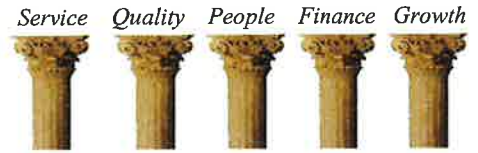




**HI-DESERT
MEDICAL CENTER**
HI-DESERT MEMORIAL HEALTH CARE DISTRICT



HI-DESERT MEMORIAL HEALTH CARE DISTRICT
SPECIAL
BOARD OF DIRECTORS REGULAR MEETING
MINUTES

March 25, 2015 at 6:00 p.m.
Helen Gray Education Center
6601 White Feather Road, Joshua Tree, CA 92252
760-366-6262

Mission Statement: *Hi-Desert Medical Center will provide superior service to improve the quality of life for people in the Morongo Basin*

Vision: *We are caring people providing extraordinary healthcare services.*

Core Values: *Integrity, Superior Service, Stewardship, Innovation, Teamwork, Dignity*

IN ATTENDANCE:

Board of Directors: Director Cooper, President
 Director Avels, Vice President
 Director Sullivan, Treasurer
 Director Doyle, Secretary
 Director Hoffman, Member-at-Large

Administrative Staff: Bob Tyk, CEO
 Robin Schmelling, Board Clerk

Media Mike Lipsitz, Z107.7
 Kurt Schauppner, The Desert Trail

Guests Jonathan J. Spees, Senior Vice President, The Camden Group

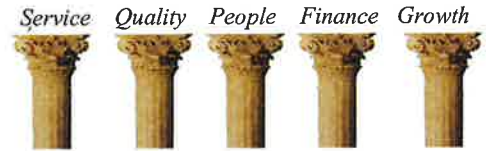
CALL TO ORDER

Director Cooper called the meeting to order at 6:03 pm.

ROLL CALL

Robin Schmelling, Board Clerk, conducted roll call:

Director Cooper: Present
Director Avels: Present
Director Sullivan: Present
Director Doyle: Present
Director Hoffman: Present



PLEDGE OF ALLEGIANCE:

Director Cooper asked Director Hoffman to lead the Pledge of Allegiance.

READING OF MISSION STATEMENT:

Mission Statement: Read by Director Doyle.

Vision Statement: Read by Director Avels.

Core Values: Read by Director Sullivan.

PUBLIC COMMENTS:

Director Cooper read the Public Comments parameters. No public comment. Mr. Tyk added that after Jon Spees makes his presentation, if the public wishes to address the board at the time, they can do so.

APPROVAL OF MEETING AGENDA:

▶▶ **MOTION 15—21:** Director Doyle moved to amend the agenda as presented to remove the closed session item. Director Sullivan seconded the motion. Director Avels, Director Hoffman and Director Cooper all voted in favor and the agenda was approved as amended.

PRESENTATION

Jon Spees presented a Transaction Update and Recommendation overview (copy attached in the minutes). Thousands of documents have been reviewed; negotiations have been extensive for both agreements. The lease agreement is a 30 year lease of real estate property and the purchase agreement that relates to everything that is not real estate.

Detailed terms and conditions have been generally consistent with the original Letter of Intent (LOI). Transition planning is now in progress, along with election planning and we are anticipating a June 30, 2015 closing.

Mr. Spees reviewed the general outlines of the agreements and presented his recommendation to the board of directors. Both agreements have been heavily negotiated, with no outstanding business issues; objectives have been met including access to QAF funding; access to increased financial strength; and there will be the added benefits of being part of a larger health care system. Mr. Spees recommends the board approve the transaction and approve the documents. It would also be his view that the board and community do this with a real sense of optimism of what this will bring to the community, the hospital and the medical staff. It was important they got the job done and correctly. In closing, Mr. Spees stated he wouldn't recommend moving forward if he didn't feel it was a reasonable transaction to approve. They have negotiated their best to protect the interests of employee's, community and medical staff.



PUBLIC COMMENTS:

Rebecca Unger – Joshua tree, CA

Ms. Unger thanked the board of directors and staff for all their hard work. She noted that Tenet Healthcare had recently become a member of the Joshua Tree Chamber of Commerce. She feels it certainly looks like a good deal. She inquired about the capital expenditure listing for \$17 million. Mr. Tyk explained that was a list HDMC provided to Tenet of close to \$17 million worth of items that were on our capital expenditure budget for the next 3 years. This included items such as new roofing, upgrading radiology suite, etc. The list will be provided for those present and put on the website. It is a flexible list as we move forward, and if we see there are more urgent items needed, the list can be adjusted. Ms. Unger inquired as to what “good standing” referred to with regard to keeping employees in good standing. Mr. Tyk responded if an employee is in final written warning, Tenet would have the option not to hire that person, but he doesn’t believe there are any employees at HDMC currently in that status.

ACTION ITEM:

1. ▶▶ Resolution No. 15-02: Resolution of the HI-Desert Memorial Health Care District Board of Directors Approving Lease and Purchase Agreements with an Affiliate of Tenet Health Care Corporation.

- *This action recommends the Board of Directors approve Resolution No. 15-02.*

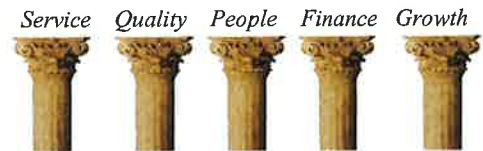
Mr. Tyk reported that Action Item #2 which calls for approval of Resolution 15-03, calling for the election, cannot be completed until the board has all of the final documents. The documents are finalized, but they are still gathering schedules together. Based on that information, the board will act on Action Item #1, adoption of Resolution No. 15-02 at this meeting and adjourn the meeting until March 26, 2015 at 6:00 p.m. at which time we will have the documents and the board can act on Action Item #2, adoption of Resolution No. 15-03.

Mr. Tyk read Action Item #1 summary.

▶▶ MOTION 15—22: Director Sullivan made the motion to approve the action item, adopting Resolution No. 15-02. Director Avels seconded the motion.

Ms. Schmelling, Clerk of the Board, conducted a roll call vote to approve Resolution 15-02:
Director Sullivan – Yes
Director Avels – Yes
Director Cooper – Yes
Director Doyle – Yes
Director Hoffman – Yes

At a vote of 5-0, the motion passed unanimously.



Director Doyle commented that the District and the health care provided by this district is a lifeline in this community. She believes this action being taken tonight is the only way to ensure our community will continue to have that lifeline as a resource.

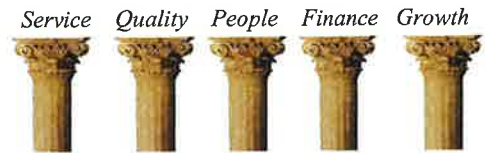
Director Hoffman stated he agreed with Director Doyle. The affiliation is the best thing for the community and the District and he hopes they serve the employees and community well with this transaction. He noted the District will be much better moving forward.

Director Sullivan noted that the capital improvements are all projects we have identified in the past and had no funding to pay for. This is an opportunity for the hospital to improve the facilities. As a board member, he strives to keep the trust of the community in mind, and while this was a difficult process, he can honestly say every one of the board members has done their work. This will cost the community nothing in terms of taxes. This agreement had no downside for the community, and will be very beneficial to the community as a whole.

Director Avels thanked everyone involved in the process and her fellow board members, past and present that worked on this, including Dianne Swella and Korina Cole. She thanked the community for supporting the District. She is excited about this affiliation and thinks it will be very positive for the entire community. Aligning with Tenet who is an experienced operator with deep resources is a good thing for all. She thanked the medical staff for their input and Dr. Salhotra for attending tonight's meeting, and thanked Mr. Tyk for getting us to this point and finding the best team to help us accomplish this. She feels it is a complete win for both sides. She addressed employees and their concerns, stating the board kept their interests at the forefront. In closing, she thanked Jon Spees and The Camden Group for all their efforts and Tenet Healthcare.

Dianne Swella addressed the board inquiring what would happen to the Foundation, and also if the agreements with Tenet will be made available for the public to view. Mr. Tyk stated the Foundation will remain with the District going forward. Once the agreements with Tenet are executed, they will be public documents. Dr. Swella inquired how the District would get the word out about the election, and Mr. Tyk responded that the District will not be able to campaign for the election once the resolution is sent to the Registrar of Voters. They are currently looking at working with Tenet to put together a community committee to advocate for the election. Dr. Swella thanked all for their hard work and she truly believes this is best for the community.

Meeting Adjourned at 6:40 p.m. and will reconvene on March 26, 2015 at 6:00 p.m.



CALL TO ORDER - RECONVENE

Director Cooper called the meeting to order at 6:24 pm on March 26, 2015.

ROLL CALL

Robin Schmelling, Board Clerk, conducted roll call:

Director Cooper: Present

Director Avels: Present

Director Sullivan: Excused

Director Doyle: Present

Director Hoffman: Present

PLEDGE OF ALLEGIANCE:

Director Cooper asked Director Hoffman to lead the Pledge of Allegiance.

PUBLIC COMMENTS:

Karen Graley, Joshua Tree, CA

Ms. Graley expressed her support to the board of directors.

ACTION ITEM:

2. **▶▶ Resolution No. 15-03: Resolution of the Hi-Desert Memorial Health Care District Board of Directors Calling a Special All Mail Ballot Election and Requesting the Services of the San Bernardino County Elections Office and The Registrar of Voters.**

○ *This action recommends the Board of Directors approve Resolution No. 15-03.*

- ▶▶ MOTION 15—23:** Director Doyle made the motion to approve the action item, adopting Resolution No. 15-03. Director Avels seconded the motion.

Ms. Schmelling, Clerk of the Board, conducted a roll call vote to approve Resolution 15-03:

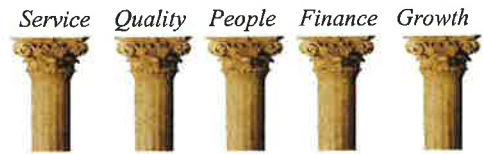
Director Avels – Yes

Director Cooper – Yes

Director Doyle – Yes

Director Hoffman – Yes

At a vote of 4-0, the motion passed, with Director Sullivan being absent/excused.



Mr. Tyk commented the next steps would be to send a copy of Resolution 15-03 to the Registrar of Voters by Friday, March 27, 2015, and we will have a mail ballot election date of June 23, 2015. This will be treated as any other absentee ballot, being mailed out two to three weeks prior to registered voters within the District. All ballots received by the end of the polling day on June 23rd will be counted. We will have election night results and should have final certification within a few days.

ITEMS FOR NEXT AGENDA

None.

DIRECTORS' COMMENTS

Director Hoffman: Let the journey begin.

No further comments.

On motion duly made and seconded, Director Cooper adjourned the meeting at 6:29 p.m.

Board meeting minutes recorded by R. Schmelling, Board Clerk



Patricia Cooper, President, Board of Directors



Marge Doyle, Board Secretary

Hi-Desert Memorial Health Care District
Staff Report/Recommendation
Resolution to
Action Item #1

SUBJECT: Hi-Desert Memorial Health Care District Board of Directors Approving Lease and Purchase Agreements with an Affiliate of Tenet Health Care Corporation

1. **INTRODUCTION:** Hi-Desert Memorial Health Care District has negotiated a thirty year lease and purchasing agreement with an affiliate of Tenet Healthcare Corporation, under which the Tenet affiliate will lease and operate the medical center for an annual lease amount of \$2,000,000. This amount has been determined by an independent appraiser to be fair market value. As part of the transactions, the Tenet affiliate has also agreed to expend or commit in contracts to spend \$32 million within the first 3 years of the arrangement in capital expenditures on the medical center and within the District's service area to fund the development of projects and services for the benefit of the residents of the District. After the first three years of the term of the Lease, the Tenet affiliate has also agreed to commit a portion of any funding it receives through the State of California's Quality Assurance Fee Program to capital expenditures to be spent on the medical center or within the District's service area. Copies of the agreements are enclosed.

2. **ACTION ITEM:** Approval of Resolution No. 15-02.

3. **ACTION RECOMMENDED:** Approve Resolution No. 15-02

RECOMMENDATION:	APPROVAL	DISAPPROVAL
Board of Directors	<u>5-0</u>	<u> </u>

Roll Call Vote:
Director Cooper – YES
Director Avels – YES
Director Sullivan – YES
Director Doyle – YES
Director Hoffman - YES

ATTACHMENT: Resolution #15-02

RESOLUTION NO. 15-02

RESOLUTION OF THE HI-DESERT MEMORIAL HEALTH CARE DISTRICT BOARD OF DIRECTORS APPROVING LEASE AND PURCHASE AGREEMENTS WITH HDMC HOLDINGS, LLC

WHEREAS, the Hi-Desert Memorial Health Care District (“District”) owns and operates (a) Hi-Desert Medical Center, a 59-bed acute care facility located at 6601 White Feather Road in Joshua Tree, California (“Hospital”), (b) the Continuing Care Center, a 120-bed distinct part skilled nursing facility located on the Hospital campus, and (c) other ancillary and outpatient clinics and health care businesses and services incident to the operation of the Hospital and the Continuing Care Center (collectively the “Medical Center Businesses”); and

WHEREAS, the District desires to transfer certain assets and operations of the Medical Center Businesses and to enter into a long-term lease of the real property associated with the Medical Center Businesses for the purpose of furthering the District’s mission and assuring that quality health care services will continue to be provided to District residents by a financially strong health care operator with significant background and experience in operating facilities similar to the Medical Center Businesses; and

WHEREAS, the District and HDMC Holdings, LLC (“New Operator”) have negotiated the terms of a purchase agreement (“Purchase Agreement”) and a thirty-year long-term lease (“Lease Agreement”), whereby New Operator will lease and operate the Medical Center Businesses for an annual lease amount of \$2,000,000, which has been determined by an independent appraiser to be fair market value; and

WHEREAS, the New Operator is an affiliate of Tenet Healthcare Corporation, the parent corporation of a multi-hospital healthcare system, including multiple hospitals in the State of California; and

WHEREAS, as part of the transactions contemplated herein, New Operator has agreed to expend or commit in contracts to spend \$32 million within the first 3 years of the term of the Medical Center Lease in capital expenditures on the Medical Center Businesses and within the District’s service area to fund the development of projects and services for the benefit of the residents of the District; and

WHEREAS, after the first three years of the term of the Lease, New Operator has agreed, as specified in the Medical Center Lease, to commit a portion of any funding it receives through the State of California’s Quality Assurance Fee Program to capital expenditures to be spent on the Medical Center Businesses or within the District’s service area; and

WHEREAS, District has concluded that New Operator’s commitment to maintain clinical services at the Medical Center Businesses and make significant capital

improvements to the Medical Center Businesses at a time when other hospitals owned or leased by healthcare districts are economically failing, or have failed, will be of substantial benefit to the healthcare needs of the residents of the District and the community served by District; and

WHEREAS, pursuant to the authority granted District under the Local Health Care District Law of the State of California (California Health & Safety Code § 32000 et seq.) the Board of Directors of the District has determined, in accordance with Section 32126 and Sections 32121(c) and (p), that it is in the best interests of the District to transfer certain assets and operations of the Medical Center Businesses to New Operator and to lease the real property associated with the Medical Center Businesses to New Operator for a term of thirty (30) years on the terms and conditions set forth in the Purchase Agreement and the Lease Agreement, which include certain rights for New Operator to purchase the leased property upon the expiration of the Lease Agreement;

WHEREAS, District shall continue to have an oversight role of New Operator's performance of its obligations under the Purchase Agreement and Lease Agreement, including New Operator's commitment to maintain clinical services, as expressly provided for in the Lease Agreement; and

WHEREAS, District shall continue to own and operate its federally qualified health centers, and shall continue to oversee the operations of the Hi-Desert Memorial Health Care District Foundation; and

WHEREAS, District and New Operator desire to enter into Purchase Agreement and Lease Agreement in substantially the form presented to the Board of Directors of the District; and

WHEREAS, prior to the long-term transfer of the Medical Center Business assets and operations from District to New Operator, a majority of the voters voting on a ballot measure must approve the transfer; and

WHEREAS, if the transfer is approved by a majority of the voters voting on the measure, the District would continue to have an oversight role over the performance New Operator, and the District would continue to own and operate its federally qualified health centers as well as continue to oversee the operations of the Hi-Desert Memorial Health Care District Foundation.

The Board of Directors of the Hi-Desert Memorial Health Care District does hereby resolve as follows:

RESOLVED, the Board of Directors of the Hi-Desert Memorial Health Care District does hereby approve the Purchase Agreement and Lease Agreement in substantially the form presented to the Board of Directors, subject to the approval of a measure, by a majority of the voters of the District voting on the measure, proposing the transfer of all of the real and personal property associated with the Medical Center

Businesses and its facilities and operations by long-term lease pursuant to the Purchase Agreement and the Lease Agreement.


BE IT FURTHER RESOLVED, that the Chief Executive Officer of the District, in consultation with the Camden Group and legal counsel, is hereby authorized to finalize the Purchase Agreement and Lease Agreement in accordance with this Resolution and execute the same.

PASSED AND ADOPTED this 25 day of March, 2015, by the following votes:

AYES: 5 DIRECTORS SULLIVAN, AVELS, COOPER, DOYLE & HOFFMAN

NOES: ∅

ABSENT: ∅



Patricia Cooper, President

ATTEST:



Secretary to the Board

Hi-Desert Memorial Health Care District
Staff Report/Recommendation
Resolution to
Action Item #2

SUBJECT: Hi-Desert Memorial Health Care District Board of Directors Calling a Special All Mail Ballot Election and Requesting the Services of the San Bernardino County Elections Office of the Registrar of Voters.

1. **INTRODUCTION:** If the District approves the long term transfer of the District's assets as presented in Resolution 15-02, prior to the transfer becoming effective, a majority of the Districts' voters voting on a ballot measure must approve the transfer.
2. **ACTION ITEM:** Approval of Resolution No. 15-03 Calling a Special All Mail Ballot Election as noted.
3. **ACTION RECOMMENDED:** Approve Resolution No. 15-03.

RECOMMENDATION:	APPROVAL	DISAPPROVAL
Board of Directors	<u>4-0</u>	<u> </u>

Roll Call Vote:

Director Cooper: YES
Director Avels: YES
Director Sullivan: ABSENT/EXCUSED
Director Doyle: YES
Director Hoffman: YES

ATTACHMENT: Resolution #15-03

RESOLUTION NO. 15-03

RESOLUTION OF THE HI-DESERT MEMORIAL HEALTH CARE DISTRICT BOARD OF DIRECTORS CALLING A SPECIAL ALL MAIL BALLOT ELECTION AND REQUESTING THE SERVICES OF THE SAN BERNARDINO COUNTY ELECTIONS OFFICE OF THE REGISTRAR OF VOTERS

WHEREAS, the Hi-Desert Memorial Health Care District (“District”) owns and operates (a) Hi-Desert Medical Center, a 59-bed acute care facility located at 6601 White Feather Road in Joshua Tree, California (“Hospital”), (b) the Continuing Care Center, a 120-bed distinct part skilled nursing facility located on the Hospital campus, and (c) other ancillary and outpatient clinics and health care businesses and services incident to the operation of the Hospital and the Continuing Care Center (collectively the “Medical Center Businesses”); and

WHEREAS, the District desires to transfer certain assets and operations of the Medical Center Businesses and to enter into a long-term lease of the real property associated with the Medical Center Businesses for the purpose of furthering the District’s mission and assuring that quality health care services will continue to be provided to District residents by a financially strong health care operator with significant background and experience in operating facilities similar to the Medical Center Businesses; and

WHEREAS, the District and HDMC Holdings, LLC (“New Operator”), an affiliate of Tenet Healthcare Corporation, have agreed to the terms of a purchase agreement and a thirty-year long-term lease whereby New Operator will lease and operate the Medical Center for an annual lease amount of \$2,000,000, which has been determined by an independent appraiser to be fair market value; and

WHEREAS, prior to the long-term transfer of the Medical Center Business assets and operations from District to New Operator, a majority of the voters voting on a ballot measure must approve the transfer; and

WHEREAS, if the transfer is approved by a majority of the voters voting on the measure, the District would continue to have an oversight role over the performance of New Operator, and the District would continue to own and operate its federally qualified health centers as well as continue to oversee the operations of the Hi-Desert Memorial Health Care District Foundation.

The Board of Directors of the Hi-Desert Memorial Health Care District does hereby resolve as follows:

RESOLVED, that pursuant to the authority contained in Section 32121(p) of the Health & Safety Code of the State of California, the Board of Directors of the Hi-Desert Memorial Health Care District does hereby call for a special election of the voters of the District to be held on June 23, 2015, to approve a measure, by a majority of the voters

voting on the measure, proposing the transfer of all of the real and personal property associated with the Medical Center and its facilities and operations by long-term lease pursuant to the Purchase Agreement and the Medical Center Lease dated as of March 25, 2015. "Full text" is not required to appear in the Sample Ballot Pamphlet.

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

<p>Measure _____</p> <p>Shall the Hi-Desert Memorial Health Care District enter into the Purchase Agreement and the Medical Center Lease dated March 25, 2015, adopted by Resolution No. 15-02, on March 25, 2015, to transfer certain assets and operations to, and enter into a lease with, HDMC Holdings, LLC, an affiliate of Tenet Healthcare Corporation?</p> <p>Yes _____ No _____</p>

BE IT FURTHER RESOLVED, that pursuant to Section 32121(p) of the Health & Safety Code, the appraised fair market value of the District's assets being transferred is reasonably represented in the rounded amount of \$21,750,000, based on March 24, 2015, Appraisal Report by Principle Valuation, LLC, an independent expert on valuation of such facilities, and the consideration received by the District from New Operator in exchange for the long-term transfer of the District's facilities and operations consists of those considerations set forth in the Board's Resolution 15-02, dated March 25, 2015, incorporated herein.

BE IT FURTHER RESOLVED, that pursuant to Sections 4108 and 10002 of the California Elections Code and Section 32121(p) of the Health & Safety Code, the Board does hereby notify the County of San Bernardino and the San Bernardino County Elections Office of the Registrar of Voters, that the District chooses to hold such election on the 23rd day of June 2015, to be conducted by all-mailed ballots pursuant to Division 4 of the Elections Code (commencing with Section 4000), among the electorate of the District.

BE IT FURTHER RESOLVED, that pursuant to Elections Code section 10002, the Board of Directors of the Hi-Desert Memorial Health Care District hereby requests the San Bernardino Elections Office of the Registrar of Voters to render all services otherwise required to be performed by the Secretary of the District for the election to be held on June 23, 2015. Said services include, but are not limited to:

- Publication of Notices calling the election
- Publication of Notices calling for ballot arguments
- Provision of voter lists
- Preparation, printing, and mailing of sample ballots and ballots
- Counting of ballots
- Certification of election
- All aspects of an election not specified above that may be agreed upon by the County Registrar of Voters and the Secretary of the District

BE IT FURTHER RESOLVED THAT the County is hereby authorized and directed to canvass the returns of the election and to certify the results of the election to the District as required by law.

BE IT FURTHER RESOLVED, that the Chair of the Board or her designee(s) is hereby authorized to execute any other document and to perform all acts necessary to place the measure on the ballot including signing a services agreement with San Bernardino County, and to comply with all requirements of law and election officials.

BE IT FURTHER RESOLVED, that the Hi-Desert Memorial Health Care District shall reimburse the County of San Bernardino for all costs and expenses incurred by the County in conducting said election upon presentation of a bill to the District and in compliance with any service agreement that may be entered into between the District and the County.

BE IT FURTHER RESOLVED, that the District Secretary is hereby authorized and directed to file a copy of this Resolution with the Clerk of the Board for the Board of Supervisors and the Registrar of Voters upon its adoption by the Board of Directors of the Hi-Desert Memorial Health Care District.


PASSED AND ADOPTED this 26th day of March, 2015, by the following votes:

AYES: DIRECTORS AVES, COOPER, DOYLE & HOFFMAN 4-0

NOES: 0

ABSENT: DIRECTOR SULLIVAN


 Patricia Cooper, President

ATTEST:

 Secretary to the Board