

Sect. 999.5(d)(1)(C)

*A statement of all of the reasons the board of directors of applicant believes that the proposed agreement or transaction is either necessary or desirable.*

The affiliation with Adventist Health under the Affiliation Agreement is the result of a decision by the Applicant's board of directors made at its meeting on December 11, 2017, to authorize and direct the Applicant's "Senior Officers" (i.e., its CEO and its President) to commence a long-term strategic planning process with a view to assuring the continuation of the Hospital as a community resource. The board's resolution is attached immediately hereafter.

Such authorization and direction were the function of board findings to the effect that while it historically has been able to operate the Hospital in furtherance of charitable purposes while generating sufficient revenues to cover expenses and to set aside reserves for capital investment and other future needs, the Hospital's future prospects were somewhat uncertain. Namely, that the Hospital's positive economic performance had been largely dependent on various federal and state programs, including, in principal part, supplemental Medi-Cal reimbursement to hospitals that serve a "disproportionate share" of low-income persons. The board viewed the continuation of such programs to be a matter of some concern and uncertainty, owing to, among other things: (i) enactment of the Affordable Care Act, with potential adverse implications for such special funding programs; (ii) efforts of the then current Congress to amend or repeal such Act, coupled with the "de-funding" of various components of programs established under the Act by the current administration; and, finally, (iii) then pending tax reform efforts that included proposals to eliminate tax exempt financing for charitable hospitals and that otherwise would reduce the benefits of the tax exemption enjoyed by charitable hospitals.

Pursuant to such authorization and direction, the Applicant's Senior Officers engaged the advisory firm of Kaufman, Hall and Associates to provide counsel and advice relative in the strategic planning process. Although not expressly identified by the board, maintenance of a sufficient number of qualified physicians in the Delano community was also a significant factor in planning for the Hospital's long-term viability. In light of this and the above concerns, the planning process ultimately lead to the conclusion that affiliation with one of the large, multi-hospital systems presented the most favorable path forward for the Hospital.

**RESOLUTION  
OF  
THE BOARD OF DIRECTORS  
OF  
CENTRAL CALIFORNIA FOUNDATION FOR HEALTH**

WHEREAS, Central California Foundation for Health (the "Corporation") owns and operates Delano Regional Medical Center, an acute care hospital located in Delano, California (the "Hospital");

WHEREAS, this Board has assured that the Hospital has been operated in a manner it believes to serve charitable interests and to be in the best interests of the community it serves; and

WHEREAS, even with such charitable purposes, it has been possible to operate the Hospital in a manner to produce sufficient revenues to cover its expenses and to set aside reserves for capital investment and other future needs; and

WHEREAS, such economic results have, however, been dependent on various federal and state programs, including supplemental Medi-Cal reimbursement provided to hospitals that serve a "disproportionate share" of low-income persons; and

WHEREAS, the status of such programs is becoming a matter of increasing concern and uncertainty owing to, among other things, (i) the Affordable Care Act; (ii) efforts by the current Congress to repeal that Act; (iii) the de-funding of various components of programs established by the Act by the current administration; and (iv) pending tax reform efforts that include the elimination of tax exempt financing for charitable hospital organizations and to otherwise reduce the tax benefits now enjoyed by charitable organizations;

WHEREAS, the uncertainties presented by such efforts cloud the future of the Hospital and its ability to continue to serve the community in the same manner as it has in the past; and

WHEREAS, it is proposed that the Corporation's Chief Executive Officer and President (the "Senior Officers") be authorized to engage in a long-term strategic planning process, including the engagement of consultants and other experts, with a view to developing and adopting strategies to help assure the long-term continuation of the Hospital as a community resource;

**NOW, THEREFORE, BE IT RESOLVED**

1. That the Senior Officers be, and hereby are, authorized and directed to commence a long-term strategic planning process with a view to assuring the continuation of the Hospital as a community resource, including the engagement of consultants and other experts to assist in

such efforts, and to expend Corporation funds for such purposes in amounts that such officers find to be in the best interests of the Corporation, although not in an amount in excess of \$1 million without additional authorization of this Board;

2. That the Senior Officers keep the Board informed of ongoing developments in the long-term strategic planning process;

3. That all actions heretofore taken by the Senior Officers of the Corporation relative to such long-term strategic planning is hereby ratified, confirmed and approved;

4. That the matters addressed in this Resolution are highly sensitive and disclosure of same to any person outside of this Board would be highly injurious to the strategic planning process and the long-term prospects of the Hospital, and that each member of this Board therefore needs to maintain these matters in strictest confidence; and

5. That, to help assure the confidential nature of these matters, the Senior Officers be, and hereby are, authorized to enter into, on behalf of the Corporation, non-disclosure agreements with other members of Hospital management who may reasonably need to be aware of and participate in the strategic planning process, which agreements may be coupled with incentives to the extent the Senior Officers determine that the same would help to avoid potential resignations of management personnel who are necessary to continued Hospital operations but who otherwise may become concerned about their future employment security as the planning process may take shape;

6. That the Senior Officers of this Corporation be, and they hereby are, authorized and directed to do all such other things, including the execution and delivery, in the name and for the benefit of this Corporation, of such agreements, instruments and other documents that they, or any of them, determine to be in the best interests of the Corporation and in furtherance of the matters addressed in this Resolution.

The undersigned, being the duly appointed and acting Secretary of the Corporation, hereby certifies that the foregoing resolution was duly adopted by the Board of Directors of Central California Foundation for Health, a California nonprofit public benefit corporation, on the 11th day of December, 2017.

  
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Sheryl Wiggins, Secretary