

Chief Executive Officer
Ryan Harris



Board of Directors
Jeanne Utterback, President
Abe Hathaway, Vice President
Tami Humphry, Treasurer
Lester Cufau, Secretary
James Ferguson, Director

Finance Committee
Meeting Agenda
May 28, 2025 @ 11am
Mayers Memorial Healthcare District
Fall River Boardroom
43563 HWY 299 E
Fall River Mills, CA 96028

In observance of the Americans with Disabilities Act, please notify us at 530-336-5511, ext 1264 at least 48 hours in advance of the meeting so that we may provide the agenda in alternative formats or make disability-related modifications and accommodations. The District will make every attempt to accommodate your request.

Attendees

Tami Vestal-Humphry, Chair, Board Member
Abe Hathaway, Board Member
Ryan Harris, CEO
Travis Lakey, CFO

					Approx. Time Allotted
1	CALL MEETING TO ORDER				
2	CALL FOR REQUEST FROM THE AUDIENCE - PUBLIC COMMENTS OR TO SPEAK TO AGENDA ITEMS				
3	APPROVAL OF MINUTES				
3.1	Regular Meeting –April 23, 2025	Attachment A	Action Item		2 min.
4	FINANCIAL REVIEWS/BUSINESS				
4.1	March 2025 Financials & Accounts Payable (AP)/Accounts Receivable (AR)	Attachment B	Action Item		15 min.
4.2	Finance Quarterly Board Binder		Action Item		15 min.
4.3	Credit Line Letter from Cornerstone Bank	Attachment C	Action Item		5 min.
5	ADMINISTRATIVE REPORT			Information	5 min.
6	OTHER INFORMATION/ANNOUNCEMENTS				
7	ADJOURNMENT: Next Regular Meeting – June 25, 2025				
Posted: 05.23.25					



Attachment A

Board of Directors
Finance Committee Minutes
April 23, 2025 @ 11 am
Mayers Memorial Healthcare District
Burney Annex Boardroom
20647 Commerce Way
Burney, CA 96013

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.

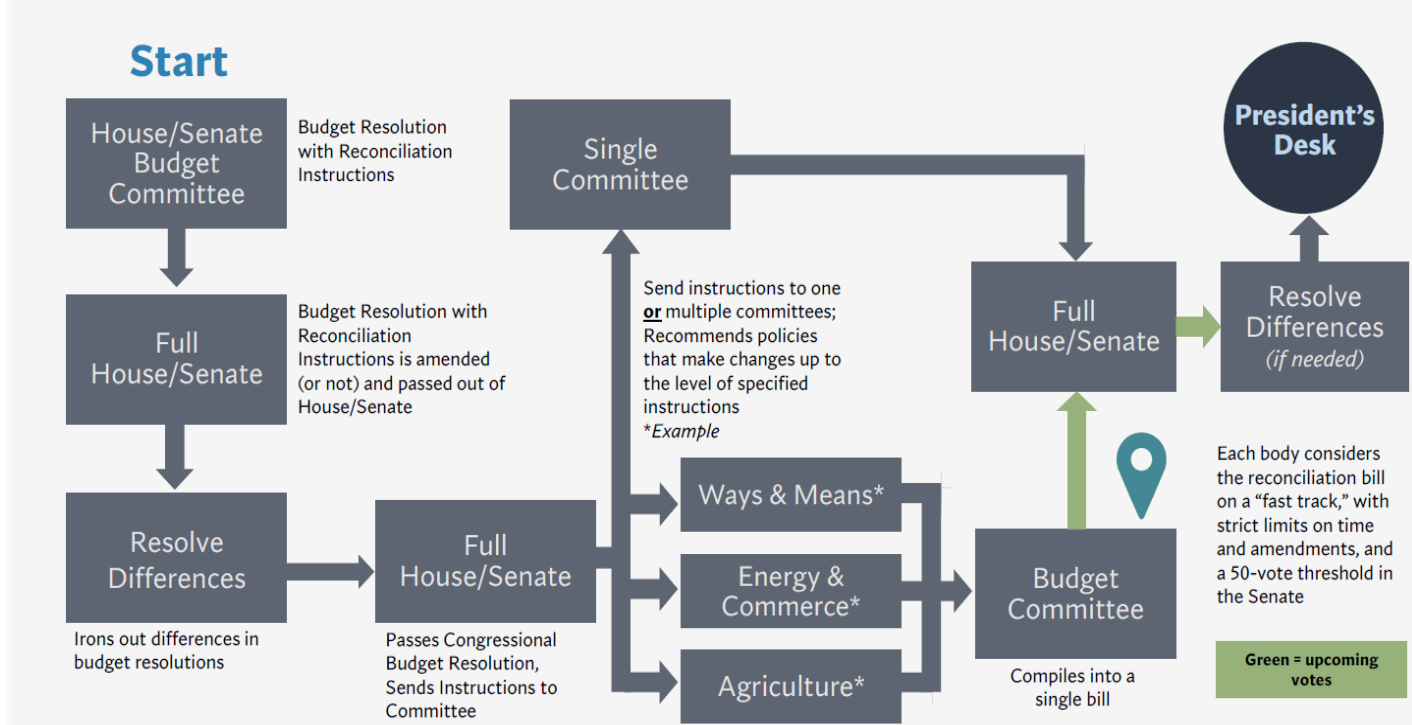
1	CALL MEETING TO ORDER: Tami Humphry called the meeting to order at 11:11 am on the above date.			
BOARD MEMBERS PRESENT:		STAFF PRESENT:		
Tami Vestal-Humphry, Committee Chair Abe Hathaway, Vice President		Ryan Harris, CEO Travis Lakey, CFO Libby Mee, CHRO Jessica DeCoito, Director of Operations Ashley Nelson, Board Clerk Danielle Olson, Director of Revenue Cycle		
ABSENT:				
2	CALL FOR REQUEST FROM THE AUDIENCE – PUBLIC COMMENTS OR TO SPEAK TO AGENDA ITEMS - None			
3	APPROVAL OF MINUTES: March 26, 2025 – minutes attached. Motion moved, seconded and carried.		<i>Hathway, Humphry</i>	Approved by All
4	FINANCIAL REVIEWS			
4.1	March 2025 Financials & Accounts Payable (AP) & Accounts Receivable (AR): March 2025 Financials, AP & AR were approved.		<i>Hathaway, Humphry</i>	Approved by All
4.2	AR Review: Danielle Olson and Travis Lakey explained that the AR days are currently 82, due to the lack of inpatient days. Danielle explained that Pharmacy charges had many errors which have been fixed by Katrina W. Since those have been corrected, they can be submitted as claims. Danielle explained the “flags process” through Cerner to the committee. The committee discussed Acute and Swing Days. Travis explained that the new Purchasing Manager is evaluating the hospital’s current items and how we can decrease costs. He is keeping his eye on the everchanging topic of Medicare.			
5	ADMINISTRATIVE REPORT: . Ryan went to Sacramento to meet with some state representatives and they discussed funding cuts and rural healthcare obstacles. Libby reported that the Meal Premiums have been cut in half in the last 3 weeks- about \$6,000 per pay period. The Solar Project is currently setting concrete to install the panels. The FR Health Clinic is still in the drawing phase. MMHD is moving forward with the new Thrift Store building.			
6	OTHER INFORMATION/ANNOUNCEMENTS: None.			
7	ADJOURNMENT: 12:11 pm			
	Next Finance Committee Meeting: May 28, 2025 in Burney			

Finance Notes April FY 25

Ratios	FY 25	FY 24 Average	
Cash on Hand	276	192	Average PY
Net Income	-259,623	709,973	Average PY
Current Ratio	15.47		N/A
AR Days	78	61	Average PY
Accounts Payable	1,166,313	651,656	Average PY
Daily Gross Revenue	166,565	169,348	Average PY
YE % of Gross Revenue Collected	60% YTD	59%	Average PY

- 1) AR days have come down some, and our collection % is ahead of last year.
- 2) It's the time of year when I'm working on the budgets with all the department managers. This year's budget will be challenging as there are a lot of moving pieces on the federal and state levels. The federal possible cuts are constantly changing, making forecasting impossible at the moment. On the state side, it looks like the governor is trying to commandeer Prop 35 funds again, which we have never actually received, so it won't be noticeable for us. We will have our self-pay increase when illegal immigrants lose coverage. This is something we've never measured, so I'm not sure how much of an impact this will be. Some hospitals on the south end of the state will certainly feel the effect. Without all of these changes we were naturally going to have a reduction in supplemental payments in FY 26 due to the sunseting of the HQAF program where we are receiving our last full payment in May and its being replaced by the District Hospital Directed Payments Program which in it's first year didn't factor in SNF days so the early payments will be small in comparison to FY 27 going forward. On a positive note, our Rate Range contribution next year will be larger than this year, so depending on factors on the federal level, including the Federal Medical Assistance Percentage (FMAP) and the total Medi-Cal population in our area, we could possibly receive a higher net payment. So, very long story short, we will be watching all the developments and making last-minute changes with the information we have when we must submit a budget for approval. I do expect the state level and national services to be lost, and rural hospitals being closed, as a recent report identified 190 (6 in California) that are at risk of immediate closure within the current payment environment. Below is the process of the reconciliation for the national budget. Looks like as of the morning of the 22nd, it has moved from the house to the senate.

Reconciliation Process



- 3) The 2022 Desk Review has been delayed, given the backlog at Noridian, and we have been told it will be completed by 4/30/27, and at some point before then, I will be contacted.
- 4) The Office of Healthcare Affordability (OHCA) has approved its cost targets for hospitals and is moving forward despite the lack of data and advocacy, two years ahead of what they are legally mandated to do. The first enforceable year will be 2026, and OHCA won't have the report until 2028, so we have a while before we will have to turn in a report of why we are over the target value.
- 5) I had an individual call with OHCA staff members about drug costs being an acceptable reason to miss cost targets. I also took the opportunity to discuss seismic, healthcare minimum wage, and critical access-specific methodology that makes the targets difficult, given our low volumes and staffing requirements. I want to thank Keith and Katrina for helping me prep for that call.
- 6) Our USDA application is at the national office for approval, and I have been fielding a lot of questions, which is a positive after months of silence, as progress is occurring.
- 7) As of writing these notes, after receiving our HQAF payments, we are at 309 days cash on hand.
- 8) Below are estimates of the timing of the upcoming FY 25 and FY 26 supplemental payments. You will notice HQAFs in 2026, but they are all the smaller direct grants.

Cash Flow Updates – FY 2025

The chart below includes the remaining supplemental fund payments for FY 2025 and the IGT and payment dates.

Program (Year)	IGT Date	Payment to Hospital Date	Notes
QIP PY 6 CY 2023	March 7, 2025	Apr/May-25	
DHDP Phase 1 CY 2023	March 7, 2025	Apr/May-25	This is for six months, thus ½ estimated annual amount
HQAF VIII CY 2024 Managed Care	April 7, 2025	May/June-25	Delayed from 12/20 IGT date
AB 113 FY 24/25	May 7, 2025	May/Jun-25	Interim Payment
AB 113 FY 23/24	May 7, 2025	May/Jun-25	Final Reconciliation
AB 915 FY 23/24	n/a	By Jun-25	
HQAF VIII CY 2024 Direct Grant #4	n/a	Jun-25	

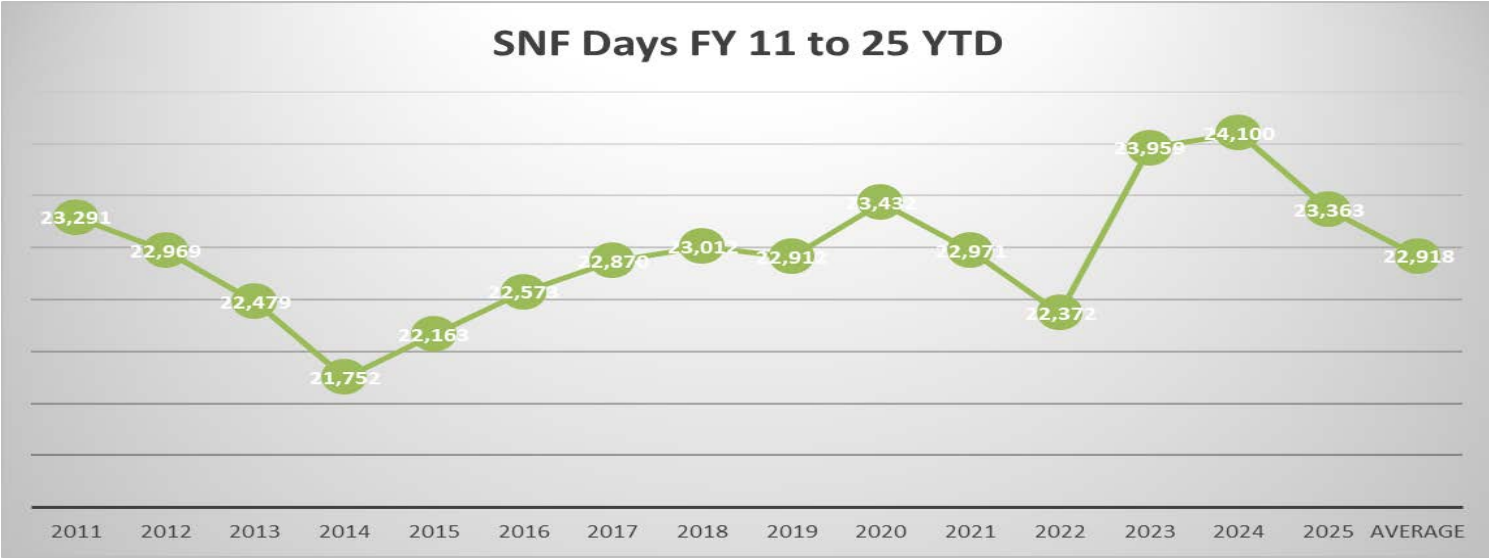
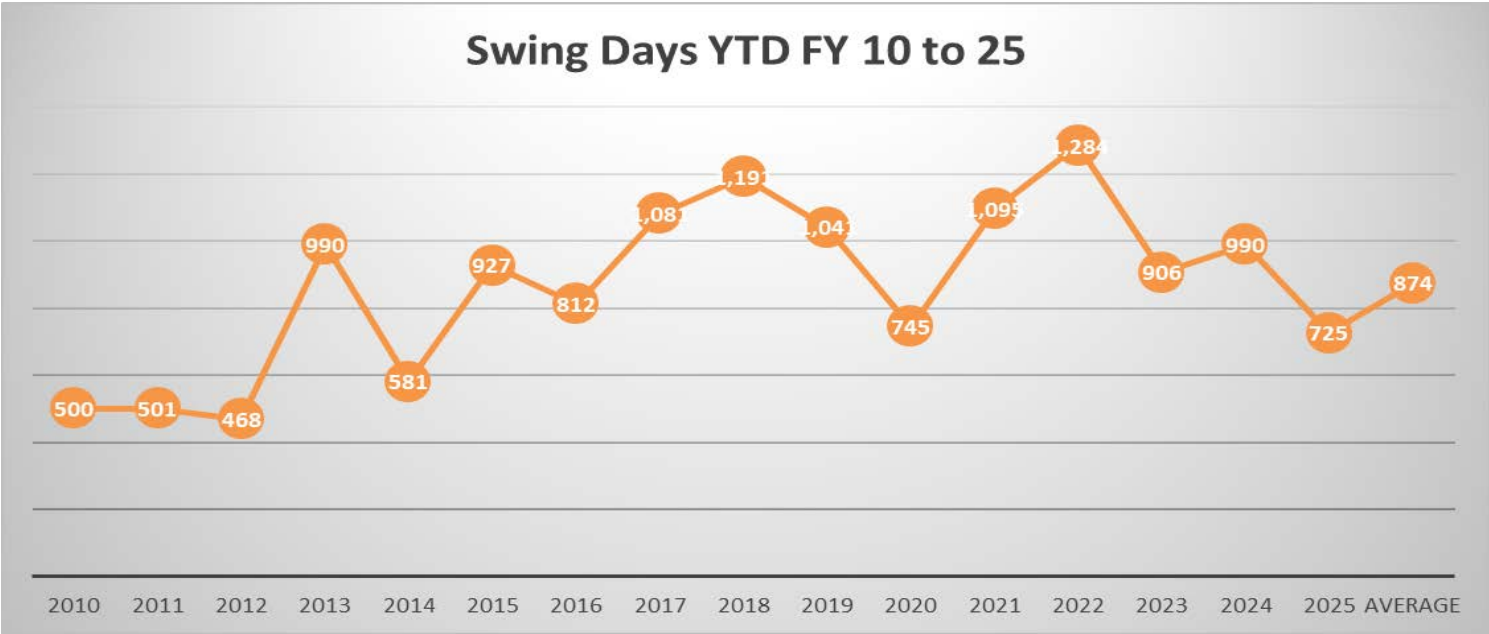
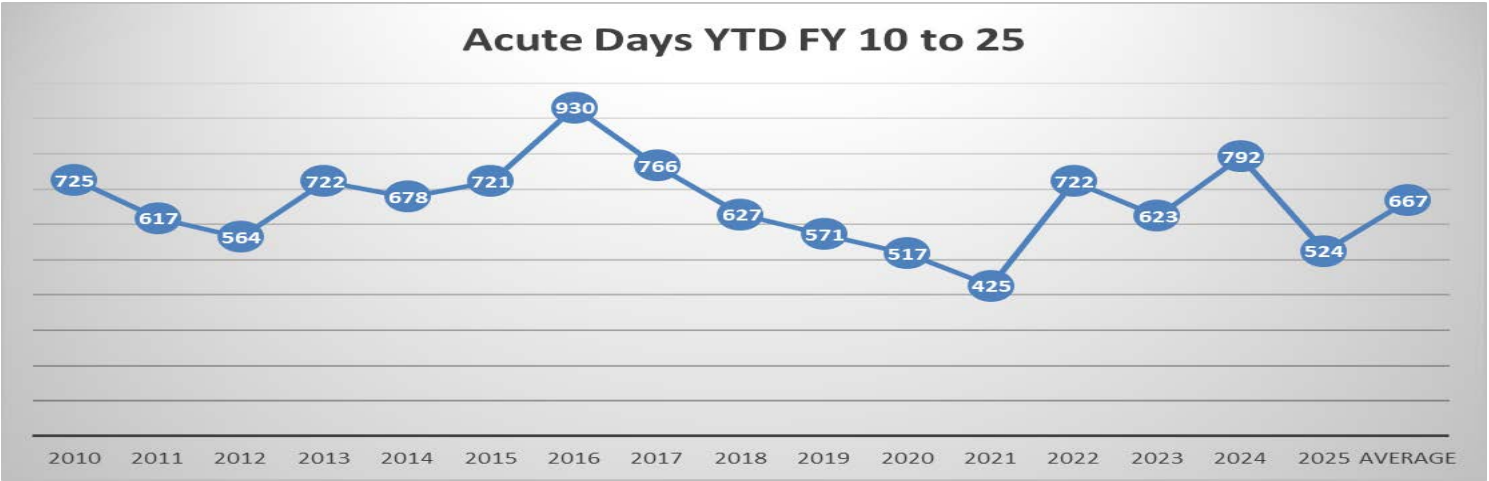
Budget/Cash Flow Updates – FY 2026

Best estimates of timing for the supplemental funds for the upcoming FY 2026.

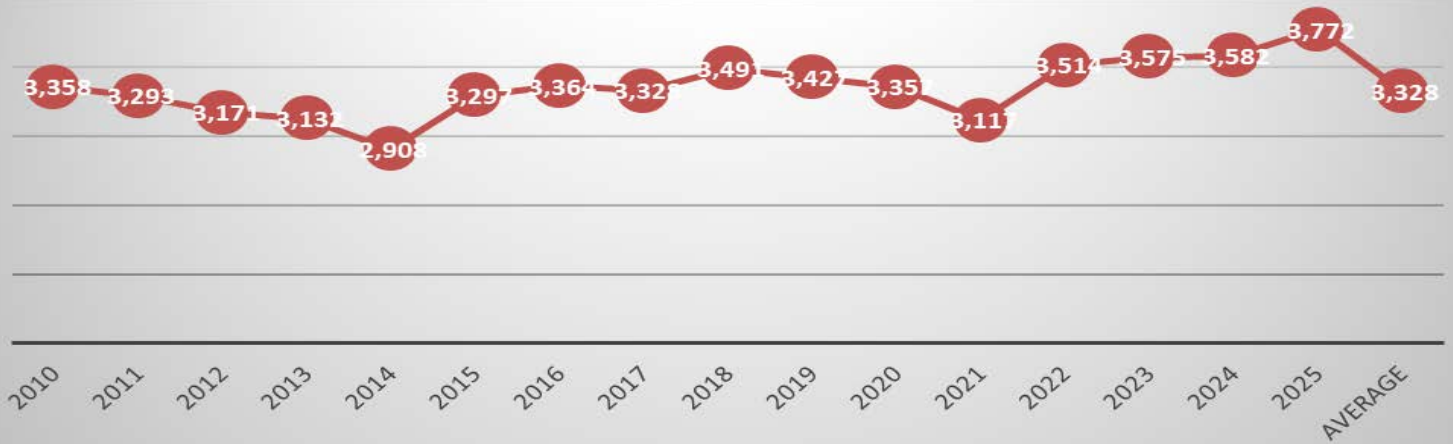
Program (Year)	IGT	Payment to Hospital	Notes
DP-NF Managed Care CY24	n/a	July-25	LTC transitioned to MCO in 2023
QIP PY7 CY24 Interim Payment	Aug-25	Oct/Nov-25	Only those hospitals which Opt'd in for an Interim Payment
DHDP CY23 Phase 2	Oct-25	Dec/Jan-26	6-months only
Rate Range CY 2024	Oct-25	Dec/Jan-26	
HQAF IX CY25 Direct Grant #1	n/a	Mar-26	
HQAF IX CY25 Direct Grant #2	n/a	May-26	
QIP PY 7 CY 24	Feb-26	Apr/May-26	
DHDP CY24 Phase 1	Feb-26	Apr/May-26	6-months only
NDPH – SF FY25/26	n/a	Apr/May-26	All hospitals will receive small payment
AB 113 FY25/26	Apr-26	May/Jun-26	Interim Payment
AB 113 FY24/25	Apr-26	May/Jun-26	Final Reconciliation – \$ will be minimal
AB 915 FY23/24	n/a	By Jun-26	

Program & Year	Notes
DP-NF Managed Care CY24	Assume amount similar to CY 2023 program
QIP PY7 CY24 Interim Payment	Would be ½ of QIP PY6 earned amount
DHDP CY23 Phase 2	Estimate similar amount as CY 2023 Phase 1
Rate Range CY 2024	DHCS provided IGT amounts in early May
HQAF IX CY25 Direct Grant #1	DHLF sent draft model on May 9th, only two cash pmts likely in FY26
HQAF IX CY25 Direct Grant #2	DHLF sent draft model on May 9th, only two cash pmts likely in FY26
QIP PY 7 CY 24	Draft model shared previously by DHLF
DHDP CY24 Phase 1	Draft model being created, targeting May release
NDPH – SF FY25/26	Assume 30% of AB113 FY25 interim pmt amount
AB 113 FY25/26	Interim Payment – reduce FY24/25 amount by 30% (addtl funds coming via NDPH –SF)
AB 113 FY24/25	Final Reconciliation – \$ will be minimal
AB 915 FY23/24	Recommend looking at previous two years amounts as guide for estimate

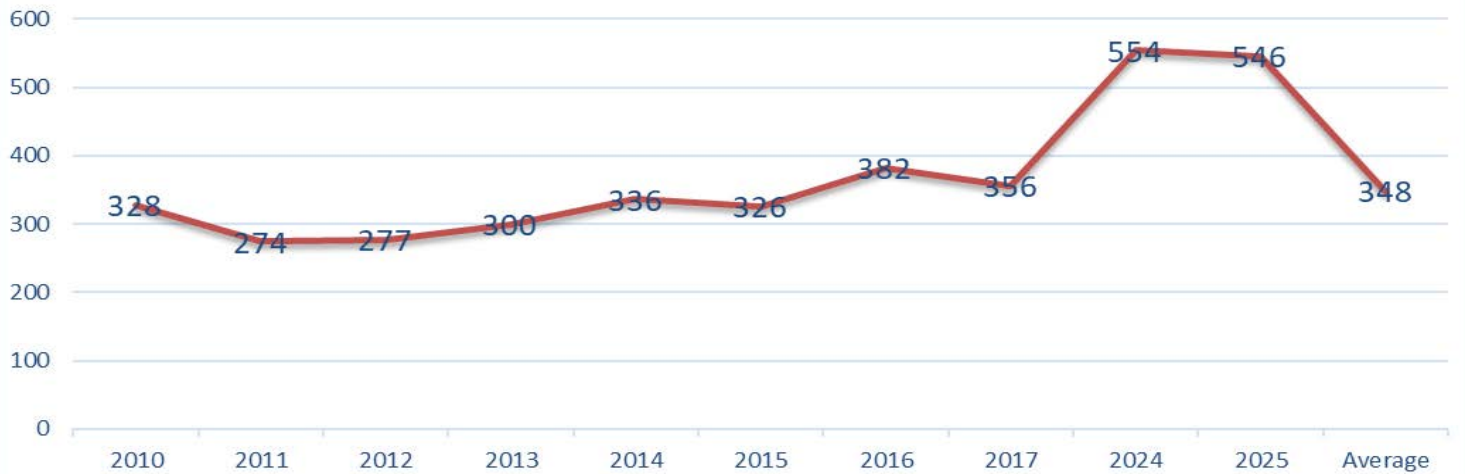
Statistics



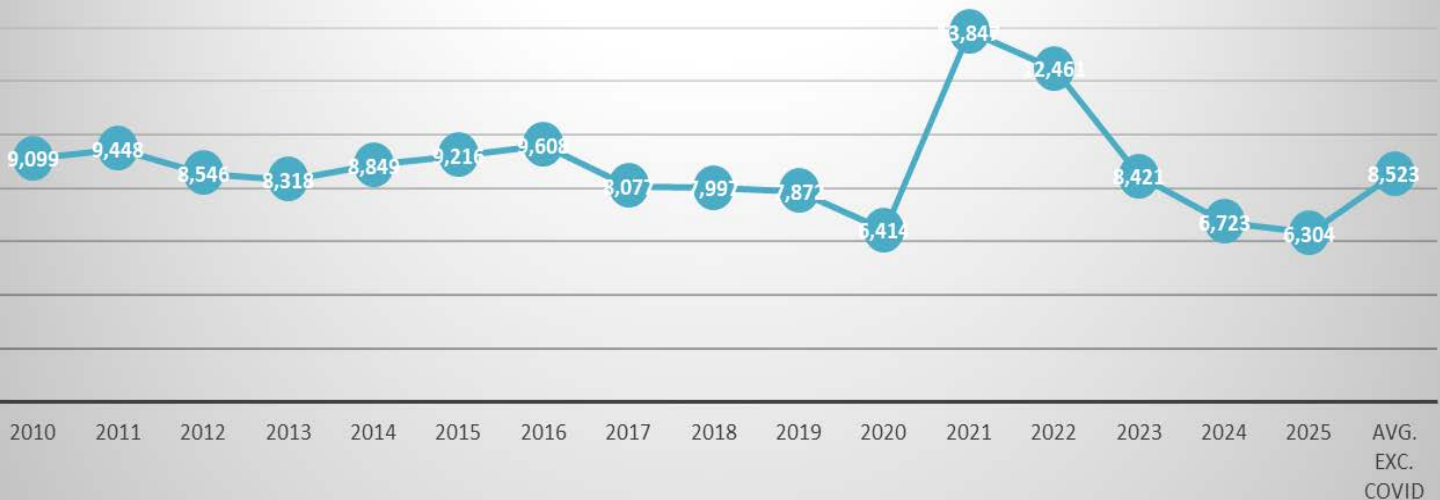
ER Visits YTD FY 10 to 25



Ambulance Runs YTD FY 10-17,24-25



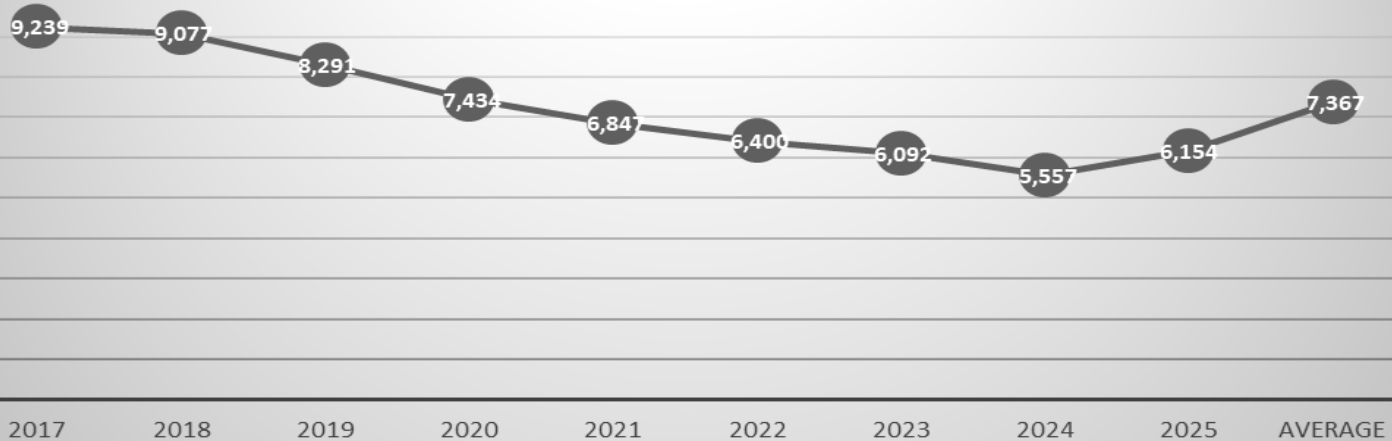
Labs FY 10 to 25



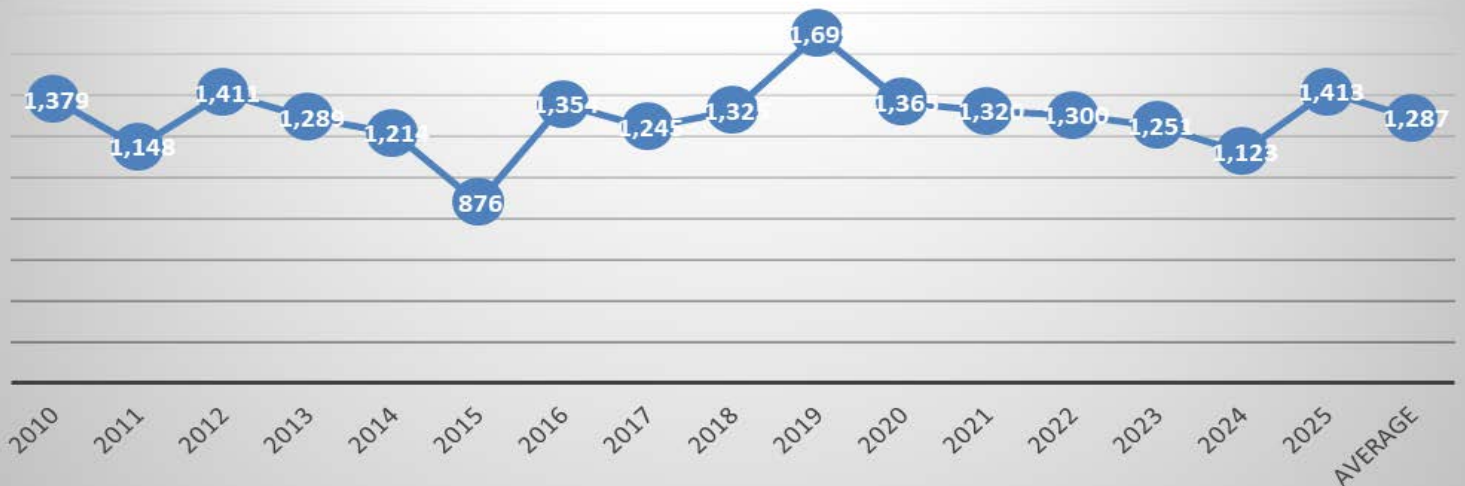
Rad Procedures FY 10 to 25



PT Procedures YTD FY 17 to 25



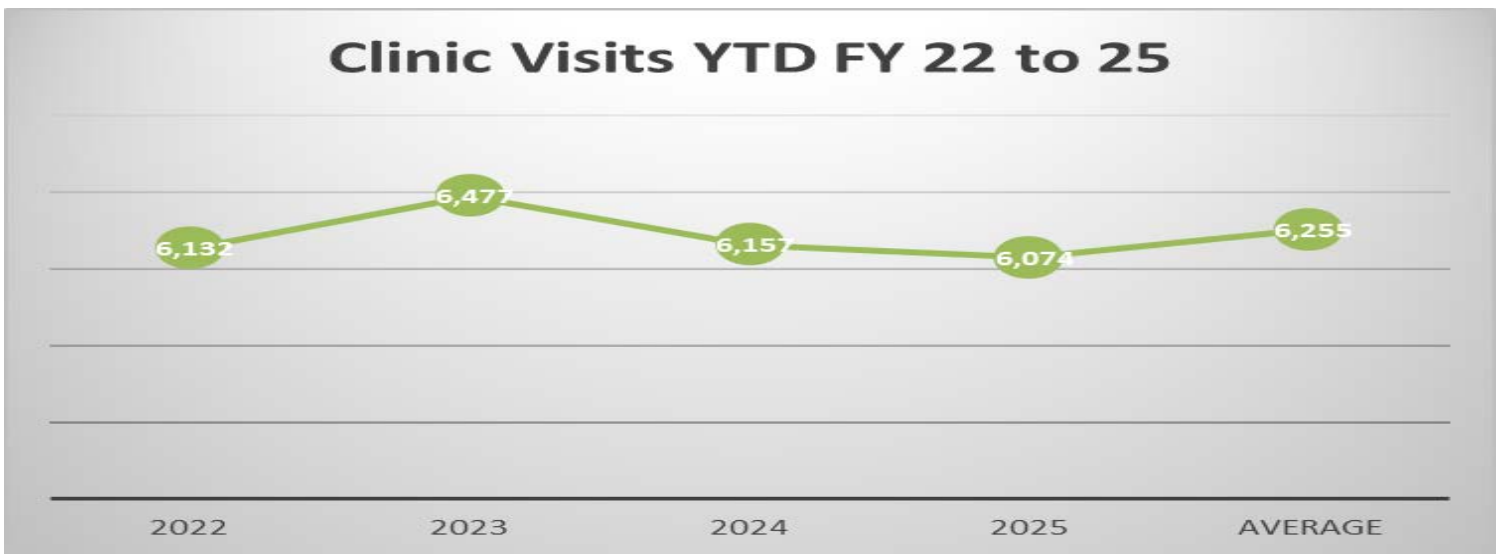
Outpatient Med YTD FY 10 to 25



Hospice Days YTD FY 10 to 25



Clinic Visits YTD FY 22 to 25



Income Statement

- 1) Patient Revenue is down period and YTD due to the drop in Inpatient days, mostly in Acute/Swing, which are well under average over the last 15 years.
- 2) Contractuals are up in FY 26 as we had two HQAFs the prior year.
- 3) Salaries and wages are up 5%, but I would much rather pay our employees than travelers, as that money stays in the community.
- 4) Benefits are up as we are self-insured and have had a lot of larger claims this year, plus more employees compared to FY 25.
- 5) Supplies are up as we have had some large increases in some expensive drugs. My new purchasing manager is working with our GPO on the supply side to ensure we are going with their suggestions. Also, she's formed a supply committee to demo some lower-cost alternatives for approval. Past managers have just ordered alternatives that weren't up to standards, and they were just outdated, as no one would use them.
- 6) Libby and Ashley are doing an amazing job, as our travel costs are down over 1 million dollars.
- 7) Utilities are up with rate increases.

- 8) Insurance is down due to the changes I made to our Workers' Compensation coverages.
- 9) The Rental Lease is up due to the industrial-size heater we rented for the new wing when the HVAC was down.
- 10) Interest income is up with our money market accounts.
- 11) Non-operating expenses are down due to the 340B program in Retail Pharmacy, which reduces our supply costs.
- 12) YTD, we have a very strong 9.5 million bottom line.

Balance Sheet

- 1) I changed the balance sheet comparison to the same period the prior year vs the prior month to be more in line with the income statement, so you can see the changes over a year vs month to month, where there's not much to note typically. I could always change it back if you prefer.
- 2) Cash is 2.6 million higher than last year.
- 3) AR is down over 4 million from FY 24.
- 4) The Medicare/Medi-Cal settlement will go away next month, as we received our HQAF payment on the 19th.
- 5) Construction In Progress is up due to the solar project and architectural work on the expansion project.
- 6) Accounts Payable are 1.1 million, as we had some larger invoices roll in after the 30th that are accrued to last month.

Miscellaneous

- 1) Retail Pharmacy continues to perform well with a 619K bottom line.
- 2) The RHC is 114K positive for the year. With the number of providers we have staffed, I can see this turning to a negative unless visits really pick up.
- 3) We had a strong AR collection month at 3.6 million dollars.
- 4) I made some changes to the AR tab with % percentages to show the aging prior to Cerner compared to current, and I updated the charts tab.

ACCOUNTS RECEIVABLE BY SYSTEM

<u>SYSTEM</u>	<u>CURRENT</u>	<u>31-60</u>	<u>61-90</u>	<u>91-120</u>	<u>121-150</u>	<u>151-180</u>	<u>180-365+</u>	<u>TOTAL</u>
PARAGON	(35.00)	-	-	655,790.00	-	100,011.03	16,840.82	772,606.85
CERNER	4,102,724.79	1,049,004.48	1,044,353.15	1,010,266.78	515,980.66	617,134.29	2,878,388.18	11,217,852.33
PCC	1,063,012.00	318,986.00	208,561.50	170,648.00	-	-	-	1,761,207.50
MATRIXCARE	18,475.24	26,308.87	16,782.15	28,611.97	106,442.02	-	(263,036.44)	(66,416.19)
Total	5,184,177.03	1,394,299.35	1,269,696.80	1,865,316.75	622,422.68	717,145.32	2,632,192.56	13,685,250.49
%	38%	10%	9%	14%	5%	5%	19%	
% Prior to Cerner	65%	11%	6%	3%	2%	2%	11%	

MAYERS MEMORIAL HOSPITAL							
Statistical Data							
Fiscal Year Ending JUNE 30, 2025							
COMPARISION TO ACTUAL							
2025	2025			FY 2025	FYE 2024		
April	March			YTD	YTD		
Actual	Actual	Variance	VOLUME:	Actual	Actual	Variance	% Increase or Decrease
DISCHARGES							
16	15	1	Acute	142	188	(46)	-24.51%
3	9	(6)	Swing Bed	75	76	(1)	-1.31%
2	1	1	Skilled Nursing Care (DISCHG)	30	30	0	.02%
6	6	0	Observations	70	51	19	37.32%
PATIENT DAYS							
51	49	2	Acute	524	792	(268)	-33.81%
53	53	0	Swing Bed	725	990	(265)	-26.81%
2,210	2,390	(180)	Skilled Nursing Care	23,363	24,100	(737)	-3.11%
LENGTH OF STAY							
3.19	3.27	(0)	Acute	3.69	4.21	(1)	-12.41%
17.67	3.54	14	Swing Bed	9.67	13.03	(3)	-25.81%
			Skilled Nursing Care				
AVERAGE DAILY CENSUS							
1.70	1.63	0	Acute	1.91	2.66	(1)	-28.11%
1.77	1.77	0	Swing Bed	2.65	3.19	(1)	-16.91%
73.67	79.67	(6)	Skilled Nursing Care	85.27	79.01	6	7.92%
ANCILLARY SERVICES							
0	0	0	Surgery Inpatient Visits	0	0	0	#DIV/0!
13	13	0	Surgery OP/ procedure visits	130	28	102	364.32%
374	365	9	Emergency Room Visits	3,772	3,582	190	5.32%
169	165	4	Outpatient Services Procedures	1,413	952	461	48.42%
658	630	28	Laboratory Visits	6,304	6,723	(419)	-6.21%
571	549	22	Radiology Procedures	5,193	4,818	375	7.82%
596	738	(142)	Physcial Therapy Procedures	6,154	5,557	597	10.72%
194	175	19	Cardiac Rehab	1,810	1,754	56	3.22%
105	71	34	Telemedicine visits	706	574	132	23.02%
17	13	4	Admissions from ER	154	194	(40)	-20.61%
16	17	(1)	Transfers from ER	194	237	(43)	-18.11%
741	680	61	Clinic Visits	6,074	6,157	(83)	-1.31%
41	42	(1)	Ambulance	546	554	(8)	-1.41%
PRODUCTIVITY:							
Productive FTE's							
7.49	7.11		Nursing - Acute	8.98	7.60		
29.73	29.58		Long Term Care	34.41	36.67		
56.04	58.03		Ancillary	55.74	54.44		
72.06	75.16		Service	69.94	67.88		
165.32	169.88		Total Productive	160.50	166.59		
94.32	90.48		Non-Productive FTE's	95.47	89.93		
259.64	260.36		Paid FTE's	302.55	256.52		
PRODUCTIVE FTE PER ADJUSTED OCCUPIED BED							
2.42	2.06			2.42	2.51		

Balance Sheet

	APRIL 2025	APRIL 2024
CURRENT ASSETS		
Cash - General, Payroll, & Petty Cash	30,142,678	26,966,686
Reserve Cash (Unrestricted)	1,915,045	1,852,337
Restricted Cash	2,269,169	2,881,896
Cash	34,326,892	31,700,919
Patient Accounts Receivable	14,250,452	18,363,729
Patient Allowances	(6,389,813)	(7,364,098)
Net Patient Accounts Receivable	7,860,639	10,999,631
Accounts Receivable	7,860,639	10,999,631
Shasta County Tax Receivables	122,042	(131,384)
Inventories	649,308	1,156,091
Other Accounts Receivable	3,595	3,595
Prepaid Expenses	1,373,544	308,754
Medicare/Medi-Cal Settlements	4,178,175	3,231,836
Total Current Assets	48,514,202	47,269,442
Property, Plant & Equipment		
Land and Building Improvements	3,969,852	3,969,852
Building and Fixed Equipment	39,457,490	39,457,490
Equipment	16,047,250	16,113,899
Subscription Based Assets	218,779	321,634
Construction in Progress	3,668,226	1,192,287
Accumulated Depreciation	(30,258,052)	(28,680,325)
Accumulated Amortization-Leases	(88,865)	0
Accumulated Amortization-SBITA's	(58,154)	(18,365)
Property, Plant & Equipment	32,956,526	32,356,473
Total Assets	81,470,728	79,625,915
Accounts Payable	1,146,387	462,401
Payroll and Related Liabilities	1,395,863	1,497,740
Audit Fees Payable	0	0
Grant Liabilities	0	0
Lease - Current Liability	0	0
Current Subscription Liability	38,460	35,092
Accrued Interest	196,965	196,965
HQAF Payable	0	0
HQAF 8 Payable	0	0
Rate Range Payable	0	0
Notes & Loans Payable	601,839	23,825
Current Portion of Medicare/Medi-Cal Settlement	(112,649)	(7,082)
Current Liabilities	3,135,790	2,208,941
LONG TERM DEBT		
GO Bond	1,386,054	1,896,054
Leases	(24,983)	(1,278)
Notes & Loans Payable/CHFFA	1,196,702	1,258,158
GO Bond Series B & Refunding	19,241,000	20,061,000
Capital Leases & Settlement Payments	20,412,719	21,317,879
Long Term Subscription Liability	17,101	55,561
Total Long-Term Debt	21,815,874	23,269,494
Fund Balance		
Restricted Fund Balance	28,681	30,635
Fund Balance - Hospital	53,612,674	54,116,845
Total Fund Balance	56,519,064	54,147,481
Liabilities and Fund Balance	81,470,728	79,625,915
Current Ratio	15.47	21.40

MAYERS MEMORIAL HOSPITAL

Statement of Revenue and Expenses
Fiscal Year Ending JUNE 30, 2025
COMPARISON TO ACTUAL

2025	2024		2025	2024		
APRIL	APRIL		APRIL	APRIL		
Month Actual	Month Actual		YTD Actual	YTD Actual		
		Patient Revenue				
823,121	1,243,784	(420,663)	8,867,639	11,735,291	(2,867,652)	-24%
1,271,386	1,397,371	(125,985)	13,297,966	13,551,544	253,578	-2%
3,180,595	2,991,606	188,989	31,892,263	26,796,898	(5,095,365)	19%
5,213,016	5,640,959	(427,943)	53,600,627	52,396,757	(1,203,870)	
(915,233)	3,612,653	(4,396,810)	(1,464,089)	1,150,446	2,483,459	-227%
(1,059,556)	(429,946)	(629,610)	(4,223,265)	(2,072,502)	2,150,763	104%
(216,648)	(37,478)	(179,170)	(746,396)	(108,974)	637,423	585%
(11,215)	(12,259)	1,044	(197,569)	(739,264)	(541,695)	-73%
(40,822)	(8,539)	(32,283)	(509,106)	(359,055)	150,051	42%
(2,243,475)	3,124,431	(5,367,906)	(7,140,427)	(2,129,349)	4,880,001	235%
406,534	96,099	310,436	2,156,268	519,936	(1,636,332)	315%
3,376,076	8,861,489	(5,354,337)	48,616,467	50,787,344	2,039,800	-4%
		Net Revenue				
1,750,952	1,624,505	126,448	19,151,546	18,210,034	(941,512)	5%
346,434	406,384	(59,950)	4,431,702	3,743,149	(688,553)	18%
507,060	355,903	151,157	4,469,042	3,507,560	(961,482)	27%
26,584	76,355	(49,771)	295,585	689,853	394,268	-57%
274,716	270,222	4,495	2,919,898	3,242,293	322,396	-10%
53,642	109,458	(55,816)	986,435	1,315,830	329,395	-25%
354,942	456,035	(101,093)	4,201,917	5,247,976	1,046,059	-20%
240,856	266,281	(25,424)	2,248,385	1,697,090	(551,294)	32%
49,789	41,537	8,252	374,622	384,429	9,806	-3%
94,932	110,734	(15,802)	1,139,865	990,502	(149,363)	15%
39,022	55,454	(16,432)	402,039	551,157	149,118	-27%
217,139	131,619	85,521	1,540,905	1,613,468	72,563	-4%
0	0	0	645,320	658,418	13,098	-2%
8,269	6,668	1,601	60,866	64,872	4,006	-6%
128,877	142,838	(13,961)	1,377,023	1,520,848	143,825	-9%
8,371	11,699	(3,328)	151,242	94,910	(56,333)	59%
3,864,809	3,760,845	103,964	41,646,927	39,492,918	(2,154,008)	5%
		Total Operating Expenses				
(488,733)	5,100,644	(4,611,911)	6,969,540	11,294,425	4,324,885	-38%
		Income From Operations				
435,477	409,410	26,067	4,188,672	4,376,532	187,861	-4%
115,582	50,514	65,068	1,052,431	735,576	(316,855)	43%
321,949	287,168	34,781	2,820,855	3,012,982	192,127	-6%
229,110	172,757	56,353	2,420,248	2,099,126	(321,122)	15%
		Total Non-Operating				
(259,623)	5,273,400	(5,533,023)	9,389,788	13,393,551	2,203,763	16%
		Net Income				

**MAYERS MEMORIAL HOSPITAL
NON-OPERATING REVENUE AND EXPENSE
RETAIL PHARMACY**

2025 APRIL Month Actual	2024 APRIL Month Actual	Variance		2025 APRIL YTD Actual	2024 APRIL YTD Actual	Variance	Increase Decrease %
Retail Pharmacy Revenue							
0	1,443	(1,443)	Other	0	19,535	19,535	100%
52,451	41,364	11,087	Private	599,200	386,632	(212,568)	-55%
188,423	253,602	(65,179)	Third Party	1,824,216	2,590,549	766,333	30%
188,423	253,602	(65,179)	Third Party	1,824,216	2,590,549	766,333	30%
80,095	1,400	78,695	Other	211,946	18,866	(193,080)	-1023%
322,433	296,366	26,067	Non-Operating Revenue	3,400,961	3,130,459	(270,502)	-9%
Non-Operating Expenses							
15,132	14,882	249	Salaries & Wages	164,025	174,629	10,604	6%
193	1,442	(1,249)	Employee Benefits	8,781	17,764	8,983	51%
255,219	232,453	22,766	Supplies	2,193,089	2,421,320	228,231	9%
30,880	30,451	428	Ancillary Travelers	316,081	252,636	(63,445)	-25%
0	0	0	Non-Operating Employee Travel Expenses	7,055	6,378	(677)	-11%
15,526	1,270	14,256	Other Purchased Services	18,576	81,505	62,929	77%
1,485	508	977	Utilities	11,100	2,542	(8,557)	-337%
0	13	(13)	Repairs	850	48	(802)	-1671%
240	3,229	(2,989)	Other	33,476	20,501	(12,975)	-63%
2,766	2,766	0	Depreciation	28,029	28,121	92	0%
8	0	8	Rent - Lease	70	56	(14)	-25%
321,449	287,015	34,434	Total Non-Operating Expense	2,781,133	3,005,501	224,368	7%
984	9,352	(8,368)	Net Income (Loss)	619,828	124,958	(494,870)	-396%

RHC INCOME STATEMENT

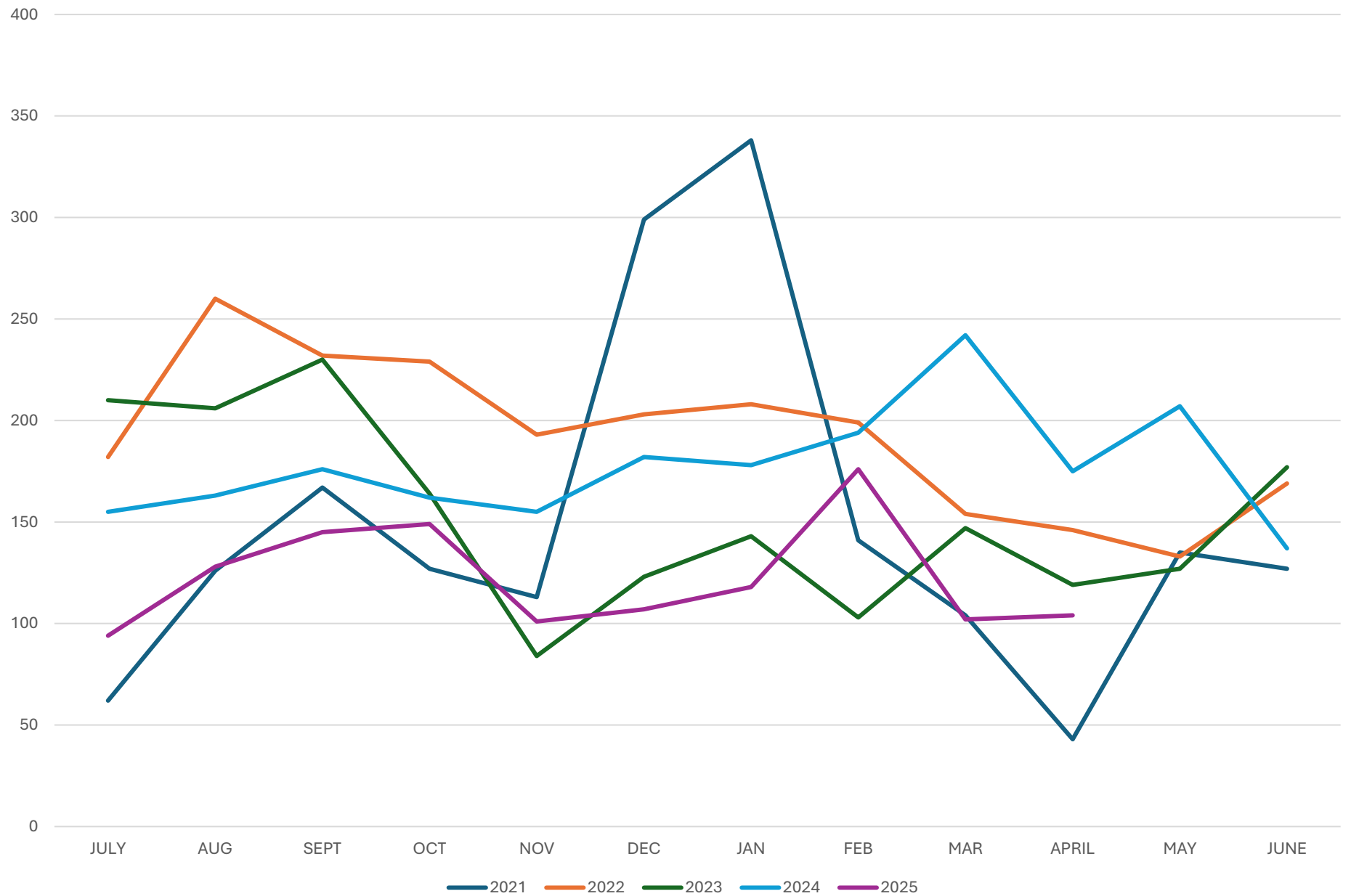
	2024 JUL	2024 AUG	2024 SEP	2024 OCT	2024 NOV	2024 DEC	2025 JAN	2025 FEB	2025 MAR	2025 APR			YTD APR
Patient Revenue	128,385	118,255	180,511	156,434	140,415	141,706	168,773	138,602	168,739	158,113	0	0	1,499,933
Employee Benefits	6,304	7,476	5,980	6,580	7,544	7,670	8,507	8,098	7,925	11,391	0	0	77,478
Supplies	5,423	1,990	5,462	24,655	17,911	3,415	12,405	6,340	7,841	8,717	0	0	94,159
Professional Fees	0	0	0	0	0	110	0	220	220	0	0	0	550
Travelers	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Purchased Services	4,698	4,207	7,143	5,151	83	575	2,918	1,148	1,007	388	0	0	27,320
Repairs & Maintenance	0	0	0	0	0	0	0	0	291	0	0	0	291
Utilities	0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance Other	1,909	2,920	1,909	1,909	1,909	1,909	1,909	1,909	1,909	1,908	0	0	20,099
Other Expenses	3,647	903	5,006	1,296	6,225	493	837	6,148	4,115	2,027	0	0	30,696
USDA Interest Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation Expense	4,480	4,480	4,336	4,480	4,336	4,480	4,480	4,047	4,480	4,336	0	0	43,934
Total Expenses	128,958	153,388	127,624	151,603	154,864	122,865	132,611	124,121	121,764	168,077	0	0	1,385,874
Total Non-Operating	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income (Loss)	(573)	(35,133)	52,886	4,831	(14,449)	18,841	36,163	14,481	46,975	(9,964)	0	0	114,059

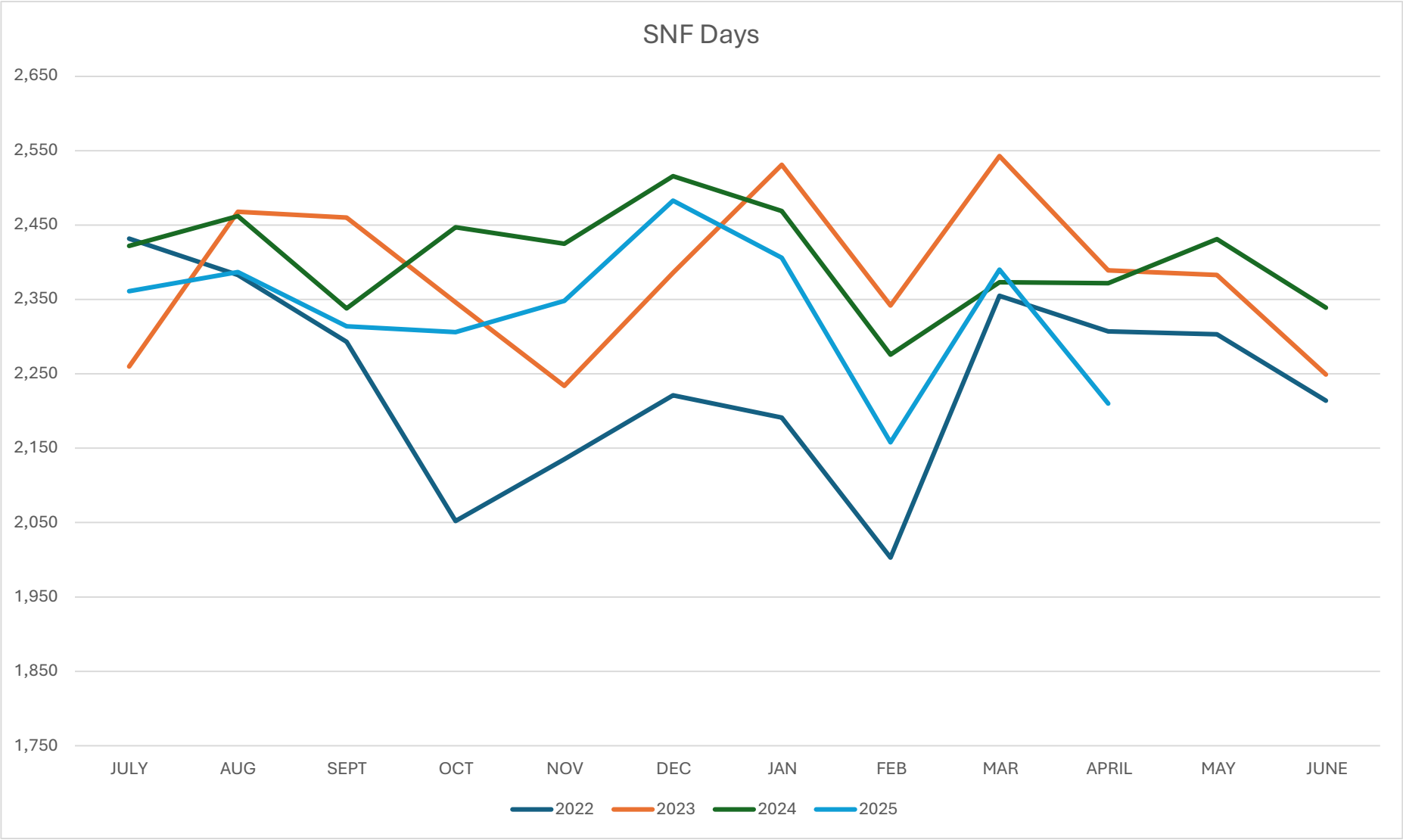
MAYERS MEMORIAL HOSPITAL
SUMMARY OF SERVICES - DEPOSITS - REFUNDS
- Fiscal Year 2025

DATE:	REVENUE / SERVICES	AVERAGE DAILY REVENUE	TOTAL DEPOSITS	MISC. PAYMENTS	MISC. PMTS PT RELATED	PATIENT PAYMENTS	ADJUSTMENT S & WRITE- OFFS	REFUNDS
July 31, 2024	5,437,078.00	#REF!	4,830,617.70	559,104.34	920,314.24	3,351,199.12	2,064,832.77	6,824.28
August 31, 2024	5,125,173.24	#REF!	3,963,266.11	227,680.40	-	3,735,585.71	2,442,815.13	36,290.55
September 30, 2024	5,109,328.43	#REF!	3,164,823.55	121,674.17	135,359.00	2,907,790.38	2,446,633.02	3,185.04
October 31, 2024	5,595,084.02	180,486.58	3,665,341.82	119,484.21		3,545,857.61	2,318,913.18	37,127.52
November 30, 2024	5,469,446.42	182,314.88	2,610,880.00	239,954.42		2,370,925.58	2,035,653.07	8,380.00
December 31, 2024	5,274,115.61	170,132.76	3,467,130.65	318,347.21		3,148,783.44	2,742,777.74	-
January 30, 2025	5,470,185.76	176,457.61	21,054,886.62	757,582.08	17,094,401.21	3,202,903.33	2,950,997.43	1,876.40
February 28, 2025	5,518,620.46	197,093.59	1,571,458.58	98,275.95		1,473,182.63	1,048,058.39	-
March 31, 2025	5,161,968.01	166,515.10	4,804,555.79	157,535.95		4,647,019.84	1,100,312.39	-
April 30, 2025	4,996,947.68	166,564.92	4,084,679.09	422,558.71		3,662,120.38	2,369,132.76	
May 31, 2025						-		
June 30, 2025						-		
YTD TOTAL	53,157,947.63	177,080.78	53,217,639.91	3,022,197.44	18,150,074.45	32,045,368.02	21,520,125.88	93,683.79

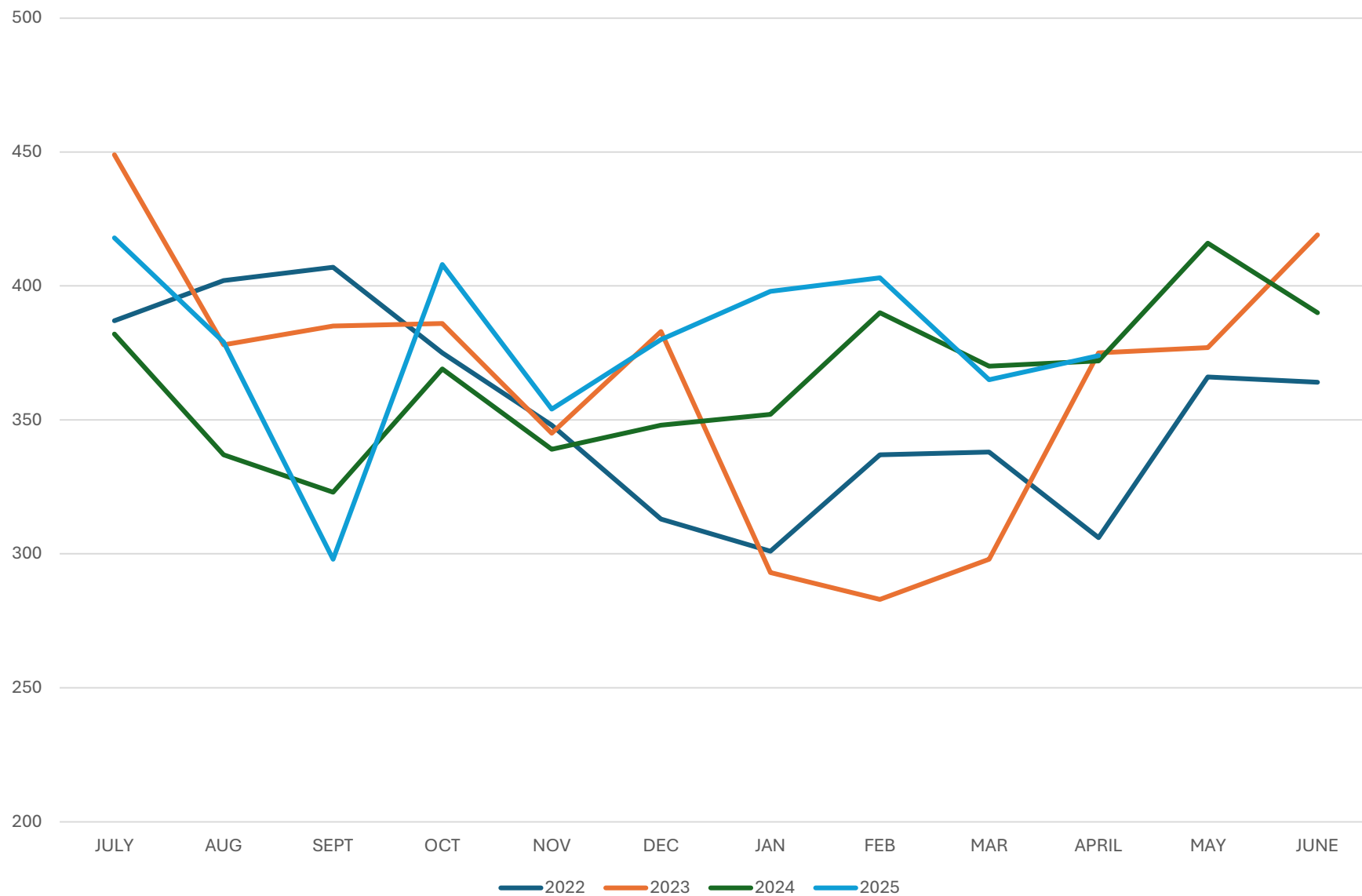
ACCOUNTS RECEIVABLE AGING				PAYOR MIX - YTD % OF REVENUE				
	April \$ OUTSTANDING	April DAYS OUT	March DAYS OUT		April	March	February	3 MONTH AVERAGE
MEDICARE	5,769,168.15	32.72	42.01	MEDICARE	39.96%	36.13%	48.75%	41.61%
MEDI - CAL	4,148,781.08	23.53	23.27	MEDI - CAL	40.27%	40.48%	36.33%	39.03%
THIRD PARTY	3,017,229.83	17.11	18.27	THIRD PARTY	17.44%	21.82%	14.63%	17.96%
PRIVATE	750,071.43	4.25	4.90	PRIVATE	2.33%	1.57%	29.00%	10.97%
OVERALL	13,685,250.49	77.62	88.46					

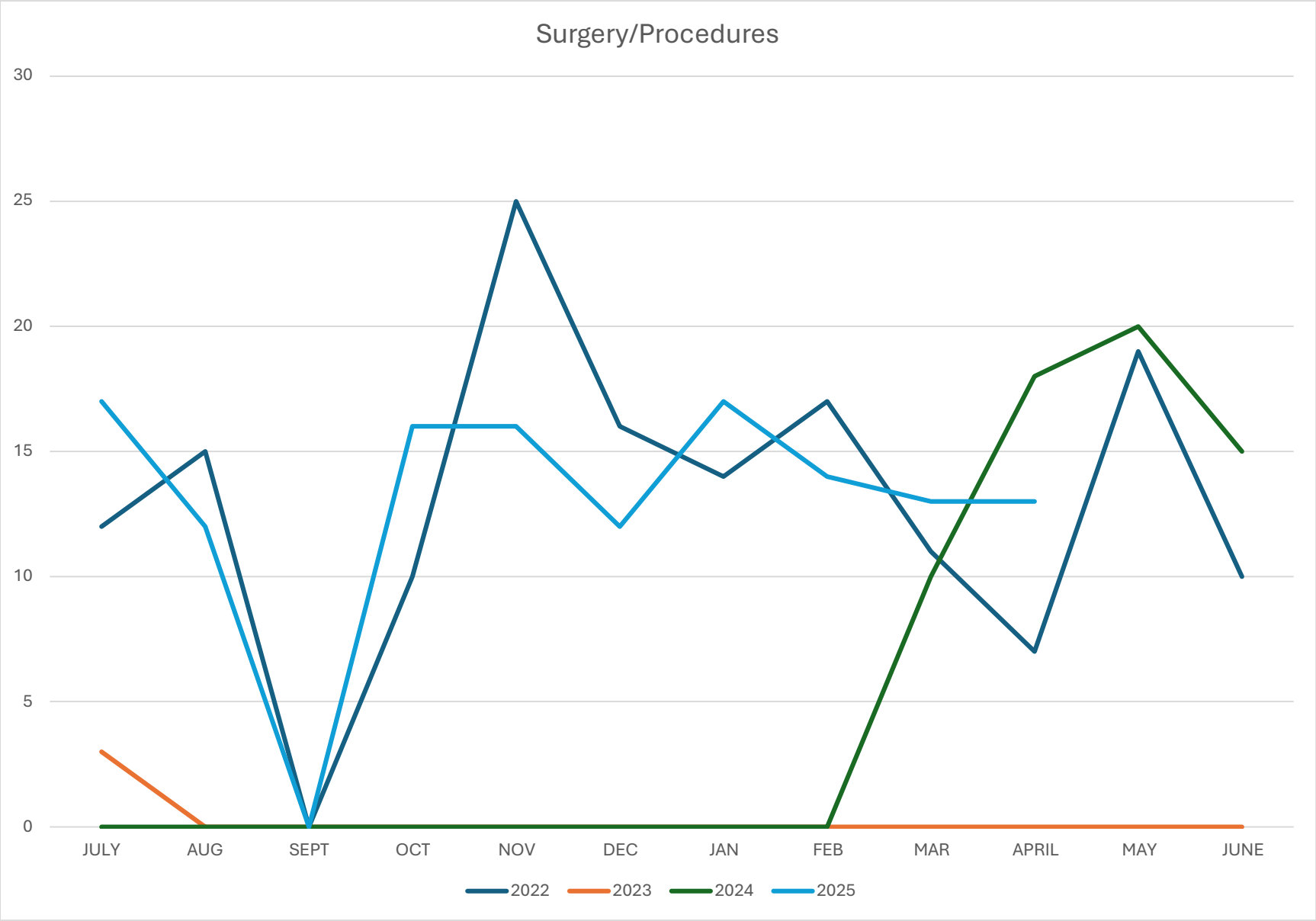
Acute/Swing Days





ER Visits





**MAYERS MEMORIAL HOSPITAL
2024-2025 OPERATING ACTUAL**

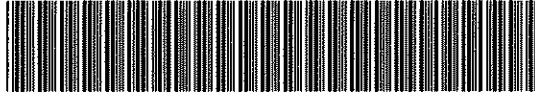
	2024 JUL	2024 AUG	2024 SEP	2024 OCT	2024 NOV	2024 DEC	2025 JAN	2025 FEB	2025 MAR	2025 APR		2025 YTD	
<u>Operating Revenue</u>													
Acute Revenue	751,814	823,156	997,423	933,070	860,223	893,932	932,051	1,144,829	708,018	823,121	0	0	8,867,639
Revenue - SNF Inpatient	1,420,714	1,339,094	1,295,344	1,292,945	1,310,387	1,441,466	1,363,396	1,213,408	1,349,826	1,271,386	0	0	14,660,191
Revenue - Hospice Inpatient	0	2,690	0	(1,875)	0	0	0	0	0	0	0	0	815
Outpatient Revenue	3,460,197	2,862,200	2,855,223	3,403,151	3,311,931	3,032,385	3,297,001	3,266,936	3,222,644	3,180,595	0	0	31,892,263
Total Patient Revenue	5,636,616	5,026,424	5,149,852	5,638,503	5,487,985	5,133,352	5,511,207	5,618,205	5,185,466	5,213,016	0	0	53,600,627
Medicare/Medi-Cal Contractuals	(491,841)	(1,008,829)	407,829	190,598	150,668	1,560,937	2,146,196	(1,400,366)	(2,104,048)	(915,233)	0	0	(1,464,089)
<u>Less Deductions</u>													
PPO Contractuals	(401,471)	(343,907)	(423,608)	(336,610)	(396,127)	(482,008)	(144,501)	(198,556)	(436,922)	(1,059,556)	0	0	(4,316,950)
MCMC Contractual	(893,312)	(1,352,736)	(15,779)	(146,012)	(245,458)	1,078,929	2,001,695	(1,598,922)	(2,540,970)	(2,269,845)	0	0	(5,982,410)
Total Deductions	(916,664)	(1,742,861)	(69,264)	(183,556)	(328,286)	998,859	1,635,797	(1,635,260)	(2,655,717)	(2,243,475)	0	0	(7,140,427)
Other Operating Revenues	128,004	110,649	104,113	87,524	193,074	240,856	752,260	76,618	56,635	406,534	0	0	2,156,268
Net Revenue	4,847,957	3,394,212	5,184,701	5,542,471	5,352,774	6,373,067	7,899,263	4,059,563	2,586,384	3,376,076	0	0	48,616,468
<u>Operating Expenses</u>													
Salaries and Wages	2,018,081	2,216,181	1,845,517	2,117,398	2,184,141	1,764,608	1,766,023	1,687,017	1,801,629	1,750,952	0	0	19,151,546
Employee Benefits	742,415	290,922	286,807	585,462	299,551	419,202	1,760,461	558,028	(857,580)	346,434	0	0	4,431,702
Supplies	299,743	378,655	382,250	429,460	382,396	380,623	405,749	896,587	406,520	507,060	0	0	4,469,042
Professional Fees	115,836	166,252	160,054	136,038	101,141	174,944	118,783	164,635	196,604	118,166	0	0	1,452,453
Other Purchased Service Nurse Travel Acute	18,918	12,253	6,089	12,097	25,186	34,167	30,446	75,807	54,039	26,584	0	0	295,585
Other Purchased Service Nurse Travel SNF	283,832	296,737	259,318	346,381	304,156	270,672	303,781	275,472	304,831	274,716	0	0	2,919,898
Other Purchased Service Travel Ancillary	123,829	112,896	121,383	95,695	93,860	129,223	105,758	64,785	85,364	53,642	0	0	986,435
Other Purchased Service Hospice Travel	0	0	0	0	0	0	0	0	0	0	0	0	0
Travelers	426,579	421,887	386,790	454,173	423,202	434,062	439,984	416,064	444,234	354,942	0	0	4,201,917
Other Purchased Services	188,189	180,055	205,750	249,819	181,060	185,052	236,909	326,628	254,067	240,856	0	0	2,248,385
Repairs & Maintenance	25,033	33,723	58,123	42,524	45,433	21,522	30,331	35,067	33,079	49,789	0	0	374,622
Utilities	138,378	132,866	107,750	119,148	79,287	114,506	131,762	99,609	121,628	94,932	0	0	1,139,865
Insurance Other	41,925	56,083	41,381	37,521	37,521	37,521	37,521	37,521	36,021	39,022	0	0	402,039
USDA Interest Expense	0	0	325,991	0	0	0	0	0	319,329	0	0	0	645,320
Interest Expense	8,498	6,843	9,140	9,513	2,374	2,374	2,374	8,263	3,218	8,269	0	0	60,866
Depreciation Expense	148,579	147,596	142,969	145,791	140,535	134,631	134,458	120,326	133,262	128,877	0	0	1,377,023
Rental/Lease	1,878	8,587	6,539	9,553	13,645	28,296	57,585	8,118	8,670	8,371	0	0	151,242
Operating Expenses	4,275,537	4,150,115	4,100,424	4,464,794	4,086,050	3,814,741	5,252,874	4,515,861	3,121,722	3,864,809	0	0	41,646,927
Total Operating Expenses	4,275,537	4,150,115	4,100,424	4,464,794	4,086,050	3,814,741	5,252,874	4,515,861	3,121,722	3,864,809	0	0	41,646,927
Net Operating Revenue over Expense	572,420	(755,902)	1,084,277	1,077,677	1,266,724	2,558,326	2,646,389	(456,298)	(535,338)	(488,733)	0	0	6,969,542
<u>Non-Operating Revenue</u>													
Non-Operating Revenue	444,007	367,472	540,919	396,680	329,288	328,316	441,021	400,636	504,856	435,477	0	0	4,188,672
Interest Income	128,348	111,492	106,882	120,602	82,834	73,033	87,927	111,036	114,694	115,582	0	0	1,052,431
Non-Operating Expenses	263,728	303,569	226,730	273,851	221,477	347,548	311,625	58,830	491,548	321,949	0	0	2,820,855
Total Non-Operating	308,627	175,394	421,071	243,432	190,645	53,802	217,323	452,841	128,001	229,110	0	0	2,420,248
Net Revenue over Expense	881,047	(580,508)	1,505,348	1,321,109	1,457,369	2,612,128	2,863,712	(3,457)	(407,337)	(259,623)	0	0	9,389,789
Days in Month	31	31	30	31	30	31	31	28	31	30	31	30	365
Expenses per Day	133,128	129,113	131,915	139,323	131,517	118,713	165,110	156,983	96,402	124,531	0	0	110,329
Days Cash on Hand	267	274	266	241	200	220	252	249	398	276	0	0	31
Cash in Bank @ Month End	35,601,847	35,313,275	35,056,255	33,523,508	26,314,863	26,073,907	41,571,837	39,051,330	38,396,882	34,326,892	0	0	3,399,140
Days in Month	31	31	30	31	30	31	31	28	31	30	0	0	304

ACCOUNTS RECEIVABLE

<u>MONTH</u>	<u>YEAR</u>	<u>CURRENT</u>	<u>31-60</u>	<u>61-90</u>	<u>91-120</u>	<u>121-150</u>	<u>151-180</u>	<u>180-365+</u>	<u>TOTAL</u>
JULY	2024	7,504,685.01	2,444,141.17	1,069,049.50	1,212,149.86	1,466,471.09	562,712.35	2,887,869.27	17,147,078.25
AUGUST	2024	5,933,788.19	1,083,030.48	943,175.74	2,452,612.32	1,791,946.72	1,284,470.69	1,186,200.05	14,675,224.19
SEPTEMBER	2024	5,388,226.43	1,720,134.74	1,003,175.00	881,295.00	928,267.00	819,728.00	2,834,567.86	13,575,394.03
OCTOBER	2024	6,449,837.65	1,609,201.35	1,103,397.17	813,142.57	797,663.90	863,205.28	3,301,999.62	14,938,447.54
NOVEMBER	2024	6,892,888.89	1,995,555.09	1,099,452.33	897,848.27	806,771.69	588,234.56	3,524,925.36	15,805,676.19
DECEMBER	2024	6,285,173.59	2,338,775.51	1,048,323.15	689,829.03	784,248.14	764,310.63	3,428,429.73	15,339,089.78
JANUARY	2025	5,452,460.47	2,725,172.26	1,251,764.29	911,275.72	624,291.60	762,712.59	3,173,284.98	14,900,961.91
FEBRUARY	2025	6,160,514.10	4,665,527.96	1,195,015.33	1,066,408.29	669,573.68	320,554.82	3,692,578.77	17,770,172.95
MARCH	2025	5,349,592.49	2,416,745.97	2,231,039.77	957,804.06	1,080,468.00	624,511.08	3,085,262.53	15,745,423.90
APRIL	2025	5,184,177.03	1,394,299.35	1,269,696.80	1,865,316.75	622,422.68	717,145.32	2,632,192.56	13,685,250.49
MAY	2025	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
JUNE	2025	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

ACCOUNTS PAYABLE (includes accrued payables)

<u>MONTH</u>	<u>YEAR</u>	<u>CURRENT</u>	<u>30 DAYS</u>	<u>60 DAYS</u>	<u>90 DAYS</u>	<u>120 DAYS+</u>	<u>TOTAL</u>
JULY	2024	515,500.00	0.00	0.00	0.00	0.00	515,500.00
AUGUST	2024	194,787.18	0.00	0.00	0.00	0.00	194,787.18
SEPTEMBER	2024	129,244.00	0.00	0.00	0.00	0.00	129,244.00
OCTOBER	2024	(63,622.00)	0.00	0.00	0.00	0.00	(63,622.00)
NOVEMBER	2024	595,536.00	0.00	0.00	0.00	0.00	595,536.00
DECEMBER	2024	917,652.00	0.00	0.00	0.00	0.00	917,652.00
JANUARY	2025	2,048,242.00	0.00	0.00	0.00	0.00	2,048,242.00
FEBRUARY	2025	1,949,822.00	0.00	0.00	0.00	0.00	1,949,822.00
MARCH	2025	244,226.00	0.00	0.00	0.00	0.00	244,226.00
APRIL	2025	1,146,387.42	0.00	0.00	0.00	0.00	1,146,387.42
MAY	2025	0.00	0.00	0.00	0.00	0.00	0.00
JUNE	2025	0.00	0.00	0.00	0.00	0.00	0.00



0400416700007005052025



BUSINESS LOAN AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$100,000.00	07-23-2024	07-23-2026	400416700	4 / 028		***	
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "*****" has been omitted due to text length limitations.							

Borrower: Mayers Memorial Hospital District
PO Box 459
Fall River Mills, CA 96028

Lender: Cornerstone Community Bank
Redding Branch
192 Hartnell Ave.
Redding, CA 96002

THIS BUSINESS LOAN AGREEMENT dated May 5, 2025, is made and executed between Mayers Memorial Hospital District ("Borrower") and Cornerstone Community Bank ("Lender") on the following terms and conditions. Borrower has received prior commercial loans from Lender or has applied to Lender for a commercial loan or loans or other financial accommodations, including those which may be described on any exhibit or schedule attached to this Agreement. Borrower understands and agrees that: (A) In granting, renewing, or extending any Loan, Lender is relying upon Borrower's representations, warranties, and agreements as set forth in this Agreement; (B) the granting, renewing, or extending of any Loan by Lender at all times shall be subject to Lender's sole judgment and discretion; and (C) all such Loans shall be and remain subject to the terms and conditions of this Agreement.

TERM. This Agreement shall be effective as of May 5, 2025, and shall continue in full force and effect until such time as all of Borrower's Loans in favor of Lender have been paid in full, including principal, interest, costs, expenses, attorneys' fees, and other fees and charges, or until such time as the parties may agree in writing to terminate this Agreement.

LINE OF CREDIT. The Indebtedness contemplates multiple loan advances to be made from time to time on a non-self-replenishing basis. Advances under the Indebtedness, as well as directions for payment from Borrower's accounts, may be requested only in writing by Borrower or as provided in the "Advance Authority" section below. Borrower agrees to be liable for all sums either: (A) advanced in accordance with the instructions of an authorized person as described in the "Advance Authority" section below or (B) credited to any of Borrower's accounts with Lender.

ADVANCE AUTHORITY. The following person or persons are authorized, except as provided in this paragraph, to request advances and authorize payments under the line of credit until Lender receives from Borrower, at Lender's address shown above, written notice of revocation of such authority: Advances may be made only to satisfy requests for draws vs. Letter of Credit No. 2024009 issued on July 23, 2024 in favor of the BETA Healthcare Group, in connection with the Agreement between Mayers Memorial Hospital District and BETA Healthcare Group. . Advances against this line of credit will be restricted from the Borrower's use and will be made for the sole purpose of supporting advances by the BETA Healthcare Group, its successors and/or assigns ("Beneficiary") of the Irrevocable Standby Letter of Credit No. 2024009.

CONDITIONS PRECEDENT TO EACH ADVANCE. Lender's obligation to make the initial Advance and each subsequent Advance under this Agreement shall be subject to the fulfillment to Lender's satisfaction of all of the conditions set forth in this Agreement and in the Related Documents.

Loan Documents. Borrower shall provide to Lender the following documents for the Loan: (1) the Note; (2) together with all such Related Documents as Lender may require for the Loan; all in form and substance satisfactory to Lender and Lender's counsel.

Borrower's Authorization. Borrower shall have provided in form and substance satisfactory to Lender properly certified resolutions, duly authorizing the execution and delivery of this Agreement, the Note and the Related Documents. In addition, Borrower shall have provided such other resolutions, authorizations, documents and instruments as Lender or its counsel, may require.

Payment of Fees and Expenses. Borrower shall have paid to Lender all fees, charges, and other expenses which are then due and payable as specified in this Agreement or any Related Document.

Representations and Warranties. The representations and warranties set forth in this Agreement, in the Related Documents, and in any document or certificate delivered to Lender under this Agreement are true and correct.

No Event of Default. There shall not exist at the time of any Advance a condition which would constitute an Event of Default under this Agreement or under any Related Document.

REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants to Lender, as of the date of this Agreement, as of the date of each disbursement of loan proceeds, as of the date of any renewal, extension or modification of any Loan, and at all times any Indebtedness exists:

Organization. Borrower is a non-profit corporation which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the State of California. Borrower is duly authorized to transact business in all other states in which Borrower is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which Borrower is doing business. Specifically, Borrower is, and at all times shall be, duly qualified as a foreign corporation in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. Borrower has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. Borrower maintains an office at 43563 Hwy 299 E, Fall River Mills, CA 96028-9787. Unless Borrower has designated otherwise in writing, the principal office is the office at which Borrower keeps its books and records including its records concerning the Collateral. Borrower will notify Lender prior to any change in the location of Borrower's state of organization or any change in Borrower's name. Borrower shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to Borrower and Borrower's business activities.

BUSINESS LOAN AGREEMENT (Continued)

Loan No: 400416700

Page 2

Assumed Business Names. Borrower has filed or recorded all documents or filings required by law relating to all assumed business names used by Borrower. Excluding the name of Borrower, the following is a complete list of all assumed business names under which Borrower does business: **None.**

Authorization. Borrower's execution, delivery, and performance of this Agreement and all the Related Documents have been duly authorized by all necessary action by Borrower and do not conflict with, result in a violation of, or constitute a default under (1) any provision of (a) Borrower's articles of incorporation or organization, or bylaws, or (b) any agreement or other instrument binding upon Borrower or (2) any law, governmental regulation, court decree, or order applicable to Borrower or to Borrower's properties.

Financial Information. Each of Borrower's financial statements supplied to Lender truly and completely disclosed Borrower's financial condition as of the date of the statement, and there has been no material adverse change in Borrower's financial condition subsequent to the date of the most recent financial statement supplied to Lender. Borrower has no material contingent obligations except as disclosed in such financial statements.

Legal Effect. This Agreement constitutes, and any instrument or agreement Borrower is required to give under this Agreement when delivered will constitute legal, valid, and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.

No Prohibited Activities. Borrower is not engaged in and none of the Collateral is created by or used in connection with any Prohibited Activities. Borrower shall not make any payments to Lender from funds derived from Prohibited Activities. Borrower agrees to indemnify, defend, and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Agreement. Notwithstanding any provision in this Agreement or any Related Documents to the contrary, no direct or indirect disclosure to Lender and no knowledge of Lender of the existence of any Prohibited Activities shall estop Lender or waive any right of Lender to invoke any remedy under the Agreement or any Related Documents for any Prohibited Activities.

Properties. Except as contemplated by this Agreement or as previously disclosed in Borrower's financial statements or in writing to Lender and as accepted by Lender, and except for property tax liens for taxes not presently due and payable, Borrower owns and has good title to all of Borrower's properties free and clear of all Security Interests, and has not executed any security documents or financing statements relating to such properties. All of Borrower's properties are titled in Borrower's legal name, and Borrower has not used or filed a financing statement under any other name for at least the last five (5) years.

Hazardous Substances. Except as disclosed to and acknowledged by Lender in writing, Borrower represents and warrants that: (1) During the period of Borrower's ownership of the Collateral, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance by any person on, under, about or from any of the Collateral. (2) Borrower has no knowledge of, or reason to believe that there has been (a) any breach or violation of any Environmental Laws; (b) any use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance on, under, about or from the Collateral by any prior owners or occupants of any of the Collateral; or (c) any actual or threatened litigation or claims of any kind by any person relating to such matters. (3) Neither Borrower nor any tenant, contractor, agent or other authorized user of any of the Collateral shall use, generate, manufacture, store, treat, dispose of or release any Hazardous Substance on, under, about or from any of the Collateral; and any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations, and ordinances, including without limitation all Environmental Laws. Borrower authorizes Lender and its agents to enter upon the Collateral to make such inspections and tests as Lender may deem appropriate to determine compliance of the Collateral with this section of the Agreement. Any inspections or tests made by Lender shall be at Borrower's expense and for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Borrower or to any other person. The representations and warranties contained herein are based on Borrower's due diligence in investigating the Collateral for hazardous waste and Hazardous Substances. Borrower hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Borrower becomes liable for cleanup or other costs under any such laws, and (2) agrees to indemnify, defend, and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Agreement or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release of a hazardous waste or substance on the Collateral. The provisions of this section of the Agreement, including the obligation to indemnify and defend, shall survive the payment of the Indebtedness and the termination, expiration or satisfaction of this Agreement and shall not be affected by Lender's acquisition of any interest in any of the Collateral, whether by foreclosure or otherwise.

Litigation and Claims. No litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Borrower is pending or threatened, and no other event has occurred which may materially adversely affect Borrower's financial condition or properties, other than litigation, claims, or other events, if any, that have been disclosed to and acknowledged by Lender in writing.

Taxes. To the best of Borrower's knowledge, all of Borrower's tax returns and reports that are or were required to be filed, have been filed, and all taxes, assessments and other governmental charges have been paid in full, except those presently being or to be contested by Borrower in good faith in the ordinary course of business and for which adequate reserves have been provided.

Lien Priority. Unless otherwise previously disclosed to Lender in writing, Borrower has not entered into or granted any Security Agreements, or permitted the filing or attachment of any Security Interests on or affecting any of the Collateral directly or indirectly securing repayment of Borrower's Loan and Note, that would be prior or that may in any way be superior to Lender's Security Interests and rights in and to such Collateral.

Binding Effect. This Agreement, the Note, all Security Agreements (if any), and all Related Documents are binding upon the signers thereof, as well as upon their successors, representatives and assigns, and are legally enforceable in accordance with their respective terms.

AFFIRMATIVE COVENANTS. Borrower covenants and agrees with Lender that, so long as this Agreement remains in effect, Borrower will:

Notices of Claims and Litigation. Promptly inform Lender in writing of (1) all material adverse changes in Borrower's financial condition, and (2) all existing and all threatened litigation, claims, investigations, administrative proceedings or similar actions affecting Borrower or any Guarantor which could materially affect the financial condition of Borrower or the financial condition of any Guarantor.

Financial Records. Maintain its books and records in accordance with GAAP, or an OCBOA acceptable to Lender, applied on a consistent basis, and permit Lender to examine and audit Borrower's books and records at all reasonable times.

Financial Statements. Furnish Lender with such financial statements and other related information at such frequencies and in such detail as Lender may reasonably request.

BUSINESS LOAN AGREEMENT (Continued)

Loan No: 400416700

Page 3

Additional Information. Furnish such additional information and statements, as Lender may request from time to time.

Insurance. Maintain fire and other risk insurance, public liability insurance, and such other insurance as Lender may require with respect to Borrower's properties and operations, in form, amounts, coverages and with insurance companies acceptable to Lender. Borrower, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Borrower or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest for the Loans, Borrower will provide Lender with such lender's loss payable or other endorsements as Lender may require.

Insurance Reports. Furnish to Lender, upon request of Lender, reports on each existing insurance policy showing such information as Lender may reasonably request, including without limitation the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the properties insured; (5) the then current property values on the basis of which insurance has been obtained, and the manner of determining those values; and (6) the expiration date of the policy. In addition, upon request of Lender (however not more often than annually), Borrower will have an independent appraiser satisfactory to Lender determine, as applicable, the actual cash value or replacement cost of any Collateral. The cost of such appraisal shall be paid by Borrower.

Other Agreements. Comply with all terms and conditions of all other agreements, whether now or hereafter existing, between Borrower and any other party and notify Lender immediately in writing of any default in connection with any other such agreements.

Loan Proceeds. Use all Loan proceeds solely for Borrower's business operations, unless specifically consented to the contrary by Lender in writing.

Taxes, Charges and Liens. Pay and discharge when due all of its indebtedness and obligations, including without limitation all assessments, taxes, governmental charges, levies and liens, of every kind and nature, imposed upon Borrower or its properties, income, or profits, prior to the date on which penalties would attach, and all lawful claims that, if unpaid, might become a lien or charge upon any of Borrower's properties, income, or profits. Provided however, Borrower will not be required to pay and discharge any such assessment, tax, charge, levy, lien or claim so long as (1) the legality of the same shall be contested in good faith by appropriate proceedings, and (2) Borrower shall have established on Borrower's books adequate reserves with respect to such contested assessment, tax, charge, levy, lien, or claim in accordance with GAAP or an OCBOA acceptable to Lender.

Performance. Perform and comply, in a timely manner, with all terms, conditions, and provisions set forth in this Agreement, in the Related Documents, and in all other instruments and agreements between Borrower and Lender. Borrower shall notify Lender immediately in writing of any default in connection with any agreement.

Operations. Maintain executive and management personnel with substantially the same qualifications and experience as the present executive and management personnel; provide written notice to Lender of any change in executive and management personnel; conduct its business affairs in a reasonable and prudent manner.

Environmental Studies. Promptly conduct and complete, at Borrower's expense, all such investigations, studies, samplings and testings as may be requested by Lender or any governmental authority relative to any substance, or any waste or by-product of any substance defined as toxic or a hazardous substance under applicable federal, state, or local law, rule, regulation, order or directive, at or affecting any property or any facility owned, leased or used by Borrower.

Compliance with Governmental Requirements. Comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the conduct of Borrower's properties, businesses and operations, and to the use or occupancy of the Collateral, including without limitation, the Americans With Disabilities Act. Borrower may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Borrower has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Collateral are not jeopardized. Lender may require Borrower to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

Beneficial Ownership Information. Comply with all beneficial ownership information reporting requirements of the Corporate Transparency Act and its implementing regulations (collectively the CTA), if applicable to that Borrower. Any Borrower that is or becomes a reporting company as defined in the CTA: (1) has filed, or will file within required timeframes a complete and accurate report of its beneficial ownership information with the Financial Crimes Enforcement Network (FinCEN) as required by the CTA; (2) will update or correct its beneficial ownership information with FinCEN within required timeframes upon any change in its beneficial ownership information; (3) will provide Lender with a copy of its beneficial ownership information report filed with FinCEN upon request; (4) consents to allow Lender to obtain from FinCEN beneficial ownership information filed by Borrower; and (5) will notify Lender in writing of any change in its beneficial ownership information within 30 days of such change.

Inspection. Permit employees or agents of Lender at any reasonable time to inspect any and all Collateral for the Loan or Loans and Borrower's other properties and to examine or audit Borrower's books, accounts, and records and to make copies and memoranda of Borrower's books, accounts, and records. If Borrower now or at any time hereafter maintains any records (including without limitation computer generated records and computer software programs for the generation of such records) in the possession of a third party, Borrower, upon request of Lender, shall notify such party to permit Lender free access to such records at all reasonable times and to provide Lender with copies of any records it may request, all at Borrower's expense.

Compliance Certificates. Unless waived in writing by Lender, provide Lender at least annually, with a certificate executed by Borrower's chief financial officer, or other officer or person acceptable to Lender, certifying that the representations and warranties set forth in this Agreement are true and correct as of the date of the certificate and further certifying that, as of the date of the certificate, no Event of Default exists under this Agreement.

Environmental Compliance and Reports. Borrower shall comply in all respects with any and all Environmental Laws; not cause or permit to exist, as a result of an intentional or unintentional action or omission on Borrower's part or on the part of any third party, on property owned and/or occupied by Borrower, any environmental activity where damage may result to the environment, unless such environmental activity is pursuant to and in compliance with the conditions of a permit issued by the appropriate federal, state or local governmental authorities; shall furnish to Lender promptly and in any event within thirty (30) days after receipt thereof a copy of any notice, summons, lien, citation, directive, letter or other communication from any governmental agency or instrumentality concerning any intentional or unintentional action or omission on Borrower's part in connection with any environmental activity whether or not there is damage to the environment and/or other natural resources.

Additional Assurances. Make, execute and deliver to Lender such promissory notes, mortgages, deeds of trust, security agreements, assignments, financing statements, instruments, documents and other agreements as Lender or its attorneys may reasonably request to evidence and secure the Loans and to perfect all Security Interests.

RECOVERY OF ADDITIONAL COSTS. If the imposition of or any change in any law, rule, regulation, guideline, or generally accepted accounting

BUSINESS LOAN AGREEMENT (Continued)

Loan No: 400416700

Page 4

principle, or the interpretation or application of any thereof by any court, administrative or governmental authority, or standard-setting organization (including any request or policy not having the force of law) shall impose, modify or make applicable any taxes (except federal, state or local income or franchise taxes imposed on Lender), reserve requirements, capital adequacy requirements or other obligations which would (A) increase the cost to Lender for extending or maintaining the credit facilities to which this Agreement relates, (B) reduce the amounts payable to Lender under this Agreement or the Related Documents, or (C) reduce the rate of return on Lender's capital as a consequence of Lender's obligations with respect to the credit facilities to which this Agreement relates, then Borrower agrees to pay Lender such additional amounts as will compensate Lender therefor, within five (5) days after Lender's written demand for such payment, which demand shall be accompanied by an explanation of such imposition or charge and a calculation in reasonable detail of the additional amounts payable by Borrower, which explanation and calculations shall be conclusive in the absence of manifest error.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Borrower fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Borrower's failure to discharge or pay when due any amounts Borrower is required to discharge or pay under this Agreement or any Related Documents, Lender on Borrower's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on any Collateral and paying all costs for insuring, maintaining and preserving any Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Borrower. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity.

NEGATIVE COVENANTS. Borrower covenants and agrees with Lender that while this Agreement is in effect, Borrower shall not, without the prior written consent of Lender:

Indebtedness and Liens. (1) Except for trade debt incurred in the normal course of business and indebtedness to Lender contemplated by this Agreement, create, incur or assume indebtedness for borrowed money, including finance leases, (2) sell, transfer, mortgage, assign, pledge, lease, grant a security interest in, or encumber any of Borrower's assets (except as allowed as Permitted Liens), or (3) sell with recourse any of Borrower's accounts receivable, except to Lender.

Continuity of Operations. (1) Engage in any business activities substantially different than those in which Borrower is presently engaged, (2) cease operations, liquidate, merge or restructure as a legal entity (whether by division or otherwise), consolidate with or acquire any other entity, change its name, convert to another type of entity or redomesticate, dissolve or transfer or sell Collateral out of the ordinary course of business, or (3) pay any dividends on Borrower's stock (other than dividends payable in its stock), provided, however that notwithstanding the foregoing, but only so long as no Event of Default has occurred and is continuing or would result from the payment of dividends, if Borrower is a "Subchapter S Corporation" (as defined in the Internal Revenue Code of 1986, as amended), Borrower may pay cash dividends on its stock to its shareholders from time to time in amounts necessary to enable the shareholders to pay income taxes and make estimated income tax payments to satisfy their liabilities under federal and state law which arise solely from their status as Shareholders of a Subchapter S Corporation because of their ownership of shares of Borrower's stock, or purchase or retire any of Borrower's outstanding shares or alter or amend Borrower's capital structure.

Prohibited Activities. Engage in, or permit the Collateral to be created by or used in connection with, any Prohibited Activities.

Agreements. Enter into any agreement containing any provisions which would be violated or breached by the performance of Borrower's obligations under this Agreement or in connection herewith.

CESSATION OF ADVANCES. If Lender has made any commitment to make any Loan to Borrower, whether under this Agreement or under any other agreement, Lender shall have no obligation to make Loan Advances or to disburse Loan proceeds if: (A) Borrower or any Guarantor is in default under the terms of this Agreement or any of the Related Documents or any other agreement that Borrower or any Guarantor has with Lender; (B) Borrower or any Guarantor dies, becomes incompetent or becomes insolvent, files a petition in bankruptcy or similar proceedings, or is adjudged a bankrupt; (C) there occurs a material adverse change in Borrower's financial condition, in the financial condition of any Guarantor, or in the value of any Collateral securing any Loan; or (D) any Guarantor seeks, claims or otherwise attempts to limit, modify or revoke such Guarantor's guaranty of the Loan or any other loan with Lender; or (E) Lender in good faith deems itself insecure, even though no Event of Default shall have occurred.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the debt against any and all such accounts.

DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

Payment Default. Borrower fails to make any payment when due under the Loan.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's or any Grantor's property or Borrower's or any Grantor's ability to repay the Loans or perform their respective obligations under this Agreement or any of the Related Documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Defective Collateralization. This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the Loan.

BUSINESS LOAN AGREEMENT (Continued)

Loan No: 400416700

Page 5

This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Change in Ownership. Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the Loan is impaired.

Insecurity. Lender in good faith believes itself insecure.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

EFFECT OF AN EVENT OF DEFAULT. If any Event of Default shall occur, except where otherwise provided in this Agreement or the Related Documents, all commitments and obligations of Lender under this Agreement or the Related Documents or any other agreement immediately will terminate (including any obligation to make further Loan Advances or disbursements), and, at Lender's option, all Indebtedness immediately will become due and payable, all without notice of any kind to Borrower, except that in the case of an Event of Default of the type described in the "Insolvency" subsection above, such acceleration shall be automatic and not optional. In addition, Lender shall have all the rights and remedies provided in the Related Documents or available at law, in equity, or otherwise. Except as may be prohibited by applicable law, all of Lender's rights and remedies shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Borrower or of any Grantor shall not affect Lender's right to declare a default and to exercise its rights and remedies.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

Amendments. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Arbitration. Borrower and Lender agree that all disputes, claims and controversies between them whether individual, joint, or class in nature, arising from this Agreement or otherwise, including without limitation contract and tort disputes, shall be arbitrated pursuant to the Commercial Arbitration Rules of the American Arbitration Association in effect at the time the claim is filed, upon request of either party. No act to take or dispose of any Collateral shall constitute a waiver of this arbitration agreement or be prohibited by this arbitration agreement. This includes, without limitation, obtaining injunctive relief or a temporary restraining order; invoking a power of sale under any deed of trust or mortgage; obtaining a writ of attachment or imposition of a receiver; or exercising any rights relating to personal property, including taking or disposing of such property with or without judicial process pursuant to Article 9 of the Uniform Commercial Code. Any disputes, claims, or controversies concerning the lawfulness or reasonableness of any act, or exercise of any right, concerning any Collateral, including any claim to rescind, reform, or otherwise modify any agreement relating to the Collateral, shall also be arbitrated, provided however that no arbitrator shall have the right or the power to enjoin or restrain any act of any party. Borrower and Lender agree that in the event of an action for judicial foreclosure pursuant to California Code of Civil Procedure Section 726, or any similar provision in any other state, the commencement of such an action will not constitute a waiver of the right to arbitrate and the court shall refer to arbitration as much of such action, including counterclaims, as lawfully may be referred to arbitration. Judgment upon any award rendered by any arbitrator may be entered in any court having jurisdiction. Nothing in this Agreement shall preclude any party from seeking equitable relief from a court of competent jurisdiction. The statute of limitations, estoppel, waiver, laches, and similar doctrines which would otherwise be applicable in an action brought by a party shall be applicable in any arbitration proceeding, and the commencement of an arbitration proceeding shall be deemed the commencement of an action for these purposes. The Federal Arbitration Act shall apply to the construction, interpretation, and enforcement of this arbitration provision.

Attorneys' Fees; Expenses. Borrower agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Borrower shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Borrower also shall pay all court costs and such additional fees as may be directed by the court.

Caption Headings. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

Consent to Loan Participation. Borrower agrees and consents to Lender's sale or transfer, whether now or later, of one or more participation interests in the Loan to one or more purchasers, whether related or unrelated to Lender. Lender may provide, without any limitation whatsoever, to any one or more purchasers, or potential purchasers, any information or knowledge Lender may have about Borrower or about any other matter relating to the Loan, and Borrower hereby waives any rights to privacy Borrower may have with respect to such matters. Borrower additionally waives any and all notices of sale of participation interests, as well as all notices of any repurchase of such participation interests. Borrower also agrees that the purchasers of any such participation interests will be considered as the absolute owners of such interests in the Loan and will have all the rights granted under the participation agreement or agreements governing the sale of such participation interests. Borrower further waives all rights of offset or counterclaim that it may have now or later against Lender or against any purchaser of such a participation interest and unconditionally agrees that either Lender or such purchaser may enforce Borrower's obligation under the Loan irrespective of the failure or insolvency of any holder of any interest in the Loan. Borrower further agrees that the purchaser of any such participation interests may enforce its interests irrespective of any personal claims or defenses that Borrower may have against Lender.

Governing Law. This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of California without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of California.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Borrower, or between Lender and any Grantor, shall constitute a waiver of any of Lender's rights or of any of Borrower's or any Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent

BUSINESS LOAN AGREEMENT (Continued)

Loan No: 400416700

Page 6

is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Notices. Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Borrower agrees to keep Lender informed at all times of Borrower's current address. Unless otherwise provided or required by law, if there is more than one Borrower, any notice given by Lender to any Borrower is deemed to be notice given to all Borrowers.

Prohibited Activities. Notwithstanding anything to the contrary in this Agreement, Borrower shall not be entitled to receive any notice of or right to cure an Event of Default related to any Prohibited Activities.

Severability. If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

Subsidiaries and Affiliates of Borrower. To the extent the context of any provisions of this Agreement makes it appropriate, including without limitation any representation, warranty or covenant, the word "Borrower" as used in this Agreement shall include all of Borrower's subsidiaries and affiliates. Notwithstanding the foregoing however, under no circumstances shall this Agreement be construed to require Lender to make any Loan or other financial accommodation to any of Borrower's subsidiaries or affiliates.

Successors and Assigns. All covenants and agreements by or on behalf of Borrower contained in this Agreement or any Related Documents shall bind Borrower's successors and assigns and shall inure to the benefit of Lender and its successors and assigns. Borrower shall not, however, have the right to assign Borrower's rights under this Agreement or any interest therein, without the prior written consent of Lender.

Survival of Representations and Warranties. Borrower understands and agrees that in extending Loan Advances, Lender is relying on all representations, warranties, and covenants made by Borrower in this Agreement or in any certificate or other instrument delivered by Borrower to Lender under this Agreement or the Related Documents. Borrower further agrees that regardless of any investigation made by Lender, all such representations, warranties and covenants will survive the extension of Loan Advances and delivery to Lender of the Related Documents, shall be continuing in nature, shall be deemed made and redated by Borrower at the time each Loan Advance is made, and shall remain in full force and effect until such time as Borrower's Indebtedness shall be paid in full, or until this Agreement shall be terminated in the manner provided above, whichever is the last to occur.

Time is of the Essence. Time is of the essence in the performance of this Agreement.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code. Accounting words and terms not otherwise defined in this Agreement shall have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date of this Agreement:

Advance. The word "Advance" means a disbursement of Loan funds made, or to be made, to Borrower or on Borrower's behalf on a line of credit or multiple advance basis under the terms and conditions of this Agreement.

Agreement. The word "Agreement" means this Business Loan Agreement, as this Business Loan Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Business Loan Agreement from time to time.

Borrower. The word "Borrower" means Mayers Memorial Hospital District and includes all co-signers and co-makers signing the Note and all their successors and assigns.

Collateral. The word "Collateral" means all property and assets granted as collateral security for a Loan, whether real or personal property, whether granted directly or indirectly, whether granted now or in the future, and whether granted in the form of a security interest, mortgage, collateral mortgage, deed of trust, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien, charge, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., Chapters 6.5 through 7.7 of Division 20 of the California Health and Safety Code, Section 25100, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

Event of Default. The words "Event of Default" mean any of the events of default set forth in this Agreement in the default section of this Agreement.

GAAP. The word "GAAP" means generally accepted accounting principles.

Grantor. The word "Grantor" means each and all of the persons or entities granting a Security Interest in any Collateral for the Loan, including without limitation all Borrowers granting such a Security Interest.

Guarantor. The word "Guarantor" means any guarantor, surety, or accommodation party of any or all of the Loan.

Guaranty. The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

Hazardous Substances. The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

**BUSINESS LOAN AGREEMENT
(Continued)**

Loan No: 400416700

Page 7

Indebtedness. The word "Indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Borrower is responsible under this Agreement or under any of the Related Documents.

Lender. The word "Lender" means Cornerstone Community Bank, its successors and assigns.

Loan. The word "Loan" means any and all loans and financial accommodations from Lender to Borrower whether now or hereafter existing, and however evidenced, including without limitation those loans and financial accommodations described herein or described on any exhibit or schedule attached to this Agreement from time to time.

Note. The word "Note" means the Note dated May 5, 2025 and executed by Mayers Memorial Hospital District in the principal amount of \$100,000.00, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

OCBOA. The term "OCBOA" means Other Comprehensive Basis of Accounting, as designated by Lender in writing as an acceptable alternative to GAAP.

Permitted Liens. The words "Permitted Liens" mean (1) liens and security interests securing Indebtedness owed by Borrower to Lender; (2) liens for taxes, assessments, or similar charges either not yet due or being contested in good faith; (3) liens of materialmen, mechanics, warehousemen, or carriers, or other like liens arising in the ordinary course of business and securing obligations which are not yet delinquent; (4) purchase money liens or purchase money security interests upon or in any property acquired or held by Borrower in the ordinary course of business to secure indebtedness outstanding on the date of this Agreement or permitted to be incurred under the paragraph of this Agreement titled "Indebtedness and Liens"; (5) liens and security interests which, as of the date of this Agreement, have been disclosed to and approved by the Lender in writing; and (6) those liens and security interests which in the aggregate constitute an immaterial and insignificant monetary amount with respect to the net value of Borrower's assets.

Prohibited Activities. The words "Prohibited Activities" mean any activity relating to the use, sale, possession, cultivation, manufacture, storage, distribution, or marketing of cannabis, marijuana, or marijuana-based products which constitutes in any manner a violation of any applicable federal, state, or local law or regulation, regardless of whether applicable conflicting law permits the same.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Loan.

Security Agreement. The words "Security Agreement" mean and include without limitation any agreements, promises, covenants, arrangements, understandings or other agreements, whether created by law, contract, or otherwise, evidencing, governing, representing, or creating a Security Interest.

Security Interest. The words "Security Interest" mean, without limitation, any and all types of collateral security, present and future, whether in the form of a lien, charge, encumbrance, mortgage, deed of trust, security deed, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever whether created by law, contract, or otherwise.

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS LOAN AGREEMENT AND BORROWER AGREES TO ITS TERMS. THIS BUSINESS LOAN AGREEMENT IS DATED MAY 5, 2025.

BORROWER:

MAYERS MEMORIAL HOSPITAL DISTRICT

By: _____
Ryan J Ramon Harris, CEO of Mayers Memorial
Hospital District

By: _____
Travis Lakey, Chief Financial Officer of Mayers
Memorial Hospital District

LENDER:

CORNERSTONE COMMUNITY BANK

By: _____
Matt Moseley, President/CEO



0400416700147005052025



IRREVOCABLE LETTER OF CREDIT

Borrower: Mayers Memorial Hospital District
PO Box 459
Fall River Mills, CA 96028

Lender: Cornerstone Community Bank
Redding Branch
192 Hartnell Ave.
Redding, CA 96002

Beneficiary: BETA Healthcare Group
1443 Danville Boulevard
Alamo, CA 94507-1911

NO.: 2024009

EXPIRATION DATE. This letter of credit shall expire upon the close of business on 07-23-2026 and all drafts and accompanying statements or documents must be presented to Lender on or before that time (the "Expiration Date").

AMOUNT OF CREDIT. Lender hereby establishes at the request and for the account of Borrower, an Irrevocable Letter of Credit in favor of Beneficiary for a sum of One Hundred Thousand & 00/100 Dollars (\$100,000.00) (the "Letter of Credit"). These funds shall be made available to Beneficiary upon Lender's receipt from Beneficiary of sight drafts drawn on Lender at Lender's address indicated above (or other such address that Lender may provide Beneficiary in writing) during regular business hours and accompanied by the signed written statements or documents indicated below.

WARNING TO BENEFICIARY: PLEASE EXAMINE THIS LETTER OF CREDIT AT ONCE. IF YOU FEEL UNABLE TO MEET ANY OF ITS REQUIREMENTS, EITHER SINGLY OR TOGETHER, YOU SHOULD CONTACT BORROWER IMMEDIATELY TO SEE IF THE LETTER OF CREDIT CAN BE AMENDED. OTHERWISE, YOU WILL RISK LOSING PAYMENT UNDER THIS LETTER OF CREDIT FOR FAILURE TO COMPLY STRICTLY WITH ITS TERMS AS WRITTEN.

DRAFT TERMS AND CONDITIONS. Lender shall honor drafts submitted by Beneficiary under the following terms and conditions: **Advances against this line of credit will be restricted from the Borrower's use and will be made for the sole purpose of supporting advances by the BETA Healthcare Group, its successors and/or assigns ("Beneficiary") of the Irrevocable Standby Letter of Credit No. 2024009**

Upon Lender's honor of such drafts, Lender shall be fully discharged of Lender's obligations under this Letter of Credit and shall not be obligated to make any further payments under this Letter of Credit once the full amount of credit available under this Letter of Credit has been drawn.

Beneficiary shall have no recourse against Lender for any amount paid under this Letter of Credit once Lender has honored any draft or other document which complies strictly with this Letter of Credit, and which on its face appears otherwise in order but which is signed, issued, or presented by a party or under the name of a party purporting to act for Beneficiary, purporting to claim through Beneficiary, or posing as Beneficiary without Beneficiary's authorization. By paying an amount demanded in accordance with this Letter of Credit, Lender makes no representation as to the correctness of the amount demanded and Lender shall not be liable to Beneficiary, or any other person, for any amount paid or disbursed for any reason whatsoever, including, without limitation, any nonapplication or misapplication by Beneficiary of the proceeds of such payment. By presenting upon Lender or a confirming bank, Beneficiary certifies that Beneficiary has not and will not present upon the other, unless and until Beneficiary meets with dishonor. Beneficiary promises to return to Lender any funds received by Beneficiary in excess of the Letter of Credit's maximum drawing amount.

USE RESTRICTIONS. All drafts must be marked "DRAWN UNDER Cornerstone Community Bank IRREVOCABLE LETTER OF CREDIT NO. 2024009 DATED 07-23-2025," and the amount of each draft shall be marked on the draft. Only Beneficiary may complete a draft and accompanying statements or documents required by this Letter of Credit and make a draw under this Letter of Credit. This original Letter of Credit must accompany any draft drawn hereunder.

Partial draws are not permitted under this Letter of Credit.

PERMITTED TRANSFEREES. The right to draw under this Letter of Credit shall be nontransferable, except for:

- A. A transfer (in its entirety, but not in part) by direct operation of law to the administrator, executor, bankruptcy trustee, receiver, liquidator, successor, or other representative at law of the original Beneficiary; and
- B. The first immediate transfer (in its entirety, but not in part) by such legal representative to a third party after express approval of a governmental body (judicial, administrative, or executive).

TRANSFEREES REQUIRED DOCUMENTS. When the presenter is a permitted transferee (i) by operation of law or (ii) a third party receiving transfer from a legal representative, as described above, the documents required for a draw shall include a certified copy of the one or more documents which show the presenter's authority to claim through or to act with authority for the original Beneficiary.

COMPLIANCE BURDEN. Lender is not responsible for any impossibility or other difficulty in achieving strict compliance with the requirements of this Letter of Credit precisely as written. Beneficiary understands and acknowledges: (i) that unless and until the present wording of this Letter of Credit is amended with Lender's prior written consent, the burden of complying strictly with such wording remains solely upon Beneficiary, and (ii) that Lender is relying upon the lack of such amendment as constituting Beneficiary's initial and continued approval of such wording.

NON-SEVERABILITY. If any aspect of this Letter of Credit is ever declared unenforceable for any reason by any court or governmental body having jurisdiction, Lender's entire engagement under this Letter of Credit shall be deemed null and void ab initio, and both Lender and Beneficiary shall be restored to the position each would have occupied with all rights available as though this Letter of Credit had never occurred. This non-severability provision shall override all other provisions in this Letter of Credit, no matter where such provision appears within this Letter of Credit.

GOVERNING LAW. This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of California without regard to its conflicts of law provisions, and except to the extent such laws are inconsistent with the 2007 Revision of the Uniform Customs and Practice for Documentary Credits of the International Chamber of Commerce, ICC Publication No. 600. This Agreement has been accepted by Lender in the State of California.

EXPIRATION. Lender hereby agrees with Beneficiary that drafts drawn under and in compliance with the terms of this Letter of Credit will be

**IRREVOCABLE LETTER OF CREDIT
(Continued)**

Loan No: 400416700

Page 2

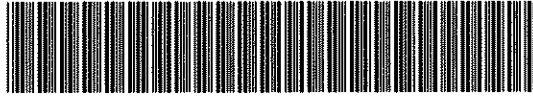
duly honored if presented to Lender on or before the Expiration Date unless otherwise provided for above.

Dated: May 5, 2025

LENDER:

CORNERSTONE COMMUNITY BANK

By: _____
Matt Moseley, President/CEO



0400416700096005052025



CHANGE IN TERMS AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$100,000.00	07-23-2024	07-23-2026	400416700	4 / 028		***	
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "*****" has been omitted due to text length limitations.							

Borrower: Mayers Memorial Hospital District
PO Box 459
Fall River Mills, CA 96028

Lender: Cornerstone Community Bank
Redding Branch
192 Hartnell Ave.
Redding, CA 96002

Principal Amount: \$100,000.00

Date of Agreement: May 5, 2025

DESCRIPTION OF EXISTING INDEBTEDNESS.

This Change In Terms Agreement is in revision of, but not in satisfaction of, the original Promissory Note dated July 23, 2024 in the amount of \$100,000.00 with a maturity date of July 23, 2025 as well as subsequent renewals, extensions and modifications.

DESCRIPTION OF COLLATERAL.

Unsecured.

DESCRIPTION OF CHANGE IN TERMS.

Effective with this Agreement:

The maturity date is extended from July 23, 2025 to July 23, 2026.

A loan fee in the amount of \$500.00 shall be due and payable upon the execution of this Agreement.

All of the terms, provisions, conditions, representations, warranties and covenants of the Promissory Note as amended or modified hereby, are ratified, acknowledged, confirmed and continued in full force and effect as if fully restated herein.

PAYMENT. Borrower will pay this loan in one payment of all outstanding principal plus all accrued unpaid interest on July 23, 2026. In addition, Borrower will pay regular monthly payments of all accrued unpaid interest due as of each payment date, beginning May 23, 2025, with all subsequent interest payments to be due on the same day of each month after that.

VARIABLE INTEREST RATE. The interest rate on this loan is subject to change from time to time based on changes in an independent index which is the Prime Rate as published in the Wall Street Journal. When a range of rates has been published, the higher of the rates will be used (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans. Lender will tell Borrower the current Index rate upon Borrower's request. The interest rate change will not occur more often than each day. Borrower understands that Lender may make loans based on other rates as well. **The Index currently is 7.500% per annum.** Interest on the unpaid principal balance of this loan will be calculated as described in the "INTEREST CALCULATION METHOD" paragraph using a rate equal to the Index, adjusted if necessary for any minimum and maximum rate limitations described below, resulting in an initial rate of 7.500%. If Lender determines, in its sole discretion, that the Index has become unavailable or unreliable, either temporarily, indefinitely, or permanently, during the term of this loan, Lender may amend this loan by designating a substantially similar substitute index. Lender may also amend and add a positive or negative margin (percentage added to or subtracted from the substitute index value) as part of the rate determination. In making these amendments, Lender may take into consideration any then-prevailing market convention for selecting a substitute index and margin for the specific Index that is unavailable or unreliable. Such an amendment to the terms of this loan will become effective and bind Borrower 10 business days after Lender gives written notice to Borrower without any action or consent of the Borrower. **NOTICE:** Under no circumstances will the interest rate on this loan be less than 5.000% per annum or more than the maximum rate allowed by applicable law.

INTEREST CALCULATION METHOD. Interest on this loan is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding (but not including February 29 in leap years). All interest payable under this loan is computed using this method.

CONTINUING VALIDITY. Except as expressly changed by this Agreement, the terms of the original obligation or obligations, including all agreements evidenced or securing the obligation(s), remain unchanged and in full force and effect. Consent by Lender to this Agreement does not waive Lender's right to strict performance of the obligation(s) as changed, nor obligate Lender to make any future change in terms. Nothing in this Agreement will constitute a satisfaction of the obligation(s). It is the intention of Lender to retain as liable parties all makers and endorsers of the original obligation(s), including accommodation parties, unless a party is expressly released by Lender in writing. Any maker or endorser, including accommodation makers, will not be released by virtue of this Agreement. If any person who signed the original obligation does not sign this Agreement below, then all persons signing below acknowledge that this Agreement is given conditionally, based on the representation to Lender that the non-signing party consents to the changes and provisions of this Agreement or otherwise will not be released by it. This waiver applies not only to any initial extension, modification or release, but also to all such subsequent actions.

**CHANGE IN TERMS AGREEMENT
(Continued)**

Loan No: 400416700

Page 2

PRIOR TO SIGNING THIS AGREEMENT, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS AGREEMENT, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE AGREEMENT.

BORROWER:

MAYERS MEMORIAL HOSPITAL DISTRICT

By: _____
Ryan J Ramon Harris, CEO of Mayers Memorial
Hospital District

By: _____
Travis Lakey, Chief Financial Officer of Mayers
Memorial Hospital District

LENDER:

CORNERSTONE COMMUNITY BANK

X _____
Matt Moseley, President/CEO