



MISSION

It is our mission to deliver quality healthcare to the residents of and visitors to Big Bear Valley through the most effective use of available resources.

VISION

To be the premier provider of emergency medical and healthcare services in our Big Bear Valley.

**NOTICE AND CALL OF A
SPECIAL MEETING OF THE
BOARD OF DIRECTORS
THURSDAY, JANUARY 25, 2024 @ 2:00 P.M.
OPEN SESSION @ 2:00 P.M. – HOSPITAL MAIN CONFERENCE ROOM
41870 GARSTIN DRIVE, BIG BEAR LAKE, CA. 92315**

NOTICE IS HEREBY GIVEN that a Special Meeting of the Board of Directors for the Bear Valley Community Healthcare District will be held on Thursday, January 25, 2024 @ 2:00 p.m. at the Bear Valley Community Healthcare District 41870 Garstin Drive, Big Bear Lake, CA. 92315. Open Session will begin at 2:00 pm in the Hospital Main Conference Room.
A copy of the agenda is attached hereto.

Dated: January 24, 2024

A handwritten signature in blue ink that reads "Shelly Egerer".

Shelly Egerer
Executive Assistant



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**SPECIAL BOARD OF DIRECTORS BUSINESS MEETING AGENDA
THURSDAY, JANUARY 25, 2024 @ 2:00 P.M.
OPEN SESSION @ 2:00 P.M. – HOSPITAL MAIN CONFERENCE ROOM
41870 GARSTIN DRIVE, BIG BEAR LAKE, CA. 92315**

Copies of staff reports or other written documentation relating to each item of business referred to on this agenda are on file in the Chief Executive Officer's Office and are available for public inspection or purchase at 10 cents per page with advance written notice. In compliance with the Americans with Disabilities Act and Government Code Section 54954.2, if you need special assistance to participate in a District meeting or other services offered by the District, please contact Administration (909) 878-8214. Notification at least 48 hours prior to the meeting or time when services are needed will assist the District staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting or service. **DOCUMENTS RELATED TO OPEN SESSION AGENDAS (SB 343)**
-- Any public record, relating to an open session agenda item, that is distributed within 72 hours prior to the meeting is available for public inspection at the public counter located in the Administration Office, located at 41870 Garstin Drive, Big Bear Lake, CA 92315. For questions regarding any agenda item, contact Administration at (909) 878-8214.

OPEN SESSION

1. CALL TO ORDER

Steven, Baker President

2. ROLL CALL

Shelly Egerer, Executive Assistant

3. FLAG SALUTE

4. ADOPTION OF AGENDA*

5. PUBLIC FORUM FOR OPEN SESSION

This is the opportunity for persons to speak on items of interest to the public within subject matter jurisdiction of the District, but which are not on the agenda. Any person may, in addition to this public forum, address the Board regarding any item listed on the Board agenda at the time the item is being considered by the Board of Directors.

(Government Code Section 54954.3, there will be a three (3) minute limit per speaker. Any report or data required at this time must be requested in writing, signed and turned in to Administration. Please state your name and city of residence.)

***PUBLIC RESPONSE IS ENCOURAGED AFTER MOTION, SECOND AND
PRIOR TO VOTE ON ANY ACTION ITEM***

6. DIRECTORS' COMMENTS

7. OLD BUSINESS*

A. Discussion and Potential Approval of WIPFLi Letter of Engagement for BVCHD Feasibility Study

**B. Discussion and Potential Approval of DA Davidson Letter of Engagement for BVCHD
Underwriter/Placement Agent**

8. NEW BUSINESS*

- None

9. ADJOURNMENT*

*** Denotes Actions Items**



Recommendation for Action

Date: 15 January 2024
To: Board of Directors
From: Garth M Hamblin, CFO
Re: Selection of Financial Feasibility Consultant

Recommended Action

Approve Engagement Letter for WIPFLi to serve as the independent accountants for BVCHD financial feasibility study for inclusion in our submission of an application for USDA Community Facilities Loan Program. The fee for the engagement is \$70,000 plus expenses for items such as travel, telephone, postage, clerical time, printing, and reproduction of financial statements as billed for reimbursement as expenses are incurred. If additional sensitivities are required by USDA after responding to USDA's initial round of questions and comments, then Wipfli's fee will increase by \$1,500 for the addition of up to three additional sensitivities to the financial feasibility study.

Background

We are working to apply to USDA for Direct Loan financing to secure funding for our seismic compliance construction project (the "Project"). The USDA Direct Loan financing program provides up to 35-year fixed rate financing for projects like our Project, to public agencies, like the BVCHD, located in rural communities that meet their financial and programmatic criteria. The USDA Direct Loan program is a unique and outstanding government financing program that provides fixed rate financing based on USDA's quarterly rate applicable as of the date of formal commitment by USDA (upon issuance of their Letter of Conditions) or as of the date of funding of the USDA Direct Loans, whichever is the lowest. The current quarterly rate for USDA Direct Loans is 3.75%. In order to satisfy USDA's requirement to fund only those projects that meet their criteria for financial viability,

an independent financial feasibility study is a requirement for inclusion in the our formal application to USDA, along with several other reports, analysis and documents. The purpose of the Financial Feasibility Study is to prepare an independent assessment of the District's ability to repay the proposed USDA Direct Loans, and any other debt required to fund the Project, based on the assumptions provided by the District as independently assessed and verified by the Financial Feasibility Consultant. The Financial Feasibility Consultant will prepare a set of financial projections over the ensuing five-year period for the FYE June 30, 2024 through the FYE June 30, 2028, at a minimum, including operating statements, balance sheets, cash flow statements, financial ratio analysis and a demand analysis, among other information, which report will require a validation opinion from a qualified certified public accounting firm. We conducted an open and competitive process to select the Financial Feasibility Consultant, which process has been documented and will be provided to USDA as part of our formal application to USDA.

January 8, 2024

Mr. Evan Rayner
Chief Executive Officer
Bear Valley Community Healthcare District
Big Bear Lake, CA 92315

Dear Evan:

We are pleased to serve as the independent accountants for Bear Valley Community Healthcare District ("Client") for the financial feasibility study services for submission in an application to finance a facility seismic compliance and renovation project through the USDA Community Facilities Loan Program for the five years ending June 30, 2024 through June 30, 2028 (or such that one full year's principal and interest is presented). This letter, together with the attached Terms and Conditions – Attest Engagements, confirms the terms of our engagement, and is collectively referred to herein as the "Engagement Letter."

Fees

Our fees for this engagement will be billed as work progresses, and progress billings may be submitted. Based upon our discussions with representatives of Client and our proposal dated November 29, 2023, the fee for this engagement will be \$70,000 and performed in two phases, Phase I and Phase II. In addition, expenses for items such as travel, telephone, postage, clerical time, printing, and reproduction of financial statements are billed for reimbursement as incurred subject to your written consent for expenses in excess of \$1,000. Our fee has been determined based on our understanding obtained through discussions with you regarding your preparation for the engagement and your current business operations. To the extent we encounter circumstances outside of our expectations that warrant additional procedures and time, we will communicate that fact and advise you of options and the additional fees necessary to complete the engagement. We expect payment of our billings within 30 days after submission.

The fees for the financial feasibility study are based upon the guidance provided by USDA and our understanding of the size and scope as of the date of this Engagement Letter and the following:

- We estimate that we will have one "turn" of the draft feasibility study report to the District and G.L. Hicks Financial, LLC prior to sending the final draft to USDA.
- There will not be significant changes to the construction timeline, the scope of the construction project, or the plan of finance, once we have begun drafting the examination-level feasibility study report.
- One virtual presentation for the board and/or management team, as preferred.

Our fees are estimated for the preparation and submission of the financial feasibility study report in final draft form to USDA and includes assistance in responding to USDA's initial round of questions and comments. Additional changes or modifications to the draft requested by USDA, including additional sensitivities, are considered out of scope. Up to three additional sensitivities can be added and capped at a fee of \$1,500 specific to the additional sensitivities.

Items considered out of scope are billed separately at our standard hourly rates. We will consult with you prior to engaging in services we deem to be out of scope to obtain your approval to proceed. We will invoice you for

our out-of-pocket travel expenses as incurred and our travel time at 50% of our standard rates. In addition, any cost we incur to purchase any utilization data on the District's behalf will be invoiced.

Our fees for the services described are based upon the value of the services performed and the time required by the individuals assigned to the engagement. Our fee estimate and completion of our work are based upon the following criteria:

- Anticipated cooperation from Client personnel
- Timely responses to our inquiries
- Timely completion and delivery of client assistance requests
- Timely communication of all significant accounting and financial reporting matters
- The assumption that unexpected circumstances will not be encountered during the engagement

Failure to meet any of the aforementioned criteria may result in additional fees.

You will then be invoiced monthly based on the cadence of our work. We expect payment of our billings within 30 days after submission.

In accordance with American Institute of Certified Public Accountants (AICPA) independence rules and regulations, the payment of our fees above is not contingent upon the successful completion/closing of any intended financing.

Items Identified to be Outside of the Scope of Work

This engagement includes only those services specifically described in this Engagement Letter. From time to time, you may request additional services outside the scope of the services described in this Engagement Letter ("Additional Services"). If we do not issue a separate engagement letter for those Additional Services, those Additional Services are provided subject to the terms and conditions of this Engagement Letter at our then standard hourly rates. However, nothing in this Engagement Letter related to Additional Services is intended to require us to provide these Additional Services or is intended to create a duty, either express or implied, to provide such Additional Services or otherwise to bring to your attention matters or advice that we were not specifically requested to provide or address.

The estimated fees assume the engagement will be completed by June 30, 2024. If any of the outlined work is delayed due to circumstances beyond our control, such as a substantial delay in our receipt of data items we requested of management or additional time required to update the forecast model and the financial feasibility study report as a result of Client's lack of cooperation or incomplete information, our fees may exceed the estimates identified herein. These additional fees will vary based upon how much work must be updated and the time elapsed since the original work was performed.

Examination Objective

We will examine the forecast, which comprises the forecasted statements of net position as of June 30, 2024 through June 30, 2028 (or such that one full year's principal and interest is presented), the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ending, and the summaries of significant assumptions and accounting policies of Client. We will examine the financial forecast for the purpose of issuing a report stating whether, in our opinion, (1) management's financial forecast is presented in all material respects in accordance with applicable guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants ("AICPA presentation guidelines") and that (2) management's assumptions are suitably supported and provide a reasonable basis for its forecast.

Our examination report on the forecast will be a part of a financial feasibility study prepared in accordance with AICPA presentation guidelines and in accordance with guidance from USDA's Rural Development Instruction 1942-A ("Guide 5") and guidance referenced in the USDA's unnumbered letters addressed to State Directors and dated February 4, 2013, May 29, 2020, and May 11, 2021.

Examination Procedures, Limitations, and Independence

We may prepare or assist in preparing the forecast in accordance with the guidelines for the presentation of prospective financial information established by the AICPA based on information provided by you. The preparation of a forecast involves the processing of, and the mathematical and other clerical functions related to, the presentation of the forecast, which is based on management's assumptions. The other services are limited to the preparation services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

The financial forecast presents, to the best of management's knowledge and belief, the Client's expected financial position, results of operations, and cash flows for the forecast period. It is based on management's assumptions, reflecting conditions it expects will exist and the course of action it expects would be taken during the forecast period.

Our examination will be conducted in accordance with attestation standards established by the AICPA. Accordingly, it will include examining, on a test basis, your records and other procedures to obtain evidence necessary to enable us to express our opinion. Our examination of the forecast will include procedures we consider necessary to evaluate (1) the assumptions used by management as a basis for the forecast, (2) the preparation of the forecast, and (3) the presentation of the forecast. We will issue a written report upon completion of our examination. Our report will be addressed to Board of Directors and USDA. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the examination or are unable to form or have not formed an opinion, we may decline to express an opinion or may withdraw from this engagement.

There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. Our report will contain a statement to that effect.

We have no responsibility to update our reports for events and circumstances occurring after the date of our report.

You understand that the report is intended solely for the information and use of the Client and USDA, and is not intended to be and should not be used by anyone other than those specified parties.

Because of the inherent limitations of an examination engagement, together with the inherent limitations of internal control over the preparation of the forecast, an unavoidable risk exists that some material misstatements may not be detected, even though the examination is properly planned and performed in accordance with the attestation standards.

We will plan and perform the examination to obtain reasonable assurance about whether management's forecast is presented in accordance with the AICPA presentation guidelines and whether the underlying assumptions are

suitably supported and provide a reasonable basis for the forecast. Our engagement will not include a detailed inspection of every transaction and cannot be relied on to disclose all material errors or known and suspected fraud or noncompliance with laws or regulations, or internal control deficiencies that may exist. However, we will inform you of any known and suspected fraud and noncompliance with laws or regulations, internal control deficiencies identified during the engagement, and uncorrected misstatements that come to our attention unless clearly trivial.

Professional and certain regulatory standards require us to be independent, in both fact and appearance. Any discussions that you have with Wipfli personnel regarding employment could pose a threat to our independence. Therefore, we request that you inform us immediately prior to any such discussions so that we can implement appropriate safeguards to maintain our independence.

In order for us to remain independent, professional and regulatory standards require us to maintain certain respective roles and relationships with you with respect to any nonattest services we may be asked to perform. Prior to performing such services in conjunction with our forecast, management must acknowledge its acceptance of certain responsibilities.

We cannot perform management functions or make management decisions on behalf of Client. However, we will provide advice and recommendations to assist management in performing its functions and fulfilling its responsibilities.

Responsibilities of Management

We understand that you will provide us with the information required for our examination and that you are responsible for the accuracy and completeness of that information. You are responsible for the presentation of management's forecast in accordance with the AICPA presentation guidelines and whether its underlying assumptions are suitably supported and provide a reasonable basis for the forecast.

You are responsible for the selection of the AICPA presentation guidelines as the criteria for a forecast and determining that they are suitable, will be available to the intended users, and appropriate for the purpose of the engagement.

You are responsible for representations about your plans and expectations and for disclosure of significant information that might affect the ultimate realization of the forecast results. You are responsible for the design, implementation, and maintenance of internal control relevant to the preparation and presentation of the forecast and that it is free from material misstatement, whether due to fraud or error.

You are responsible for, and agree to provide us with, a written assertion about whether the forecast is presented in accordance with the AICPA presentation guidelines. Failure to provide such an assertion will result in our withdrawal from the engagement. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and presentation of the forecast, (2) additional information that we may request for the purpose of the examination, and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

At the conclusion of the engagement, you agree to provide us with certain written representations in the form of a representation letter, which, among other things, will confirm management's responsibility for the underlying assumptions and the appropriateness of the forecast and its presentation.

We understand that the forecast and our report thereon will be used only for your internal purposes and for application for the financing through the United States Department of Agriculture. You understand that your

internal use of this forecast for purposes or in any manner not contemplated by this letter may not be appropriate, and you assume all responsibility for such use.

You agree to assume all management responsibilities for the forecast preparation services, supplementary information, and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Other

Karen Lloyd, CPA, will be the signing engagement partner for the examination services specified in this Engagement Letter. Eric Volk, CPA, will be your relationship partner and a direct contact for these services.

Megan Hartman will also be part of the engagement team and your direct contact for these services.

Wipfli expressly reserves the right to replace, in its sole discretion, any of our professional project team members, as necessary, to provide quality and timely service to the Client.

Acceptance

If the above terms are acceptable to you and the services outlined are in accordance with your requirements, please return a signed copy of this Engagement Letter to us.

We look forward to our association with you and your staff and appreciate the opportunity to serve you. Please do not hesitate to call us if you have any questions about the work we are to perform or any other aspect of the services we can provide.

Wipfli LLP

Wipfli LLP

ACCEPTED: BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT

By: _____

(Print Name and Title)

Date: _____

MH/gh
Enc.

Wipfli LLP
Professional Services Terms and Conditions – Attest Engagements

1. **Entire Agreement**

These Terms and Conditions, together with the engagement letter ("Engagement Letter") to which these Terms and Conditions are attached, and the Engagement Letter's other appendices and applicable Change Orders, if any, constitute the entire agreement between the parties on the subject matter thereof and supersede and merge all prior proposals (including prior proposals of Wipfli regarding the engagement), understandings, and agreements (oral or written) between the parties relating to the subject matter, including, without limitation, the terms of any request for proposal issued to Client or the standard printed terms on any purchase order issued by Client and any non-disclosure or confidentiality agreement between Wipfli and Client dated prior to the date of the Engagement Letter. No modification, amendment, supplement to, or waiver of these Terms and Conditions or Engagement Letter shall be binding upon the parties unless made in writing and duly signed by both parties. To the greatest extent reasonably possible, the provisions of the Engagement Letter, its Appendixes (including these Terms and Conditions), Implementation Plan, Change Orders, and any other exhibit, attachment, schedule, or other document referenced in or by the Engagement Letter shall be read together and harmonized to give effect to the parties' intent. In the event of a direct conflict among the express provisions of the foregoing, the Engagement Letter shall be given controlling effect. No provision of these terms and conditions will apply to any attest services that may be performed by Wipfli for Client if such provision would impair Wipfli's independence from Client required pursuant to applicable professional standards, such services being governed exclusively by the Engagement Letters issued with respect thereto. Wipfli may be referred to herein as "we" or "us" or in a similar manner, and Client may be referred to as "you" or in a similar manner, and such references shall be read in context.

2. **Commencement and Term**

The Engagement Letter shall become effective when signed by duly authorized representatives of both parties and shall remain in full force and effect until the services to be delivered under the Engagement Letter are complete (as reasonably determined by Wipfli) unless earlier terminated by either party as provided in the Engagement Letter or these Terms and Conditions. Each person executing an Engagement Letter on behalf of a party represents and warrants to the other that he or she has all power and authority to bind the party on whose behalf he or she is executing same.

3. **Termination of Agreement**

The Engagement Letter may be terminated as follows: (i) by either party immediately upon written notice to the other if either party hereto becomes the subject of voluntary or involuntary bankruptcy or other insolvency proceeding, (ii) by Wipfli or Client if either party defaults in the performance of any of its covenants and agreements set forth in the Engagement Letter or Change Order (except when such default is due to a cause beyond the control of the party) and such default is not cured within thirty (30) days after notice from either party specifying the nature of such default, and (iii) by Wipfli or Client with or without cause upon providing thirty (30) days written notice. Termination of the Engagement Letter shall have no effect on either party's obligation to pay any amount due and owing with respect to such periods prior to the effective date of such termination.

Wipfli has the right to withdraw from this engagement with immediate effect if Client does not provide us with the information we request in a timely manner, refuses to cooperate with our reasonable requests, or misrepresents any facts. Our withdrawal will release us from any obligation to complete the engagement and will constitute completion of our engagement. Client agrees to compensate us for our time and out-of-pocket expenses through the date of our withdrawal. If Wipfli withdraws from this engagement, Wipfli will return Client's original files and documents and, provided Client does not owe fees to Wipfli for service rendered, provide any completed deliverables to Client.

4. **Fee Estimates and Change Orders**

Wipfli's Engagement Letter may set forth certain ranges for Wipfli's fees charged on any project or services. Wipfli provides fee estimates as an accommodation to Client. These estimates depend on certain assumptions, including: (a) anticipated cooperation from Client personnel, (b) timely responses to our inquiries, (c) timely completion and delivery of Client assistance requests, (d) timely communication of all significant accounting and financial reporting matters, (e) the assumption that unexpected circumstances will not be encountered during the engagement, and (f) where applicable, the assumption that Client's hardware platform/computer system will, at the commencement of the services, be fully operable as intended and designed, functioning as necessary and available to Wipfli without material restriction for the duration of the services. Unless otherwise indicated in the Engagement Letter, fee estimates shall not be construed as or deemed to be a minimum or maximum fee quotation. Although Wipfli reasonably believes suggested fee ranges are accurate, Wipfli's actual fees may vary from its fee estimates.

Services that fall outside the agreed-upon scope of Wipfli's engagement shall be covered by a Change Order, or, if the nature and amount of such services are not material to the overall engagement, shall be delineated and included on Wipfli's invoice for such services. A "Change Order" means a mutually agreed-upon change in the schedule or the time for Wipfli's performance of the services on a project, the scope of specifications of a project, and/or the fees chargeable by Wipfli to Client, which is reduced to writing using an agreed-upon form that is executed by an authorized representative of each for Wipfli and Client.

Unless otherwise agreed in the Engagement Letter, miscellaneous expenses incurred by Wipfli in the course of performing the service will be charged in addition to Wipfli's professional fees subject to the written consent of Client for expenses in excess of \$1,000. Miscellaneous expenses may include, but are not limited to: travel, lodging, transportation, and meals for projects requiring travel; clerical processing; telecommunications charges; technology fees; delivery expenses; and all sales, use, ad valorem, excise, or other taxes or other governmental charges.

5. **Payment of Fees**

Unless otherwise agreed, all invoices are due and payable within thirty (30) days of the invoice date. All business or commercial accounts will be charged interest at the lesser of one percent (1%) per month or the maximum rate permitted by law, except where prohibited by law, on Client's balance due to Wipfli that is outstanding over thirty (30) days. At our discretion, services may be suspended if Client's account becomes overdue and will not be resumed until Client's account is paid in full. Client acknowledges and agrees that we are not required to continue services in the event of a failure to pay on a timely basis for services rendered as required. Client further acknowledges and agrees that in the event Wipfli stops services or withdraws from this engagement as a result of Client's failure to pay on a timely basis for services rendered as required by this Engagement Letter, Wipfli shall not be liable to Client for any damages that occur whether direct or indirect, foreseen or unforeseen, and whether or not the parties have been advised of the possibility of such damages.

In the event Wipfli is required to respond to a subpoena, court order, government regulatory inquiries, or other legal process related to Client or its management (other than a matter in which Wipfli is named as a party) for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this or any prior engagements, Client agrees to compensate us for all time we expend in connection with such response, at our regular rates, and to reimburse us for all related out-of-pocket costs, including attorney's fees, that we incur. Any services under this paragraph will be deemed a separate engagement and, to the extent permitted by law and applicable professional standards, we will promptly notify you of the matter.

Professional Services Terms and Conditions – Attest Engagements

6. **Privacy and Engagement Staffing**

Wipfli expressly reserves the right to replace, in its sole discretion, any of our professional project team members, as necessary, to provide quality and timely service to Client. From time to time, and depending upon circumstances, Wipfli may use third-party service providers, such as independent contractors, specialists, or vendors to assist us in providing professional services, including tax services. These parties and their personnel may be located within or outside the United States. We may also use personnel from affiliates of Wipfli and other Wipfli-related entities (including our wholly-owned subsidiary based in India and contractors in the Philippines) or any of their respective affiliates. In addition, Wipfli may utilize third-party service providers, including cloud-based service providers, who may collect, use, transfer, transmit, store, or otherwise process Client information in connection with the delivery of certain services. Wipfli is committed to maintaining the confidentiality and security of Client's information, and accordingly, Wipfli maintains policies, procedures and safeguards to protect the confidentiality of Client information. In addition, our agreements with all service providers appropriately maintain and protect the confidentiality of Client information, provided we may use electronic media to transmit Client information and such use in itself will not constitute a breach of any confidentiality obligation. We remain responsible to Client for the supervision of all service providers, entities, and personnel who assist us in rendering professional services hereunder and for protecting the confidentiality of Client information. Client hereby consents and authorizes us to disclose Client information to the foregoing entities and parties for the purpose of providing professional services, including tax services, to Client.

Wipfli is committed to protecting personal information that can be linked to specific individuals, including health information ("Personal Data") and will maintain such Personal Data in confidence in accordance with professional standards and governing laws. Client will not provide any Personal Data to Wipfli unless necessary to perform professional services described in the Engagement Letter. When providing any Personal Data to us, Client will comply with all applicable laws (both foreign and domestic) and will anonymize, mask, obfuscate, and/or de-identify, if reasonably possible, all Personal Data that is not necessary to perform the professional services described in the Engagement Letter. Any Personal Data provided to us by Client will be kept confidential and not disclosed to any third party not described above (parties providing us assistance in rendering professional services) unless expressly permitted by Client or required by law, regulation, legal process, or to comply with professional standards applicable to Wipfli. Client is responsible for obtaining, pursuant to law or regulation, consents from parties that provided Client with their personal information, which will be obtained, used, and disclosed by Wipfli for its required purposes, and Wipfli may rely on the representation that Client has obtained such consents.

Please see Wipfli's Privacy Statement located at www.wipfli.com/privacy-statement for further information.

Applicable rules in some states require that we advise you that some persons who own an interest in Wipfli may not be licensed as Certified Public Accountants and may provide services related to this engagement.

7. **Intellectual Property Rights**

Client acknowledges that Wipfli owns all rights, title, and interest in and to its notes, files, and models developed by Wipfli pursuant to this engagement and Client owns all rights, title, and interest in and to the deliverables provided by Wipfli (pursuant to the conditions in the following paragraph). Neither party shall acquire any right, title, or interest in or to the other party's code, data, business processes, or other information to which such party may have access during the term of the engagement hereunder. All such code, data, business process, and other information shall be solely and exclusively the property of the originating party.

In addition, Client shall not alter or remove any of Wipfli's trademarks, copyright registration marks, patent, or other intellectual property notices applicable to any of Wipfli's goods, marketing material, or advertising media, and shall not in any way alter any of Wipfli's products. Client shall promptly notify Wipfli in writing of any infringement of Wipfli's intellectual property by third parties of which Client becomes aware. Neither party shall acquire any right, title, or interest in or to the other party's code, data, business processes, or other information to which such party may have access during the term of the engagement hereunder. All such code, data, business process and other information shall be solely and exclusively the property of the originating party.

8. **Mutual Confidentiality**

During the course of performing services, the parties may have access to information that is confidential to one another, including, without limitation, source code, documentation, specifications, databases, system design, file layouts, tool combinations, development methods, or business or financial affairs, which may incorporate business methods, marketing strategies, pricing, competitor information, product development strategies and methods, customer lists, customer information, and financial results (collectively "Confidential Information"). Confidential Information may include information received from third parties, both written and oral, that each party is obligated to treat as confidential.

Confidential Information shall not include any information that (i) is already known by the recipient party or its affiliates, free of any obligation to keep it confidential, (ii) is or becomes publicly known through no wrongful act of the receiving party or its affiliates, (iii) is received by the receiving party from a third party without any restriction on confidentiality, (iv) is independently developed by the receiving party or its affiliates, (v) is disclosed to third parties by the disclosing party without any obligation of confidentiality, or (vi) is approved for release by prior written authorization of the disclosing party.

Without the advance written consent of the other party, except as required by law, regulation, or to comply with professional standards applicable to a party or for the performance of the services, neither party shall disclose to a third party Confidential Information of the other party. Each party agrees to maintain at least the same procedures regarding Confidential Information that it maintains with respect to its own Confidential Information. Each party may use the Confidential Information received from the other party only in connection with fulfilling its obligations under this Agreement. The parties further agree that expiration or termination of this Agreement, for any reason, shall not relieve either party, nor minimize their obligations with respect to Confidential Information, as set forth herein. The parties acknowledge that some or all of the Confidential Information may be public records subject to disclosure under California law, to the extent required thereunder.

9. **Independent Contractor**

The relationship between Wipfli and Client is solely and exclusively that of independently contracting parties.

10. **Non-Exclusivity**

No right of exclusivity is granted, guaranteed, or implied by Wipfli and Client entering into any engagement letter. Client acknowledges that Wipfli regularly performs the same or similar services as are being provided hereunder to third parties.

11. **Dispute Resolution**

If any dispute arises among the parties regarding the subject matter hereof and such dispute cannot be resolved through informal negotiations and discussion, the parties agree to try in good faith to settle the dispute by mediation administered by the

Wipfli LLP
Professional Services Terms and Conditions – Attest Engagements

American Arbitration Association under its applicable rules for resolving professional accounting and related services disputes before resorting to arbitration or litigation. Costs of any mediation proceeding shall be shared equally by all parties. Except for an action by us to collect payment of our invoices, Wipfli and Client agree that no claim arising out of services rendered pursuant to the Engagement Letter or any Change Order shall be filed: (i) in the case of any report or deliverable issued by Wipfli under the Engagement Letter, no later than two years from the date of such report or deliverable (or if no report or deliverable is issued, two years from the date of the Engagement Letter), or (ii) in the case of any tax form or similar governmental filing, no later than two years after the initial due date of such tax form or filing.

12. **Governing Law**

Any and all claims relating to agreements between Wipfli and Client for any service shall be governed by and construed in accordance with the internal laws of the state of California.

13. **Severability**

In the event that any term or provision of the Engagement Letter or these Terms and Conditions shall be held to be invalid, void, or unenforceable, then the remainder shall not be affected and each remaining term or condition shall be valid and enforceable to the fullest extent permitted by law.

14. **Notices**

All notices required to be given to either party under the Engagement Letter shall be in writing and sent by traceable carrier to each party's address indicated on the Engagement Letter, or such other address as a party may indicate by at least ten (10) business days' prior written notice to the other party. Notices shall be effective upon receipt. A copy of such notice should be provided to Wipfli's General Counsel at wipfli-legal@wipfli.com.

15. **Electronic Signature**

Each party hereto agrees that any electronic signature of a party to the Engagement Letter or any electronic signature to a document contemplated hereby is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (i) to be "written" or "in writing," (ii) to have been signed, and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Each party hereto also agrees that electronic delivery of a signature to any such document (via email or otherwise) shall be as effective as manual delivery of a manual signature. For purposes hereof, "electronic signature" includes, but is not limited to: (i) a scanned copy (as a "pdf" (portable document format) or other replicating image) of a manual ink signature, (ii) an electronic copy of a traditional signature affixed to a document, (iii) a signature incorporated into a document utilizing touchscreen capabilities, or (iv) a digital signature. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule.

16. **Record Retention**

We will retain records related to this engagement pursuant to our record retention policy. At the end of the relevant time period, we will destroy our records related to this engagement. However, Client's original records will be returned to Client upon the completion of the engagement. When records are returned, it is Client's responsibility to retain and protect the records for possible future use, including potential examination by governmental or regulatory agencies.

17. **Assignment**

The Engagement Letter to which these Terms and Conditions are attached shall be binding on the parties hereto and their respective successors and assigns. Neither party may assign this Engagement Letter without prior written consent of the other, except that Wipfli may assign its rights and obligations under this Engagement

Letter without the approval of Client to an entity that acquires all or substantially all of the assets of Wipfli or to any subsidiary or affiliate or successor in a merger, acquisition, or change of control of Wipfli; provided that in no event shall such assignment relieve Wipfli of its obligations under this Engagement Letter.

18. **Force Majeure**

Either party may suspend (or if such suspension continues for more than thirty (30) days, terminate) its obligations (except the obligation to pay for services previously rendered) under the Engagement Letter or any amendment or Change Order, if such obligations are delayed, prevented, or rendered impractical or impossible due to circumstances beyond its reasonable control, including, without limitation, fires, floods, storms, washouts, tsunamis, earthquakes, wars (declared or undeclared), civil disturbances, accidents, terrorist acts (including biochemical attacks), health pandemics, acts of any governmental body, damage to its plants and equipment, computer network problems caused by any Internet Service Provider or telecommunications company servicing Wipfli and/or Client, or acts of God or events beyond a party's control (collectively referred to herein as "Force Majeure"). Each party will use reasonable efforts to promptly minimize the duration and consequences of any failure of or delay in performance resulting from a Force Majeure event. In such event, the affected party will not be liable to the other for delay or failure to perform its obligations under this Engagement Letter.



Recommendation for Action

Date: 15 January 2024
To: Board of Directors
From: Garth M Hamblin, CFO
Re: Selection of Underwriter/Placement Agent

Recommended Action

Approve Engagement Letter for D A Davidson & Co to serve as placement agent and/or underwriter for interim construction financing to fund our Project until it is completed. Analysis estimates cost between \$74,000 and \$185,000 depending on market conditions and public or private placement decisions.

Background

As we work toward applying to USDA for Direct Loan financing to secure funding for our seismic compliance construction project (the "Project"), the USDA typically only provides takeout financing and requires that the borrower secures interim construction financing to fund the Project until it is completed, at which time USDA refinances the interim construction financing with proceeds of the USDA Direct Loans. The needed interim construction financing is usually secured by (i) the private placement of a tax-exempt draw-down loan or line of credit from a commercial bank or from an institutional investor through the services of a placement agent or (ii) from the issuance of tax-exempt bond anticipation notes based on a public rating and a public sale by an underwriting firm. The selection and engagement of an underwriting firm that also provides placement agent services that is licensed as a broker/dealer by the Securities and Exchange Commission provides for the ability to dual track this process to ensure the District secures the most competitive and the least costly alternative in providing the needed interim construction financing. The underwriter/placement agent provides

a competitive process so that a broad distribution or placement of the District's financing is assured. USDA requires that the District's underwriter/placement agent be in place to provide expertise throughout the financing process, including providing market update information to the financial feasibility consultant.

The USDA Direct Loan financing program provides up to 35-year fixed rate financing for projects like ours, to public agencies, like BVCHD, located in rural communities that meet their financial and programmatic criteria. The USDA Direct Loan program is a unique and outstanding government financing program that provides fixed rate financing based on USDA's quarterly rate applicable as of the date of formal commitment by USDA (upon issuance of their Letter of Conditions) or as of the date of funding of the USDA Direct Loans, whichever is the lowest. The current quarterly rate for USDA Direct Loans is 3.75%.



D | A | DAVIDSON
FIXED INCOME CAPITAL MARKETS

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Roseville, CA 95661
916-744-7561
www.dadavidson.com/ficm
D.A. Davidson & Co. member SIPC

January 11, 2024

Bear Valley Community Healthcare District
ATTN: Evan Rayner, Chief Executive Officer, and Garth Hamblin, Chief Financial Officer
41870 Garstin Drive
Big Bear Lake, CA 92315

Re: Engagement letter to underwrite BAN or privately place bank line of credit

Dear Messrs. Rayner and Hamblin:

On behalf of D.A. Davidson & Co. (“we” or “Davidson”), thank you for the opportunity to serve as placement agent and/or underwriter for Bear Valley Community Healthcare District (the “District”) on the District’s private placement of a bank line of credit (the “Placement”) or sale of tax-exempt bond anticipation notes (collectively, the “Notes”). This letter will confirm the terms of our engagement; however, if the Notes are underwritten in a public offering, it is anticipated that this letter will be replaced and superseded by a note purchase agreement to be entered into by the parties (the “Purchase Agreement”) if and when the Notes are priced following successful completion of the offering process.

1. Services to be provided by Davidson. The District hereby engages Davidson to serve as placement agent and/or managing underwriter of the proposed sale and/or private placement of the Notes, and in such capacity Davidson agrees to provide the following services:

As Placement Agent: In our capacity as placement agent for the placement of the Notes, Davidson agrees to provide the following services:

- Review and evaluate the proposed terms of the Placement
- Contact potential purchasers (the “Purchasers”), provide them with related financial information, respond to their inquiries and, if requested, coordinate their due diligence sessions
- Consult with counsel and the municipal advisor and other service providers with respect to the terms of the Placement
- Negotiate the terms, including the interest rate, of the Notes
- Plan and arrange for the closing and settlement of the issuance and the delivery of the Notes

- Perform such other usual and customary placement agent services as may be requested by the District

As placement agent, Davidson will not purchase the Placement.

As Underwriter: In our capacity as underwriter Davidson agrees to provide the following services:

- Review and evaluate the proposed terms of the offering and the Notes
- Develop a marketing plan for the offering, including identification of potential investors
- Assist in the preparation of the official statement and other offering documents
- Contact potential investors, provide them with offering-related information, respond to their inquiries and, if requested, coordinate their due diligence sessions
- If the Notes are to be rated, assist in preparing materials to be provided to securities ratings agencies and in developing strategies for meetings with the ratings agencies
- Consult with counsel and other service providers with respect to the offering and the terms of the Notes
- Inform the District of the marketing and offering process
- Negotiate the pricing, including the interest rate, and other terms of the Notes
- Obtain CUSIP number(s) for the Notes and arrange for their DTC book-entry eligibility
- Plan and arrange for the closing and settlement of the issuance and the delivery of the Notes
- Perform such other usual and customary underwriting services as may be requested or needed by the District

As underwriter, Davidson will not be required to purchase the Notes except pursuant to the terms of the Purchase Agreement, which will not be signed until successful completion of the pre-sale offering period. This letter does not obligate Davidson to purchase any of the Notes.

2. No Advisory or Fiduciary Role. The District acknowledges and agrees: (i) the primary role of Davidson, as an underwriter, is to purchase securities, for resale to investors, in an arm's-length commercial transaction between the District and Davidson and that Davidson has financial and other interests that may differ from those of the District; (ii) Davidson is not acting as a municipal advisor, financial advisor, or fiduciary to the District and Davidson has not assumed any advisory or fiduciary responsibility to the District with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether Davidson has provided other services or is currently providing other services to the District on

other matters or transactions); (iii) the only obligations Davidson has to the District with respect to the transaction contemplated hereby expressly are set forth in this agreement; and (iv) the District has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate. We understand that the District engaged G.L. Hicks Financial LLC as its municipal advisor for this transaction, which firm has legal fiduciary duties to the District.

In addition, the District acknowledges receipt of a letter outlining certain regulatory disclosures as required by the Municipal Securities Rulemaking Board and attached to this agreement as Exhibit A. The District further acknowledges Davidson may be required to supplement or make additional disclosures as may be necessary as the specific terms of the transaction progresses.

3. Fees and Expenses. As provided in our proposal in response to the District's RFP, assuming a par amount on the Notes of approximately \$74 million, Davidson's proposed underwriting fee/spread is 0.25% of the principal amount of the Notes issued. The underwriting fee/spread will represent the difference between the price that Davidson pays for the Notes and the public offering price stated on the cover of the final official statement. If the District chooses a private placement in lieu of a public-offering underwriting, Davidson's placement-agent fee would be 0.10% of the loan amount on the Notes. The District shall be responsible for costs of issuance of the Notes, which means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, issuance, sale, and delivery of the Notes, including but not limited to the costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Paying Agent and its counsel, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, and any other cost, charge, or fee in connection with the original issuance and sale of the Notes; however, to the extent that Davidson has underwritten the Notes, its underwriting expenses shall not exceed the amount of Davidson's underwriting expenses provided for in its proposal to the District dated December 13, 2023.

4. Term and Termination. The term of this engagement shall extend from the date of this letter to the closing of the offering of the Notes except as may be superseded pursuant to a Purchase Agreement. Notwithstanding the forgoing, either party may terminate Davidson's engagement at any time without liability of penalty upon at least 30 days' prior written notice to the other party. If Davidson's engagement is terminated by the District, Davidson acknowledges that it will not be compensated or reimbursed for any fees and expenses unless the termination occurs after Davidson has completed underwriting and/or placement agent services and the need for Davidson's services are no longer required due solely to USDA's willingness to provide the needed interim construction financing, thus negating the need for the District to secure either placement agent or underwriting services from Davidson. In this event, the District agrees to compensate Davidson for the placement agent and/or underwriting services provided and to reimburse Davidson for its reasonable out-of-pocket fees and expenses incurred to the date of termination, which fees and expenses shall be mutually agreed to by both the District and Davidson.

5. Limitation of Liability. The District agrees neither Davidson nor its employees, officers, agents or affiliates shall have any liability to the District for the services provided hereunder unless damages have occurred as a result of the gross negligence of Davidson.

6. Miscellaneous. This letter shall be governed and construed in accordance with the laws of the State of California. This Agreement may not be amended or modified except by means of a written instrument executed by both parties hereto. This Agreement may not be assigned by either party without the prior written consent of the other party.

If there is any aspect of this Agreement that you believe requires further clarification, please do not hesitate to contact us. If the foregoing is consistent with your understanding of our engagement, please sign and return this letter.

Again, we thank you for the opportunity to assist you with your proposed financing and the confidence you have placed in Davidson.

Very truly yours,

D.A. DAVIDSON & CO.



By: Richard Han

Title: Managing Director

Accepted this ____ day of _____, 2024

Bear Valley Community Healthcare District

By: _____

Title: _____

EXHIBIT A

January 11, 2024

Bear Valley Community Healthcare District
ATTN: Evan Rayner, Chief Executive Officer, and Garth Hamblin, Chief Financial Officer
41870 Garstin Drive
Big Bear Lake, CA 92315

Re: Disclosures by D.A. Davidson & Co. as Placement Agent and Underwriter
Pursuant to MSRB Rule G-17 and G-23
Bond Anticipation Notes and/or Bank Line of Credit

Dear Messrs. Rayner and Hamblin:

We are writing to provide you, as CEO and CFO of Bear Valley Community Healthcare District (“District”), with certain disclosures required by the Municipal Securities Rulemaking Board (MSRB) Rule G-17 that relate to the proposed sale and/or private placement of approximately \$74,000,000 in tax-exempt bond anticipation notes or a bank line of credit (the “Notes”).

The District has engaged D.A. Davidson & Co. (“we” or “Davidson”) to serve as placement agent or underwriter, and not as a Municipal Advisor, in connection with the issuance of the Notes. As part of our services as placement agent/underwriter, Davidson may provide advice concerning the structure, timing, terms, and other similar matters concerning the issuance of the Notes. The specific terms of our engagement will be as set forth in a note purchase agreement to be entered into by the parties if and when the Notes are priced following successful completion of the offering process.

1. Disclosures Concerning the Placement Agent’s Role and Compensation.

- (i) MSRB Rule G-17 requires Davidson, as private placement agent, to deal fairly at all times with both municipal issuers and investors.
- (ii) The Placement Agent has financial and other interests that differ from those of the District.
- (iii) Unlike a municipal advisor, the Placement Agent does not have a fiduciary duty to the District under the federal securities laws and is, therefore, not required by federal law to act in the best interests of the District without regard to its own financial or other interests.
- (iv) The District may choose to engage the services of a municipal advisor with a fiduciary obligation to represent the District’s interest in this transaction.
- (v) The Placement Agent has a duty to place the Notes at a fair and reasonable price, but must balance that duty with its duty to place the Notes with investors at prices that are fair and reasonable.

- (vi) The Placement Agent will review the placement memorandum or term sheet or offering document for the Notes in accordance with, and as part of, its respective responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction.
- (vii) The Placement Agent will be compensated by a fee that will be set forth in the placement agreement or otherwise documented with the District. Payment or receipt of the fee will be contingent on the closing of the transaction and the amount of the fee may be based, in whole or in part, on a percentage of the principal amount of the Placement. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since the Placement Agent may have an incentive to recommend to the District a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

2. Disclosures Concerning the Underwriter's Role and Compensation.

- (i) MSRB Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers and investors.
- (ii) An underwriter's primary role is to purchase the Notes with a view to distribution in an arm's-length commercial transaction with the District. The underwriter has financial and other interests that differ from those of the District.
- (iii) Unlike a municipal advisor, the underwriter does not have a fiduciary duty to the District under the federal securities laws and is, therefore, not required by federal law to act in the best interests of the District without regard to its own financial or other interests.
- (iv) The District may choose to engage the services of a municipal advisor with a fiduciary obligation to represent the District's interest in this transaction.
- (v) The underwriter has a duty to purchase the Notes from the District at a fair and reasonable price, but must balance that duty with its duty to sell the Notes to investors at prices that are fair and reasonable.
- (vi) The underwriter will review the official statement for the Notes in accordance with, and as part of, its respective responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction.¹
- (vii) The underwriter will be compensated by a fee and/or an underwriting discount that will be set forth in the note purchase agreement to be negotiated and entered into in connection with the issuance of the Notes. Payment or receipt of the underwriting fee or discount will be contingent on the closing of the transaction

¹ Under federal securities law, an issuer of securities has the primary responsibility for disclosure to investors. The review of the official statement by the underwriter is solely for purposes of satisfying the underwriter's obligations under the federal securities laws and such review should not be construed by the District as a guarantee of the accuracy or completeness of the information in the official statement.

and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal amount of the Notes. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since the underwriter may have an incentive to recommend to the District a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

3. Disclosures Concerning Additional Conflicts.

We have not identified any additional potential or actual material conflicts that require disclosure.

4. Disclosures Concerning Complex Municipal Securities Financing.

Since Davidson has not recommended a “complex municipal securities financing” to the District, additional disclosures regarding the financing structure for the Notes are not required under MSRB Rule G-17. In accordance with the requirements of MSRB Rule G-17, if Davidson recommends a “complex municipal securities financing” to the District, this letter will be supplemented to provide disclosure of the material financial characteristics of that financing structure as well as the material financial risks of the financing that are known to us and reasonably foreseeable at that time.

5. Questions and Acknowledgment.

Davidson is registered as a broker-dealer with the U.S. Securities and Exchange Commission (“SEC”) and the MSRB, and is subject to the regulations and rules on municipal securities activities established by the SEC and MSRB. The website address for the MSRB is www.msrb.org. The MSRB website includes educational material about the municipal securities market, as well as an investor brochure that describes the protections that may be provided by the MSRB rules and how to file a complaint with an appropriate regulatory authority.

If you or any other District officials have any questions or concerns about these disclosures, please make those questions or concerns known immediately to me. In addition, you should consult with the District’s own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate.