districts throughout the state. The Association serves the diverse needs of California's Healthcare Districts by enhancing public

awareness, training and educating its members and advocating for legislation and regulatory policies that allow Healthcare Districts to deliver the best possible health services to Californians. Learn more at achd.org.

Resources

[Legislative Reports](#)

[ACHD Message](#)

[Certified Healthcare District](#)

[Board Self-Assessment Tool](#)

[CEO Evaluation](#)

[Californians Allied for Patient Protection](#)

Connect with ACHD on social media



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Sent by sheila.johnston@achd.org in collaboration with



Try it free today

Site Square Footage		sf
Total		96,300
Bldg footprint		10,000
Parking & roads		38,246
Conc Flatwork		3,942
Landscaping		44,112

Opinion of Probable Costs

Key Project Data Information	Total Project	Site	Building	Other Costs non-grant related	ACTUAL SPEND as of 10-31-17	OVER/(UNDER)
Square Footage Totals	10,000	96,300	10,000			
Direct Construction Cost per SQFT	351		260			
Total Construction Cost per SQFT	391		290			
Total Project Cost per SQFT (including Financing)	\$ 546		\$ 389			

Direct Construction Cost						
Direct Construction Cost	\$ 3,475,000	\$ 875,000	\$ 2,600,000			\$ (3,475,000)
Monument Signs	\$ 30,000	\$ 30,000	\$ -			\$ (30,000)
	\$ -	\$ -	\$ -			
Total Direct Construction Cost	\$ 3,505,000	\$ 905,000	\$ 2,600,000	\$ -	\$ -	\$ (3,505,000)

In-Direct Construction Cost						
Labor/Material & Performance Bonds (1.5%)	\$ 52,575	\$ 13,575	\$ 39,000			\$ (52,575)
	\$ -	\$ -	\$ -			
	\$ -	\$ -	\$ -			
Total In-Direct Construction Cost	\$ 52,575	\$ 13,575	\$ 39,000	\$ -	\$ -	\$ (52,575)

Construction Contingencies / Escalation						
			10%			
Building Contingency	\$ 347,500	\$ 87,500	\$ 260,000		\$ 104,820	\$ (242,680)
	\$ -	\$ -	\$ -			
Total Construction Contingencies / Escalation	\$ 347,500	\$ 87,500	\$ 260,000	\$ -	\$ 104,820	\$ (242,680)
Total Construction Budget	\$ 3,905,075	\$ 1,006,075	\$ 2,899,000	\$ -	\$ 104,820	\$ (3,800,255)

Equipment Budget						
Furniture Fixtures and Equipment Allowance	\$ -			\$ 462,000		\$ (462,000)
Graphic / Signage / Artwork / Plants	\$ -					
Nursecall & Code Blue Systems	\$ -					
Intercom/Public Address/Fixed AV	\$ -					
Radio Systems	\$ -					
Dictation Systems	\$ -					
Security/Video Surveillance/Access Control	\$ -					
Television	\$ -					
Structured Cabling / IT Allowance	\$ -			\$ 330,000		\$ (330,000)
PBX -Telecom (includes VM)	\$ -					
Desktop Devices (Desktops, Laptops, Handhelds & Printers)	\$ -					
Network Electronics	\$ -					
Software Applications (Installation, Licenses etc.)	\$ -					
Time & Attendance	\$ -					
IT Construction Project Mgmt	\$ -					
IT Construction 3rd Party Resources	\$ -					
Other Equipment Costs	\$ -					
Total Equipment Budget	\$ -	\$ -	\$ -	\$ 792,000	\$ -	\$ (792,000)

Site Square Footage	sf
Total	96,300
Bldg footprint	10,000
Parking & roads	38,246
Conc Flatwork	3,942
Landscaping	44,112

Opinion of Probable Costs

Key Project Data Information	Total Project	Site	Building	Other Costs non-grant related	ACTUAL SPEND as of 10-31-17	OVER/(UNDER)
Consultant Fees						
Architect/Engineer Fees	\$ 312,870	\$ 78,370	\$ 234,500		\$ 191,838	\$ (121,032)
Equipment Planner Fees	\$ -	\$ -				
Other Consultant Fees	\$ -	\$ -			\$ 4,175	\$ 4,175
Total Consultant Fees Budget	\$ 312,870	\$ 78,370	\$ 234,500	\$ -	\$ 196,013	\$ (116,857)
Administrative Costs						
Permit Fees & Hook ups	\$ 410,000	\$ 260,000	\$ 150,000		\$ 7,869	\$ (402,131)
IOR/Special Inspections	\$ -					\$ -
Site Survey, Testing, Boring & Reports	\$ 67,500	\$ 27,500	\$ 40,000		\$ 15,250	\$ (52,250)
Testing Services	\$ 40,000		\$ 40,000			\$ (40,000)
Legal Fees	\$ 30,000	\$ 10,000	\$ 20,000		\$ 24,057	\$ (5,943)
Move-in Start-up	\$ -			tdb		\$ -
Internal Project Management	\$ -					\$ -
3rd Party Project Management	\$ 100,000	\$ 20,000	\$ 80,000			\$ (100,000)
Other Administrative Costs (includes Commissioning, Auditing, EIR)	\$ -					
Total Administrative Cost	\$ 647,500	\$ 317,500	\$ 330,000	\$ -	\$ 47,176	\$ (600,324)
Land & Site Development						
Land Acquisition	\$ -			\$ 890,000	\$ 903,112	\$ 13,112
Off Site Development	\$ -	tdb				
Total Land & Site Development Budget	\$ -	\$ -		\$ 890,000	\$ 903,112	\$ 13,112
Total (Construction+ Equipment + A/E Fees+ Admin Costs)	\$ 4,865,445	\$ 1,401,945	\$ 3,463,500	\$ 1,682,000	\$ 1,251,121	\$ (5,296,324)
Owner Reserves						
Owner's Contingency	\$ 486,545	\$ 140,195	\$ 346,350			
Project Escalation - other than construction	\$ -	\$ -	\$ -			
Total Owner Reserves	\$ 486,545	\$ 140,195	\$ 346,350	\$ -	\$ -	\$ -
Total Project Capital Cost excluding Financing	\$ 5,351,990	\$ 1,542,140	\$ 3,809,850	\$ 1,682,000	\$ 1,251,121	\$ (5,296,324)
Financing Costs (Final)	107,040	30,843	76,197		\$ 16,029	
Total Project Capital Cost including Financing	\$ 5,459,029	\$ 1,572,982	\$ 3,886,047	\$ 1,682,000	\$ 1,267,150	\$ (5,296,324)