

Date: February 16, 2010
Time: 3:30 P.M.
Location: Mayers Memorial Hospital District
Burney, California

(These minutes are not intended to be a verbatim transcription of the proceedings and discussions associated with the business of the board's agenda; rather, what follows is a summary of the order of business and general nature of testimony, deliberations and action taken.)

<p>1. CALL MEETING TO ORDER: President Kerns called the special meeting to order at 3:30 p.m. on the above date with the following present:</p> <p style="text-align: center;">Mike Kerns, President Jim Hamlin, Vice President Allen Albaugh, Treasurer Gail McClung, Secretary Ruth Knoch</p> <p>Staff Present: Interim CEO Pena, CFO Babcock, Board Clerk McArthur</p>
<p>2. ADDITIONS & CHANGES TO AGENDA, SECTION 54954.2(b)2: Albaugh requested the following additions to agenda:</p> <ul style="list-style-type: none">• Refocus – Strategic Plan: Discussion• Community Relations: Discussion• Closed Session: Personnel, Government Code Section 54957, Interim CEO
<p>3. CALL FOR REQUEST FROM AUDIENCE TO SPEAK TO ISSUES OR AGENDA ITEMS: Martha Fletcher registered to speak to agenda items pertaining to financial action plan and its execution. She spoke in regard to return on investment (ROI) and discussed a written document she distributed to board members including ideas pertaining to cost saving measures and revenue opportunities.</p>
<p>4. FINANCIAL ACTION PLAN (BABCOCK/KERNS/ALBAUGH) – Board President Kerns opened dialogue explaining purpose of work session to review draft action plan.</p> <p>Albaugh provided summary of Cal-Mortgage meeting including action plan. He briefed audience on background and history of Cal-Mortgage including bond and line of credit with Tri-Counties Bank both insured through OSHPD Cal-Mortgage agreement that we must abide by with covenants including financial ratios. Also included in the criteria is the authorization to select and place management if not in compliance. Cal-Mortgage has submitted a notice of default letter to Mayers and therefore we must make short term and long term financial improvements to ensure ongoing viability.</p> <p>Viola Babcock, CFO, reported that in essence the District's current liabilities alone are now \$6 million therefore actions are being taken to honor covenants included in Cal-Mortgage agreement and to make sure MMMD is an ongoing entity.</p>

She reported as of February 8, 2010, the total accounts payable (AP) is approximately \$3.3 million. The monthly outlay average is \$949K for payroll, taxes, benefits, and contract labor. In addition, the average monthly outlay is \$250K for critical vendor payments. The average monthly intake of funds received for the past seven months has been \$1.6 million; however, the past three months monthly average intake of funds has only been \$1.4 million. Babcock reported with the outstanding accounts payable balance, it is currently insurmountable given the downturn in funds received and presents Mayers in a precarious situation where cash need to meet basic requirements is in jeopardy over the next thirty days.

Babcock reported Mayers did take actions in January by cancelling non-essential contracts and reducing work force; however, these actions are not sufficient to provide any progress due to the excessive debt accumulated over the past few years and the required repayment of the short and long term debt—and does not allow Mayers, in the current business model, to exist.

As discussed with Cal-Mortgage on February 8, 2010, it is imperative and prudent of the Board of Directors to implement short and long term goals to ensure ongoing viability. From that meeting, a task sheet was developed with actions and timelines that she dispersed and discussed. She discussed the options to create immediate additional sources of cash flow—and to approach Renown, Catholic Healthcare West and Prime for possible partnership creating positive financial cost-saving measures. Meetings are currently being scheduled with healthcare entities and all will be presented the exact financial information packet to make sure fair and equitable. The common goal is to resolve; therefore, Cal-Mortgage has offered legal counsel as well as others have offered services and assistance.

In addition to current financial status of District, Kerns briefed board and audience on seismic requirement upcoming, specifically seismic wall and reassessment. He offered to sit down separately with anyone to provide more details—or to contact Erik Nielsen, Maintenance Supervisor.

Refocus – Strategic Plan: Albaugh discussed his opinion pertaining to the \$71 million project—and agreed it is a good goal but felt it was a significant amount of money and questioned if it is an obtainable goal that fits in with the current financial situation. He is aware some of the funds could be obtainable through the government but questioned its success with such a significant dollar amount for our population base. He presented handouts to the board members including his thoughts in regard to the current Phase I building project. He offered his opinion on the services he would like to be offered but suggested input from the community for direction. Kerns responded that Phase I allows us over the next 20-30 years to continue to operate as a hospital. Albaugh agreed we must continue in SB1953 process with current plan but if District in some manner is to partner then service profile may change and another model should be considered. Hamlin agreed that it is important that the community tells us what they want to be successful and supported.

Community Relations: Albaugh expressed concern that Mayers lacks a concerted effort to

market itself to our communities and dispersed a proposed plan including formation of a focus group with 2-3 hospital employees and 2 community members to formulate marketing focus, messaging to public and financial budget with funding procurement outside hospital. Kerns agreed also the need to be assertive with community relations.

In response to question asked by McClung in regard to parameters being set first by the Board pertaining to management agreement prior to meetings with healthcare entities, Kerns responded he is hopeful the meetings will provide more clarity for the Board to set parameters. Hamlin clarified, as a Board, we don't even know if we are going to partner with an entity yet—it is all preliminary work. Kerns stated to be prudent we must be proactive and we cannot continue to wait for something to happen.

Kerns stated regardless of how the District aligns itself or doesn't align itself with another healthcare entity, we need to accomplish the facility objectives in Phase I building plan—as failure to achieve those ends our ability to operate as a CAH; it will be shut down as a hospital by the State. In order to accommodate the District's current service profile today, the \$71 million project (includes planning, construction and fit-up costs). Hamlin added we need to do whatever is necessary to comply but prioritizing with the basics and stabilizing to continue to provide quality healthcare services.

5. ANNOUNCEMENT OF CLOSED SESSION (4:40pm Closed Session)

President Kerns announced closed session for the purpose of the following: Public Employee -Interim CEO, Government Code Section 54957.

6. RECONVENE OPEN SESSION (5:50 pm): Board Chair Mike Kerns reported there were no actions taken during closed session.

7. ADJOURNMENT: The Board of Directors adjourned at 5:50 p.m.