



**AGENDA**

**SPECIAL MEETING OF THE BOARD OF DIRECTORS**

**Tuesday, June 30, 2026**

**5:00 PM**

**Modular C**

**600 N. Highland Springs Avenue, Banning, CA 92220**

**In compliance with the Americans with Disabilities Act**, if you need special assistance to participate in this meeting, please contact the Administration Office at (951) 769-2160. **Notification 48 hours prior to the meeting** will enable the Healthcare District to make reasonable arrangements to ensure accessibility to this meeting. [28 CFR 35.02-35.104 ADA Title II].

TAB

I. Call to Order

S. McDougall, Chair

II. Public Comment

A five-minute limitation shall apply to each member of the public who wishes to address the Healthcare District Board of Directors on any matter under the subject jurisdiction of the Board. A thirty-minute time limit is placed on this section. No member of the public shall be permitted to “share” his/her five minutes with any other member of the public. (Usually, any items received under this heading are referred to staff for future study, research, completion and/or future Board Action.) (PLEASE STATE YOUR NAME AND ADDRESS FOR THE RECORD.)

On behalf of the Healthcare District Board of Directors, we want you to know that the Board acknowledges the comments or concerns that you direct to this Board. While the Board may wish to occasionally respond immediately to questions or comments if appropriate, they often will instruct the Hospital CEO, or other Hospital Executive personnel, to do further research and report back to the Board prior to responding to any issues raised. If you have specific questions, you will receive a response either at the meeting or shortly thereafter. The Board wants to ensure that it is fully informed before responding, and so if your questions are not addressed during the meeting, this does not indicate a lack of interest on the Board’s part; a response will be forthcoming.

**NOTE: ALL MEMBERS OF THE SAN GORGONIO MEMORIAL HOSPITAL BOARD OF DIRECTORS ARE INVITED PARTICIPANTS AND MAY ADDRESS THE SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT BOARD OF DIRECTORS AT ANY TIME DURING THIS MEETING.**

**NEW BUSINESS**

III. **\*Proposed Action – Adopt Resolution No. 2026-08**  
(RESOLUTION OF SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT AUTHORIZING EXECUTION AND DELIVERY OF THE SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT, AND CERTAIN ACTIONS IN CONNECTION THEREWITH)

R. Marshall A

San Gorgonio Memorial Healthcare District  
Board of Directors - Special Meeting

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IV. Adjournment

S. McDougall

In accordance with The Brown Act, *Section 54957.5*, all public records relating to an agenda item on this agenda are available for public inspection at the time the document is distributed to all, or a majority of all, members of the Board. Such records shall be available at the Healthcare District Administration office located at 600 N. Highland Springs Avenue, Banning, CA 92220 during regular business hours, Monday through Friday, 8:00 am - 4:30 pm.

**Certification of Posting**

I certify that on June 29, 2026, I posted a copy of the foregoing agenda near the special meeting place of the Board of Directors of San Gorgonio Memorial Healthcare District, and on the San Gorgonio Memorial Hospital website, said time being at least 24 hours in advance of the special meeting of the Board of Directors (*Government Code Section 54954.2*).

Executed at Banning, California on June 29, 2026



Ariel Whitley, Executive Assistant

**TAB A**

RESOLUTION NO. 2026-08

RESOLUTION OF SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT  
AUTHORIZING EXECUTION AND DELIVERY OF THE SECOND AMENDMENT TO  
LOAN AND SECURITY AGREEMENT, AND CERTAIN ACTIONS IN CONNECTION  
THEREWITH

**DISTRESSED HOSPITAL LOAN PROGRAM**

WHEREAS, SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT (the “Borrower”) is a public hospital, as defined in Section 129381 of the California Health and Safety Code;

WHEREAS, Borrower and the California Health Facilities Financing Authority (the “Lender”) are parties to that certain Loan and Security Agreement, dated as of January 18, 2024, as amended by that certain First Amendment to Loan and Security Agreement, dated as July 16, 2025 (the “First Amendment”) (as amended, supplemented or otherwise modified from time to time, the “Loan Agreement”);

WHEREAS, pursuant to the Loan Agreement, Borrower has instituted turnaround efforts to prevent the closure of the hospital but despite Borrower’s best efforts, Borrower continues to experience financial distress;

WHEREAS, Borrower has submitted to the Lender a Loan Modification Application under the Distressed Hospital Loan Program (the “Loan Program”) and, if such Loan Modification Application is approved, proposes to enter into that certain Second Amendment to Loan and Security Agreement (the “Second Amendment”), with the Lender; and

WHEREAS, the Board of Directors has determined that it is advisable and in the best interests of Borrower to enter into the Second Amendment and the documents and transactions contemplated in connection therewith;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Borrower as follows:

Section 1. The Board of Directors of Borrower hereby ratifies the submission to the Lender of a Loan Modification Application under the Loan Program and any related materials submitted in connection therewith.

Section 2. Christopher R Bjornberg, CEO is hereby authorized and directed, for and on behalf of Borrower, to do any and all things and to execute and deliver any and all documents that such Authorized Officer(s) deem(s) necessary or advisable to enter into the Second Amendment and otherwise to effectuate the purposes of this Resolution and the transactions contemplated hereby.

Section 3. The proposed form of the Second Amendment is hereby approved. The CEO Authorized Officer(s) is hereby authorized and directed, for and on behalf of Borrower, to execute and deliver the Second Amendment in substantially such form, with such changes,

additions, or deletions therein as the Authorized Officer(s) may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of San Geronio Memorial Healthcare District held on the 30th day of June 2026.

**SECRETARY’S CERTIFICATE**

I, Doris Foreman, Secretary of San Gorgonio Memorial Healthcare District, hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Directors of San Gorgonio Memorial Healthcare District duly and regularly held at the regular meeting place thereof on the 30th day of June, 2026, of which meeting all of the members of said Board of Directors had due notice and at which the required quorum was present and voting and the required majority approved said resolution by the following vote at said meeting:

**Ayes:**

**Noes:**

**Absent:**

I further certify that I have carefully compared the same with the original minutes of said meeting on file and of record in my office; that said resolution is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified or rescinded since the date of its adoption, and is now in full force and effect.

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY**

**DISTRESSED HOSPITAL LOAN PROGRAM**

**SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT**

This Second Amendment to Loan and Security Agreement (“Second Amendment”), is entered into by and between the CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY, a public instrumentality of the State of California, having its principal place of business at 915 Capitol Mall, Suite 440, Sacramento, California 95814 (together with its successors and assigns, the “Authority” or the “Lender”) and **SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT**, a **California local health care district** having its principal place of business at **600 North Highland Springs Avenue, Banning, California 92220** (“Borrower”), under the Distressed Hospital Loan Program pursuant to Health and Safety Code section 129380 et seq. Lender and Borrower are at times referred to collectively herein as the “Parties.” This Second Amendment is effective and dated as of the date of the execution by the Authority of this Second Amendment (the “Second Amendment Effective Date”).

**RECITALS**

A. Borrower and the Lender are parties to that certain Loan and Security Agreement, dated as of January 18, 2024, as amended by that certain First Amendment to Loan and Security Agreement, dated as July 16, 2025 (the “First Amendment”) (as amended, supplemented or otherwise modified and in effect immediately prior to the Second Amendment Effective Date, the “Original Loan Agreement”). The Original Loan Agreement, as amended by this Second Amendment, is referred to herein as the “Loan Agreement”);

B. Pursuant to the Loan Agreement, Borrower has instituted a Turnaround Plan but despite Borrower’s best efforts, Borrower remains in financial distress;

C. Borrower has submitted to the Authority and the California Department of Health Care Access and Information (the “Department”) a Loan Modification Application under the Distressed Hospital Loan Program (the “Loan Program”);

D. The Authority, the Department and the California Department of Finance have determined that Borrower’s Loan Modification Application meets the eligibility requirements of the Loan Program thereby providing for the forgiveness of the next twelve (12) months of debt service payments on the Loans (as defined herein) as set forth herein; and

E. Borrower and the Lender wish to amend the Original Loan Agreement in certain respects as set forth herein;

NOW, THEREFORE, in consideration of the foregoing, the Parties agree as follows:

1. **Certain Defined Terms**. Except as otherwise defined in this Second Amendment, terms defined in the Loan Agreement are used herein as defined therein.

2. **Amendment.** Subject to the satisfaction of the conditions precedent set forth in Section 5 of this Second Amendment, the Second Amendment shall be effective as of the date hereof:

(a) Section 2(d) of the Original Loan Agreement is hereby amended and restated in its entirety to read as follows (additions shown in **double underline bold** and deletions in ~~strikethrough~~):

“(d) **Repayment; Maturity.** Borrower agrees to repay the Loans in equal monthly installments, commencing on the first day of the ~~thirty-first (31st)~~ **forty-third (43rd)** month from the Effective Date until the principal sum of the Loans is paid in full, which shall occur no later than eighty-four (84) months from the date of this Agreement (the “Maturity Date”). If Borrower commences a restructuring under chapter 11 of the Bankruptcy Code before the Maturity Date and seeks debtor-in-possession financing from the Lender, the Lender agrees to “roll up” the Loans under this Facility into a debtor-in-possession financing facility on a dollar-for-dollar basis and on such other terms and conditions acceptable to the Lender.

**The principal amount of \$2,177,777.76 representing the payments due on the Loans during the twelve (12) month period commencing on August 1, 2026, through July 31, 2027 is hereby permanently forgiven and shall no longer be due or payable by Borrower. As of the effective date of the Second Amendment, the outstanding principal amount of the Loans is \$7,622,222.24.”**

(b) Exhibit E of the Original Loan Agreement is hereby amended and restated in its entirety with such Exhibit attached hereto as Annex A.

3. **Reaffirmation.** Borrower (a) acknowledges and consents to all of the terms and conditions of this Second Amendment, (b) agrees that this Second Amendment and any documents executed in connection herewith do not operate to reduce or discharge Borrower’s obligations under the Loan Documents, and (c) agrees that this Second Amendment and any documents executed in connection herewith shall not impair or otherwise adversely affect any of the guarantees or liens provided or granted pursuant to the Loan Documents. Each other Loan Document and all guarantees, pledges, grants, security interests and other agreements thereunder shall continue to be in full force and effect and Borrower reaffirms the Loan Document and all guarantees, pledges, grants, security interests and other agreements thereunder.

4. **Representations and Warranties.**

To induce the Lender to enter into this Second Amendment, Borrower hereby represents and warrants to the Lender that as of the Second Amendment Effective Date and, until the Note is paid in full and all obligations under the Loan Agreement are performed in full, that:

(a) Borrower has the requisite right, power and authority to execute and deliver this Second Amendment and the performance of the Loan Agreement.

(b) Borrower has duly authorized, executed and delivered this Second Amendment.

(c) This Second Amendment constitutes the legal, valid and binding obligations of Borrower, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting the enforcement of creditors' rights, to the application of equitable principles, regardless of whether enforcement is sought in a proceeding at law or in equity, to public policy and to the exercise of judicial discretion in appropriate cases.

(d) The execution and delivery by Borrower of this Second Amendment and the performance by Borrower of this Second Amendment and the performance by Borrower of the Loan Agreement will not: conflict with or constitute a breach of, violation or default (with due notice or the passage of time or both) under the articles of incorporation or bylaws of Borrower, any applicable law or administrative rule or regulation or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement, evidence of indebtedness or instrument to which Borrower is a party or to which or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of Borrower, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the performance of Borrower of the Loan Agreement.

(e) The representations and warranties set forth in Section 4 of the Loan Agreement, and in each of the other Loan Documents, are true and complete on the date hereof as if made on and as of the date hereof (or, if any such representation or warranty is expressly stated to have been made as of a specific date, such representation or warranty shall be true and correct as of such specific date), and as if each reference in said Section 4 to "this Agreement" included reference to this Second Amendment.

5. **Conditions Precedent.** The amendments set forth in Section 2 shall not become effective until the Lender is satisfied that all of the following conditions have been met:

(a) Borrower shall have delivered to the Lender a duly executed Second Amendment.

(b) Borrower shall have delivered to the Lender a resolution of Borrower's board of directors or governing body duly authorizing the execution and delivery by it of this Second Amendment and the performance of the Loan Agreement.

(c) Borrower shall have delivered to the Lender any other documents reasonably required by the Lender in connection with carrying out the purposes of this Second Amendment.

6. **Miscellaneous.**

(a) References in the Loan Agreement to “this Agreement” (and indirect references such as “hereunder”, “hereby”, “herein” and “hereof”) and references to the Loan Agreement in other Loan Documents shall in each case be deemed to be references to the Loan Agreement as amended hereby.

(b) This Second Amendment shall constitute a Loan Document for purposes of the Loan Agreement and the other Loan Documents, and except as specifically modified by this Second Amendment, the Loan Agreement and the other Loan Documents shall remain unchanged and shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and performance of this Second Amendment shall not constitute a forbearance, waiver, consent or amendment of any other provision of, or operate as a forbearance or waiver of any right, power or remedy of the Lender under the Loan Agreement or any of the other Loan Documents, all of which are ratified and reaffirmed in all respects and shall continue in full force and effect. This Second Amendment does not constitute a novation of rights, obligations and liabilities of the respective parties existing under the Loan Documents.

(d) This Second Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all counterparts shall together constitute one and the same instrument.

*[Signature Pages Follow]*

IN WITNESS WHEREOF, the parties to this Second Amendment have caused this Second Amendment to be executed and delivered as of the date of execution of this Second Amendment by the Authority.

LENDER: **CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY**, a public instrumentality of the State of California

By: \_\_\_\_\_

Name: **Carolyn Aboubechara**

Title: **Executive Director**

Date: \_\_\_\_\_

BORROWER: **SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT**, a California local health care district

By: \_\_\_\_\_  
(Authorized Officer)

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**ANNEX A**

**EXHIBIT E- TURNAROUND PLAN**

[Attached]

## SECTION ONE: SUMMARY INFORMATION

### Turnaround Plan Initiative Updates

#### **See the Following Step 2: Loan Forgiveness Request Updates and/or Responses as of April, 2026**

1. Provide a written explanation of the actions and initiatives implemented to date to turnaround the applicant's financial performance as explained in Exhibit E of borrower's Loan and Security Agreement.

#### **Overview of Progress on the Turnaround Plan and Ongoing Leadership Initiatives**

San Gorgonio Memorial Hospital has taken decisive and strategic steps to improve its financial performance and overall operational stability. The following key initiatives have been implemented as part of our turnaround plan:

**Loan Forgiveness Request Update and/or Responses as of April, 2026** – The most significant recent initiative on the Turnaround Plan includes the establishment of a new five-year Management Services Agreement (MSA) among San Gorgonio Memorial Healthcare District, San Gorgonio Memorial Hospital (collectively referred to as “District” or “Hospital”) and Tenet Business Services Corporation, Inc., which commenced December 31, 2025. (See San Gorgonio & Tenet MSA attached). Key elements of the MSA include:

- 1) Tenet is to provide full-time, on-site Executive Leadership consisting of CEO, CFO, and CNE. All these positions have been filled, and Michele Finney has served as Interim CEO beginning on the commencement date of the MSA, and will continue in that position until mid-summer when the recently selected CEO will take over. Michele, as the Executive Chairwoman of the Desert Care Network, will continue to oversee all the Management Agreement responsibilities on Tenet's behalf.
- 2) Tenet has provided a \$15M operating Line of Credit (LOC) to the District, which was used to pay off the previous lender's \$12M LOC.
- 3) Tenet is providing numerous services to the District via the MSA. A copy of the MSA is attached for reference.
- 4) Tenet is bringing great leverage to the District in the form of Group Purchasing opportunities, with savings estimated between \$1M - \$1.5M per year, opportunities for savings on numerous Purchased Service and Maintenance agreements still in the works, and Managed Care Negotiations assistance for Third Party Payor Contracts. They are pursuing all avenues available to expand new third party payor opportunities.
- 5) Tenet is in the process of evaluating all service agreements, physician agreements, and rental agreements.
- 6) Tenet is evaluating staffing levels in all areas in order to maximize efficiencies and economies of scale.
- 7) Tenet is providing management consultation to all Directors at the Hospital.
- 8) Tenet is evaluating various service lines provided at the Hospital in order to ensure prudent financial responsibility of each service.
- 9) Tenet is actively reviewing opportunities to expand the efficacy of the I/T systems at the Hospital and is pursuing better service outcomes from our I/T vendors, to provide enhanced data for financial analytics, product-line and payor mix opportunities.
- 10) Tenet has provided (at no additional cost to the Management Fee) a Hospital-wide Contracts Management System, and will provide the staff support to manage the details of each Contract and Agreement held by the Hospital.

#### **Launch of Primary Stroke Center Certification**

On December 1, 2024, the hospital launched its certified Primary Stroke Center after passing the Joint Commission (JCAHO) and Riverside County Emergency Medical Services Agency (REMSA) accreditation survey. These designations led to a measurable increase in ambulance traffic—averaging 45 additional transports per month—which contributed to higher Emergency Department volumes and inpatient admissions. This improvement not only enhanced access to critical care but also generated additional revenue streams.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** - The Primary Stroke Center recently achieved its second Joint Commission Certification, reflecting continued commitment to high-quality stroke care. The overall increase in inpatient days of 7.2% for the first nine months of the fiscal year is largely attributable to the establishment and growth of the Stroke Center. In 2025, there were 728 Code Stroke activations, with 648 initiated

through the EMS system, underscoring the program's strong integration with pre-hospital providers and its expanding role in the community. The volume growth includes improved payer mix by 30% commercial payer and 84% commercial/Medicare. Additionally, the Hospital has finally been able to finish installation and certification of the new Spect C/T scanner in March, 2026, and this new feature will further enhance the capabilities of the program

### **Opening of Family & Women's Outpatient Clinic**

On December 16, 2024, we opened a new Family Practice and OB/GYN clinic adjacent to the hospital. This District Clinic significantly expands access to outpatient services, including primary, pediatric, and women's health, and is expected to drive increased surgical and delivery volumes. In July we anticipate adding an addiction medicine physician. Staffed through a partnership with a local medical group, the clinic serves patients enrolled in multiple health plans, enhancing continuity of care and expanding our reach within the community.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** - The Family and Women's Outpatient Clinic, which opened in December 2024, is demonstrating strong growth and operational success. The clinic has established contracts with multiple payors/insurance plans, as well as partnerships with several local provider groups to support OB/GYN services. Over the past 16 months, patient volumes have grown steadily, increasing from 11 visits in December 2024 to 306 visits in March 2026. This upward trend reflects both increasing community demand and the clinic's expanding role in providing accessible care. Additionally, the clinic recently entered into an agreement with a local health plan to provide services for all of the plan's local members, currently totaling 171 enrollees. This partnership is expected to further support continued growth and strengthen the clinic's presence in the community. The clinic also provides continuity of care to patients discharged from the emergency department or inpatient that does not otherwise have access to primary care.

### **Strengthening Community Partnerships and Insurance Alignment**

The local acquisition of two major medical groups by OPTUM led to a shift in referral patterns favoring our hospital. OPTUM's policy changes now prioritize care at our facility, reducing patient leakage to competing hospitals. Additionally, we are partnered with the Inland Empire Health Plan to launch an Enhanced Care Management (ECM) program in February 2025. This initiative is expected to reduce readmissions, improve patient outcomes, and increase Medi-Cal reimbursement through coordinated care efforts.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** – Local physician groups continue to utilize the hospital for a range of outpatient services, including radiology, laboratory, and other ancillary services. Through established contractual relationships, these partnerships have strengthened referral patterns and increased utilization of hospital-based services. As a result, the hospital has experienced growth in outpatient volumes, contributing to increased revenue and improved operational performance. These collaborations not only enhance access to coordinated care for the community but also support the hospital's financial sustainability by capturing downstream service revenue.

### **Expansion of Medical Staff and Specialized Services**

We have successfully transitioned key contracted medical groups in Emergency Medicine, Radiology, and Pulmonology to improve quality and efficiency. We also introduced neurosurgery services, enabling us to treat a broader range of neurological conditions locally. The Optum Oncology group and San Geronio Wound Care Center physicians will get hospital privileges during 2025. These changes are expected to boost inpatient surgical volumes and reduce patient transfers out of the community.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** – The hospital is actively pursuing the expansion of urology services to better meet growing community demand and enhance access to specialized care.

### **Designation as a OneLegacy Center of Excellence**

Our recognition as the first OneLegacy Center of Excellence in Southern California reflects leadership in organ and tissue donation. This honor has enhanced our reputation, strengthened protocols, and increased referrals for organ procurement, which also generates supplemental revenue.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** – Our continued designation as the only OneLegacy Center of Excellence in Riverside County reflects our leadership and commitment to excellence in organ and tissue donation. As the first facility in Southern California to receive this recognition, we have established a

highly respected program that strengthens clinical protocols, enhances coordination of care, and reinforces our role as a regional leader in this critical service line. This distinction has elevated our reputation among providers and partner organizations, resulting in increased referrals and greater collaboration in organ procurement efforts. This program continues to position the hospital for sustainable growth while delivering meaningful, life-saving care.

### **National Recognition for Quality and Safety**

San Geronio Memorial Hospital has received multiple awards for safety and patient experience, including:

Two consecutive “A” grades from Leapfrog

4-star CMS Hospital Compare rating, and forecasted to have a 5-star rating in June 2025

- 2024 Healthgrades awards for Outstanding Patient Experience and Patient Safety Excellence
- Collaborative Healthcare Patient Safety Organization (CHPSO) elite “High Performer” in quality
- California Department of Public Health (CDPH) Antibiotic Stewardship Honor Roll Silver Status
- American College of Emergency Physicians Geriatric Emergency Department Accreditation

These recognitions affirm our operational improvements and support continued growth in patient trust and volume.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** – San Geronio Memorial Hospital continues to be recognized for excellence in quality, safety, and patient experience. The hospital currently holds an “A” grade from Leapfrog and a 5-star CMS Hospital Compare rating, reflecting top-tier performance at both the national and state levels. Additionally, the hospital is recognized as the number one provider for sepsis care in the Inland Empire, demonstrating exceptional clinical outcomes in a critical area of care. These forecasts include anticipated additional Quality Improvement funding totaling \$2,318,624 in FY 2027 and another incremental \$1,338,128 in FY 2028. This growth results from additional Quality measures that are being pursued by Nursing leadership.

### **Investments in Technology and Equipment**

Thanks to philanthropic and grant funding, we have upgraded key clinical equipment, including:

- Two new CT scanners
- SPECT CT scanner
- R&F imaging room
- Da Vinci surgical robot
- Omnicell systems
- New telemetry monitors
- MRI pad near the Emergency Department

These investments enhance both clinical capabilities and patient experience, positioning the hospital for long-term growth.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** - The Hospital continues to pursue grant opportunities for major equipment replacement and enhancements. At the current time, we are seeking approximately \$6 million for an upgrade to the diagnostic imaging room in the Emergency Room, two ultrasound machines, upgraded mammography including tomosynthesis and stereotactic features, and a new DEXA (dual energy x-ray absorptiometry) scan for bone density screening.

### **Operational Efficiencies and Cost Containment**

As part of our commitment to financial stewardship, the hospital has implemented a series of cost containment strategies focused on workforce efficiency and service optimization:

- **Position Control:** Open positions are being closely reviewed, and non-essential vacancies are not being filled. Only roles deemed critical to patient care and operations are being approved for recruitment.
- **Job Consolidation:** Duties across certain departments have been consolidated to streamline workflows, reduce redundancy, and eliminate unnecessary layers of management or duplication of effort.

- **Hiring Freeze on Non-Essential Roles:** A freeze has been placed on the addition of new positions unless directly tied to revenue generation, regulatory compliance, or patient safety.
- **Service Line Review:** The executive team is currently reviewing all hospital service lines and departments to assess financial performance. Services that are not financially sustainable and do not align with our strategic goals are being considered for restructuring or termination.

These operational adjustments are expected to yield long-term cost savings while ensuring the hospital maintains safe and effective patient care.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** – These four initiatives continue to be the key focus of the Executive Team and are now being carried forth under Tenet’s guidance and additional expertise, along with Tenet’s resources, and experience.

## Conclusion

The leadership team at San Gorgonio Memorial Hospital remains fully committed to financial recovery and long-term sustainability. Each of the above initiatives has been strategically implemented to improve patient care, increase revenue, reduce costs, and expand access to essential services. We continue to monitor results and make data-driven adjustments to ensure the hospital’s success as a financially viable, high-performing healthcare institution.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** - The leadership team at San Gorgonio Memorial Hospital remains fully committed to financial recovery and long-term sustainability. Each of the above initiatives has been strategically implemented to improve patient care, increase revenue, reduce costs, and expand access to essential services. We continue to monitor results and make data-driven adjustments to ensure the hospital’s success as a financially viable, high-performing healthcare institution. The operating rigor brought to the facility through the Tenet MSA commenced 12./31/2025. Full implementation of the agreement and the value yielded through this relationship will be incremental over the next two to three years.

2. Provide a detailed list of how DHLP loan proceeds were utilized, and whether there are any unused DHLP loan proceeds that will be utilized in the future.

**See Exhibit 1: Application of Loan Proceeds** for the detailed uses and timing of loan proceeds. In summary, all loan proceeds were utilized to cover payroll expenditures and paydown accounts payable in the third fiscal quarter of 2024.

**Loan Forgiveness Request Update and/or Responses as of April, 2026**– There have been no changes after the Step 1 Submittal.

3. Discuss any variances between the Turnaround Plan and financial projections submitted with the original DHLP application (base case) and the actual actions and initiatives implemented to date.

In addition to the following responses, please see responses in SECTION 1, Item 1.

Implementation of Stroke Program - This was projected to be started in January 2024, but due to extended process of getting all construction and equipment approvals for installation and completion along with designated paramedic receiving station status from the County, the opening was delayed until December 2024.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** – (Same as above) The Primary Stroke Center recently achieved its second Joint Commission Certification, reflecting continued commitment to high-quality stroke care. The overall increase in inpatient days of 7.2% for the first nine months of the fiscal year is largely attributable to the establishment and growth of the Stroke Center. In 2025, there were 728 Code Stroke activations, with 648 initiated through the EMS system, underscoring the program’s strong integration with pre-hospital providers and its expanding role in the community. The volume growth includes improved payer mix by 30% commercial payer and 84% commercial/Medicare. Additionally, the Hospital has finally been able to finish installation and certification of the new Spect C/T scanner in March 2026, and this new feature will further enhance the capabilities of the program.

Expansion of Women’s Center – The entire business model had to be changed and the outcome was the establishment of a 1206(b) Clinic. The process of locating physicians, contracting with payors, remodeling office space, and implementing an E.H.R. system has taken a long time. The Clinic was finally opened in December 2024, however,

the ramp-up time to effectively capture new births is expected to take nine months. These volumes will start to increase in October 2025.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** – (Same as above) The Family and Women’s Outpatient Clinic, which opened in December 2024, is demonstrating strong growth and operational success. The clinic has established contracts with multiple payors/insurance plans, as well as partnerships with several local provider groups to support OB/GYN services. Over the past 16 months, patient volumes have grown steadily, increasing from 11 visits in December 2024 to 306 visits in March 2026. This upward trend reflects both increasing community demand and the clinic’s expanding role in providing accessible care. Additionally, the clinic recently entered into an agreement with a local health plan to provide services for all of the plan’s local members, currently totaling 171 enrollees. This partnership is expected to further support continued growth and strengthen the clinic’s presence in the community. The clinic also provides continuity of care to patients discharged from the emergency department or inpatient that does not otherwise have access to primary care.

Directed Payment Program – The District is currently participating in this program based on patient services beginning in January 2023. The first payments have been received in March and April this year, and this program is incorporated into all future forecasts.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** – The District continues to benefit from the Directed Payment program. Net gains from the program in FY 2025 totaled \$1,172,714. FY 2026 is projected at \$2,324,060, FY 2027 is projected to be \$10,416,846, and FY 2028 is projected at \$9,670,744. The large increase in FY 2027 relates to the fact that the District Hospital Leadership Forum was able to work with DHCS and Medi-Cal to develop a plan which will effectively triple the amount of funds for District Hospitals commencing with services provided 2025. Secondly, DHCS has accelerated a cash flow “catch-up” for the Hospitals by providing three distributions (instead of two) in FY 2027.

One Time Employee Retention Credit – This projected net amount of \$9.232M was included in the original FY 2025 Forecast and continues to be in the FY 2025 Forecast. We recently had the District’s consultants file Request for Taxpayer Advocate Service Assistance (IRS Form 911) seeking expeditious resolution and payment for all three quarters of claims.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** – The Hospital received a net payment from the IRS of \$3,096,240 in July 2025 related to the claim for Quarter 1 of the Employee Retention Credit program and \$3,957,660 for Quarter 2 of the program in November 2025. Both items were recorded as Extraordinary Revenue in the FYE June 30, 2025 audited financial report. A filing for Quarter 3 is currently being reviewed by the IRS, and our Consultant expects that there will not be any problems with this claim. We anticipate this net credit to be booked in excess of \$4M before the current June 30, 2026, fiscal year is complete.

Expense Reduction, Staffing Productivity Improvement – The overall Paid FTE’s PPD are as follows: FY 2023 = 7.63, FY 2024 = 7.52, and 9 months FY 2025 = 7.30, which is a 4.3% drop from 2023. This has been a difficult challenge, especially in light of continued additional mandates, additional ramp-up and training of all clinical staff prior to Stroke Program State and Joint Commission certification, safety and security mandates, and staff shortages which result in excessive overtime, double time, and contract registry services. Costs have been driven up further by mandated CPSL payments and new GASB pronouncements requiring the establishment of Liability reserves for expected non-accrued time off. Finally, we have not been able to address the need to increase Salaries, either in the past 2 years and the next projected increase in the Forecast does not come until FY 2027. We realize that this is unsustainable in order to effectively recruit and retain talented staff.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** - The ratios of Paid FTE’s per Adjusted Occupied Bed are as follows: FY 2024 = 7.38, FY 2025 = 7.62, and FY 2026 (9 months) = 7.07, which is a 4.2% drop from FY 2024. Staffing management is a major area of Tenet’s expertise. Nevertheless, the pressure on staffing costs continues to be exacerbated by the effect that minimum wage mandates have on the entire marketplace. Mandated CPSL costs are roughly \$1M per year, and staffing shortages create significant pressure via mandated staffing ratios, overtime and double time costs, and ultimately further reliance on Contract Registry services. Tenet has commenced a detailed review of cost savings opportunities not related to staff adjustments, but rather to staff more efficiently by managing overtime, double time, night and weekend staffing patterns, etc.

Overall Financial Outcomes – Statements of Revenues, Expenses, and Changes in Net Position:  
Original Forecast FY 2024 = \$671,000      Actual = \$4,999,402

Original Forecast FY 2025 = \$6,204,000      Projected = \$73,270

FY 2025 Optics Variances:

Forecast:	Total Operating Revenue	\$97,750,000	Projected:	\$96,918,315
Forecast:	Total Operating Expense	\$102,249,000	Projected:	\$109,728,558
Forecast:	Total Labor Expense	\$59,771,000	Projected:	\$61,891,722
Forecast:	Total Physician Fees	\$5,172,000	Projected:	\$6,887,387
Forecast:	Total Supplies	\$11,950,000	Projected:	\$12,668,903
Forecast:	Total Purchased Services	\$11,252,000	Projected:	\$13,762,234
Forecast:	Total All Other (Excl. Depr.)	\$7,614,000	Projected:	\$8,894,473

Summary – There have been a lot of changes in the overall Healthcare marketplace since the preparation of the Original Turnaround Plan that was developed in May 2023. I am reminded that the most recent historical data at that time included Revenues and Expenses that were significantly impacted from the Covid years, and as such, there was not a reliable “normal” from which to base future projections. The narrative above addresses the challenges in Labor costs, while responses in SECTION 1, Item 5 address Physician Fees pressures, and inflationary costs in all other areas, much like has not been experienced in many years.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** - Following are updates of the previously submitted Overall Financial Outcomes:

Statements of Revenues, Expenses, and Changes in Net Position:

Original Loan Application Forecast FY 2025 = \$6,204,000      Actual = (\$193,728)

Loan 1 Modification Forecast for FY 2026 = \$(1,977,606)      Projected = (\$7,486,682)

FY 2026 Optics Variances` from Loan 1 Modification Forecast:

Forecast:	Total Operating Revenue	\$104,296,536	Projected:	\$98,762,911
Forecast:	Total Operating Expense	\$111,528,574	Projected:	\$114,783,328
Forecast:	Total Labor Expense	\$63,362,372	Projected:	\$63,657,315
Forecast:	Total Physician Fees	\$7,156,000	Projected:	\$9,313,029
Forecast:	Total Supplies	\$13,167,462	Projected:	\$12,999,333
Forecast:	Total Purchased Services	\$13,056,398	Projected:	\$15,030,297
Forecast:	Total All Other (Excl. Depr.)	\$8,761,264	Projected:	\$8,047,636

Summary Update: We are optimistic that the District/Hospital are gradually moving things in the right direction. Tenet’s leadership, industry knowledge, procurement benefits, along with synergies that are being developed with the Desert Health Network and its resources, medical and service providers bring a hope for the long, but arduous process of getting San Gorgonio back into a financially viable organization that will complement the excellent quality services that are provided to its patients.

4. Provide a written narrative describing any changes in ownership, management, bankruptcy filings or other extraordinary events.

There have been no changes in ownership or management, nor have there been any bankruptcy filings.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** - a) See Update to SECTION 1, PARAGRAPH 1 which relates the following - Effective December 31, 2025, San Gorgonio Memorial Healthcare District and San Gorgonio Memorial Hospital entered a five (5) year Management Agreement with Tenet Healthcare to operate the Hospital. That Agreement provides for Tenet to hire and place a CEO, CFO, and CNE on-site to operate the Hospital. b) There have been no bankruptcy filings,

Extraordinary Events include a Private Attorney General Act Lawsuit judgement (booked in FY 2022) and another Litigation Settlement (booked in FY 2024). Both of these items have reduced Cash in the last 13 months by \$3,039,563 and \$3,406,915 respectively. Attorney fees associated with these cases that were paid from October 2024 through January 2025 exceeded \$822K. Also, the District repaid a Quality Incentive Pool Loan 2 in the amount of \$2,647,471 in December 2024, and a Disproportionate Share Hospital overpayment of

\$253,566 in October 2024. To summarize, Cash outlays for non-operating activities exceeded \$10M in the past 13 months.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** - There have been no significant Extraordinary Events since the last submittal.

5. Explain applicant's justification for a Loan Modification.

There have been several factors that have impacted this need, and cash flow drives this justification. First, see Item 4 above. As to the new Stroke and Clinics programs, they simply are not mature enough to provide the anticipated and fully expected cash flows. Although the two key programs are up and in place, they are certainly not up to optimal volumes at this point. It has been difficult and time-consuming to develop and implement new programs such as the Stroke Center or the opening of the Family and Women's Outpatient Clinic in a rapid manner. The amount of time required for plan development, bidding, obtaining building permits, construction and remodeling are significant both for the equipment needed for the Stroke Center and along with final licensing and approval to occupy and operate. As to the Clinic, the entire business model had to be changed and then the process of locating physicians, contracting with payors, remodeling office space, and implementing an E.H.R. system has taken a long time.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** – San Geronio continues to struggle in its quest to improve financial outcomes. In light of the challenges previously updated in this 2026 narrative, there is still reason to believe that this “ship can be righted”. Too much is at stake for failure: there are roughly 100K residents in the primary service area that is growing and that need local care facilities. Further, the physical facilities and equipment needed to provide these services are in good shape and the cost of these facilities are being paid for via property taxes. In a nutshell, there are many reasons that this Hospital must succeed, and Loan Forgiveness will be one component toward meeting that overall outcome!

Secondly, inflation has really kicked in over the past two years, and costs for everything have really accelerated. Also there have been numerous unfunded Federal and State mandates that have cost more than expected, e.g. Price Transparency compliance, CPSL requirements, new minimum Wage pressures and Seismic Compliance to name a few.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** - Inflation continues to be a challenge; the cost of fuel drives almost every area of production of goods and services, and California has recently seen major increases in this area. The updated Cash Flow projections also have been modified from the previous submittal, as we have included \$1.2M in the FY 2028 Forecast to begin the Seismic project, and the remainder will need to be funded in the FY 2029 Forecast.

Thirdly, there has been a change in the Physician market in our local area. A large national group came in and bought almost all Physician practices. The fallout has been that many of the Hospital's specialty physicians were “let go”, and in order to continue to provide necessary Emergency Coverage, the Hospital has been forced to increase the subsidies needed for these physicians to continue their coverages.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** - Pressure to subsidize Physicians for services they provide to the Hospital, both for Hospital-based Physicians and Emergency on-call coverage has continued to mount. This is a systemic problem that has its roots in the extreme underpayment to Physicians for Medi-Cal services provided over the years, and unfortunately the Hospital is “forced” to make up for these underpayments.

Fourth, there has been a notable reduction in two Supplemental Funding programs, the first impacting the Hospital by over \$500K starting in the current year (FY 2025), and the Rate Range funding will drop by about \$2M starting in FY 2026.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** - The Rate Range funding is reducing, and the One Big Beautiful Bill will start to reduce payments to the Hospital in the coming FY 2027. The major reduction in funding resulting from the OBBB will occur for San Geronio in FY 2028 (as a result of the Hospital only recognizing Supplemental income at that time the payments are received, and not recording the income when the funds were “earned”). Starting in January, 2027, Medi-Cal redetermination requirements go into effect, and this could result in some residents in our area losing Medi-Cal coverage. It is difficult at this point to quantify the impact that might have on Hospital operations and financial outcomes.

Finally, throughout FY 2026, the Cash Balances are absolutely at a minimal level, the Accounts Receivable Days outstanding are pushed to the limit, and the Accounts Payable are hovering around four months. The Quarterly Ratios submitted in the Ratios Calculations update illustrate our Days Cash on Hand of 6.8, our Current Ratio of 0.43, and the Debt Service Coverage Ratio of (0.03), all of which are below the “Stabilized Financial Ratios” listed in the DHLP Loan Modification Application. Additionally, within the 24-month financial forecast, one can see that the ratios are not projected to exceed the benchmark metrics. And finally, FY 2027 illustrates major Cash deficits throughout the year. As these Forecasts include \$3.6M for Seismic compliance from FY 2025 – FY 2027, we will be seeking grants to offset as much as possible for these expenditures, along with other grants, additional market capture, and expense reductions where possible in order to cause the FY 2027 Forecast to have a positive cash-flow.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** - Cash Balances continue to be a major challenge, especially at those times during each fiscal year when major IGT’s are required to be submitted and until the Supplemental Payments are subsequently received 2 – 3 months later. Throughout each year, there are times where Cash Balances are at absolute minimal level, the Accounts Receivable Days outstanding are pushed to the limit, and the Accounts Payable are hovering around four months. The Quarterly Ratios submitted in the Ratios Calculations update illustrate as of March 31, 2026 Days Cash on Hand of 21.4, Current Ratio of 0.42, and the Debt Service Coverage Ratio of -1.08 are all below the “Stabilized Financial Ratios” listed in the DHLP Loan Modification Application. Further, although there are improvements in future ratios, the ratios are not projected to exceed the benchmark metrics.

## SECTION TWO: FINANCIAL STANDING

1. Provide any current, past due, or updated routine reporting requirements per the applicant’s Loan and Security Agreement.

None known.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** - None known.

2. Provide most recent internally prepared year-to-date financial statements (no more than 45 days old).

**See Exhibit 2: Most Recent Internally Prepared Financials**

**Loan Forgiveness Request Update and/or Responses as of April, 2026**– See attached Financials as of March 31, 2026.

**See Exhibit 3: Ratios Calculations** for the Quarter Ended 03 31 25.

**Loan Forgiveness Request Update and/or Responses as of April, 2026**– See Attached Ratio Calculations update as of March 31, 2026.

(Note – the format of the 24 month updated Forecast for FY 2025, FY 2026, and FY 2027 includes the 3/31/25 Financials and is used for the Ratios Calculations in Item 2 below.)

**Loan Forgiveness Request Update and/or Responses as of April, 2026** (Note – the format of the updated 24 month Forecast for FY 2026, FY 2027, and FY 2028 includes the 3/31/26 Financials and is used for the Ratios Calculations in Item 2 below.)

Calculate the following financial ratios for the most recent internally prepared year-to-date financial statements provided under item two above, per the formulas in the applicant’s Loan and Security Agreement:

- |                                 |       |
|---------------------------------|-------|
| a) Days Cash on Hand;           | 37.3  |
| b) Current Ratio;               | 0.49  |
| c) Operating Margin;            | 0.03  |
| d) Net Cash Runway; and         | 14.32 |
| e) Debt Service Coverage Ratio. | 0.30  |

**Loan Forgiveness Request Update and/or Responses as of April, 2026** - Based on March 31, 2026 Financials:

- |                       |      |
|-----------------------|------|
| a) Days Cash on Hand; | 21.4 |
|-----------------------|------|

- b) Current Ratio; 0.42
- c) Operating Margin; 1.06
- d) Net Cash Runway; -0.06
- e) Debt Service Coverage Ratio. -1.08

Describe any changes in the applicant’s short and long-term debt since obtaining the DHLP loan, such as additional working capital or other short-term loans or additional long-term debt.

No changes.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** - As mentioned in the 2026 Updates in SECTION 1, Paragraph 1, the District’s Line of Credit was increased from \$12M to \$15M via the new Tenet Line of Credit. The change in the Line of Credit facility included CHFFA leadership throughout the negotiation process.

3. Discuss any revenue timing issues that the applicant may be experiencing (e.g. Intergovernmental Transfer Payments or Quality Assurance Fee Program payments).

IGT submissions are always a concern, but more specifically the Rate Range IGT’s are almost impossible to bear for the full duration between submission and final receipt of funds. For the past two years (and projected for FY 2026) several weeks after we have submitted the required IGT’s to the State, we have subsequently had to seek an advance of funds due to the District from the Health Plan prior to the normal distribution date.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** – The matter of funding IGT’s continues to be a major challenge for cash-flow management. The majority of the Supplemental programs are now funded via IGT’s and there continues to be the seesaw struggle of funding one IGT to the next. As in the past, the District has been forced to see significant advances of funds that have been due to the District from the Health Plan prior to the normal distribution date.

4. Disclose if the applicant is in technical or payment default with any debt covenants? Please include whether the lender is implementing remedies of default actions.

There were no technical defaults with the District’s Line of Credit Bank for the FYE 2024.

**Loan Forgiveness Request Update and/or Responses as of April, 2026** – The District’s major lender Credit Bank (LOC and 2021 Revenue Bonds) waived all defaults for the FYE June 30, 2025.

### SECTION THREE: REVISED FINANCIAL FORECAST

**(See “Step 2” below for the REVISED FINANCIAL FORECAST outlined in this SECTION 3 )**

(The following Steps 1 & 2 were from the Step 1 Loan Deferral Request. Step 2 Loan Modification Requirements follow these two paragraphs.)

#### Step 1 Loan Modification Requirements:

1. Provide an updated Turnaround Plan describing actions being taken or to be taken by leadership to improve the applicant’s financial situation, including whether to cut or eliminate any services.

See responses to SECTION ONE, Item 1. Additionally, there are very few services that could be cut that would make any significant difference. The argument could be made that the OB Service could be cut, however, if that occurred, the entire Family and Women’s Clinic initiative would be severely hampered, as one of the purposes of the Clinic is to provide sorely needed maternity services to the District, for which there is currently a large outmigration of these patients. Secondly, closing the OB Service would also result in loss of close to \$1M of DSH funds, not to mention loss of additional the new Directed Hospital Payment Program income. Finally, given that the Hospital is very Emergency

Department “centric”, all other support services are necessary to maintain the ED and the new Stroke Program. Almost the entirety of all the Hospital’s Inpatient Admissions come via the Emergency Department.

2. Provide a 24-month cash-flow projection of the applicant’s future financial situation, inclusive of full debt service payments on the DHLP loan. See the 24 month Forecast for FY 2025, FY 2026, and FY 2027. Projections must include the following:

a) Detailed list of all revenue and expense assumptions used in the forecast.

Revenues – (Key items) The original base Revenues have been adjusted to reflect:

- 1) Actual experience from FY 2024 through 9 months of FY 2025.
- 2) Continuation of base projections updated as of last quarterly submission (12/31/24).
- 3) (12/31/24) Revision and modification of Stroke Program workloads and volumes to reflect the delay in start-up from January 2024 until December 2024.
- 4) (12/31/24) Revision and modification of Family and Women’s Center workloads and volumes to reflect the delay in start-up of the Clinic and hospital referrals from July 2024 until December 2024.
- 5) (12/31/24) Revision of Revenues associated with additional capture of patients from within the region due to a reallocation of Managed Care risk- based contracts.
- 6) (12/31/24) Inclusion of additional “peak period” volumes for three winter months for FY 2026 and FY 2027.
- 7) Reduction in Supplemental Funding programs due to the Covid drop-off of \$500K for FY 2025, \$2.5M in FY 2026 and FY 2027, with (12/31/24) new gains in the Directed Hospital Payment Programs: FY 2025 = \$1.17M, FY 2026 = \$2.25M and FY 2027 = \$5.98M.
- 8) Removal of 340B pharmacy Other Income starting FY 2025.

Expenses - (Key items) The original base Expenses have been adjusted to reflect:

- 1) Actual experience from FY 2024 through 9 months of FY 2025.
- 2) Continuation of base projections updated as of last quarterly submission (12/31/24)
- 3) (12/31/24) Revision and modification of Stroke Program workloads and volumes to reflect the delay in start-up from January 2024 until December 2024.
- 4) (12/31/24) Revision and modification of Family and Women’s Center workloads and volumes to reflect the delay in start-up of the Clinic and hospital referrals from July 2024 until December 2024.
- 5) (12/31/24) Revision of Expenses associated with additional capture of patients from within the region due to a reallocation of Managed Care risk- based contracts.
- 6) (12/31/24) Inclusion of additional “peak period” Expense volumes for three winter months for FY 2026 and 2027.
- 7) Continuation of FY 2025 Expense trends with appropriate modifications for FY 2026 and FY 2027.
- 8) Salary and Wages are only adjusted for volumes changes.
- 9) Removal of 340B drug discounts starting FY 2025.

b) DHLP loan debt service payments must be shown as a separate line item on the projection. OK

c) Calculate the following financial ratios throughout the projection period: days cash on hand, debt service coverage ratio, and current ratio. See Exhibit: Ratios Calculations

**Step 2 Loan Modification Requirements: See the following new information below related to Step 2.**

**San Gorgonio Memorial Healthcare District is applying for a Step 2 Loan Modification as of April, 2026.**

1. Provide an updated Turnaround Plan describing actions being taken or to be taken by leadership to improve the applicant’s financial situation, including whether to cut or eliminate any services. If prior Turnaround Plan initiatives did not result in an improved financial situation, then new initiatives must be presented.

**See Loan Forgiveness Request Update and/or Responses as of April, 2026** SECTION ONE, Paragraph 1

Further, there are very few services that could be cut that would make any significant difference. The argument could be made that the OB Service could be cut, however, if that occurred, the entire Family and Women’s Clinic initiative

would be severely hampered, as one of the purposes of the Clinic is to provide sorely needed maternity services to the District, for which there is currently a large outmigration of these patients. Secondly, closing the OB Service would also result in loss of close to \$1M of DSH funds, not to mention loss of the additional new Directed Hospital Payment Program income. Finally, given that the Hospital is very Emergency Department “centric”, all other support services are necessary to maintain the ED and the new Stroke Program. Almost the entirety of all the Hospital’s Inpatient Admissions come via the Emergency Department.

**Forgiveness Request Update and/or Responses as of April, 2026** - Little has changed from the previous comment made a year ago regarding service cuts or modifications. As mentioned in previous “April 2026” responses, we are evaluating various programs and services in order to ensure an optimal mix of service to the community and financial sustainability as we go forward.

2. Provide a 24-month financial projection, including a balance sheet, income statement, and cash-flow projections of the applicant’s future financial situation, inclusive of debt service payments on the DHLP loan in an amount that will allow the borrower to reach stable financial ratios. Projections must include the following:

a) Detailed list of all revenue and expense assumptions used in the forecast.

Revenues – (Key items) Revenues have been adjusted to reflect:

- 1) FY 2025 - Actual; FY 2026 - Actual through 9 months and projected to 12 months; FY 2027 – Based on FY 2026 Projected and adjusted for FY 2027 Workload Units increases between 1.50% - 2.00%; FY 2028 Projected 5.0% combined Volume and Price increase.
- 2) FY 2027 - Revenue Increases for Managed Care contracts and Medicare as outlined below.
- 3) FY 2027 - Supplemental Funding program increases primarily due to Directed Hospital Payment Program and Quality Funding initiatives as outlined below.
- 4) Continuation of “Capitation Revenue” from local health plan for certain patients assigned to care from the Family and Women’s Health Clinic.

Expenses - (Key items) Expenses have been adjusted to reflect:

- 1) FY 2025 - Actual; FY 2026 - Actual through 9 months and projected to 12 months, including implementation of certain cost savings initiatives related to Supplies, reductions of certain Consulting agreements, and certain Service and Maintenance costs; FY 2027 – Based on FY 2026 Projected and adjusted for FY 2027 Workload Units along with several mostly downward adjustments to Expenses; FY 2028 Projected 0% - 3.0% increase. Key Expense adjustments are included in FY 2027 and continued in FY 2028 as outlined below.

b) Detailed list of revenue growth and expense reduction initiatives and their financial impact.

The following are being projected for FY 2027 and extended to FY 2028. As previously referenced, the items listed below are only for those that have been identified thus far after less than 4 months into the Tenet Management Services Agreement; there will be more opportunities identified over the passage of time.

Overall Volume Increases: FY 2027 = 1.50% - 2.00%; FY 2028 2.00% to 3.00%

Revenues:

Managed Care Rate Increases:	FY 2027 = \$2,859,000	FY 2028 = \$2,944,770
Medicare Rate Increases:	FY 2027 = \$101,600	FY 2028 = \$103,700
Medicare Low Volume Adj:	FY 2027 = \$815,500	FY 2028 = \$815,500
Supplemental Rev. Increase	FY 2027 = \$10,512,938	FY 2028 = \$10,331,448

Expenses: (Reduction) or Increase

Labor Costs (Notes A & B)	FY 2027 = (\$478,000)	FY 2028 = 3.0% Market Adjustment
Legal Fees	FY 2027 = (\$501,000)	FY 2028 = Inflation only

Consulting Fees	FY 2027 = (\$289,000)	FY 2028 = Inflation only
Supplies - General	FY 2027 = (\$1,495,000)	FY 2028 = Inflation only
Office Supplies	FY 2027 = (\$100,000)	FY 2028 = Inflation only
Purchased Services	FY 2027 = (\$32,000)	FY 2028 – Inflation only
Purchased Services (Note C)	FY 2027 = \$608,200	FY 2028 = Inflation only
Service Agreements	FY 2027 = (\$56,200)	FY 2028 = Inflation only

Note: (A) Total Labor Costs will be reduced in various areas including Overtime, Doubletime, and Meal Breaks. These will all be achieved via more effective management of staffing and scheduling, along with a full evaluation of staffing. The exact details of all these matters are still under review. Further note: Normally most hospitals have had staff pay increases recently, however, San Gorgonio has not had any across the board increases or merit in over two years, and unfortunately we may not be able to implement such increases until the end of FY 2027.

(B) Total Labor Costs show a reduction as a result of the Hospital’s CEO, CFO, and CNE being removed as Employees of the Hospital. These costs are now provided via the new Tenet Management Agreement and are now reflected in “Purchased Service” costs.

(C) Throughout the entire narrative, there have been numerous references to the services that are being provided by Tenet to the District/Hospital. These services are included in the overall Management Fee of \$49,937 per month, subject to annual inflation increase. This fee was established by an independent actuarial firm.

- c) DHLP loan debt service payments must be shown as a separate line item on the projection. – Balance Sheet: Please see “Current Maturities of Long Term Debt – DHLP Loan” and “Other Long Term Liabilities =DHLP Loan”. Cash Flow Statement: Please see “Payments on DHLP Loan”.

Calculate the following financial ratios throughout the projection period:

	<u>March 2026</u>	<u>June 2026</u>	<u>June 2027</u>	<u>June 2028</u>
Days Cash on Hand	21.4	18.8	19.2	16.7
Debt Service Coverage Ratio	-1.08	-1.62	0.11	0.32
Current Ratio	0.42	0.30	0.27	0.24