

**TEHACHAPI VALLEY HEALTHCARE DISTRICT  
SPECIAL BOARD OF DIRECTORS MEETING**

**AGENDA**

**November 9, 2021  
Tehachapi CA 93561  
Open Session- 11:15 am  
116 W E Street  
Tehachapi, CA 93561  
Conference Call in # - 1-351-888-6527**

**I. CALL TO ORDER**

**II. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA**

This portion of the meeting is reserved for persons desiring to address the Board on any matter not on the agenda over which the District has jurisdiction. You may state your name and address for the record. Time is limited to 3 minutes per speaker. The Board can take no action on your presentation, but can seek clarification to points made in your presentation or comments. Additionally, members can ask staff for factual information, refer the item to staff, and/or calendar the item on a future agenda. Any person desiring to speak on an agenda item will be given an opportunity to do so prior to the Board taking action on the item.

**III. CONSENT AGENDA**

The following items are considered routine and non-controversial by District Staff and may be approved by one motion. If a member of the Board or audience wishes to comment or ask questions on an item, it will be moved to New Business.

**A. Approval of Minutes**

1. Board of Directors Special Meeting, 10/14/21 TAB 1
2. Board of Directors Meeting, 10/19/21 TAB 2

**IV. NEW BUSINESS**

- A. FY2021 Audited Financial Statements – Rick Jackson TAB 3
- B. Resolution of the Board of Directors of the Tehachapi Valley Healthcare District Adopting a Debt Management Policy TAB 4
- C. Bond Counsel Engagement Letter in Connection with Tehachapi Valley Healthcare District's Proposed General Obligation Refunding Bonds, (Refunding 2009 Election, Series 2013) TAB 5
- D. Contract for Professional Municipal Advisory Services by and between the Tehachapi Valley Healthcare District and CFW Advisory Services, LLC TAB 6

E. Resolution of the Board of Directors of the Tehachapi Valley Healthcare District Authorizing the Issuance and Sale of the District's General Obligation Refunding Bonds, 2009 Election, 2021 Series A (Convertible) TAB 7

F. Resolution Authorizing Remote Meetings During State of Emergency (Nov) TAB 8

G. Authorization of Change Form for the Transfer of Funds for California State Treasurer's Office Local Agency Investment Fund (LAIF) TAB 9

H. CHANGE ORDER REQUEST – INTEGRATED DEMOLITION AND REMEDIATION INC. TAB 10

V. **OLD BUSINESS**  
None

VI. **BOARD COMMENTS ON BUSINESS NOT APPEARING ON THE AGENDA**

VII. **CLOSED SESSION**

A. REAL PROPERTY NEGOTIATIONS:  
Parties: TVHD, City of Tehachapi  
Property: TVHD water rights  
Negotiator: CEO  
Terms: Price

VIII. **ADJOURNMENT**

TEHACHAPI VALLEY HEALTHCARE DISTRICT  
BOARD OF DIRECTORS MEETING  
MINUTES  
116 W E Street  
Tehachapi, CA 93561  
October 14, 2021  
Conference Call # 351-888-6527  
12:30 pm

**Board Present:** Mike Nixon, Christine Sherrill, William Steele, Duane Moats

**Staff Present:** Caroline Wasielewski, CEO; Lisa Hughes, Business Manager;  
Scott Nave, Legal Counsel via teleconference

**I. CALL TO ORDER**

Chair Mike Nixon called the meeting to order at 12:30 pm.

**II. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA**

None

**III. NEW BUSINESS**

**A. Appointment of Board Director**

William Steele entered a motion to appoint Carl Gehricke to the Board of Directors for Tehachapi Valley Healthcare District. Christine Sherrill Seconded the motion. There was no discussion. A vote was taken and approved. Christine Sherrill, Secretary of the Board, administered the Oath of Office to Mr. Gehricke.

**MSA; STEELE/SHERRILL; 4-0; APPROVED**

**B. Leasing of TVHD Water Rights**

Jay Schlosser, engineer with the City of Tehachapi spoke to the Board about the City's interest in the 21-acre feet of water rights currently held by TVHD. The city primary goal is to purchase the rights and secondary would be a lease of said rights. Mr. Schlosser asked that CEO Wasielewski begin formal negotiations with the city on behalf of Tehachapi Valley Healthcare District. Director Sherrill moved to approve Ms. Wasielewski to negotiate with the city. Director Moats seconded. One question regarding past water rights agreements was asked by Director Steel and answered by Mr. Schlosser. The board voted and approved the motion.

**MSA; SHERRILL/MOATS; 4-0 APPROVED**

C. Resolution Authorizing Remote Meetings During State of Emergency

Legal counsel Scott Nave explained the extension of the Brown Act measure that expired on September 30, 2021. If there is a state or local emergency or edicts for social distancing, public agencies can continue with remote meetings. The resolution will allow continuation of remote meetings for Tehachapi Valley Healthcare District. Director Steele made a motion to approve, Director Sherrill seconded. A vote was taken, and resolution approved.

**MSA; STEELE, SHERRILL; 4-0; APPROVED**

V. **OLD BUSINESS**

A. 115 W E Street Community Resource Center - planning, work session

The board reviewed a list of ideas and needs for the proposed new community center to be built on the site of the old hospital. They agreed that solar power would be included and that generators would be purchased and available to use in the facility in the event of a power outage. A water collection system interests the Board as well as fiber optic internet technology. The board agreed that at least two electric car chargers would be useful for the community. Mr. Schlosser suggested a few government entities and sites that could be a source of grant money for the charging stations. At this point in the discussion, Mr. Nave asked if Director Gehricke had property near the site. Mr. Gehricke responded in the affirmative. Counsel Nave advised the board to cease the conversation at this point.

VI. **BOARD COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA**

Christine Sherrill proposed to the Board that the new Community Center be named after Sam Conklin. President Mike Nixon agreed and the time will be on the next regular Board Meeting.

VII. **ADJOURNMENT**

Meeting adjourned at 1:09 pm

Respectfully,

Christine Sherrill  
Secretary

TEHACHAPI VALLEY HEALTHCARE DISTRICT  
BOARD OF DIRECTORS MEETING  
MINUTES  
116 W E Street  
Tehachapi, CA 93561  
October 19, 2021  
Conference Call # 351-888-6527  
4:30pm

**Board Present:** Mike Nixon, Christine Sherrill, William Steele, Duane Moats

**Staff Present:** Caroline Wasielewski, CEO; Lisa Hughes, Business Manager;  
Scott Nave, Legal Counsel via teleconference

**I. CALL TO ORDER**

Chair Mike Nixon called the meeting to order at 4:32 pm.

**II. FLAG SALUTE**

**III. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA**

None

**IV. CONSENT AGENDA**

**A. Approval of Minutes**

1. Board of Directors Meeting, 9/21/2021
2. Receive and File, Community Outreach Committee, 9/14/2021

Consent Agenda Approval

**MSA: STEELE/SHERRILL; 5-0; APPROVED**

\*The Board took the first item A. off New Business first.

**VI. NEW BUSINESS**

**A. General Obligation Bond Refinancing Overview**

Emilio Flores of CFW, Inc. explained a handout in the Board packet about the difference between a public negotiated sale and a private placement agreement. Mr. Flores explained the different savings structures and how they would affect the taxpayers. The options are back loaded savings, front loaded savings, and uniform savings structures. Private placements are bought by on buyer and the credit rating process is not needed. The process would also move faster with private placement. The Board would select one investor and vet them. Mr. Flores informed the board there is already banks interested. Mr. Flores handed out a terms sheet from Capital One Bank. There is a significant difference in savings between a private placement and public negotiated sale.

After some healthy discussion and questions Mr. Flores asked the board for their preference between a public and private sale. Director Nixon made a motion to go forward and send a letter of intent to Capital Once Bank, expressing TVHD's desire to refund the bonds with private placement and uniform funding. The Board discussed the benefits of such refunding and Director Steele seconded the motion. A vote was taken and passed.

**MSA; NIXON/STEELE; 5-0; APPROVED**

**B. CEO Compensation**

President Nixon began the discussion by suggesting the CEO get a cost-of-living increase and made such motion. Director Sherrill seconded the motion. Director Gehricke recused himself from the vote as he did not work with Ms. Wasielewski as CEO. The remaining directors voted, and motion passed.

**MSA; NIXON/SHERRILL; 4-0; APPROVED**

**C. Resolution Amending the Day and Time of Regular Board Meeting**

The board acknowledged that the current meeting time conflicts with the Recreation and Parks Board Meeting and there were some personal conflicts with the time, so a new time was discussed. A few different days or times were considered, and finally a motion from Director Gehricke was entered to change the regular Board meeting time to 10AM on the third Tuesday of each month. Director Moats seconded the motion. There was a vote and the motion passed.

**MSA; GEHRICKE/MOATS; 5-0; APPROVED**

**V. OLD BUSINESS**

**A. Community Resource Center Naming**

Scott Nave, Legal counsel began this item by advising that since Director Gehricke has a property interest within 500 ft of the potential new building he should disqualify himself from new land ideas that could affect his property value and real property interests. Director Gehricke stated he will disqualify himself until he no longer owns the property.

Director Sherrill made a motion to name the future community resource center after Dr. Sam Conklin. Mr. Moats seconded the motion. The board all agreed that Dr. Conklin showed loyalty, commitment, compassion and was loved by the Tehachapi community.

**MSA; SHERRILL/MOATS; 4-0; APPROVED**

**B. Ideas for Community Resource Center**

Tabled

**VI. REPORTS**

**A. Community Outreach Committee**

Director Steele reported to the board on the recent Community Outreach Committee Meeting. The committee received a presentation from a Josh Pierce from Adventist Health Tehachapi Valley. There were many proposals and potential opportunities to partner with AH.

**B. CEO Report**

CEO Wasielewski introduced Edward Martin, Operations Administrator for Adventist Health Tehachapi Valley. Mr. Martin gave his background and described his role with AH. He is exclusive to Tehachapi and looks forward to working in Tehachapi. Ms. Wasielewski continued by reviewing her report in the Board packet. There were no questions or discussion.

**Board of Director Travel**

None

**VII. BOARD COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA**

None

**VIII. CLOSED SESSION**

A. Water Rights Negotiations

**IX. CLOSED SESSION REPORT**

Board discussed water rights negotiations. No other topics were discussed, and no action was taken.

**X. ADJOURNMENT**

Meeting adjourned at 5:56 pm

Respectfully,

Christine Sherrill  
Secretary

**Audited Financial Statements**  
**TEHACHAPI VALLEY**  
**HEALTHCARE DISTRICT**  
**June 30, 2021**



**Audited Financial Statements**

**TEHACHAPI VALLEY HEALTHCARE DISTRICT**

June 30, 2021

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## Management's Discussion and Analysis

### TEHACHAPI VALLEY HEALTHCARE DISTRICT

June 30, 2021

The management of the Tehachapi Valley Healthcare District (the District) has prepared this annual discussion and analysis in order to provide an overview of the District's performance for the fiscal year ended June 30, 2021 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments*. The intent of this document is to provide additional information on the District's historical financial performance as a whole in addition to providing a prospective look at revenue growth, operating expenses, and capital development plans. This discussion should be reviewed in conjunction with the audited financial statements for the fiscal year ended June 30, 2021 and accompanying notes to the financial statements to enhance one's understanding of the District's financial performance.

#### ***Financial Highlights***

- Total assets and deferred outflows decreased by \$1,144,904 from the prior fiscal year.
- Total cash and cash equivalents and short-term investments increased by \$1,976,139 over the prior year.
- Net patient accounts receivable decreased by \$22,021 as old receivables continued to be realized after the District transferred their hospital operations to Adventist Health (AH) in November, 2016.
- Current assets increased by \$1,921,760 as current liabilities also increased by \$610,791 from the prior fiscal year resulting in a current ratio of 2.76 as of June 30, 2021.
- Unearned revenues increased by \$300,000 over the prior year as a \$300,000 grant was received.
- The current year increase in net position was \$515,671 as compared to the prior year of \$696,873 in 2020.

#### ***Adventist Health Agreements***

In November, 2016, the District entered into three separate agreements with Adventist Health (AH) due to the need for an external funding source required to supplement the construction of the new hospital within the boundaries of the District: (1) the Master Lease agreement became effective November 1, 2016 whereby AH leased the District-owned hospital facilities. Monthly rental income amounts \$75,000 a month; (2) the Affiliation Agreement allowed District assets and liabilities to be acquired and assumed by AH effective November 1, 2016. As of June 30, 2021 and 2020, the net payable to AH by the District as a result of this agreement is \$-0- and \$485,977, respectively; (3) The Construction Funding Agreement allowed the District to receive rent advances pursuant to the Master Lease Agreement up to \$27,000,000 in order to complete construction of the new hospital. These borrowings from AH are being repaid over time by rent payments due to the District. As of June 30, 2021 and 2020, unearned revenue related to this agreement amounted to \$24,678,398 and \$25,578,398, respectively.

# **JWT & Associates, LLP**

A Certified Public Accountancy Limited Liability Partnership

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## *Report of Independent Auditors*

The Board of Directors  
Tehachapi Valley Healthcare District  
Tehachapi, California

We have audited the accompanying financial statements of the Tehachapi Valley Healthcare District (the District) which comprise the statement of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District at June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### *Supplementary Information*

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information contained in the management's discussion and analysis.

### *Other Reporting Required by Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*JW7 & Associates, LLP*

Fresno, California  
November 9, 2021

Statements of Net Position

TEHACHAPI VALLEY HEALTHCARE DISTRICT

	June 30	
	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current assets:		
Cash, cash equivalents	\$ 5,059,777	\$ 3,083,638
Short-term investments	3,389,798	3,561,106
Assets limited as to use, available for current obligations	1,890,003	1,704,059
Patient accounts receivable, net of allowances	16,073	38,094
Other receivables	17,615	65,038
Prepaid expenses and deposits	<u>2,429</u>	<u>2,000</u>
Total current assets	10,375,695	8,453,935
Assets limited as to use, less available for current obligations	1,112,361	1,232,597
Capital assets, net of accumulated depreciation	<u>102,979,555</u>	<u>105,877,503</u>
Total assets	114,467,611	115,564,035
<b>Deferred outflows of resources</b>		
Total assets and deferred outflows of resources	<u>133,763</u>	<u>182,243</u>
	<u>\$114,601,374</u>	<u>\$115,746,278</u>
<b>Liabilities and net position</b>		
Current liabilities:		
Current principal maturities of debt borrowings	\$ 1,455,000	\$ 1,260,000
Accounts payable and accrued expenses	1,057,731	471,485
Estimated third party settlements and other payables		485,977
Unearned revenue - current portion	1,200,000	900,000
Accrued payroll and related liabilities	<u>51,183</u>	<u>35,661</u>
Total current liabilities	3,763,914	3,153,123
Unearned revenue, less current portion	23,778,398	24,678,398
Debt borrowings, net of current principal maturities	<u>59,661,129</u>	<u>61,032,495</u>
Total liabilities	87,203,441	88,864,016
Net position (deficit):		
Invested in capital assets, net of related debt	57,492,633	47,598,350
Restricted	3,002,264	2,936,656
Unrestricted (deficit)	<u>(33,096,964)</u>	<u>(23,652,744)</u>
Total net position	<u>27,397,933</u>	<u>26,882,262</u>
Total liabilities and net position	<u>\$114,601,374</u>	<u>\$115,746,278</u>

See accompanying notes and auditor's report

Statements of Revenues, Expenses and Changes in Net Position

TEHACHAPI VALLEY HEALTHCARE DISTRICT

	Year Ended June 30	
	<u>2021</u>	<u>2020</u>
<b>Operating revenues</b>		
Net patient service revenue	\$ 1,229,911	\$ 1,448,521
Facility rent	925,000	900,000
Other operating revenue	<u>52,754</u>	<u>7,648</u>
Total operating revenues	2,207,665	2,356,169
<b>Operating expenses</b>		
Salaries, wages and benefits	232,483	301,354
Professional fees	121,311	118,536
Supplies	4,008	4,056
Purchased services	45,023	47,375
Repairs and maintenance	34,271	18,349
Utilities	30,714	49,446
Building and equipment rent	30,479	36,442
Insurance	51,499	44,836
Depreciation and amortization	3,163,344	3,177,464
Other operating expenses	<u>34,797</u>	<u>50,171</u>
Total operating expenses	<u>3,747,929</u>	<u>3,848,029</u>
Operating income (loss)	(1,540,264)	(1,491,860)
<b>Nonoperating revenues (expenses)</b>		
District tax revenues for operations	958,868	872,275
District tax revenues for debt service	3,953,893	4,124,112
Investment income	19,803	74,385
Interest expense	(2,876,629)	(2,908,249)
Grants, contributions and other	<u>26,210</u>	<u>26,210</u>
Total nonoperating revenues (expenses)	<u>2,055,935</u>	<u>2,188,733</u>
Increase (decrease) in net position	515,671	696,873
Net position at beginning of the year	<u>26,882,262</u>	<u>26,185,389</u>
Net position at end of the year	<u>\$ 27,397,933</u>	<u>\$ 26,882,262</u>

See accompanying notes and auditor's report

Statements of Cash Flows

TEHACHAPI VALLEY HEALTHCARE DISTRICT

	Year Ended June 30	
	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Cash received from patients and third-parties on behalf of patients	\$ 1,838,178	\$ 1,460,970
Cash changes from operations, other than patient services	539,200	214,580
Cash payments suppliers and contractors	(352,531)	(348,907)
Cash payments to employees and benefit programs	<u>(216,961)</u>	<u>(296,386)</u>
Net cash provided by operating activities	1,807,886	1,030,257
<b>Cash flows from noncapital financing activities:</b>		
District tax revenues	958,868	872,275
Receipt of other nonoperating revenues	<u>          </u>	<u>26,210</u>
Net cash provided by noncapital financing activities	958,868	898,485
<b>Cash flows from capital and related financing activities:</b>		
Purchase of capital assets, net of capitalization and other	(216,916)	(44,175)
District taxes revenues for debt service	3,953,893	4,124,112
Principal payments on debt borrowings	(1,176,366)	(1,014,330)
Interest payments, net of capitalization	<u>(2,876,629)</u>	<u>(2,908,249)</u>
Net cash provided by (used in) capital financing activities	(316,018)	157,358
<b>Cash flows from investing activities:</b>		
Net change in unearned revenue	(600,000)	(900,000)
Net change in assets limited as to use	(65,708)	(363,810)
Net change in short-term investments	171,308	(77,652)
Interest received and other	<u>19,803</u>	<u>74,385</u>
Net cash used in investing activities	<u>(474,597)</u>	<u>(1,267,077)</u>
Net increase in cash and cash equivalents	1,976,139	819,023
Cash and cash equivalents at beginning of year	<u>3,083,638</u>	<u>2,264,615</u>
Cash and cash equivalents at end of year	<u>\$ 5,059,777</u>	<u>\$ 3,083,638</u>

*See accompanying notes and auditor's report*

Statements of Cash Flows (continued)

TEHACHAPI VALLEY HEALTHCARE DISTRICT

	Year Ended June 30	
	<u>2021</u>	<u>2020</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income (loss)	\$ (1,540,264)	\$ (1,491,860)
Adjustments to reconcile the operating loss to net cash provided by or used in operating activities:		
Depreciation and amortization	3,163,344	3,177,464
Changes in operating assets and liabilities:		
Patient accounts receivables	22,021	12,449
Other receivables	47,423	20,275
Prepaid expenses and deposits	(429)	25,893
Accounts payable and accrued expenses	586,246	(5,589)
Accrued payroll and related liabilities	15,522	4,968
Estimated third party payor settlements and other	<u>(485,977)</u>	<u>(713,343)</u>
Net cash provided by operating activities	<u>\$ 1,807,886</u>	<u>\$ 1,030,257</u>

*See accompanying notes and auditor's report*



Notes to Financial Statements

TEHACHAPI VALLEY HEALTHCARE DISTRICT

June 30, 2021

**NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity:** Tehachapi Valley Healthcare District, (the District) is a public entity organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The District is a political subdivision of the State of California and is generally not subject to federal or state income taxes. The District is governed by a five-member Board of Directors, elected from within the district to specified terms of office. The District, located in Tehachapi, California, owns an acute care and long-term care facility under the “critical access hospital” designation. The District also owns several rural health clinics in Tehachapi, California City and Mojave, California. These facilities are leased to Adventist Health who operates the District facilities in order to provide health care services primarily to individuals who reside in the local geographic area.

**Basis of Preparation:** The accounting policies and financial statements of the District generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements as the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**Management’s Discussion and Analysis:** Effective July 1, 2002, the District adopted the provisions of GASB 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments* (Statement 34), as amended by GASB 37, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments: Omnibus*, and Statement 38, *Certain Financial Statement Note Disclosures*. Statement 34 established financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. One of the main components of these new provisions allows the inclusion of a management’s discussion and analysis to accompany the financial statement presentation.

The management’s discussion and analysis is a narrative introduction and analytical overview of the District’s financial activities for the year being presented. This analysis is similar to the analysis provided in the annual reports of organizations in the private sector. As stated in the opinion letter, the management’s discussion and analysis is not a required part of the financial statements but is supplementary information and therefore not subject to audit procedures or the expression of an opinion on it by auditors.

TEHACHAPI VALLEY HEALTHCARE DISTRICT

**NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Net Position:** Net position is presented in three categories. The first category is net position “invested in capital assets, net of related debt”. This category of net position consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets.

The second category is “restricted” net position. This category consists of externally designated constraints placed on those net position by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is “unrestricted” net position. This category consists of net position that do not meet the definition or criteria of the previous two categories.

**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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents:** The District considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities are reported at market value. Interest, dividends and both unrealized and realized gains and losses on investments are included as investment income in nonoperating revenues.

**Patient Accounts Receivable:** Patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies and private patients. The District manages its receivables by regularly reviewing the accounts, inquiring with respective payors as to collectibility and providing for allowances on their accounting records for estimated contractual adjustments and uncollectible accounts. Significant concentrations of patient accounts receivable are discussed further in the footnotes.

**Assets Limited as to Use:** Assets limited as to use include contributor restricted funds, amounts designated by the Board of Directors for replacement or purchases of capital assets, and other specific purposes, and amounts held by trustees under specified agreements. Assets limited as to use consist primarily of deposits on hand with local banking and investment institutions, and bond trustees.

TEHACHAPI VALLEY HEALTHCARE DISTRICT

**NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Capital Assets:** Capital assets consist of property and equipment and are reported on the basis of cost at the date of acquisition, or in the case of donated items, on the basis of fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. Depreciation of property and equipment and amortization of property under capital leases are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 10 to 40 years for buildings and improvements, and 3 to 10 years for equipment. The District periodically reviews its capital assets for value impairment. As of June 30, 2021 and 2020, the District has determined that there are no capital assets that are significantly impaired.

Costs incurred in obtaining computer software for internal use, which includes costs of configuration, installation and testing, are capitalized by the District. Costs incurred during the post-implementation stages of internal use software are expensed as incurred. The capitalization and ongoing assessment of recoverability of computer software costs require considerable judgement with respect to external factors, including, but not limited to, technological and economic feasibility and estimated economic useful life.

**Deferred Outflows of Resources:** The statements of net position sheet report a separate section for deferred outflows of resources. Deferred outflows of resources represent outflows of resources (decrease or consumption of net position) that apply to future periods and therefore will not be recognized as an expense until that time. At June 30, 2021 and 2020, the District reported deferred outflows of resources resulting from the difference between the reacquisition price and the refunding bond proceeds. These charges will be expensed as amortization expense in future years over the shorter period of the remaining maturity of the original bonds or the new bonds according to GASB 20. For the year ended June 30, 2021 and 2020, the District recognized \$48,480 and \$55,248 of amortization expense.

**Concentrations of credit risk:** Financial instruments which potentially subject the District to concentrations of credit risk consist primarily of investments and accounts receivable. The investment portfolios are managed by outside investment firms and Kern County within guidelines which, as a matter of policies, limit the amounts which may be invested in any one issuer. Concentration of credit risk with respect to accounts receivable, other than from government programs, is limited due to the large number of third-party and self-pay payors comprising the District's patient base.

**Compensated Absences:** The District's employees earn paid-time-off (PTO) benefits at varying rates depending on years of service. Benefits can accumulate up to specified maximum levels. Employees are paid for accumulated PTO if they leave either upon termination or retirement. Accrued PTO liabilities as of June 30, 2021 and 2020 were \$41,555 and \$26,595, respectively and are included in accrued payroll and related liabilities as presented on the statements of net position.

TEHACHAPI VALLEY HEALTHCARE DISTRICT

**NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Risk Management:*** The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters. In the case of employee health coverage, the District provides traditional indemnity programs.

***Net Patient Service Revenues:*** Net patient service revenues are reported at the estimated net realized amounts from patients, third-party payors and others, including estimated retroactive adjustments under reimbursement agreements with third-party programs, during the period in which the healthcare services were provided. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, per diem amounts and other. Normal estimation differences between final reimbursement and amounts accrued in previous years are reported as adjustments of current year's net patient service revenues.

***Charity Care:*** The District accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the District. Essentially, these policies define charity services as those services for which no payment is anticipated. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenues. Services provided are recorded as gross patient revenues and then written off entirely as an adjustment to net patient service revenues.

***District Tax Revenues:*** The District receives financial support from property taxes. These funds are used to support operations and meet required debt service agreements. They are classified as non-operating revenue as the revenue is not directly linked to patient care. Property taxes are levied by the County on the District's behalf during the year, and are intended to help finance the District's activities during the same year. Amounts are levied on the basis of the most current property values on record with the County. The County has established certain dates to levy, lien, mail bills, and receive payments from property owners during the year. Property taxes are considered delinquent shortly after the day following each payment due date.

***Operating Revenues and Expenses:*** The District's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the District's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating revenues and expenses are those transactions not considered directly linked to providing health care services.

TEHACHAPI VALLEY HEALTHCARE DISTRICT

**NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)**

**Revenue Recognition:** As previously stated, net patient service revenues are reported at amounts that reflect the consideration to which the District expects to be entitled in exchange for patient services. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of third-party payor audits, reviews, and investigations. Although the District is no longer managing the hospital operations, it is still collecting residual patient revenue. This revenue was generated when the District was operating the hospital and generally, the District would bill the patients and third-party payors several days after the patient received healthcare services at the hospital. Revenue was then recognized as services were rendered.

The District had agreements with third-party payors that provided for payments to the District at amounts different from its established rates. Payment arrangements included prospectively determined rates per day, discharge or visit, reimbursed costs, discounted charges and per diem payments. Retroactive adjustments were accrued on an estimated basis in the period the related services were rendered and adjusted in future periods as final settlements were determined. To date, some of those final settlements are still in process of being determined.

Gifts of long-lived assets such as land, buildings, or equipment are reported as net assets without donor restrictions unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit donor restrictions that specify how the asset is to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets 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 asset is placed in service. Cash received in excess of revenue recognized is deferred revenue.

Contributions are recognized as revenue when they are received or unconditionally pledged. Donor stipulations that limit the use of the donation are recognized as contributions with donor restrictions. When the purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from donor restrictions. Donor restricted contributions whose restriction expire during the same fiscal year are recognized as net assets without donor restrictions. Absent donor imposed restrictions, the District records donated services, materials, and facilities as net assets without donor restrictions.

From time to time, the District receives grants from various governmental agencies and private organizations. Revenues from grants are recognized when all eligibility requirements, including time requirements are met. Grants may be restricted for either specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net position.

Notes to Financial Statements (continued)

TEHACHAPI VALLEY HEALTHCARE DISTRICT

**NOTE B - CASH AND CASH EQUIVALENTS**

As of June 30, 2021 and 2020, the District had deposits invested in various financial institutions in the form of operating cash and cash equivalents amounted to \$5,059,676 and \$3,083,322, respectively. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for \$250,000 per account that is federally insured.

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the District. Investments consist of U.S. Government securities and state and local agency funds invested in U. S. Government securities and are stated at quoted market values. Changes in market value between years are reflected as a component of investment income in the accompanying statement of revenues, expenses and changes in net assets.

**NOTE C - NET PATIENT SERVICE REVENUES**

Gross and net patient service revenues summarized by service type are as follows:

	<u>2021</u>	<u>2020</u>
Inpatient services	-0-	-0-
Outpatient services and other	-0-	-0-
Rural health clinic services	<u>\$ -0-</u>	<u>\$ -0-</u>
Gross patient service revenues	-0-	-0-
Governmental supplemental subsidies net of other deductions	<u>1,229,911</u>	<u>1,448,521</u>
Net patient service revenues	<u>\$ 1,229,911</u>	<u>\$ 1,448,521</u>

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

**Medicare:** As a designated critical access District, Medicare reimbursement is generally settled with the District on cost-based formulas. Interim payments for inpatient and outpatient care services rendered to Medicare program beneficiaries are based on estimated determined rates throughout the year. After year end and the submission of an annual cost report, program expenses are audited by the Medicare fiscal intermediary and settlements are reached to finalized the reimbursement of Medicare program expenses for the year. At June 30, 2021, cost report settlements have all been repaid to Adventist Health.

TEHACHAPI VALLEY HEALTHCARE DISTRICT

**NOTE C - NET PATIENT SERVICE REVENUES (continued)**

*Medi-Cal:* Payments for inpatient services rendered to Medi-Cal patients are made based on reasonable costs through December 31, 2013. Effective January 1, 2014, the State of California’s Medi-Cal program changed inpatient reimbursement to Diagnosis-Related Groups (DRG), similar to the Medicare inpatient payment methodology. Outpatient payments and rural health care services continue to be paid on pre-determined charge screens and prospectively determined rates, respectively. The District is paid for cost-based inpatient services at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by Medi-Cal. At June 30, 2021, cost report settlements have all been repaid to Adventist Health.

*Other:* Payments for services rendered to other than Medicare and traditional Medi-Cal patients are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations which provide for various discounts from established rates.

**NOTE D - CONCENTRATION OF CREDIT RISK**

*Financial Instruments:* Financial instruments, potentially subjecting the District to concentrations of credit risk, consist primarily of bank deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limits of \$250,000. Although deposits exceed the limit in certain bank accounts, management believes that the risk of loss is minimal due to the high financial quality of the bank with which the District does business. Management further believes that there is no risk of material loss due to concentration of credit risk with regards to investments as the District has no investments in equity funds, closed-end funds, exchange-traded products, or other perceived “at risk” alternatives as of June 30, 2021 and 2020.

*Patient Accounts Receivable:* The District grants credit without collateral to its patients and third-party payors. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the District and management does not believe that there are any credit risks associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risks to the District. Concentration of patient accounts receivable at June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Medicare		
Medi-Cal		
Other third party payors		
Self pay, refunds and other	\$ 64,073	\$ 153,094
Gross patient accounts receivable	64,073	153,094
Less allowances for contractual, bad debts and other	<u>(48,000)</u>	<u>(115,000)</u>
Net patient accounts receivable	<u>\$ 16,073</u>	<u>\$ 38,094</u>

Notes to Financial Statements (continued)

TEHACHAPI VALLEY HEALTHCARE DISTRICT

**NOTE E - OTHER RECEIVABLES**

Other receivables as of June 30, 2021 and 2020 were comprised of the following:

	<u>2021</u>	<u>2020</u>
Property tax receivables due from the County	\$ 15,341	\$ 53,207
Interest receivable	<u>2,274</u>	<u>11,831</u>
	<u>\$ 17,615</u>	<u>\$ 65,038</u>

**NOTE F - ASSETS LIMITED AS TO USE**

Assets limited as to use as of June 30, 2021 and 2020 were comprised of the following:

	<u>2021</u>	<u>2020</u>
Amounts held by county and others as trustees under bond agreements	\$ 3,002,364	\$ 2,936,656
	3,002,364	2,936,656
Less amounts available for current obligations	<u>(1,890,003)</u>	<u>(1,704,059)</u>
	<u>\$ 1,112,361</u>	<u>\$ 1,232,597</u>

Interest income, dividends, and other like-kind earnings are recorded as investment income in the statement of revenues, expenses and changes in net position. Unrealized gains and (losses) are also recorded as investment income. Assets limited as to use are funds restricted by either (1) the Board of Directors for specific operating or capital improvement purposes; (2) assets restricted by outside donors to the District; and/or (3) assets held in trust for specific purposes according to bond indenture agreements or other similar agreements.

**NOTE G - EMPLOYEES' RETIREMENT PLANS**

The District has a defined contribution plan (the Plan) in which substantially all District employees are eligible. The Plan is designed to qualify as a governmental plan as defined in Code Section 457(b) Deferred Compensation Plan and a 401(a) Pension Plan (Employer Matching).

For 2021, participants are permitted to contribute up to a maximum of \$18,000 annually for participants 49 years of age and below, and up to \$24,000 annually for participants that are 50 years of age and older. The District may voluntarily match up to a maximum of 4% of the participant's annual contributions for each plan year. Participants are eligible for vesting beginning their third year of service. Beginning the 5<sup>th</sup> year of service, the participants are fully vested.



Notes to Financial Statements (continued)

TEHACHAPI VALLEY HEALTHCARE DISTRICT

**NOTE H - CAPITAL ASSETS**

Capital assets as of June 30, 2021 and 2020 were comprised of the following:

	<u>June 30, 2020</u>	<u>Transfers &amp; Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>
Land and land improvements	\$ 2,392,507	\$ 44,293		\$ 2,436,800
Buildings and improvements	104,391,700			104,391,700
Equipment and software	11,935,747			11,935,747
Construction-in-progress	<u>44,175</u>	<u>\$ 171,049</u>		<u>215,224</u>
Totals at historical cost	118,764,129	215,342		118,979,471
Less accumulated depreciation for:				
Land and land improvements	(87,686)	(4,848)		(92,534)
Buildings and improvements	(5,231,656)	(2,579,625)		(7,811,281)
Equipment and software	<u>(7,567,284)</u>	<u>(528,817)</u>		<u>(8,096,101)</u>
Total accumulated depreciation	<u>(12,886,626)</u>	<u>(3,113,290)</u>		<u>(15,999,916)</u>
Capital assets, net	<u>\$105,877,503</u>	<u>\$ (2,897,948)</u>	<u>\$</u>	<u>\$102,979,555</u>
	<u>June 30, 2019</u>	<u>Transfers &amp; Additions</u>	<u>Retirements</u>	<u>June 30, 2020</u>
Land and land improvements	\$ 2,392,507			\$ 2,392,507
Buildings and improvements	104,391,700			104,391,700
Equipment and software	11,935,747			11,935,747
Construction-in-progress	<u>44,175</u>	<u>\$ 44,175</u>		<u>44,175</u>
Totals at historical cost	118,719,954	44,175		118,764,129
Less accumulated depreciation for:				
Land and land improvements	(85,790)	(1,896)		(87,686)
Buildings and improvements	(2,648,884)	(2,582,772)		(5,231,656)
Equipment and software	<u>(7,029,735)</u>	<u>(537,549)</u>		<u>(7,567,284)</u>
Total accumulated depreciation	<u>(9,764,409)</u>	<u>(3,122,217)</u>		<u>(12,886,626)</u>
Capital assets, net	<u>\$108,955,545</u>	<u>\$ (3,078,042)</u>	<u>\$</u>	<u>\$105,877,503</u>

Notes to Financial Statements (continued)

TEHACHAPI VALLEY HEALTHCARE DISTRICT

**NOTE I - DEBT BORROWINGS**

As of June 30, 2021 and 2020, debt borrowings were as follows:

	<u>2021</u>	<u>2020</u>
General Obligation Bonds, 2004 Election, 2004 Series A; interest at 2.0% to 5.0% due semiannually; principal due in annual amounts; collateralized by District property tax revenues:	\$ 374,988	\$ 374,988
General Obligation Bonds, 2004 Election, 2006 Series B; interest at 4.0% to 4.83% due semiannually; principal due in annual amounts; collateralized by District property tax revenues:	1,389,991	1,524,991
General Obligation Bonds, 2004 Election, 2009 Series C; interest at 6.0% to 11.9% due semiannually; principal due in annual amounts; collateralized by District property tax revenues:	1,450,000	1,640,000
General Obligation Refunding Bonds, 2004 Election, 2013 Series A; interest at 1.25.0% to 4.0% due semiannually; principal due in annual amounts; collateralized by District property tax revenues:	4,780,000	5,385,000
General Obligation Bonds, 2009 Election, Series 2013; interest at 1.5% to 5.0% due semiannually; principal due in annual amounts; collateralized by District property tax revenues:	48,980,000	49,310,000
Unamortized bond premiums and accreted interest	<u>4,141,150</u>	<u>4,057,516</u>
	61,116,129	62,292,495
Less current principal maturities of debt borrowings	<u>(1,455,000)</u>	<u>(1,260,000)</u>
	<u>\$ 59,661,129</u>	<u>\$ 61,032,495</u>

Future principal maturities for debt borrowings for the next five succeeding years are: \$1,455,000 in 2022; \$1,665,000 in 2023; \$1,900,000 in 2024; \$2,140,000 in 2025; and \$2,395,000 in 2026.

Notes to Financial Statements (continued)

TEHACHAPI VALLEY HEALTHCARE DISTRICT

**NOTE J - INVESTMENTS**

The District's investment balances and average maturities were as follows at June 30, 2021:

<i>As of June 30, 2021</i>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>Over 5</u>
Funds held at County treasury	\$ 3,002,364	\$ 3,002,364		
Funds held by LAIF (State treasury)	3,389,798	3,389,798		
Money market and mutual funds	<u>1,437,370</u>	<u>1,437,370</u>		
Total investments	<u>\$ 7,829,532</u>	<u>\$ 7,829,532</u>		

The District's investment balances and average maturities were as follows at June 30, 2020:

<i>As of June 30, 2020</i>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>Over 5</u>
Funds held at County treasury	\$ 2,936,656	\$ 2,936,656		
Funds held by LAIF (State treasury)	3,561,106	3,561,106		
Money market and mutual funds	<u>1,197,697</u>	<u>1,197,697</u>		
Total investments	<u>\$ 7,695,459</u>	<u>\$ 7,695,459</u>		

The District's investments are reported at fair value as previously discussed. The District's investment policy allows for various forms of investments generally set to mature generally upon demand. The policy identifies certain provisions which address interest rate risk, credit risk and concentration of credit risk.

**Interest Rate Risk:** Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the a District can manage its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a position of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for District operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the preceding schedules that shows the distribution of the District's investments by maturity.

**Credit Risk:** Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Moody's Investor Service, Inc. Generally, a District's investment policy for corporate bonds and notes is to invest in companies having a "A" or higher rating by agencies such as Moody's or Standard and Poor's.

Notes to Financial Statements (continued)

TEHACHAPI VALLEY HEALTHCARE DISTRICT

**NOTE J - INVESTMENTS (continued)**

***Custodial Credit Risk:*** Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer), a District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. A District's investments are generally held by broker-dealers or bank's trust departments used by a District to purchase securities.

***Concentration of Credit Risk:*** Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment allows investments in the State of California's Local Agency Investment Fund, which has a diverse portfolio generally of money-market and mutual funds of government-backed securities and other instruments.

**NOTE K - COMMITMENTS AND CONTINGENCIES**

***Construction in Progress:*** As of June 30, 2021 and 2020, the District had \$215,224 and \$44,175, respectively in construction in progress representing cost capitalized mainly for certain renovations of the old hospital. The District has not capitalized interest expense and other related financing costs as a component of construction in progress during the fiscal year ended June 30, 2021.

Due to the fact that the former District hospital facilities (the old hospital) did not meet the California Seismic Safety Standards and because the community had outgrown the District's ability to serve their medical needs, the District constructed and completed a new hospital in Tehachapi, funded in part by (1) the issuance of general obligation bond offerings conducted by Kern County by means of a special election and by (2) advance rent payments as discussed in Note L. The new hospital was deemed to be completed on January 1, 2019.

***Operating Leases:*** The District leases various equipment and facilities under operating leases expiring at various dates. Total building and equipment rent expense for the years ended June 30, 2021 and 2020, was \$30,479 and \$36,442, respectively. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2021, that have initial or remaining lease terms in excess of one year are not considered material.

***Litigation:*** The District may from time-to-time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2021 will be resolved without material adverse effect on the District's future financial position, results from operations or cash flows. Any litigation contingencies for the current fiscal year have been properly recorded.

Notes to Financial Statements (continued)

TEHACHAPI VALLEY HEALTHCARE DISTRICT

**NOTE K - COMMITMENTS AND CONTINGENCIES (continued)**

**Risk Management:** The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in Program Beta, to account for and finance certain uninsured risk of loss. Under this program, Program Beta provides basic professional liability coverage with limits to \$5,000,000 per claim. The District purchases commercial insurance for all other risks of loss.

**Workers Compensation Program:** The District is a participant in the Association of California District's Alpha Fund (the Fund) which administers a self-insured worker's compensation plan for participating District employees of its member Districts. The District pays premiums to the Fund which are adjusted annually. If participation in the Fund is terminated by the District, the District would be liable for its share of any additional premiums necessary for final disposition of all claims and losses covered by the Fund.

**NOTE L - ADVENTIST HEALTH AGREEMENTS**

The District has entered into three separate agreements with Adventist Health (AH) due to the need for an external funding source required to supplement the construction of the new hospital within the boundaries of the District.

**Master Facilities Lease:** Effective November 1, 2016, the District entered into an agreement with AH whereby AH leases the District-owned hospital facilities from which to operate an acute care hospital in Tehachapi. Monthly rental income to the District is \$75,000 and the lease agreement terminates October 31, 2046.

**Affiliation Agreement:** Certain District assets and liabilities have been acquired and assumed by AH through an affiliation agreement effective November 1, 2016. As of June 30, 2021 and 2020, the net payable to AH by the District as a result of this agreement is \$-0- and \$485,977, respectively.

**Construction Funding Agreement:** This agreement allows the District to receive rent advances pursuant to the Master Lease Agreement up to \$27,000,000 in order to complete construction of the new hospital. These borrowings from AH are being repaid over time by rent payments due to the District. As of June 30, 2021 and 2020, unearned revenue related to this agreement amounted to \$24,678,398 and \$25,578,398, respectively.

**NOTE M - SUBSEQUENT EVENTS**

Management evaluated the effect of subsequent events on the financial statements through November 9, 2021, the date the financial statements are issued, and determined that there are no material subsequent events that have not been disclosed.

# JWT & Associates, LLP

A Certified Public Accountancy Limited Liability Partnership

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## *Independent Auditors Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*

The Board of Directors  
Tehachapi Valley Healthcare District  
Tehachapi, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Tehachapi Valley Healthcare District (the District) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated November 9, 2021.

### *Internal Control over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

*Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*JW7 & Associates, LLP*

Fresno, California  
November 9, 2021

*See accompanying notes and auditor's report*



## RESOLUTION NO. \_\_\_\_

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
TEHACHAPI VALLEY HEALTHCARE DISTRICT  
ADOPTING A DEBT MANAGEMENT POLICY**

**WHEREAS**, the Board of Directors (the "Board") of the Tehachapi Valley Healthcare District (the "District") recognizes that cost-effective access to the capital markets depends on prudent management of the District's debt program; and

**WHEREAS**, Government Code section 8855(i) requires any issuer of public debt to provide to California Debt and Investment Advisory Commission (CDIAC) no later than 30 days prior to the sale of any debt issue a report of the proposed issuance (the "Report of Proposed Debt Issuance"), and must certify on the Report of Proposed Debt Issuance that they have adopted local debt policies concerning the use of debt and that the proposed debt issuance is consistent with those policies (the "CDIAC Requirements"); and

**WHEREAS**, the Board wishes to set parameters for issuing debt, managing the debt portfolio and providing guidance to decision makers; and

**WHEREAS**, the Board finds and determines that adoption of the attached Debt Management Policy (the "Debt Management Policy") will help ensure that debt is issued and managed prudently in order to maintain sound fiscal policy, and is in compliance with the CDIAC Requirements; and

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE TEHACHAPI VALLEY HEALTHCARE DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:

**Section 1. Recitals.** The Board hereby specifically finds and declares that each of the recitals set forth above are true and correct and are hereby incorporated in conjunction with the respective staff report.

**Section 2. Approval of the Debt Management Policy.** This Board hereby declares that the proposed Debt Management Policy attached hereto, is hereby approved as the Tehachapi Valley Healthcare District Debt Management Policy to be effective upon adoption of this Resolution.

**Section 3. Delegation of Debt Functions.** That the issuance of new debt functions is delegated to the Chief Executive Officer and/or Chief Financial Officer's office as set forth in the Debt Management Policy, with final authorization of such new debt by the Board of Directors.

**Section 4. Authorization to Manage Debt Issuance Functions.** The [Chief Executive/Chief Financial] Officer, or a designee, is hereby authorized to manage debt issuance functions for the District in accordance with the Debt Management Policy.

**Section 5. Effective Date.** This Resolution shall take effect from and after the date of its passage and adoption.

PASSED AND ADOPTED at the meeting of the Tehachapi Valley Healthcare District Board of Directors held on the 9<sup>th</sup> day of November, 2021, by the following vote:

AYES: \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_,

\_\_\_\_\_

NOES: \_\_\_\_\_

ABSENT: \_\_\_\_\_

ABSTAIN: \_\_\_\_\_

\_\_\_\_\_  
President, Board of Directors  
Tehachapi Valley Healthcare District

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors  
Tehachapi Valley Healthcare District

EXHIBIT A  
DEBT MANAGEMENT POLICY

# **Tehachapi Valley Healthcare District DEBT MANAGEMENT POLICY**

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## **Introduction**

This Debt Management Policy and Administrative Procedure (the "Procedure") provides written guidelines for the issuance of indebtedness by the Tehachapi Valley Healthcare District (the "District") in satisfaction of the requirements of SB 1029, codified as part of California Government Code Section 8855, including fulfillment of its debt issuance reporting requirements and the California Debt and Investment Advisory Commission (CDIAC).

This Procedure provides a framework for debt management and capital planning by the District. This Procedure has been developed to meet the following goals:

- 1) Identifying the purposes for which the debt proceeds may be used.
- 2) Identifying the types of debt that may be issued.
- 3) Describing the relationship of the debt to, and integration with, the District's capital improvement program or budget, if applicable.
- 4) Establishing policy goals related to the District's planning goals and objectives.
- 5) Implementing internal control procedures to ensure that the proceeds of the proposed debt issuance will be directed to the intended use upon completion of the issuance.
- 6) Meeting the reporting requirements to the CDIAC.
- 7) Establishing Continuing Disclosure Procedures

## **I. Purposes for Which Debt Proceeds May Be Used**

### **Authority and Purposes of the Issuance of Debt**

The laws of the State of California (the "State") authorize the District to incur debt to make lease payments, contract debt, and issue bonds for capital improvement projects. The District is authorized to issue debt to acquire, maintain, construct, reconstruct, rehabilitate, replace, improve, extend or enlarge such projects; to refund existing debt; or to provide for cash flow needs.

### **State Law**

State Law authorizes the District to incur various types of debt, including general obligation bonds that are paid from *ad valorem* property taxes levied on property within the District; debt secured by district revenues, including revenue bonds, certificates of participation (COPs), and Cal-Mortgage insured revenue bonds.

There are a number of State laws that govern the issuance of general obligation bonds ("G.O. Bonds") by hospital districts [CA Health & Safety Code sections 32300-32314; CA Government Code Section 53506 *et seq.* Article XIII A of the State Constitution allow the District to issue G.O. Bonds], revenue bonds [CA Health & Safety Code sections 32315-32322], COPs [CA Health & Safety Code Section 32121] and Cal-Mortgage insured revenue bonds [CA Health & Safety Code Sections 32127.2 and 129000 *et seq.*].

## **Debt Issued to Finance Operating Costs**

The District may deem it necessary to finance cash flow requirements under certain conditions. Such cash flow borrowing must be payable from taxes, income, revenue, cash receipts and other moneys attributable to the fiscal year in which the debt is issued.

General operating costs include, but are not limited to, those items normally funded in the District's annual operating budget.

The District's [Chief Executive Officer] and [Chief Financial Officer] will review potential financing methods to determine which method is most prudent for the District. Potential financing sources include but are not limited to tax and revenue anticipation notes ("TRANS"), temporary borrowing from the Kern County Treasurer and temporary interfund borrowing.

## **II. Types of Debt That May Be Issued**

### **Types of Debt Authorized to be Issued**

**A. Short-Term:** The District may issue fixed rate and/or variable rate short-term debt, which may include TRANS, when such instruments allow the District to meet its cash flow requirements. The District may also issue bond anticipation notes ("BANs") to provide interim financing for bond projects that will ultimately be paid from G.O. Bonds.

**B. Long-Term:** Debt issues may be used to finance essential capital facilities and projects where it is appropriate to spread the cost of the projects over more than one budget year. Long-term debt should not be used to fund District operations.

Long term debt in the form of G.O. Bonds may be issued under the aforementioned Health & Safety Code sections and Article XIII A of the State Constitution, which requires approval by at least a two-thirds (66.67%) vote of the electorate, subject to certain accountability requirements and additional restrictions, to finance certain real property and improvements (no equipment) described in the ballot measure.

The District may also enter into long-term leases and/or participate in the sale of certificates of participation or lease revenue bonds or revenue bonds.

**C. Lease/Equipment Financing:** Lease-purchase obligations or appropriation leases are a routine and appropriate means of financing capital equipment and certain capital facilities. However, lease obligations may impact budget flexibility.

**D. Use of General Obligation bonds:** A significant portion of the District's capital projects are projected to be funded by G.O. bond proceeds. Projects financed by the G.O. Bonds will be determined by the constraints of applicable law and the ballot measure approved by District voters, as applicable.

## **III. Relationship of Debt to, and Integration with the District's Capital Improvement Program or Budget, if Applicable**

### **Impact on Operating Budget and District Debt Burden**

In evaluating financing options for capital projects, both short and long-term debt amortization will be evaluated when considering a debt issuance, along with the potential impact of debt service, and additional costs associated with new projects on the operating budget of the District. The cost of debt issued for major capital repairs or replacements may be judged against the potential cost of delaying such repairs.

## **Capital Improvement Program**

The [Chief Financial Officer] and staff have responsibility for the planning and management of the District's capital improvement program subject to review and approval by the Board of Directors. Staff will, as appropriate, supplement and revise any applicable facilities master plan in keeping with the District's current needs for the acquisition, development and/or improvement of the District's real estate and facilities. Such plans may include a summary of the estimated cost of each project, schedules for the projects, the expected quarterly cash requirements, and annual appropriations, in order for the projects to be completed.

## **Refunding and Restructuring Procedure**

### **A. Considerations for Refunding.**

1. **District's Best Interest.** Whenever deemed to be in the best interest of the District, the District shall consider refunding or restructuring outstanding debt if it will be financially advantageous or beneficial for debt repayment and/or structuring flexibility.

2. **Net Present Value Analysis.** The District shall review a net present value analysis of any proposed refunding in order to make a determination regarding the cost-effectiveness of the proposed refunding.

3. **Maximize Expected Net Savings.** The District shall time the refinancing of debt to maximize the District's expected net savings over the life of the debt.

4. **Comply with Existing Legal Requirements.** The refunding of any existing debt shall comply with all applicable State and Federal laws governing such issuance.

## **IV. Procedural Goals Related to District's Planning Goals and Objectives**

In following this Procedure, the District shall pursue the following goals:

1. The District shall strive to fund capital improvements from voter-approved G.O. Bond issues to preserve the availability of its General Fund for District operating purposes and other purposes that cannot be funded by such bond issues.

2. To the extent applicable, the District shall endeavor to attain the best possible credit rating for each debt issue (with or without bond insurance) in order to reduce interest costs, within the context of preserving financial flexibility and meeting capital funding requirements.

3. The District shall take all practical precautions and proactive measures to avoid any financial decision which will negatively impact current credit ratings on existing or future debt issues.

4. The District shall, with respect to G.O. Bonds, remain mindful of statutory debt limits in relation to assessed value growth within the District and the tax burden needed to meet long-term capital requirements.

5. The District shall consider market conditions and District cash flows when timing the issuance of debt.

6. The District shall determine the amortization (maturity) schedule which will best fit within the overall debt structure of the District at the time the new debt is issued.

7. The District shall match the term of the issue to the useful lives of assets funded by that issue whenever practicable and economical, while considering repair and replacement costs of those assets to be incurred in future years.

8. The District shall, when issuing debt, assess financial alternatives to include new and innovative financing approaches, including whenever feasible categorical grants, revolving loans or other State and Federal aid, so as to minimize the encroachment on the District's General Fund.

9. The District shall, when planning for the sizing and timing of debt issuance, consider its ability to expend the funds obtained in a timely, efficient and economical manner.

#### **V. Internal Control Procedures for Issuance of Debt to Ensure Intended Use of Proceeds**

##### **Structure of Debt Issues**

**A. Maturity of Debt:** The duration of a debt issue shall be consistent, to the extent possible, with the economic or useful life of the improvement or asset that the issue is financing. In addition, the average life of tax-exempt financing shall not exceed 120% of the average life of the assets being financed. The District shall also consider the overall impact of the current and future debt burden of the financing when determining the duration of the debt issue.

**B. Debt Structure:**

**1. G.O. Bonds:**

a. *New Money Bond Issuances:* For tax-exempt new money bond issuances, the District shall size the bond issuance consistent with the "spend-down" requirements of the Internal Revenue Code and within any limits approved by the District's voters. To the extent possible, the District will also consider credit issues, market factors (e.g. bank qualification) and tax law when sizing the District's bond issuance.

b. *Refunding Bond Issuances:* The sizing of refunding bonds will be determined by the amount of money that will be required to cover the principal of, accrued interest (if any) on, and redemption premium for the bonds to be defeased on the call date and to cover appropriate financing costs.

c. *Maximum Maturity:* All bonds issued by the District shall mature within the limits set forth in applicable provisions of the California Health and Safety Code or the California Government Code. The final maturity of tax-exempt bonds will also be limited to the average useful life of the assets financed or as otherwise required by tax law.

d. *Taxable Bonds:* Taxable bonds shall be considered for funding projects which may not satisfy the "spend-down" or other requirements of the Internal Revenue Code, for any joint-use or other projects that may not pass the private use/private payment tests, and/or for advance refunding certain outstanding general obligation bonds or other outstanding securities of the District.

**2. Lease-Purchase Obligations:** The final maturity of equipment or real property lease obligations will be limited to the useful life of the assets to be financed.

**C. Debt Service Structure:** The District shall design the financing schedule and repayment of debt so

as to take best advantage of market conditions, provide flexibility, and, as practical, to recapture or maximize its debt capacity for future use.

### **Use of Proceeds and Certain Reporting Requirements**

The District shall be vigilant in using bond proceeds in accordance with the stated purposes at the time such debt was incurred. In furtherance of the Procedure, and in connection with the issuance of all G.O. Bonds:

A. As required by California Government Code Section 53410, the District shall only use G.O. Bond proceeds for the purposes approved by the District's voters; and

B. The CEO shall have the responsibility, no less often than annually, to provide to the District's Board of Directors a written report which shall contain at least the following information:

1. The amount of the debt proceeds received and expended during the applicable reporting period; and
2. The status of the acquisition, construction or financing of the District's facility projects, as identified in any applicable bond measure, with the proceeds of the debt.

These reports may be combined with other periodic reports which include the same information, including but not limited to, periodic reports made to CDIAC, or continuing disclosure reports or other reports made in connection with the District's outstanding debt. These requirements shall apply only until the earliest of the following: (i) all the debt is redeemed, defeased or paid, but if the debt is refunded, such provisions shall apply until all such refunding bonds are redeemed or defeased, or (ii) all proceeds of the debt, or any investment earnings thereon, are fully expended.

C. The District shall post on the District website the Annual Report of the District's independent bond oversight committee, as applicable, which has been given the responsibility to review the expenditure of G.O. Bond proceeds to assure the community that all G.O. Bond funds have been used for the construction and renovation of District facilities, and not used for equipment or maintenance and operating expenses.

### **Reporting Requirements to the California Debt and Investment Advisory Commission**

The District shall comply with any reporting requirements of CDIAC, including those enumerated in California Government Code Section 8855, and those mentioned in the prior section of these Procedures entitled, "Use of Proceeds and Certain Reporting Requirements."

## **VI. Continuing Disclosure**

The District shall prepare or cause to be prepared appropriate disclosures as required by the Securities and Exchange Commission Rule 15c2-12, the federal government, the State of California, rating agencies, bond insurers, underwriters, bond counsel, investors, taxpayers, and other persons or entities entitled to disclosure to ensure compliance with applicable laws and regulations and agreements to provide ongoing disclosure. In acknowledgement of significant legal reform and changes to financial regulations in the United States following the 2008 financial crisis, the District may develop and provide Continuing Disclosure guidelines to District personnel, to ensure compliance with the law, reduce liability for misstatements and omissions, and reduce borrowing costs by promoting good investor relations. The District understands that for any publicly offered debt issued after February 27, 2019, it will need to determine whether to report as a significant event within ten (10) business days: (i) the incurrence of a *material* Financial Obligation (defined below), or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect Bond holders, if material and (ii) any default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.



*“Financial Obligation”* means: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term *“Financial Obligation”* does not include municipal securities as to which a final official statement has been provided to the Repository consistent with the Securities and Exchange Commission Rule 15c2-12.

The District prepares offering documents and enters into continuing disclosure agreements or certificates for its bonds and other financings that require annual updates of financial and operating data and filing of notices of certain events. Under Federal securities laws, the District must exercise due care in using public statements to sell bonds and other securities to avoid material misstatements or omissions of fact. Knowledge of any officer or employee of the District, as well as information contained in District files, may be imputed to the District. The Disclosure Policy applies when the District makes *“Public Statements,”* including statements or other communications intended or expected to be accessible to and relied upon by investors in connection with District bonds, notes or other debt securities. Examples of such Public Statements include official statements and solicitation statements; annual financial and operating data, event notices, and other information filed through the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (*“EMMA”*) system; website content; press releases, etc. The purposes of the Disclosure Policy include compliance with the law, reducing liability for any misstatements and omissions, reducing borrowing costs by promoting good investor relations and protecting the public from misstatements or omissions made by the District. The Disclosure Policy includes procedures to ensure complete and timely disclosure, responsiveness to inquiries made to the District, reasonable care in the preparation, dissemination, and filing of disclosure, the opportunity for Board review of documents and statements, and authorization for filings of required information.

The District shall make available its audited financial statements on its website, and Official Statements, if applicable, will be maintained on the EMMA website (or other site approved by the Securities and Exchange Commission) so long as District debt is outstanding, so that interested persons have a convenient way to locate major financial reports and documents pertaining to the District’s finances and debt.

Adopted: 11/9/2021


**NORTON ROSE FULBRIGHT**

November 4, 2021

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Dear Ms. Wasielewski:

Norton Rose Fulbright US LLP (“NRFUS” or the “Firm”) proposes to represent the Tehachapi Valley Health Care District (the “District”) as bond counsel in connection with the District’s outstanding bonded indebtedness, including the proposed issuance of General Obligation Refunding Bonds, refunding/refinancing the District’s General Obligation Bonds, 2009 Election, Series 2013 (the “Matter”). Our acceptance of that representation (the “Representation”) becomes effective upon the execution and return of the enclosed copy of this letter.

### **Terms of Engagement**

This letter sets out the terms of our engagement in the Representation. Certain of those terms are included in the body of this letter, and additional terms are contained in the attached document, entitled *Additional Terms of Engagement*. That document is expressly incorporated into this letter, and it should be read carefully. The execution and return of the enclosed copy of this letter constitutes an unqualified agreement to all the terms set forth in this letter and in the attached *Additional Terms of Engagement*.

It is understood and agreed that our engagement is limited to the Representation. We are not being retained as general counsel, and our acceptance of this engagement does not imply any undertaking to provide legal services other than those set forth in this letter.

### **Our Personnel Who Will Be Working on the Matter**

Maryann Goodkind, Peter Smith, Cliff Gerber and I will be working on the Matter, and you may call, write, or e-mail us whenever you have any questions about the Representation. Other firm personnel, including firm lawyers and paralegals, will participate in the Representation if, in our judgment, their participation is necessary or appropriate.

### **Our Legal Fees and Other Charges**

Our fees for the Matter will be comprised of (1) a fixed fee of \$75,000 contingent on the initial closing of the Matter, plus expenses not-to-exceed \$5,000, along with (2) our discounted municipal hourly rates for legal services related to the conversion of the General Obligation Refunding Bonds to a tax-exempt interest rate, currently projected to occur on or about the year 2023 and related tax work (current hourly rates range from \$315 for paralegals, \$395 for

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Counsel, \$420 for Associates, \$685 for Partners and \$735 for Tax Partners). With the exception of the contingent fees paid at closing, the hourly rate fees and expenses are payable monthly upon invoice. The fees and expenses pertain to the ordinary and customary services for municipal public finance matters. They do not include Additional Services. "Additional Services" would include, but are not limited to services performed which are occasioned by litigation, audits by the Internal Revenue Service or other similar matters, opinions related to "Special Revenues," etc. and would typically be billed at our full hourly rates. No "Additional Services" will be undertaken without the written direction of the District. Expenses are billed at actual cost.

**Conflicts of Interest and Waiver**

Before accepting the Representation, we have undertaken reasonable and customary efforts to determine whether there are any potential conflicts of interest that would bar our firm from representing the District in the Matter. We understand that the District has entered into a Master Facilities Lease with **Adventist Health Medical Center Tehachapi** in connection with the acquisition, financial responsibility for the completion of construction and operation of the District's hospitals. Please be advised that our Firm also represents Adventist Health and we have asked them to provide a written waiver in connection with the Representation. We reviewed that issue in accordance with the rules of professional responsibility adopted in the State of California. We believe that those rules, rather than the rules of any other jurisdiction, are applicable to the Representation; and the execution and return of the enclosed copy of this letter by you represents an express agreement to the applicability of those rules by the District.

By signing below, the District confirms that it waives any actual or potential conflicts that may arise in the course of our representation of the District in the Matter. Such waiver is expressly limited to the Matter, and by signing this letter, the District will not be waiving any actual or potential conflicts with respect to any other matters. Additionally, by signing the this letter, the District will not be precluded from using the services of Norton Rose on matters other than the Matter.

We do not disclose non-public information about our clients or former clients to anyone, except as permitted by law and applicable rules of professional conduct. The waiver does not permit unauthorized disclosure or use of any client confidences. We will preserve the confidentiality of any confidential information that the District provides to us in the course of our representing it and will not disclose or use any such information for the benefit of any other client.

In the event of a formal claim by the District against Adventist Health or a complaint is initiated by the District against Adventist Health in connection with the Matter, Norton Rose has agreed that it will not represent the District in such claim or any lawsuit that may arise as a result of the filing of such complaint against Adventist Health.

NRFUS represents a wide range of clients engaged in the municipal bond industry. In particular, the District should be aware that the Firm may represent or has represented certain Municipal Advisors/Financial Advisors and Underwriters, including **Piper Sandler & Co.**, the Placement Agent of the District's General Obligation Refunding Bonds transaction, and others in other municipal bond matters. We understand that you agree that this engagement shall not preclude the firm from undertaking the representation of others, provided such representation does not violate standards of professional responsibility.

November 4, 2021  
Page 3

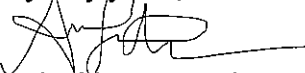
You understand that we represent many issuers, investment banking firms, commercial banks, municipal advisors and other parties to public finance transactions from time to time in connection with other issues, and you do not object to our continued representation (in connection with other issues) of any such firm, even if its interests are adverse to your own in those matters, since by doing so we are able to gain experience that is useful in representing you. If a controversy arises between you and any other client of our firm, we, after taking into account the rules of professional ethics applicable to us, may decline to represent either you or such other client or both you and such other client.

**Conclusion**

This letter and the attached *Additional Terms of Engagement* constitute the entire terms of the engagement of Norton Rose Fulbright US LLP in the Representation. These written terms of engagement are not subject to any oral agreements or understandings, and they can be modified only by further written agreement signed both by the District and Norton Rose Fulbright US LLP. Unless expressly stated in these terms of engagement, no obligation or undertaking shall be implied on the part of either the District or Norton Rose Fulbright US LLP.

Please carefully review this letter and the attached *Additional Terms of Engagement*. If there are any questions about these terms of engagement, please let me know immediately. If both documents are acceptable, please sign and return the enclosed copy of this letter so that we may commence the Representation.

Very truly yours,



Ann La Morena Rohlin, Partner

Tehachapi Valley Health Care District Agrees to and Accepts this Letter and the Attached Terms of Engagement:

By: \_\_\_\_\_ Date: \_\_\_\_\_, 2021  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## **NORTON ROSE FULBRIGHT US LLP**

### ***Additional Terms of Engagement***

This is a supplement to our engagement letter, dated November 4, 2021. The purpose of this document is to set out additional terms of our agreement to provide the representation described in our engagement letter (the "Representation") concerning the matters described in our engagement letter (the "Matter"). Because these additional terms of engagement are a part of our agreement to provide legal services, you should review them carefully and should promptly communicate to us any questions concerning this document. We suggest that the District retain this statement of additional terms along with our engagement letter.

### ***The Scope of the Representation***

As lawyers, we undertake to provide representation and advice on the legal matters for which we are engaged. It is important for our clients to have a clear understanding of the legal services that we have agreed to provide. Thus, if there are any questions about the scope of the Representation that we are to provide in the Matter, please raise those questions promptly, so that we may resolve them at the outset of the Representation.

Any expressions on our part concerning the outcome of the Representation, or any other legal matters, are based on our professional judgment and are not guarantees. Such expressions, even when described as opinions, are necessarily limited by our knowledge of the facts and are based on our views of the state of the law at the time they are expressed.

Upon accepting this engagement on the District's behalf, Norton Rose Fulbright US LLP agrees to do the following: (1) provide legal counsel in accordance with these terms of engagement and the related engagement letter, and in reliance upon information and guidance provided by the District; and (2) keep you reasonably informed about the status and progress of the Representation.

To enable us to provide effective representation, you and the District agree to do the following: (1) disclose to us, fully and accurately and on a timely basis, all facts and documents that are or might be material or that we may request, (2) keep us apprised on a timely basis of all developments relating to the Representation that are or might be material, (3) attend meetings, conferences, and other proceedings when it is reasonable to do so, and (4) otherwise cooperate fully with us.

Our firm has been engaged to provide legal services in connection with the Representation in the Matter, as specifically defined in our engagement letter. After completion of the Representation, changes may occur in the applicable laws or regulations that could affect the District's future rights and liabilities in regard to the Matter. Unless we are actually engaged after the completion of the Representation to provide additional advice on such issues, the firm has no continuing obligation to give advice with respect to any future legal developments that may pertain to the Matter.

It is our policy and the District's agreement that the person or entity that we represent is the one identified in our engagement letter, and that our attorney-client relationship does not include any related persons or entities.

It is further agreed that the attorney-client relationship terminates upon our completion of the services for which we have been retained in the Representation.

### ***Who Will Provide the Legal Services***

As our engagement letter confirms, Norton Rose Fulbright US LLP will represent the District in the Matter. Norton Rose Fulbright US LLP is a registered limited liability partnership under Chapter 152 of the Texas Business Organizations Code.

Although our firm will be providing legal services, each client of the firm customarily has a relationship principally with one attorney, or perhaps a few attorneys. At the same time, however, the work required in the Representation, or parts of it, may be performed by other firm personnel, including lawyers and paralegals. Such delegation may be for the purpose of involving other firm personnel with experience in a given area or for the purpose of providing services on an efficient and timely basis.

### ***Our Relationships With Others***

Our law firm represents many companies and individuals. In some instances, the applicable rules of professional conduct may limit our ability to represent clients with conflicting or potentially conflicting interests. Those rules of conduct often allow us to exercise our independent judgment in determining whether our relationship with one client prevents us from representing another. In other situations, we may be permitted to represent a client only if the other clients consent to that representation.

Rules concerning conflicts of interest vary with the jurisdiction. To avoid any uncertainty, it is our policy that the governing rules will be those applicable to the particular office of our firm that prepares the engagement letter for a particular matter. The acceptance by the District of our engagement letter constitutes an express agreement with that policy, unless the engagement letter specifically states that some other rules of professional responsibility will govern our attorney-client relationship.

If a controversy unrelated to the Matter develops between the District and any other client of the firm, we will follow the applicable rules of professional responsibility to determine whether we may represent either the District or the other client in the unrelated controversy.

From time to time, our firm may concurrently represent one client in a particular case or matter and, at the same time, our firm may be asked to represent an adversary of that same client in an unrelated case or matter. We would consider doing so only if it is our professional judgment that the firm could undertake the concurrent representation impartially and without any adverse effect on the responsibilities that the firm has to either client.

With respect to any such issues that may relate to the Representation, we agree to exercise our professional judgment in accordance with the governing rules pertaining to conflicts of interest. At the same time, it is agreed that the District will consent to our representation of other clients in such circumstances if the request for consent is reasonable.

In addition to our representation of other companies and individuals, we also regularly represent lawyers and law firms. As a result, opposing counsel in the Matter may be a lawyer or law firm that we may represent now or in the future. Likewise, opposing counsel in the Matter may represent our firm now or in the future. Further, we have professional and personal relationships with many other attorneys, often because of our participation in bar associations and other professional organizations. It is our professional judgment that such relationships with other attorneys do not adversely affect our ability to represent any client. The acceptance of these terms of engagement represents an unqualified consent to any such relationships between our

firm and other lawyers or law firms, even counsel who is representing a party that is adverse to the District in the Matter that is the subject of this engagement or in some other matter.

### ***Communications and Confidentiality***

We have available Internet communication procedures that allow our attorneys to use e-mail for client communications in many instances. Accordingly, unless the District specifically directs us otherwise, we may use unencrypted e-mail sent on the Internet to communicate with the District and to send documents we have prepared or reviewed.

We recognize our obligation to preserve the confidentiality of attorney-client communications as well as client confidences, as required by the governing rules of professional responsibility. If the Matter involves transactions, litigation or administrative proceedings or like proceedings in which we appear as counsel of record for the District in publicly available records, we reserve the right to inform others of the fact of our representation of the District in the Matter and (if likewise reflected of record in publicly available records) the results obtained, unless the District specifically directs otherwise.

Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa Inc., each of which is a separate legal entity, are members in Norton Rose Fulbright Verein, a Swiss verein that does not itself provide legal services. Although the members in Norton Rose Fulbright remain separate legal entities, we operate as a single legal practice. We share with other members non-privileged information about our practice and clients for research, practice management, training, administrative and other business purposes. Confidentiality agreements are in place among all members. If you have any concerns about this sharing of non-privileged information that relates to you, please promptly notify us so that we can address your concerns.

### ***Disclaimer***

Norton Rose Fulbright US LLP has made no promises or guarantees to the District about the outcome of the Representation or the Matter, and nothing in these terms of engagement shall be construed as such a promise or guarantee.

### ***Termination***

At any time, the District may, with or without cause, terminate the Representation by notifying us of the District's intention to do so.

We are subject to the codes or rules of professional responsibility for the jurisdictions in which we practice. There are several types of conduct or circumstances that could result in our withdrawing from representing a client, including, for example, the following: non-payment of fees or charges; misrepresentation or failure to disclose material facts; fraudulent or criminal conduct; action contrary to our advice; and conflict of interest with another client. The right of Norton Rose Fulbright US LLP to withdraw in such circumstances is in addition to any rights created by statute or recognized by the governing rules of professional conduct. Further, a failure by the District to meet any obligations under these terms of engagement shall entitle us to terminate the Representation. We try to identify in advance and discuss with our clients any situation that may lead to our withdrawal.

In the event of termination of the Representation, the District will take all steps necessary to release Norton Rose Fulbright US LLP of any further obligations in the Representation or the Matter, including without limitation the execution of any documents necessary to effectuate our withdrawal from the Representation or the Matter.

#### ***Billing Arrangements and Terms of Payment***

Our engagement letter specifically explains our fees for services in the Matter. We will give notice if an account becomes delinquent, and it is further agreed that any delinquent account must be paid upon the giving of such notice. If the delinquency continues and the District does not arrange satisfactory payment terms, we may withdraw from the Representation and pursue collection of our account.

#### ***Document Retention***

At the close of any matter, we send our files in that matter to a storage facility for storage at our expense. The attorney closing the file determines how long we will maintain the files in storage. After that time, we will destroy the documents in the stored files.

At the conclusion of the Representation, we return to the client any documents that are specifically requested to be returned. As to any documents so returned, we may elect to keep a copy of the documents in our stored files.

#### ***Charges for Other Expenses and Services***

Typically, our invoices will include amounts, not only for legal services rendered, but also for other expenses and services. Examples include charges for extraordinary photocopying, travel and conference expenses, messenger deliveries, and computerized research. In addition, we reserve the right to send the District for direct payment any invoices delivered to us by others, including any vendors.

In situations where we can readily determine the exact amount of expenses for products and services provided by third parties to be charged to the District's account, our invoices will reflect the cost to us of the products and services. In many situations, however, the precise total cost of providing a product or service is difficult to establish, in which case we will use our professional judgment on the charges to be made for such product or service, which charges may vary from or exceed our direct cost of such product or service. In some situations, we can arrange for ancillary services to be provided by third parties with direct billing to the client.

#### ***Grant of Lien***

A lien is hereby granted by the District on any and all causes of action that the District may assert in any court action brought by Norton Rose Fulbright US LLP on the District's behalf under these terms of engagement. Such lien will be in addition to all other rights of Norton Rose Fulbright US LLP to receive sums owing from the District under these terms of engagement.



**CONTRACT FOR PROFESSIONAL MUNICIPAL ADVISORY SERVICES BY AND  
BETWEEN THE TEHACHAPI VALLEY HEALTHCARE DISTRICT AND  
CFW ADVISORY SERVICES, LLC**

This contract ("Contract") is entered into this \_\_\_ day of \_\_\_\_\_ 2021, and is made by and between CFW Advisory Services, LLC and the Tehachapi Valley Healthcare District of Kern County.

**RECITALS**

WHEREAS, the Tehachapi Valley Healthcare District (hereinafter, "District"), a California Healthcare District located in Kern County (hereinafter, "County"), is seeking to enter into a Contract with CFW Advisory Services, LLC. (hereinafter, "CFW") for professional municipal advisory services for the purpose of issuing municipal securities;

WHEREAS, an affiliate company, Caldwell Flores Winters, Inc., provides professional consultant services for facilities planning and assessments, educational program consulting, State aid grants for the modernization and construction of school facilities, election services for bond/parcel tax campaign committees, and program implementation services for facilities and educational programs;

WHEREAS, the District has previously contracted under separate agreement with an affiliate company, Caldwell Flores Winters, Inc. for the provision of financial advisory services and acknowledges such agreement;

WHEREAS, the District has contracted under a separate agreement with CFW for Annual Continuing Disclosure and Debt Reporting Services and acknowledges such agreement;

WHEREAS, CFW may provide an integrated delivery method for these services for which the District has been apprised and may contract over time in whole or in part for these services by separate agreements or through its affiliate company, Caldwell Flores Winters, Inc.;

WHEREAS, the District desires to engage CFW for advice, counsel and assistance as its municipal advisor to structure and restructure existing debt, provide interim financing solutions, and issue new debt, all to achieve the short and long-term facilities objectives of the District;

WHEREAS, the District understands that the municipal advisory services provided by CFW are governed by the U.S. Securities and Exchange Commission ("SEC") and the Municipal Securities Rulemaking Board ("MSRB");

WHEREAS, CFW is registered with the SEC and the MSRB as a municipal advisor;

WHEREAS, the District has determined that it cannot provide through its own personnel the services to be performed by CFW under this Contract, the services provided by CFW are exempt from Public Contract Code section 20111, and the District has fully complied with its policies, bylaws, rules, and/or procedures for entering into this Contract;

NOW THEREFORE, for good and valuable consideration of the covenants set forth herein and other good and valuable consideration, the receipt and adequacy of which is acknowledged by the District and CFW (hereinafter, "Parties"), the Parties agree as follows:

## CONTRACT

### **I. CONSULTANT SERVICES**

CFW Advisory Services, LLC agrees to provide the District with professional consulting services consisting primarily of municipal advisory services as that term is defined by the Dodd-Frank Wall Street Reform and Consumer Protection Act and rules and regulations adopted by the SEC and the MSRB. Exhibit A to this Contract, incorporated herein by reference, sets forth the Scope of Work to be provided by CFW. CFW does not provide legal, accounting or tax advice with respect to the issuance of municipal securities or the structure thereto. The District will be required to retain the services of Bond Counsel and Disclosure Counsel to advise it with respect to the authority and required disclosures to issue municipal securities, including tax treatment. CFW shall not have any decision-making authority with respect to the issuance of municipal securities, as the District is the sole decision-maker with respect to the process for issuing and selling its municipal securities.

### **II. DISTRICT COOPERATION**

The successful issuance of new debt instruments or refunding of existing debt instruments (hereinafter, the "Transaction") will require the District to assemble a team of professionals (hereinafter, "Finance Team") consisting of legal counsel, underwriter, trustee and in some cases a paying agent. The District agrees to retain the Finance Team professionals or authorize the retention of these professionals to complete the transaction. CFW may also request that representatives from the County Office of Education and the County participate at various times during the financing process.

The Transaction requires a review of existing documentation and District information. The issuance process requires a disclosure in the form of an Official Statement that accurately represents District information, debt structure and other related information to the public and the investors. Bond Counsel, Disclosure Counsel, if any, and the Underwriter are responsible for preparing the Official Statement and documents to issue debt.

The District agrees to cooperate with CFW and the Finance Team to provide all the necessary District information, records and data necessary to structure the debt, complete the Official Statement and prepare the transaction documentation. Furthermore, the District agrees to provide CFW and members of the Finance Team the opportunity to consult with District personnel as necessary.

The District further agrees to provide complete and accurate information on a timely basis. The District recognizes that CFW and the Finance Team will be relying on the District's information without further independent verification for purposes of the structuring of the debt.

### **III. CONFIDENTIALITY OF INFORMATION**

CFW recognizes that information related to the services provided by CFW may be deemed public information and subject to be published and/or disclosed to the public as determined and directed by the District and/or State Law. Under this Contract, it shall be the

responsibility of the District to make such determination of whether a particular document or other tangible information is subject to disclosure and to disclose said information at the appropriate time. Subject to that determination, CFW shall regard all information received during the performance of services pursuant to this Contract and all information produced by CFW as confidential and shall not disclose such information to any other person or party without prior consent of the District. Upon written determination by the District of information to be published and/or disclosed to the public, CFW will cooperate to the extent possible to disclose or publish that information consistent with State Law.

#### **IV. TERM**

The Parties have agreed to a term ending on September 30, 2026, a period of time recognized as necessary to issue the Transactions contemplated by the Parties. The Term of this Contract shall commence upon approval by the Board of Directors of the Tehachapi Valley Healthcare District (Governing Board) and execution by the Superintendent and shall continue through this date. The Parties recognize that the long-term consistent management of the District's debt portfolio is an important objective of the Governing Board. The District may choose to extend or renew the term of this Contract by a written instrument, mutually agreed to by the Parties and approved by the Governing Board.

#### **V. FEE FOR FINANCIAL ADVISORY SERVICES**

The District agrees to compensate CFW for the professional services contemplated under Article I of this Contract and Exhibit A attached hereto based on the following fee schedule. The fees and expenses shall be payable at the time of the sale of the securities.

##### **A. Services to Issue Municipal Securities/Bonds**

The District agrees to compensate CFW a fee of \$75,000 for the services set forth in Exhibit A related to the issuance of municipal securities/bonds, including General Obligation Bonds, Certificates of Participation, and other similar Bond Issuances.

The Fee set forth herein shall be payable solely from proceeds of the sale of the municipal securities, or from any other legally available funds upon the successful completion and sale of the particular instrument contemplated by the Parties.

##### **B. Expenses**

All expenses incurred on behalf of the completion of the approved scope of work by CFW shall be reimbursed at their direct cost plus ten percent (10%) by the District.

#### **VI. DISCLOSURE REGARDING POTENTIAL CONFLICTS OF INTEREST**

As a registered municipal advisor CFW is required to disclose to the District potential conflicts of interest and other information regarding CFW's registration, including where to locate CFW's registration information on the SEC's EDGAR system. CFW's required disclosures are included as Exhibit B to this Contract, incorporated herein by reference. Any additional disclosures made by CFW to update the disclosures contained in Exhibit B are also incorporated by reference to this Contract.

## **VII. INTEGRATED CONTRACT**

This Contract in its entirety represents a full and complete understanding of every kind or nature whatsoever between the parties hereto related to Municipal Advisory Services and replaces or supersedes any and all preliminary negotiations, representations or implied covenants inconsistent with the terms of this Contract.

## **VIII. TERMINATION**

In the event CFW fails or refuses to reasonably perform the provisions of the scope of work, the District may declare a default in the performance of the terms of this Contract by providing written notice specifying the nature of the default and the steps necessary to cure the default. CFW shall be provided a period of no less than twenty-one (21) calendar days from the date of the notice to cure the default. The Parties may also agree to mutually terminate this Contract by a writing reflecting the agreement.

CFW may withdraw from its representation of the District upon written notice to the District subject to any fiduciary duty or duty of care that may require CFW to continue to represent the District until an appropriate replacement is identified. The timeline for determining an appropriate replacement will depend on the status of the transaction at the time of withdrawal.

## **IX. NOTICES**

All notices, demands, requests or approvals to be given under this Contract shall be given in writing and shall be deemed served when delivered personally or on the fifth business day after the deposit thereof in the United States Mail, postage prepaid, registered or certified, addressed as provided below.

Tehachapi Valley Healthcare District  
ATTN: Chet Beedle, CFO  
116 W E Street  
Tehachapi, CA 93561

CFW Advisory Services, LLC.  
ATTN: Emilio A. Flores, Partner  
6425 Christie Avenue, Suite 270  
Emeryville, CA 94608

## **X. DISPUTE RESOLUTION**

Any dispute, claim or controversy arising out of or relating to this Contract or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this Contract to arbitrate, shall first be submitted to mediation, and if the matter is not resolved through mediation then to arbitration in Alameda County before one arbitrator. The arbitration shall be administered by an organization mutually agreeable by the parties or pursuant to California Code of Civil Procedure section 1280 et. seq. Judgment on the

award may be entered in any court having jurisdiction. This clause shall not preclude parties from seeking provisional remedies in aid of arbitration from an appropriate court. The prevailing party in the arbitration shall be entitled to its reasonable attorneys' fees and costs. All fees and costs for mediation and arbitration shall be split equally.

**XI. CONSULTANT NOT AN EMPLOYEE OF THE DISTRICT**

CFW and its employees shall have no authority to contract on behalf of the District and shall not represent itself as having such authority. It is expressly understood and agreed by the Parties that CFW, while engaged in carrying out and complying with any terms and conditions of this contract, is an independent contractor and not an officer, agent or employee of aforesaid District.

**XII. PREVAILING LAW**

This Contract shall be interpreted and shall be governed by California law.

**XIII. ASSIGNMENT**

CFW reserves the right to assign this Contract in whole or in part to any successor-in-interest or assignee with the approval of the District. Such approval shall not be unreasonably withheld by the District.

**XIV. ATTORNEY'S FEES**

In the event that any action or proceeding, including any arbitration, is brought to enforce the provisions of this Contract, the prevailing party shall be entitled to all costs of enforcement, including but not limited to, said party's reasonable attorney fees.

**XV. APPROVAL**

In executing this Contract, persons signing on behalf of CFW or District represent that each has the authority to do so. This Contract shall not be executed by the District until such time as the Governing Board has approved and authorized its execution.

This Contract is hereby agreed to and executed on this \_\_\_\_\_ day of \_\_\_\_\_ 2021.

**AGREED:**

\_\_\_\_\_  
Emilio A. Flores, Partner  
CFW Advisory Services, LLC.

\_\_\_\_\_  
Carloine Wasielewski, CEO  
Tehachapi Valley Healthcare District

**EXHIBIT A**  
**SCOPE OF WORK**

CFW agrees to provide the following scope of work for the District:

**I. Services to Issue Municipal Securities**

For all municipal securities financing transactions, CFW shall provide the following professional consulting services related to its obligations as a municipal advisor:

- a. Assist District in selection of consultants and team members ("Finance Team"), including underwriters, as directed by the District
- b. Research and analyze the current market for municipal securities and work with the Finance Team to establish a structure for the issue, review the need for credit enhancement and ratings, and establish a timeline for the sale of the bonds
- c. Prepare rating agency presentation or information packet; assist District staff in preparing for the meeting or conference call with rating analysts if required; schedule and participate in the presentation to analysts, if necessary, and provide follow up responses to the rating agency as required
- d. Work with the financing team to seek credit enhancement, if required
- e. Review of financial aspects of legal documents to confirm that they match proposed financing plan
- f. Work with the financing team to prepare a revenue line to support the amount of municipal securities to be sold, review pre-pricing interest rates and terms by underwriter
- g. Participate in the final pricing and sale of securities to the underwriter, provide a review of the proposed interest rates, and coordinate execution of purchase contract
- h. Prepare a wrap up presentation summarizing the bond sale and attend a board meeting to present the same, if requested by the District as needed
- i. Provide ongoing updates to the District staff and Board, as requested
- j. Assist the staff in the planning for the issuances, as requested

Unless otherwise provided above, CFW is not responsible for preparing any preliminary or final official statement, or for certifying as to the accuracy or completeness of any preliminary or final official statement, other than with respect to any information about CFW provided by CFW for inclusion in such documents.

## EXHIBIT B

### DISCLOSURES REQUIRED BY THE MUNICIPAL SECURITIES RULEMAKING BOARD RULES G-10 & G-42 FROM MUNICIPAL ADVISORS TO MUNICIPAL ENTITY CLIENTS OR OBLIGATED PERSONS

The Municipal Securities Rulemaking Board (MSRB) requires CFW Advisory Services, LLC. ("CFW Advisory Services"), as a registered municipal advisor, to provide written disclosure to Municipal Entity Clients ("Clients"), or potential Clients, about the actual or potential conflicts of interest that may arise during CFW Advisory Services' representation of a Client as well as other disclosures described below. To the extent any material conflicts of interest arise after the date of this disclosure, CFW Advisory Services will provide information with respect to such conflicts in the form of a written supplement its Clients. Some of this information may already be included in the written contract between CFW Advisory Services and its Clients for municipal advisory services. The specific disclosures are provided in the sections below:

#### **The Form and Basis of Compensation:**

CFW Advisory Services is typically compensated a fixed fee for the provision of municipal advisory services, as is presented in the written contract to provide these services between CFW Advisory Services and its Clients. No revision to that fee structure is proposed by this disclosure. In some cases, the fee amount for a transaction may be adjusted by mutual agreement between CFW Advisory Services and its Clients. In addition, CFW Advisory Services may occasionally use a different form of compensation to provide services. Alternate forms of compensation present a potential conflict of interest; this information is described below:

**Fixed fee:** Under a fixed fee form of compensation, the municipal advisor is paid a fixed amount established at the outset of the transaction. The amount is usually based upon an analysis by the client and the advisor of, among other things, the expected duration and complexity of the transaction and the agreed-upon scope of work that the advisor will perform. This form of compensation presents a potential conflict of interest because, if the transaction requires more work than originally contemplated, the advisor may suffer a loss. Thus, the advisor may recommend less time-consuming alternatives, or fail to do a thorough analysis of alternatives. There may be additional conflicts of interest if the municipal advisor's fee is contingent upon the successful completion of a financing, as described below. CFW Advisory Services manages and mitigates this conflict primarily by adherence to the fiduciary duty that it owes to its Clients that requires it to put the interests of a Client above and ahead of CFW Advisory Services' interests.

**Hourly fee:** Under an hourly fee form of compensation, the municipal advisor is paid an amount equal to the number of hours worked by the advisor times an agreed-upon hourly billing rate. This form of compensation presents a potential conflict of interest if the client and the advisor do not agree on a reasonable maximum amount at the outset of the engagement, because the advisor does not have a financial incentive to recommend alternatives that would result in fewer hours worked. In some cases, an hourly fee may be applied against a retainer (e.g., a retainer payable monthly), in which case it is payable whether or not a financing closes. Alternatively, it may be contingent upon the successful completion of a financing, in which case there may be additional conflicts of interest, as described below. While CFW Advisory Services does not typically provide municipal

advisory services on an hourly fee basis, it may do so from time to time. In such cases, CFW Advisory Services manages and mitigates this conflict primarily by adherence to the fiduciary duty that it owes to its Clients that requires it to put the interests of a Client above and ahead of CFW Advisory Services' interests.

**Fee contingent upon the completion of a financing or other transaction:** Under a contingent fee form of compensation, payment of an advisor's fee is dependent upon the successful completion of a financing or other transaction. Although this form of compensation may be customary, it presents a conflict because the advisor may have an incentive to recommend unnecessary financings or financings that are disadvantageous to the client. For example, when facts or circumstances arise that could cause the financing or other transaction to be delayed or fail to close, an advisor may have an incentive to discourage a full consideration of such facts and circumstances, or to discourage consideration of alternatives that may result in the cancellation of the financing or other transaction. CFW Advisory Services manages and mitigates this conflict primarily by adherence to the fiduciary duty that it owes to its Clients that requires it to put the interests of a Client above and ahead of CFW Advisory Services' interests.

**Fee paid under a retainer agreement:** Under a retainer agreement, fees are paid to a municipal advisor periodically (e.g., monthly) and are not contingent upon the completion of a financing or other transaction. Fees paid under a retainer agreement may be calculated on a fixed fee basis (e.g., a fixed fee per month regardless of the number of hours worked) or an hourly basis (e.g., a minimum monthly payment, with additional amounts payable if a certain number of hours worked is exceeded). A retainer agreement does not present the conflicts associated with a contingent fee arrangement (described above) but may present other issues for client consideration. CFW Advisory Services manages and mitigates this conflict primarily by adherence to the fiduciary duty that it owes to its Clients that requires it to put the interests of a Client above and ahead of CFW Advisory Services' interests.

**Fee based upon principal or notional amount and term of transaction:** Under this form of compensation, the municipal advisor's fee is based upon a percentage of the principal amount of an issue of securities (e.g., bonds) or, in the case of a derivative, the present value of or notional amount and term of the derivative. This form of compensation presents a conflict of interest because the advisor may have an incentive to advise the client to increase the size of the securities issue or modify the derivative for the purpose of increasing the advisor's compensation. CFW Advisory Services manages and mitigates this conflict primarily by adherence to the fiduciary duty that it owes to its Clients that requires it to put the interests of a Client above and ahead of CFW Advisory Services' interests.

Notwithstanding the above disclosure, CFW Advisory Services is a professional municipal advisory firm that, when retained, holds a fiduciary duty to its Clients, as defined by federal law, to its client and its actions are regulated by the United States Securities and Exchange Commission ("SEC") and the rules promulgated by the MSRB. CFW Advisory Services takes its duty and its responsibilities seriously and encourages you to ask questions and seek clarification when a question arises regarding a transaction or the fee associated with that transaction paid to CFW Advisory Services.



In the event that you have a concern or believe that there is a conflict of interest or breach of the fiduciary relationship, CFW Advisory Services encourages an open dialogue with a member of the senior management or the Managing Partner, Emilio A. Flores, to resolve the concern.

**Description of Any Legal and Disciplinary Events:**

CFW Advisory Services is registered as a “Municipal Advisor Firm” pursuant to Section 15b of the Securities Exchange Act and rules and regulations adopted by the United SEC and the MSRB. As part of this registration, CFW Advisory Services is required to disclose to the SEC information regarding criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation involving CFW Advisory Services. Pursuant to MSRB Rule G-42, CFW Advisory Services is required to disclose any legal or disciplinary events that are material to the District’s evaluation of CFW Advisory Services or the integrity of its management or advisory personnel.

There have been no disciplinary events or similar actions against CFW Advisory Services or its affiliates by the SEC, the MSRB or any other agency requiring disclosure. An affiliate of CFW Advisory Services, Caldwell Flores Winters, Inc., has disclosed one legal event to the SEC related to civil litigation by a municipal issuer related to the provision of municipal advisory services. Additional information about this claim may be found in found in Item 9 of the Form MA/A filed with the SEC, which is available at:

[\[https://www.sec.gov/Archives/edgar/data/1678293/000167829316000006/xslFormMA\\_X01/primary\\_doc.xml\]](https://www.sec.gov/Archives/edgar/data/1678293/000167829316000006/xslFormMA_X01/primary_doc.xml)

**Electronic Access to CFW Advisory Services’ Form MA and Each Form MA-I:**

Copies of CFW Advisory Services’ filings with the SEC can currently be found by accessing the SEC’s EDGAR system Company Search Page which is currently available at:

[\[https://www.sec.gov/edgar/searchedgar/companysearch.html\]](https://www.sec.gov/edgar/searchedgar/companysearch.html)

You may find the company’s filings by searching for either CFW Advisory Services, LLC or by our CIK number, which is 0001678293.

**Scope of Work, Means for Termination of the Municipal Advisory Relationship, or Withdrawal from the Municipal Advisory Relationship:**

The Scope of Work to be performed, provisions for the termination of the municipal advisory relationship, or withdrawal from the relationship are stated in the written contract with the District, and no subsequent revisions have currently been made.

**Affiliate Municipal Advisor**

Municipal advisory services may be provided by CFW Advisory Services and/or its affiliate, Caldwell Flores Winters, Inc. Caldwell Flores Winters, Inc. provides municipal advisory services and additional professional consulting services, including planning services, facilities assessments, State Aid services and facilities implementation services that are not municipal/financial advisory services. These services may be solicited from Caldwell Flores Winters, Inc. Upon request, Caldwell Flores Winters, Inc. will provide clients with a proposal, including fees, to provide said services.

**Investor Brochure (MSRB G-10) Disclosures:**

CFW Advisory Services is registered as a Municipal Advisor Firm pursuant to Section 15B of the Securities Exchange Act and rules and regulations adopted by the SEC and the MSRB.

The MSRB has made available on its website ([www.msrb.org](http://www.msrb.org)) a municipal advisory client brochure that describes the protections that may be provided by MSRB rules and how to file a complaint with the appropriate regulatory authority.

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**BOARD OF DIRECTORS  
TEHACHAPI VALLEY HEALTHCARE DISTRICT  
COUNTY OF KERN, STATE OF CALIFORNIA**

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE TEHACHAPI VALLEY  
HEALTHCARE DISTRICT AUTHORIZING THE ISSUANCE AND SALE OF THE  
DISTRICT'S GENERAL OBLIGATION REFUNDING BONDS,  
2009 ELECTION, 2021 SERIES A (CONVERTIBLE)**

Adopted October \_\_, 2021

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**BOARD OF DIRECTORS  
TEHACHAPI VALLEY HEALTHCARE DISTRICT  
COUNTY OF KERN, STATE OF CALIFORNIA**

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE TEHACHAPI VALLEY  
HEALTHCARE DISTRICT AUTHORIZING THE ISSUANCE AND SALE OF THE  
DISTRICT'S GENERAL OBLIGATION REFUNDING BONDS  
2009 ELECTION, 2021 SERIES A (CONVERTIBLE)**

**RESOLVED**, by the Board of Directors (the "Board") of the Tehachapi Valley Healthcare District (the "District"), as follows:

**WHEREAS**, at the November 3, 2009 election, the District received authorization by a vote in excess of two-thirds of the votes cast by eligible voters within the District, to issue \$50,000,000 principal amount of general obligation bonds (the "2009 Authorization") for the sole purposes of financing the acquisition or improvement of real property for hospital purposes;

**WHEREAS**, on June 13, 2013, the District issued its "Tehachapi Valley Healthcare District (Kern County, California) General Obligation Bonds, Election of 2009, Series 2013" (the "Prior Bonds"), in the original principal amount of \$50,000,000, issued for authorized hospital purposes pursuant to the 2009 Authorization, of which \$48,530,000 principal amount remains outstanding;

**WHEREAS**, pursuant to Article 9 (commencing with section 53550) and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and other applicable law (the "Act"), the District is authorized and empowered to issue general obligation refunding bonds to refund all or a portion of the Prior Bonds;

**WHEREAS**, this Board has determined that prudent management of the fiscal affairs of the District requires that it issue refunding bonds under the provisions of the Act;

**WHEREAS**, the District intends to issue general obligation refunding bonds pursuant to this Resolution and in conformity with the Act to provide for the defeasance and redemption of all of the outstanding Prior Bonds;

**WHEREAS**, in order to refund all or a portion of the Prior Bonds, it is desirable that the District issue one or more series of taxable or tax-exempt refunding bonds to be designated the "Tehachapi Valley Healthcare District (Kern County, California) General Obligation Refunding Bonds, 2009 Election" with such additional or other series designations as may be approved as herein provided (collectively, the "Bonds" and, if applicable, each series of Bonds, individually, a "Series of Bonds"), according to the terms and in the manner herein provided;

**WHEREAS**, pursuant to and in furtherance of the purposes of the District in order to refinance the Prior Bonds, the District intends to issue the Bonds the interest on which will be initially be included in the gross income of the owner for federal income tax purposes, and then,

subject to certain conditions, be converted at a later date such that the interest on the Bonds shall thereafter be excluded from income of the owners thereof for federal income tax purposes and exempt from State personal income taxes;

**WHEREAS**, the District desires to secure the timely payment of all or a portion of the principal of and interest on the Bonds by obtaining a bond insurance policy with respect thereto, if such a policy is available and determined to be economically advantageous;

**WHEREAS**, the moneys to pay and redeem the Bonds will be applied to such purpose pursuant to one or more Escrow Agreements by and between the District and the paying agent for the Prior Bonds, as paying agent and as escrow bank (each such Escrow Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as an "Escrow Agreement");

**WHEREAS**, the Board has determined that it is beneficial to arrange for the placement of the Bonds with a single purchaser (the "Purchaser") pursuant to a Placement Agent Agreement (such Placement Agent Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as a "Placement Agent Agreement") to be entered into with Piper Sandler & Co., as placement agent (the "Placement Agent"); and

**WHEREAS**, there have been prepared and submitted to this meeting forms of:

- (a) the Escrow Agreement;
- (b) the Placement Agent Agreement;
- (c) the Paying Agent Agreement; and
- (d) the Tax Conversion Agreement;

**WHEREAS**, California Government Code Section 5852.1 requires that the Board obtain from an underwriter, financial advisor or private lender and disclose, prior to authorization of the issuance of bonds with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the bonds, (b) the sum of all fees and charges paid to third parties with respect to the bonds, (c) the amount of proceeds of the bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the bonds, and (d) the sum total of all debt service payments on the bonds calculated to the final maturity of the bonds plus the fees and charges paid to third parties not paid with the proceeds of the bonds;

**WHEREAS**, in compliance with California Government Code Section 5852.1, the Board has obtained from CFW Advisory Services, LLC, as financial advisor and as municipal advisor under Section 15B of the Securities Exchange Act of 1934 (the "Municipal Advisor"), and from the Placement Agent the required good faith estimates and such estimates are disclosed and set forth in Section 5.06 herein;



**WHEREAS**, the District has previously adopted a local debt policy (the "Debt Management Policy") that complies with California Government Code Section 8855(i), and the District's sale and issuance of one or more Series of Bonds as contemplated by this Resolution is in compliance with the Debt Management Policy;

**WHEREAS**, this Board desires that the County levy and collect a tax on all taxable property within the District sufficient to provide for payment of each Series of Bonds, and intends by the adoption of this Resolution to notify the Board of Supervisors (the "Board of Supervisors") of Kern County, California (the "County"), the Auditor-Controller of the County (together with any authorized deputy thereof, the "County Auditor-Controller"), the Treasurer-Tax Collector of the County (together with any authorized deputy thereof, the "County Treasurer"), and other officials of each County that they should take such actions as shall be necessary to provide for the levy and collection of such a tax and payment of each Series of Bonds and such portion of the Prior Bonds as shall remain outstanding following the issuance of the related Series of Bonds;

**WHEREAS**, the Bonds shall be secured by a sole and exclusive statutory lien on and irrevocable pledge of the *ad valorem* tax or taxes levied for their repayment;

**WHEREAS**, the District desires to proceed to issue and sell one or more Series of Bonds and to authorize the execution of such documents and the performance of such acts as may be necessary or desirable to effect the offering, sale and issuance of each such Series of Bonds; and

**WHEREAS**, all acts, conditions and things required by the Constitution and laws of the State of California (the "State") to exist, to have happened and to have been performed precedent to and in connection with the consummation of the actions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such actions for the purpose, in the manner and upon the terms herein provided;

**NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE TEHACHAPI VALLEY HEALTHCARE DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:**

## ARTICLE I

### DEFINITIONS; AUTHORITY

Section 1.01. Definitions. The terms defined in this Section 1.01, as used and capitalized herein, shall, for all purposes of this Resolution, have the meanings ascribed to them below, unless the context clearly requires some other meaning.

“*Act*” means provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code, as is in effect on the date of adoption hereof and as amended hereafter.

“*Applicable Bond Rate*” means 3.25% prior to the Conversion Date and 2.50% on and after the Conversion Date.

“*Articles*,” “*Sections*” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Resolution, and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section or subdivision hereof.

“*Authorized Investments*” means any investments permitted by law to be made with moneys belonging to, or in the custody of, the District, but only to the extent that the same are acquired at Fair Market Value.

“*BAM*” shall mean Build America Mutual Assurance Company, or any successor thereto.

“*Board*” means the Board of Directors of the District.

“*Bond Counsel*” means Norton Rose Fulbright US LLP, or any attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax exempt status of securities issued by public entities.

“*Bond Register*” means the registration books for the Bonds maintained by the Paying Agent.

“*Bonds*” means the Tehachapi Valley Healthcare District (Kern County, California) General Obligation Refunding Bonds, 2009 Election, 2021 Series A (Convertible), at any time Outstanding pursuant to this Resolution.

“*Closing Date*” means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase of the Bonds by the Purchaser.

“*Code*” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“*Conversion Date*” means the first day of the month on or after the date on which the conditions to the conversion of the interest rate pursuant to Section 2.02(e) are satisfied, but such date shall not be prior to [August 3, 2023].

“*Costs of Issuance*” means all items of expense directly or indirectly reimbursable to the District relating to the issuance, execution and delivery of the Bonds including, but not limited to, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, legal fees and charges, fees and expenses of the Paying Agent, financial and other professional consultant fees, costs of obtaining credit ratings, fees for execution, transportation and safekeeping of the Bonds and charges and fees in connection with the foregoing.

“*County*” means Kern County, California.

“*Debt Service*” means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“*District Representative*” means the President of the Board, the Vice President of the Board, the Secretary of the Board, the Chief Executive Officer of the District, the Chief Financial Officer of the District, the Business Manager of the District, or their respective designee, and any other person authorized by this Resolution or other resolution of the Board to act on behalf of the District with respect to this Resolution and the Bonds.

“*Escrow Agreement*” means that certain Escrow Agreement, by and between the District and the Escrow Bank, relating to the defeasance of the Prior Bonds.

“*Escrow Bank*” means Wells Fargo Bank, N.A., as escrow bank under the Escrow Agreement.

“*Fair Market Value*” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the District and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“*Federal Securities*” means United States Treasury Bonds, bills or certificates of indebtedness or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

“*Interest Payment Date*” means, with respect to interest, May 1 and November 1 of each year commencing on May 1, 2022, and with respect to principal, November 1, of each year commencing on November 1, 2022, or as otherwise indicated in the Placement Agent Agreement.

“*Net Proceeds*,” when used with reference to the Bonds, means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any.

“*Outstanding*” means, when used as of any particular time with reference to Bonds, all Bonds except:

(a) Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of Section 9.02 hereof; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the District pursuant to this Resolution.

“*Owner*” or “*Bondowner*” mean any person who shall be the registered owner of any Outstanding Bond.

“*Paying Agent*” means Wells Fargo Bank, N.A., the Paying Agent appointed by the District and acting as paying agent, registrar and authenticating agent for the Bonds, or such other paying agent as shall be appointed by the District prior to the delivery of the Bonds, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 6.01 hereof.

“*Paying Agent Agreement*” means the Paying Agent/Bond Registrar/Costs of Issuance Agreement, dated the Closing Date, by and between the District and the Paying Agent.

“*Placement Agent*” shall mean Piper Sandler & Co.

“*Placement Agent Agreement*” shall mean the Placement Agent Agreement, by and between the District and Piper Sandler & Co, as Placement Agent, relating to the Bonds.

“*Pledged Revenues*” shall have the meaning given to that term in Section 3.04 of this Resolution.

“*Policy*” shall mean the Municipal Bond Insurance Policy issued by BAM that guarantees the scheduled payment of principal of and interest on the Bonds when due.

“*Principal Office*” means the principal corporate trust office of the Paying Agent in [Minneapolis, Minnesota].

“*Prior Bonds*” means the Tehachapi Valley Healthcare District (Kern County, California) General Obligation Bonds, Election of 2009, Series 2013, in the original principal amount of \$50,000,000, of which \$48,530,000 principal amount remains outstanding.

“*Purchaser*” shall mean Capital One Public Funding, LLC, as Purchaser of the Bonds, and any successor thereto or assign thereof.

“*Rebate Fund*” shall mean the Rebate Fund established pursuant to Section 3.05 of this Resolution.

“*Record Date*” means the 15<sup>th</sup> day of the month preceding each Interest Payment Date.

“*Regulations*” means temporary and permanent regulations promulgated under the Code.

“*Resolution*” means this Resolution, including all amendments hereto and supplements hereof which are duly adopted by the Board from time to time in accordance herewith.

“*Security Documents*” means the resolution, trust agreement, ordinance, loan agreement, bond, note and/or any additional or supplemental document executed in connection with the Bonds, including this Resolution and the Bonds.

“*Supplemental Resolution*” means any resolution supplemental to or amendatory of this Resolution, adopted by the District in accordance with Article VIII hereof.

“*Tax Agreement*” means the Tax Certificate and Agreement, to be executed and delivered by District on the Conversion Date, together with any supplements or certificates related thereto. All references to the Tax Agreement herein shall become effective upon such execution and delivery thereof.

“*Tax Conversion Agreement*” means the Tax-Exempt Bond Conversion Agreement defined in Section 2.02(e) hereof. The Tax Conversion Agreement shall become effective upon the execution and delivery thereof.

“*Taxable Bonds*” means those Bonds, which by their terms, bear interest that is not excluded from gross income for purposes of Federal income taxation.

“*Tax-Exempt Rate*” means the Applicable Bond Rate effective from and after the Conversion Date.

“*Tax-Exempt Bonds*” means any Bonds designated by an Authorized Officer of the District to be Tax-Exempt Bonds, which by the terms of such Bonds, bear interest that is excluded from gross income for purposes of Federal income taxation.

“*Term Bonds*” means those Bonds for which mandatory redemption dates have been established pursuant to the Placement Agent Agreement.

“*2004 Election Bonds*” mean, collectively, the outstanding General Obligation Bonds, 2004 Election, 2006 Series B, the outstanding General Obligation Bonds, 2004 Election, 2009 Series C and the outstanding General Obligation Refunding Bonds, 2004 Election, 2013 Series A.

“*Written Request of the District*” means an instrument in writing signed by the District Representative or by any other officer of the District duly authorized by the District and listed on a Written Request of the District for that purpose.

Section 1.02. Authority for this Resolution. This Resolution is entered into pursuant to the provisions of the Act.

## ARTICLE II

### THE BONDS

Section 2.01. Authorization. Bonds are hereby authorized to be issued by the District under and subject to the terms of the Act and this Resolution. The amount of Bonds shall be determined on the date of sale thereof as the amount of Bonds needed for the defeasance and redemption of the Prior Bonds and for the payment of Costs of Issuance in accordance with the Placement Agent Agreement. This Resolution constitutes a continuing agreement with the Owners of all of the Bonds issued or to be issued hereunder and then Outstanding to secure the full and final payment of principal of and the interest on all Bonds which may from time to time be executed and delivered hereunder, subject to the covenants, agreements, provisions and conditions herein contained. The Bonds shall be designated the “Tehachapi Valley Healthcare District (Kern County, California) General Obligation Refunding Bonds, 2009 Election, 2021 Series A,” with such insertions as shall be appropriate to describe the federally taxable or tax-exempt status, or as otherwise designated in the Placement Agent Agreement.

#### Section 2.02. Terms of the Bonds.

(a) *Form; Numbering.* The Bonds shall be issued as fully registered Bonds, without coupons, in the denomination of \$100,000 each or any integral multiple of \$1,000 in excess thereof, but in an amount not to exceed the aggregate principal amount of Bonds maturing in the year of maturity of the Bond for which the denomination is specified. Bonds shall be lettered and numbered as the Paying Agent shall prescribe.

(b) *Date of Bonds.* The Bonds shall be dated as of the Closing Date.

(c) *CUSIP Identification Numbers.* “CUSIP” identification numbers may be imprinted on the Bonds, but, if utilized, such numbers shall not constitute a part of the contract evidenced by the Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the Bonds. In addition, failure on the part of the District to use such CUSIP numbers in any notice to Owners of the Bonds shall not constitute an Event of Default (hereinafter defined) or any violation of the District’s contract with such Owners and shall not impair the effectiveness of any such notice.

(d) *Maturities; Interest.* The Bonds shall mature (or, alternatively, be subject to mandatory sinking fund redemption as hereinafter provided) and become payable on November 1 in the years and in the amounts set forth in, and subject to the alteration thereof permitted by, the Placement Agent Agreement, but shall mature no later than November 1, 2043. The Bonds shall bear interest at the Applicable Bond Rate, payable semi-annually on each Interest Payment Date.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is registered and authenticated as of an Interest Payment Date, in which event it shall bear interest from such date, or (ii) it is registered and authenticated prior to an Interest Payment Date and after the close of business on the fifteenth day of the month preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is registered and authenticated prior to April 15, 2022, in which event it shall bear interest from the date described in paragraph (b) of this Section 2.02; *provided, however*, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Bonds shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

(e) *Conversion to Tax-Exempt Rate.* At least 30 days prior to the Conversion Date, the District shall provide the Purchaser with notice of its request for Conversion. Within 15 days of receipt, the Purchaser shall respond with its acceptance or rejection. If the offer to convert to the Tax-Exempt Rate is accepted, the District and the Purchaser shall execute and deliver the Tax-Exempt Bond Conversion Agreement (the "Tax Conversion Agreement"), and subject to the conditions in (ii) below, the interest rate on the Bonds will convert from 3.25% to 2.50% (the "Conversion") on the Conversion Date. The Tax Conversion Agreement shall be in substantially the form attached hereto as Exhibit E.

(ii) The Conversion to the Tax-Exempt Rate shall not be effective unless all of the following conditions are met:

(1) The District and the Purchaser shall have executed and delivered on the Conversion Date the Tax Conversion Agreement;

(2) Bond Counsel shall have delivered on the Conversion Date an opinion of Bond Counsel, in a form reasonably acceptable to the District, that, as of the Conversion Date, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law;

(3) Bond Counsel shall have received the Tax Agreement, in a form reasonably acceptable to Bond Counsel, executed by the District, and sufficient to support its opinion described in subsection (2) above;

(4) A Form 8038 shall have been filed; and

(5) Bond Counsel shall have received a reliance letter with respect to an opinion of counsel to the District and such other certifications from the District and the Purchaser, including issue price certificates, as may be necessary to support its opinion described in subsection (2) above.

(iii) For so long as the conditions for the Conversion to the Tax-Exempt Rate have not been met such that the Conversion has not occurred, the Bonds shall continue to bear interest at the rate of 3.25%.

(iv) The Tax Conversion Agreement, in the form attached hereto as Exhibit E, together with any additions thereto or changes therein deemed necessary or advisable by a District Representative, is hereby approved by the Board. The District Representatives are hereby authorized and directed to execute the Tax Conversion Agreement for and in the name and on behalf of the District. The Board hereby authorizes the delivery and performance of the Tax Conversion Agreement.

(f) *Payment.* Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Paying Agent mailed via first-class mail to the Owner thereof at such Owner's address as it appears on the Bond Register on each Record Date or at such other address as the Owner may have filed with the Paying Agent for that purpose; provided however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Paying Agent at least five (5) days before the applicable Record Date. Principal of the Bonds is payable in lawful money of the United States of America at the Principal Office.

Notwithstanding anything herein to the contrary, so long as the Bonds are owned by the Purchaser, (i) the Paying Agent shall pay principal of, premium, if any, and interest on the Bonds when due by wire transfer in immediately available funds to the Purchaser in accordance with such wire transfer instructions as shall be filed by the Purchaser with the Paying Agent from time to time, and (ii) payments of principal on the Bonds shall be made without the requirement for presentation and surrender of the Bonds by the Purchaser.

### Section 2.03. Redemption.

(a) *Optional Redemption.* The Bonds are subject to optional redemption on the dates and at the redemption prices set forth in the Placement Agent Agreement. The District shall be required to give the Paying Agent written notice of its intention to redeem Bonds.

(b) *Mandatory Sinking Fund Redemption.* The Bonds shall be subject to mandatory sinking fund redemption on November 1 in each year, in the years and in the amounts specified in the Placement Agent Agreement. If some but not all of the Bonds shall be redeemed pursuant to the preceding subsection (a) of this Section 2.03, the aggregate principal amount of the Bonds to be redeemed in each year pursuant to this subsection (b) shall be reduced on a pro rata basis in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the District with the Paying Agent.

(c) *Notice of Redemption.* The Paying Agent on behalf and at the expense of the District shall mail (by first class mail) notice of any redemption to: (i) the respective Owners of any Bonds designated for redemption, at least twenty (20) but not more than sixty (60) days prior to the redemption date, at their respective addresses appearing on the Bond Register, and (ii) the Securities Depositories and to one or more Information Services, at least twenty (20) but not more than sixty (60) days prior to the redemption; *provided, however,* that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and



shall designate the CUSIP numbers, if any, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Principal Office for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Notwithstanding the foregoing, in the case of any optional redemption of the Bonds, the notice of redemption shall state that the redemption is conditioned upon receipt by the Paying Agent of sufficient moneys to redeem the Bonds on the scheduled redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Bonds have not been deposited with the Paying Agent. In the event that the Paying Agent does not receive sufficient funds by the scheduled optional redemption date to so redeem the Bonds to be optionally redeemed, the Paying Agent shall send written notice to the Owners, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of optional redemption was given shall remain Outstanding for all purposes.

(d) *Selection of Bonds for Redemption.* Whenever provision is made for the redemption of Bonds of more than one maturity, the Bonds to be redeemed shall be selected by the District evidenced by a Written Request of the District filed with the Paying Agent or, absent such selection by the District, on a *pro rata* basis among the maturities subject to redemption; and in each case, the Paying Agent shall select the Bonds to be redeemed within any maturity by lot in any manner which the Paying Agent in its sole discretion shall deem appropriate and fair. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 portions and such portions shall be treated as separate Bonds which may be separately redeemed.

(e) *Partial Redemption of Bonds.* In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the District shall execute and the Paying Agent shall authenticate and deliver to the Owner thereof, at the expense of the District, a new Bond or Bonds of the same maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed. Bonds need not be presented for mandatory sinking fund redemptions.

(f) *Effect of Redemption.* From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Resolution other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. All Bonds redeemed pursuant to this Section 2.03 shall be canceled and shall be destroyed by the Paying Agent.

Section 2.04. Form of Bonds. The Bonds, the form of the Paying Agent's certificate of authentication and registration and the form of assignment to appear thereon shall be substantially in the forms, respectively, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Resolution, as are set forth in Exhibit A attached hereto.

Section 2.05. Execution of Bonds. The Bonds shall be executed on behalf of the District by the manual or facsimile signatures of a District Representative and attested by the Secretary or Assistant Secretary of the Board who are in office on the date of adoption of this Resolution or at any time thereafter. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the Purchaser, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the Purchaser. Any Bond may be signed and attested on behalf of the District by such persons as at the actual date of the execution of such Bond shall be the proper officers of the District although at the nominal date of such Bond any such person shall not have been such officer of the District.

Only such Bonds as shall bear thereon a certificate of authentication and registration in the form set forth in Exhibit A attached hereto, executed and dated by the Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution, and such certificate of the Paying Agent shall be conclusive evidence that the Bonds so registered have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Resolution.

Section 2.06. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.08 hereof, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Office, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The Paying Agent shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond or Bonds shall be surrendered for transfer, the District shall execute and the Paying Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount.

No transfers of Bonds shall be required to be made (a) fifteen days prior to the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond after such Bond has been selected for redemption.

*Notwithstanding anything to the contrary herein, transfers of any Bond shall be limited to transfers of ownership or beneficial ownership, as applicable, to a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the "1933 Act"), who delivers, prior to any transfer, to the Paying Agent and the District either (i) a signed representation letter in the form appearing as an exhibit to the Placement Agent Agreement or (ii) a written acknowledgement that such purchaser is a "qualified institutional buyer" as defined in Rule 144A promulgated under the 1933 Act. Except in compliance with the applicable provisions of the 1933 Act, the Securities Exchange Act of 1934, as amended (the "1934 Act"), any rules and regulations promulgated under either the 1933 Act or the 1934 Act, and the applicable securities laws of any other jurisdiction, and in connection therewith, the Owner of the Bonds shall furnish to any purchaser of the Bonds all information required by applicable law. Any attempt to transfer any Bond without compliance with such restrictions will render such transfer of the Bond void.*

Section 2.07. Exchange of Bonds. Bonds may be exchanged at the Principal Office for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity.

The Paying Agent shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds shall be required to be made (a) fifteen days prior to the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond after such Bond has been selected for redemption.

Section 2.08. Bond Register. The Paying Agent shall keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as herein before provided.

Section 2.09. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the District, and may contain such reference to any of the provisions of this Resolution as may be appropriate. Every temporary Bond shall be executed by the District upon the same conditions and in substantially the same manner as the definitive Bonds. If the District issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Office and the Paying Agent shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits pursuant to this Resolution as definitive Bonds executed and delivered hereunder.

Section 2.10. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated the District, at the expense of the Owner of said Bond, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like maturity and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Paying Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Paying Agent shall be canceled by it and delivered to, or upon the order of, the District. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the District and, if such evidence be satisfactory to the District and indemnity satisfactory to it shall be given, the District, at the expense of the Owner, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like maturity and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The District may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the District and the Paying Agent in the premises. Any Bond issued under the provisions of this Section 2.10 in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the District whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Resolution with all other Bonds issued pursuant to this Resolution.

Section 2.11. Initial Registration; Book Entry System. The Bonds shall be initially executed and delivered in the form of a single fully registered Bond for each maturity date of the Bonds in the full aggregate principal amount of the Bonds maturing on such date.

Upon initial issuance, the ownership of each such Bond shall be registered in the Bond Register in the name of Cede & Co. (the "Nominee"), as nominee for The Depository Trust Company, New York, New York ("DTC"), or in the name of the nominee of the Purchaser or in the name of the Purchaser, as set forth in the Placement Agent Agreement. Except if the Bonds are registered in the name of the nominee of the Purchaser or the Purchaser or as provided in conditions noted below, the Paying Agent and the District may treat DTC (or the Nominee) as the sole and exclusive owner of the Bonds registered in its name for all purposes of this Resolution, and neither the Paying Agent nor the District shall be affected by any notice to the contrary. The Paying Agent and the District shall not have any responsibility or obligation to any participant of DTC (a "Participant"), any person claiming a beneficial ownership interest in the Bonds under or through DTC or a Participant, or any other person which is not shown on the register of the District as being an owner, with respect to the accuracy of any records maintained by DTC or any Participant or the payment by DTC or any Participant by DTC or any Participant of any amount in respect of the principal or interest with respect to the Bonds. With respect to Bonds registered in the Bond Register in the name of the Nominee, the Paying Agent shall cause to be paid all principal and interest with respect to the Bonds received from the District only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to the principal and interest with respect to the Bonds to the extent of the sum or sums so paid. Except under the conditions noted below, no person other than DTC shall receive a Bond. Upon delivery by DTC to the District of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the term "Nominee" in this Resolution shall refer to such new nominee of DTC.

In order to qualify the Bonds for DTC's book-entry system, the District is hereby authorized to execute and deliver or shall have executed and delivered to the Depository a letter from the District representing such matters as shall be necessary to so qualify the Bonds (the "DTC Letter"). The execution and delivery of the DTC Letter shall not in any way limit the provisions hereof or in any other way impose upon the District any obligation whatsoever with respect to persons having beneficial interests in the Bonds other than the Owners, as shown in the Bond Register. In addition to the execution and delivery of the DTC Letter, the District and the District Representatives are hereby authorized to take any other actions, not inconsistent with this Resolution, to qualify the Bonds for the DTC's book-entry program.

With respect to Bonds registered in the Bond Register in the name of the Nominee, if the District determines that it is in the best interest of the beneficial owners that they be able to obtain Bonds and delivers a written certificate to DTC to that effect, DTC shall notify the Participants of the availability through DTC of Bonds. In such event, the District shall issue, transfer and exchange Bonds as requested by DTC and any other owners in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the District shall be obligated to deliver Bonds as described in this Resolution. Whenever DTC requests the District to do so, the District will cooperate with DTC in taking appropriate action after reasonable notice