

AFFILIATION AGREEMENT

BY AND BETWEEN

CHAPTERS HEALTH SYSTEM, INC.,

and

EAST BAY INTEGRATED CARE, INC.

d/b/a HOSPICE EAST BAY

Dated as of October 2, 2024

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AFFILIATION AGREEMENT

THIS AFFILIATION AGREEMENT (the "**Agreement**") is made and entered into to be effective as of October 2, 2024, by and among Chapters Health System, Inc., a Florida not for profit corporation ("**Chapters**") and East Bay Integrated Care, Inc. d/b/a Hospice East Bay, a California nonprofit public benefit corporation ("**Hospice East Bay**"). Chapters and Hospice East Bay are collectively referred to herein as the "**Parties**" and each is referred to as a "**Party**").

RECITALS

- A. WHEREAS**, Hospice East Bay owns and operates a not for profit hospice licensed to operate in the Counties of Contra Costa, Alameda, and Solano, State of California;
- B. WHEREAS**, Chapters owns and operates not for profit hospices through its Affiliates in several states throughout the United States;
- C. WHEREAS**, Chapters and Hospice East Bay have reviewed each other's mission statements and believe that there is fundamental alignment and compatibility in such statements; and
- D. WHEREAS**, the Parties believe that an affiliation between Chapters and Hospice East Bay (the "**Transaction**") will allow them to accomplish a number of mutual goals, including the following:
 - (a) Preservation of the comprehensive, community-based, not for profit hospice care;
 - (b) Promotion of best practices in the provision of hospice, home health and other healthcare services;
 - (c) Development and implementation of enhanced quality care systems and oversight;
 - (d) Efficient management of key areas of operation;
 - (e) Cost effective management of key administrative functions;
 - (f) Cost effective and efficient purchasing and distribution of supplies and pharmaceuticals;
 - (g) Effective public policy development;
 - (h) Increased opportunities for research, analysis and planning for health care innovation;
 - (i) Minimize disruption to patients and employees; and

- (j) Enhanced understanding, preparedness and leadership in future health care delivery reform.

NOW, THEREFORE, for and in consideration of the premises, the agreements, covenants, representations and warranties herein set forth, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound hereby, the Parties hereto agree as follows:

ARTICLE 1
DEFINITIONS; INCORPORATION OF RECITALS

1.1 Definitions.

In addition to the terms defined elsewhere in this Agreement, the terms defined below as used in this Agreement (including the above-referenced recitals) shall have the following meanings:

“Affiliate” means, as to the Person in question, any Person that directly or indirectly controls, is controlled by, or is under common control with, the Person in question and any successors or assigns of such Person.

“Agreement” means this Agreement as may be amended or supplemented together with all Exhibits and Schedules attached or delivered with respect hereto or expressly incorporated herein by reference.

“AHLA” shall have the meaning set forth in Section 11.3.

“Approval” means any approval, authorization, consent, notice, qualification or registration, or any extension, modification, amendment or waiver of any of the foregoing, of or from, or any notice, statement, filing or other communication to be filed with or delivered to, any Governmental Authority.

“Arbitration Notice” has the meaning set forth in Section 11.3.

“Benefit Program and Agreement” is defined in Section 4.20(a)(ii).

“Business” means the ownership and operation of the Hospice East Bay Assets, and all assets and operations ancillary to or associated with any of the foregoing, as currently conducted as of the date hereof and as of the Effective Time.

“CERCLA” means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 et seq.

“Chapters” is defined in the preamble in this Agreement.

“Chapters Historical Financial Information” is defined in Section 5.4(a) of this Agreement.

“**Chapters West**” refers to a group of not for profit hospices, including Hospice East Bay, operating in the western United States that are independently negotiating to affiliate with Chapters.

“**Closing**” is defined in Section 3.1.

“**Closing Date**” is defined in Section 3.1.

“**CMS**” means the Centers for Medicare and Medicaid Services.

“**COBRA**” means the Consolidated Omnibus Budget Reconciliation Act of 1985, the Public Health Service Act, codified as 42 USC §§ 300bb-1 through 300bb-8, and any similar state or federal continuation of coverage laws.

“**Code**” means the Internal Revenue Code of 1986, as amended, and the Treasury Regulations.

“**Confidentiality Agreement**” is defined in Section 11.2.

“**Contract**” means any legally binding oral or written commitment, contract, lease (including Tenant Leases and Third Party Leases), sublease, license, sublicense or other agreement of any kind relating to the Business, the Hospice East Bay Assets or the operation thereof to which Hospice East Bay is a party or by which any of the Hospice East Bay Assets is bound.

“**EEOC**” means the Equal Employment Opportunity Commission.

“**Effective Time**” is defined in Section 3.1.

“**Encumbrance**” means any claim, charge, easement, encumbrance, encroachment, security interest, mortgage, lien or pledge, whether imposed by Contract, Law, equity or otherwise.

“**Environmental Condition**” means any event, circumstance or condition related in any manner whatsoever to: (a) the current or past presence or spill, emission, discharge, disposal, pumping, leakage, migration, abandonment, release or threatened release of any Hazardous Materials, into the environment; (b) the on-site treatment, storage, disposal or other handling of any Hazardous Material originating on or from the Real Property; (c) the placement of structures or materials into waters of the United States; (d) the presence of any Hazardous Materials in any building, structure or workplace or on any portion of the Real Property; or (e) any violation of Environmental Laws at or on any part of the Real Property or arising from the activities of Hospice East Bay or any other Person involving Hazardous Materials.

“**Environmental Laws**” means any applicable Law, and any Governmental Order or binding agreement with any Governmental Authority: (a) relating to pollution (or the cleanup thereof) or the protection of natural resources, endangered or threatened species, human health or safety, or the environment; (b) concerning the presence of, exposure to, or the management, manufacture, use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, production, disposal or remediation of any Hazardous Materials; or (c) relating to the use, handling, storage, treatment, and disposal of medical, radiological and biological wastes. The term “**Environmental Law**” includes, without limitation,

the following (including their implementing regulations and any state analogs): CERCLA; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§ 6901 et seq.; the Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977, 33 U.S.C. §§ 1251 et seq.; the Toxic Substances Control Act of 1976, as amended, 15 U.S.C. §§ 2601 et seq.; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. §§ 11001 et seq.; and the Clean Air Act of 1966, as amended by the Clean Air Act Amendments of 1990, 42 U.S.C. §§ 7401 et seq., the Hazardous Material Transportation Act, 49 U.S.C. §§ 1801-1813, the Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. § 136 et seq., the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq. and all state and local environmental laws and regulations.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

“**Executive Employees**” with respect to any Party shall mean each of the persons then serving as the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Information Officer, Chief Medical Officer, Chief Human Resources Officer and Chief Compliance Officer, or in a similar capacity by whatever title.

“**Exhibits**” means the exhibits to this Agreement.

“**Facilities**” means any healthcare facility, healthcare operations or medical or other clinical practice owned, operated, managed or leased by Hospice East Bay.

“**FTC**” means the Federal Trade Commission.

“**FTC Red Flags Rule**” shall mean the regulations set forth in 16 C.F.R. Part 681.

“**GAAP**” means United States generally accepted accounting principles and practices as in effect from time to time.

“**Government Programs**” means Medicare, Medicaid, and CHAMPUS/TRICARE.

“**Governmental Authority**” means any government or any agency, bureau, board, directorate, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

“**Governing Documents**” means the documents by which any Person (other than an individual) establishes its legal existence or which govern its internal affairs, including, without limitation, articles of incorporation, bylaws, articles of organization, regulations, limited liability company agreements, operating agreements, partnership agreements, certificates of limited partnership, or similar documents, instruments, or agreements relating to the legal existence or governance of the internal affairs of such Person.

“**Hazardous Materials**” means (a) any material, substance, chemical, waste, product, derivative, compound, mixture, solid, liquid, mineral or gas, in each case whether naturally occurring or man-made, that is hazardous, acutely hazardous, toxic, or words of similar import or

regulatory effect under Environmental Laws; (b) any petroleum or petroleum-derived products, radon, radioactive materials or wastes, asbestos in any form, lead or lead-containing materials, urea formaldehyde foam insulation, per- and polyfluoroalkyl substances, medical waste, mold and polychlorinated biphenyls; and (c) any chemical, material or substance which is prohibited, limited or regulated under any Environmental Law.

“Healthcare Laws” means Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395hhh (the Medicare statute), including specifically, the Ethics in Patient Referrals Act, as amended (the Stark Law), 42 U.S.C. § 1395nn; Title XIX of the Social Security Act, 42 U.S.C. §§ 1396-1396v (the Medicaid statute); the Federal Health Care Program Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b); the False Claims Act, 31 U.S.C. §§ 3729-3733 (as amended); the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the Anti-Kickback Act of 1986, 41 U.S.C. §§ 8701-8707; the Civil Monetary Penalties Law, 42 U.S.C. §§ 1320a-7a; the Exclusion Laws, 42 U.S.C. § 1320a-7; HIPAA; the HITECH Act, all Legal Requirements relating to the provision of, or billing or payment for health care items or services, or relating to health care information; and all implementing regulations, rules, ordinances, judgments and order applicable to any Party, as the context of the Agreement may require; and any similar state and local statutes, regulations, rules, ordinances, judgments and orders applicable to any Party as the context of the Agreement may require; and all federal, state and local licensing, certificate of need, regulatory and reimbursement, corporate practice of medicine and fee splitting regulations, rules, ordinances, orders and judgments applicable to any Party, as the context of the Agreement may require, all of the foregoing as enacted or in effect as of the Closing Date.

“HIPAA” means the Health Insurance Portability and Accountability Act of 1996 (Pub. Law 104-191), as amended from time to time, and the regulations promulgated thereunder.

“HITECH” means the Health Information Technology for Economic Clinical Health Act, Division A, Title XIII § 1301 et seq. of the American Recovery and Reinvestment Act of 2009, as amended from time to time.

“Hospice East Bay” is defined in the preamble to this Agreement.

“Hospice East Bay Assets” means all assets of every description, whether real, personal or mixed, tangible or intangible, owned by Hospice East Bay whether used in the operation of the Business or otherwise.

“Hospice East Bay ERISA Affiliate” is defined in Section 4.20(c).

“Hospice East Bay Historical Financial Information” is defined in Section 4.7(a).

“Hospice East Bay Intellectual Property” means all Intellectual Property to the extent owned, licensed or used by Hospice East Bay.

“Hospice East Bay Taxable Debt” shall refer to outstanding financing debt issued for the benefit of or incurred by Hospice East Bay or for which Hospice East Bay is liable to pay that is not tax-exempt debt as identified on Schedule 4.26.

“Hospice East Bay Taxable Debt Documents” is defined in Section 4.26(a).

“Hospice East Bay Tax-Exempt Bond Documents” defined in Section 4.25(a).

“Hospice East Bay Tax-Exempt Bonds” shall refer to outstanding tax-exempt bonds for the benefit of or incurred by Hospice East Bay or for which Hospice East Bay is liable to pay as identified on Schedule 4.25.

“Immigration Act” means the Immigration Reform and Control Act of 1986, as amended, and the regulations promulgated thereunder.

“Information Privacy or Security Laws” means HIPAA and any other governing Law concerning the privacy or security of Personal Information, including state data breach notification laws, state health information privacy laws, the FTC Act, the FTC Red Flags Rule and state consumer protection laws.

“Intellectual Property” means, to the extent owned, licensed or used by Hospice East Bay in the Business and/or the Hospice East Bay Assets, all intellectual property or rights thereto, including patents, trademarks, trade names, service marks, symbols, copyrights and any applications therefor, mask works, net lists, schematics, technology, know-how, trade secrets, ideas, algorithms, processes, internet domain names, computer software programs and applications (in both source code and object code form), and tangible or intangible proprietary information or material and all choses in action arising from or related to the foregoing; provided, however, the term Intellectual Property does not include any open source software, shrink wrap software, or generally available commercial, licensable products.

“Inventory” means all usable inventory and supplies held or used in the Business.

“Justice Department” means the United States Department of Justice.

“Knowledge” when used in the context of knowledge of Chapters means the actual knowledge of any Executive Employee of Chapters within the scope of his or her responsibility. **“Knowledge”** when used in the context of knowledge of Hospice East Bay means the actual knowledge of any Executive Employee of Hospice East Bay within the scope of his or her responsibility.

“Law” means any constitutional provision, statute, law, rule, regulation, code, ordinance, resolution, Order, ruling, promulgation, published policy or guideline, or treaty directive, adopted or issued by any Governmental Authority.

“Leased Real Property” means all real property leased, subleased or licensed to, or for which a right to use or occupy has been granted to, Hospice East Bay.

“Material Adverse Effect” means any event, occurrence, fact, condition or change that is materially adverse to (a) the business, results of operations, financial condition or assets of Hospice East Bay, taken as a whole, or (b) the ability of Hospice East Bay to consummate the Transaction; provided, however, that it does not include any event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to: (A) general economic or political conditions; (B) conditions generally affecting the hospice or related industries; (C) any changes in financial, banking or securities markets in general, including any disruption thereof and any decline in the

price of any security or any market index or any change in prevailing interest rates; (D) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof; (E) any action required or permitted by this Agreement or any action taken (or omitted to be taken) with the written consent of or at the written request of Chapters; (F) any matter of which Chapters is aware as of the execution of this Agreement; (G) any changes in applicable laws, regulations or accounting rules (including GAAP) or the enforcement, implementation or interpretation thereof; (H) the announcement, pendency or completion of the Transaction, including losses or threatened losses of employees, patients, suppliers, distributors or others having relationships with Hospice East Bay; (I) any natural or man-made disaster or acts of God; (J) any epidemics, pandemics, disease outbreaks, or other public health emergencies; or (K) any failure by Hospice East Bay to meet any internal or published projections, forecasts or revenue or earnings predictions (provided that the underlying causes of such failures (subject to the other provisions of this definition) shall not be excluded).

“**Material Contracts**” is defined in Section 4.16.

“**Material Licenses**” is defined in Section 4.8.

“**Most Recent Financial Statements**” is defined in Section 4.7(a)(ii).

“**Most Recent Fiscal Month End**” is defined in Section 4.7(a)(ii).

“**Notice**” is defined in Section 12.1.

“**OIG**” means the United States Department of Health and Human Services Office of Inspector General.

“**OFAC**” is defined in Section 4.18(g).

“**Order**” means any judgment, order, writ, injunction, decree, determination, or award of any Governmental Authority.

“**Ordinary Course of Business**” means an action taken, or omitted to be taken, by any Person in the ordinary course of such Person’s business; provided, that any action taken, or omitted to be taken, that relates to, or arises out of, any pandemic, epidemic, or disease outbreak shall be deemed to be in the Ordinary Course of Business.

“**OSHA**” means the Occupational Safety and Health Act, 29 U.S.C. § 600, et seq., and the regulations promulgated thereunder.

“**Overpayments**” means any amount (a) due to a Government Program based on a final adjustment or (b) received from a Government Program in excess of the amount approximately billed.

“**Owned Real Property**” means all real property owned by Hospice East Bay, together with the interest of Hospice East Bay as landlord in all leases and subleases therein, improvements, buildings or fixtures located thereon or therein, all easements, rights of way, and other appurtenances thereto (including appurtenant rights in and to public streets), all architectural plans

or design specifications relating to the development thereof, and all claims and recorded or unrecorded interests therein, including any and all options to acquire real property.

“**Party**” and “**Parties**” are defined in the preamble to this Agreement.

“**PBGC**” is defined in Section 4.20(d)(v).

“**Permit**” means any license, permit, or certificate, required to be issued or granted by any Governmental Authority.

“**Permitted Encumbrances**” means (a) zoning and building laws, ordinances, resolutions and regulations, (b) liens for Taxes not due and payable on or before the Effective Time, or being contested in good faith by appropriate proceedings, (c) such other title and survey matters acceptable to Chapters that are shown on any Commitments obtained by Chapters, (d) liens that individually or in the aggregate do not materially detract from the value of, or impair in any material manner the use of the Real Property or other Hospice East Bay Assets and (e) Permitted Liens.

“**Permitted Liens**” means those liens described on the attached Schedule 1.1 which includes all (a) existing lines of credit disclosed to Chapters; (b) those liens identified in Hospice East Bay Historical Financial Information; and (c) other liens as Hospice East Bay may have incurred or incur in the Ordinary Course of Business and otherwise consistent with Sections 6.2 and 6.3 of this Agreement, if applicable (all of which shall qualify as Permitted Liens).

“**Person**” means an individual, association, corporation, limited liability company, partnership, limited liability partnership, trust, Governmental Authority or any other entity or organization.

“**Personal Information**” means any information that can reasonably be used to identify an individual, including “individually identifiable health information” as defined in 45 C.F.R. 160.103, demographic information, and social security numbers.

“**Personal Property**” means all tangible and intangible personal property owned, leased or used or held for use in connection with the Business, including all equipment, furniture, fixtures, machinery, vehicles, office furnishings, instruments, leasehold improvements, spare parts, and all rights in all warranties of any manufacturer or vendor with respect thereto.

“**Plan**” is defined in Section 4.20(a)(i).

“**Proceeding**” means any claim, action, arbitration, audit, hearing, investigation, litigation suit or other similar proceeding by or before a Governmental Authority.

“**Program Agreements**” is defined in Section 4.10(a).

“**Proposed Change Notification**” is defined in Section 6.2.

“**Real Property**” means the Owned Real Property and the Leased Real Property.

“Schedules” means, with respect to a specified Party, the disclosure schedules to this Agreement which have been delivered by such Party as the same may be modified, amended or supplemented in accordance with the applicable provisions of this Agreement.

“Service Area” means the Counties of Contra Costa, Alameda, and Solano, State of California, and any additional Counties within the State of California in which Hospice East Bay may be authorized in the future by the California Department of Public Health or any successor state licensing authority to provide hospice or other healthcare services.

“Shared Services” is defined in Section 2.4(b).

“Stark Law” is defined in Section 4.12(b).

“Support Center Services” is defined in Section 2.4(a).

“Taxes” means (a) any and all federal, state, local, foreign and other net income, gross income, gross receipts, sales, use, ad valorem, hospital, provider, unclaimed property, transfer, franchise, profits, license, lease, rent, service, service use, withholding, payroll, employment, excise, severance, privilege, stamp, occupation, premium, property, windfall profits, alternative minimum, estimated, customs, duties or other taxes, fees, assessments or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts with respect thereto, (b) any liability for payment of amounts described in clause (a) as a result of transferee liability or otherwise through operation of law, and (c) any liability for the payment of amounts described in clauses (a) or (b) as a result of any tax sharing, tax indemnity or tax allocation agreement or any other express or implied agreement to indemnify any other Person.

“Tax Returns” means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“Tenant Lease” means any lease, sublease, license or other contractual obligation pursuant to which Hospice East Bay, as tenant or subtenant, currently leases, subleases, licenses or otherwise occupies all or some portion of the Leased Real Property.

“Third Party Lease” means any lease, sublease, license or other contractual obligation pursuant to which Hospice East Bay, as landlord or sublandlord, currently leases, subleases, licenses or otherwise grants to a third party a right to use all or some portion of the Real Property.

“Title IV Plan” is defined in Section 4.20(d)(v).

“Transaction” means, collectively, the transactions referenced in the recitals to this Agreement as further described by the provisions of this Agreement, including in Article 2 hereof.

“Transaction Documents” means this Agreement and all documents to be delivered by the Parties in connection with the Closing.

“Transfer Taxes” means any real property, excise, sales, use, documentary, transfer, value added, stock transfer, and stamp Taxes, any transfer, recording, registration, and other fees, and

any similar Taxes imposed on the transactions (or deemed transactions) contemplated by, or related to, this Agreement.

“**Treasury Regulations**” means the income tax regulations promulgated under the Code.

1.2 Interpretation.

In this Agreement, unless the context otherwise requires:

- (a) references to this Agreement are references to this Agreement and the Schedules and Exhibits; each Schedule and Exhibit is hereby incorporated by reference into this Agreement and will be considered a part hereof as if fully set forth herein;
- (b) references to sections are references to sections of this Agreement;
- (c) references to any Party to this Agreement shall include references to its respective successors and permitted assigns;
- (d) the terms “hereof,” “herein,” “hereby,” and derivative or similar words will refer to this entire Agreement;
- (e) references to any document (including this Agreement) are references to that document as amended, consolidated or supplemented by the Parties from time to time;
- (f) unless the context requires otherwise, references to any Law are references to that Law as of the Closing Date, and shall also refer to all rules and regulations promulgated thereunder;
- (g) the word “including” shall be interpreted to mean including without limitation;
- (h) references to time are references to Eastern Standard or Daylight time (as in effect on the applicable day) unless otherwise specified herein;
- (i) the gender of all words herein includes the masculine, feminine and neuter, and the number of all words herein includes the singular and plural;
- (j) the terms “date hereof,” “date of this Agreement” and similar terms shall mean the date first written above; and
- (k) the phrases “Parties have delivered,” “Parties have provided,” “Parties have made available” and phrases of similar import shall mean that, prior to the date hereof, the applicable Parties have either (i) delivered to the other Parties a hard or electronic copy of the document or information in question or (ii) made such document or information available to the other Parties via an electronic data room.

1.3 Recitals.

The matters set forth in the Recitals are hereby incorporated into and made a part of this Agreement.

ARTICLE 2
TRANSACTION STRUCTURE AND FUNDING COMMITMENTS

2.1 Transfer of Control.

The Parties agree that the Transaction will be facilitated by the Hospice East Bay board of directors taking all such actions as may be necessary or appropriate to restructure Hospice East Bay as of the Effective Time to be a California nonprofit public benefit corporation with Chapters as Hospice East Bay's sole member (as defined in Cal. Corp. Code § 5056). As described in more detail in Section 2.2 and Section 2.3 below, the structure of the Transaction and the resulting allocation of corporate governance authority relating to Hospice East Bay will be facilitated through the Hospice East Bay board of directors' approval of membership rights with Chapters holding reserved powers (described below) with respect to Hospice East Bay as will be set forth in amended and restated Articles of Incorporation and Bylaws of Hospice East Bay.

2.2 Amendment of Articles of Incorporation and Bylaws.

Hospice East Bay agrees to take such actions, as necessary, to amend its Bylaws and Articles of Incorporation effective as of the Effective Time to reflect Chapters as the sole member of Hospice East Bay and grant to Chapters certain reserved powers as will be reflected in amended and restated Articles of Incorporation and Bylaws. As of the Effective Time the Articles of Incorporation and Bylaws of Hospice East Bay shall be amended and restated to be consistent with the forms of such documents set forth and attached as Exhibit 2.2A and Exhibit 2.2B, respectively.

2.3 Governance Structure and Board Composition.**2.3.1 Chapters Board of Directors.**

As part of its process for nominating individuals to serve on its board of directors, Chapters will periodically communicate with representatives of Hospice East Bay and the other hospices that become part of Chapters West to identify candidates for the Chapters board of directors whose qualifications are consistent with Chapters' strategic plans. A key focus in nominating individuals to serve on the Chapters board will be the skills and abilities required to govern Chapters on a health system-wide, business enterprise level. Provided that the Transaction has been completed by April 1, 2025, Hospice East Bay will coordinate with the other Chapters West hospices whose affiliation transactions have closed by such date to collectively nominate one individual to serve on the Chapters board. The nomination will be submitted to Chapters as part of its April 2025 board nomination process and, provided that the nominee satisfies Chapters' criteria for board membership, Chapters management will work with the Chapters board to seek such nominee's approval to serve.

2.3.2 Hospice East Bay Board of Directors.

The initial post-Closing boards of directors of Hospice East Bay will consist of those individual serving on such Board immediately prior to the Closing and the following ex-officio voting members: (a) Chapters' President/Chief Executive Officer, Chief Administrative Officer, and Chief Financial Officer, respectively, and (b) non-voting, ex-officio individuals who shall include the following officers of Chapters: Chief Operating Officer, Chief Business Development Officer, Chief Medical Officer, Chief People Officer, Chief Information Officer, Chief Compliance Officer, and Vice President-Foundation. The Hospice East Bay board of directors will serve in accordance with the Bylaws of Hospice East Bay attached as Exhibit 2.2B and shall continue to exercise authority to oversee and direct the corporate activities and affairs of Hospice East Bay, subject to the reserved powers of Chapters.

2.4 Operational Enhancements.

After the Closing, Chapters' support center services and shared services will be made available for the benefit of Hospice East Bay, in accordance with the following:

- (a) Support Center Services. As soon as reasonably practicable after the Closing, Chapters will provide the services available through the Chapters support center office, both as currently offered and as may be offered in the future, for the benefit of Hospice East Bay. Costs associated with the provision of such services will be allocated through a corporate services allocation methodology that is consistent with the comparable methodology utilized from time to time throughout the health system governed by Chapters as will be set forth in a management agreement to be entered into between Chapters and Hospice East Bay, the form of which is attached hereto as Exhibit 2.4(a). The functions and/or departmental services provided through the Chapters support center office at the time of Closing will primarily consist of the following: financial and accounting; information and telecommunications; regulatory and corporate compliance; human resources; marketing, communications and public affairs; legal; facilities management; development and fundraising; chief medical officer support; and executive management and consulting ("Support Center Services").
- (b) Shared Services. After the Effective Time, Hospice East Bay will participate in Chapters' shared services ("Shared Services") programs consistent with the manner in which other of Chapters' affiliated hospices participate in such programs. Costs associated with participation in such Shared Services programs will be reimbursed to Chapters in the same manner as such reimbursements are paid by other Chapters affiliated hospices.

2.5 Preservation of Hospice East Bay's Legacy.

Chapters recognizes the significant contributions that Hospice East Bay has made to its local community and intends to work together with Hospice East Bay following the Effective Time to ensure that Hospice East Bay's legacy within its Service Area is preserved, including without limitation, by continuing to use "Hospice East Bay" as the primary brand for hospice services in

the Service Area; provided, however, that Hospice East Bay may also be publicly referred to after the Effective Time as an Affiliate of Chapters.

2.6 Proposed Chapters West Region.

- (a) The Parties acknowledge that Chapters is independently negotiating with each of the hospices proposed to form the Chapters West region by Chapters becoming the sole member of each such hospice. Subject to completing such affiliation transactions, Chapters anticipates that the Chapters West hospices, including Hospice East Bay, will be functionally structured as a region within Chapters with concomitant regional functions and services, as appropriate, and related regional job titles. The design of Chapters West will be determined by Chapters with substantial input from and collaboration with leadership of the Chapters West hospices, including Hospice East Bay.
- (b) In connection with the Parties' due diligence, Chapters will prior to the date of this Agreement provide Hospice East Bay with information on Chapters' plans to affiliate with other hospice organizations as part of the formation of Chapters West.

ARTICLE 3 **CLOSING**

3.1 Closing.

Subject to the satisfaction or waiver by the appropriate Party of all the conditions precedent to the Closing specified in ARTICLE 8 and ARTICLE 9 hereof, the consummation of the Transaction (the "Closing") shall occur and be effective at such date and time as the Parties hereto may mutually designate in writing (the "Closing Date" and the "Effective Time," respectively). The Parties will endeavor to have the Closing Date occur at the end of a month for ease of transition and the Effective Time at 12:01 a.m. prevailing Pacific Time.

3.2 Actions of Hospice East Bay at the Closing.

At or before the Closing, unless otherwise waived in writing by Chapters, Hospice East Bay shall deliver or cause to be delivered to Chapters (or such other Party as may be indicated below) the following, duly executed by Hospice East Bay, or take the other actions noted, as applicable:

- (a) Amended and Restated Articles of Incorporation and Amended and Restated Bylaws of Hospice East Bay consistent with the forms attached as Exhibit 2.2A and Exhibit 2.2B;
- (b) Copies of resolutions duly adopted by the board of directors of Hospice East Bay authorizing and approving Hospice East Bay's performance of the Transaction and the execution and delivery of this Agreement and the documents described herein, as applicable, certified as true and in full force and effect as of the Closing Date, by the appropriate officers of Hospice East Bay;

- (c) A certificate signed by an authorized officer of Hospice East Bay, certifying that the conditions set forth in Section 8.1 and Section 8.2 have been satisfied;
- (d) A certificate of incumbency for the respective officers of Hospice East Bay executing this Agreement or any other document contemplated herein dated as of the Closing Date;
- (e) A certificate of status for Hospice East Bay evidencing the active status of Hospice East Bay and certified by the California Department of State as of the most recent practicable date prior to the Closing Date;
- (f) Consents and waivers from third parties in form and substance reasonably satisfactory to Chapters from those parties from whom, in the reasonable opinion of Chapters such consents and waivers are required in order to give effect to the Transaction and to assure that all Hospice East Bay Assets and Contract rights remain with Hospice East Bay after the Closing;
- (g) The non-blocked person affidavits of Hospice East Bay as described in Section 4.18(g);
- (h) A roster of those individuals elected by Hospice East Bay to serve on the initial, post-Closing Hospice East Bay boards of directors, together with certified resolutions of the pre-Closing Hospice East Bay board of directors, approving such individuals to so serve, effective as of the Effective Date; and
- (i) Such other instruments and documents as Chapters deems reasonably necessary to complete the Transaction including evidence that all required approvals necessary for Hospice East Bay to be a party to this Agreement as of the Closing and participate in the Transaction have been obtained; provided, that such other instruments or documents shall be consistent with the Parties' existing agreements and covenants hereunder and shall not materially alter such agreements and covenants.

3.3 Actions of Chapters at the Closing.

At or before the Closing and unless otherwise waived in writing by Hospice East Bay, Chapters, as noted below, shall deliver or cause to be delivered to Hospice East Bay the following, duly executed by Chapters, or take the other actions noted, as applicable:

- (a) Copies of resolutions duly adopted by the board of directors of Chapters authorizing and approving Chapters' performance of the Transaction and the execution and delivery of this Agreement and the documents described herein, certified as true and in full force and effect as of the Closing Date by appropriate officers of Chapters;
- (b) A certificate signed by an authorized officer of Chapters certifying that the conditions set forth in Section 9.1 and Section 9.2 have been satisfied;

- (c) A certificate of incumbency for the officers of Chapters executing this Agreement or any other document contemplated herein dated as the Closing Date;
- (d) A certificate of active status of Chapters certified by the Florida Department of State dated the most practicable date prior to the Closing Date;
- (e) A roster of those Chapters representatives and other individuals designated by Chapters who will serve on the board of directors of Hospice East Bay, effective as of the Effective Date; and
- (f) Such other instruments and documents as Hospice East Bay deems reasonably necessary to complete the Transaction including evidence that all required approvals necessary for Chapters to be a party to this Agreement as of the Closing and participate in the Transaction have been obtained; provided, that such other instruments or documents shall be consistent with the Parties' existing agreements and covenants hereunder and shall not materially alter such agreements and covenants.

3.4 Additional Acts.

From time to time after the Closing, each Party shall execute and deliver such other instruments, and take such other actions as the other Party may reasonably request, to evidence the Transaction.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF
HOSPICE EAST BAY

As of the date hereof (except with respect to any information or disclosures that may or should be included on the Schedules, all of which are incomplete as of the date hereof) and as of the Closing Date (except to the extent any of the following refers to a specific date and subject to Section 12.13 of this Agreement), Hospice East Bay represents and warrants to Chapters as follows:

4.1 Organization; Capacity.

Hospice East Bay is a corporation duly organized, validly existing and with an active status under the laws of the State of California. Hospice East Bay has no members as described in Cal. Corp. Code §5056(a). All powers and activities of Hospice East Bay are governed and exercised under the authority of the Hospice East Bay board of directors. Hospice East Bay is qualified to do business under all applicable Laws of any Governmental Authority having jurisdiction over the Business and to own its properties and conduct its business in the place and manner now conducted. Hospice East Bay has the requisite power and authority to enter into this Agreement and the other Transaction Documents to which Hospice East Bay is (or at the Closing, will become) a party and to perform its obligations hereunder and thereunder. The execution and delivery by Hospice East Bay of this Agreement and documents described herein to which it is (or at the Closing, will become) a party, the performance by Hospice East Bay of its obligations hereunder and thereunder and the consummation by Hospice East Bay of the Transaction have been, or will

be prior to the Closing, duly and validly authorized and approved by all necessary corporate actions on the part of Hospice East Bay.

4.2 Authority; Noncontravention.

There are no outstanding powers of attorney executed by or on behalf of Hospice East Bay. The execution, delivery and performance of the Agreement and each other Transaction Document by Hospice East Bay thereto and the consummation by Hospice East Bay of the Transaction, as applicable:

- (a) are within the power of Hospice East Bay and are not in contravention or violation of the terms of the articles of incorporation or bylaws of Hospice East Bay and have been, or will be prior to the Closing, approved by all requisite corporate action;
- (b) except as set forth on Schedule 4.2(b), do not require that Hospice East Bay seek or obtain any Approval of, filing or registration with, the issuance of any Permit by, or give any notice to any Governmental Authority;
- (c) assuming the Approvals and Permits set forth on Schedule 4.2(b) are obtained, to the Knowledge of Hospice East Bay, will not conflict in any material respect with, or result in any violation of or default under (with or without notice or lapse of time or both), or give rise to a right of termination, cancellation, acceleration or augmentation of any obligation or to loss of a material benefit under, or result in the creation of any material Encumbrance (other than Permitted Encumbrances) upon any of the Hospice East Bay Assets under (i) any Contract, instrument, indenture, covenant, or understanding to which Hospice East Bay is a party, or (ii) any Order or Law applicable to any of the Hospice East Bay Assets or to which Hospice East Bay is subject; and
- (d) will neither conflict with, nor result in, a material breach or contravention of any agreement, lease, instrument, indenture, covenant, or understanding to which Hospice East Bay is bound or is a party.

4.3 Subsidiaries; Minority Interests.

Except as set forth on Schedule 4.3, Hospice East Bay does not directly or indirectly own any equity, membership or similar interest in, or any interest convertible into or exchangeable or exercisable for any equity, membership or similar interest in, any corporation, partnership, limited liability company, joint venture or other business association or entity other than publicly traded equities or other equity interests held solely for investment. Except as set forth in Schedule 4.3, each interest set forth on Schedule 4.3 is owned by Hospice East Bay free and clear of all Encumbrances except Permitted Encumbrances, is duly authorized, validly existing and non-assessable, and is not subject to any preemptive or subscription rights.

4.4 No Outstanding Rights.

There are no outstanding rights (including any right of first refusal), options, or Contracts giving any Person any current or future right to Hospice East Bay to sell or transfer to such Person or to any third party any interest in Hospice East Bay or any of the Hospice East Bay Assets.

4.5 Title to Assets.

- (a) Schedule 4.5(a) sets forth a materially complete and correct list of the Real Property owned, leased, licensed or operated by Hospice East Bay.
- (b) Hospice East Bay has good and marketable title to, or a valid leasehold interest in, all properties and assets, whether real, personal or mixed, or whether tangible or intangible, used by it, located on its premises, or shown on the Most Recent Balance Sheet, except for properties and assets disposed of in the Ordinary Course of Business for fair market value in arms' length transactions after the date of the Most Recent Balance Sheet.
- (c) The Hospice East Bay Assets (as well as assets leased or licensed by Hospice East Bay) consist of all of the material assets that are necessary to conduct the Business as it is currently conducted.

4.6 Binding Agreement.

This Agreement has been, and each Transaction Document to which Hospice East Bay is (or at the Closing, will become) a party has been, or upon execution thereof will be, duly executed and delivered by Hospice East Bay, and (assuming due authorization, execution, and delivery by Chapters and all other parties thereto) this Agreement and each Transaction Document to which Hospice East Bay is a party constitute legal, valid, and binding obligations of Hospice East Bay enforceable against Hospice East Bay in accordance with the respective terms hereof or thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other Laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity.

4.7 Financial Information.

- (a) Schedule 4.7(a) hereto contains the following financial statements and financial information of Hospice East Bay (collectively, the "Hospice East Bay Historical Financial Information"):
 - (i) the audited consolidated balance sheets, statements of operation, statements of changes in net assets, and statements of cash flow (including the accompanying combining schedules of balance sheet information and statement of operation information) for Hospice East Bay as of and for the 12-month periods ended December 31, 2022 and December 31, 2023; and
 - (ii) the most recent unaudited consolidated balance sheet (including the accompanying consolidating schedules of balance sheet information) and

unaudited consolidating statement of operations (including the accompanying combining schedules of statement of operation information) (the “Most Recent Financial Statements”) prepared in the Ordinary Course of Business for the fiscal period ending on a date which is not more than sixty (60) calendar days prior to the date of this Agreement (the “Most Recent Fiscal Month End”).

For purposes of this Agreement, as of the Closing Date, the term “Hospice East Bay Historical Financial Information” shall include in addition to the above, all financial statements comparable to those referenced in Sections 4.7(a)(i)-(ii) that have been prepared by or on behalf of Hospice East Bay during the period from the Most Recent Fiscal Month End through the Closing Date.

- (b) The Hospice East Bay Historical Financial Information has been prepared in accordance with GAAP throughout the periods covered thereby, applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and present fairly the financial condition of Hospice East Bay as of such dates and the results of operations of Hospice East Bay for such periods (subject, in the case of unaudited financial statements, to normal year-end adjustments, the absence of footnotes or complete footnotes, and to any other adjustments described therein, including any notes thereto, or with respect to pro-forma financial information, subject to the qualifications stated therein).
- (c) Except as otherwise referenced on Schedule 4.7(c), Hospice East Bay has not materially changed any accounting policy or methodology during the periods presented in the Hospice East Bay Historical Financial Information (including accounting policies and methodologies for determining the obsolescence of inventory or in calculating reserves, including reserves for uncollected accounts receivable).
- (d) Hospice East Bay has no Knowledge of any material liabilities or obligations of any nature (whether accrued, absolute, fixed, contingent, liquidated, unliquidated, recorded, unrecorded, or otherwise) that would be required by GAAP to be reflected or reserved against on a consolidated balance sheet (or notes thereto) of Hospice East Bay except for (i) liabilities or obligations with respect to or arising from the Transaction contemplated by this Agreement, (ii) liabilities or obligations that have arisen after the Most Recent Fiscal Month End in the Ordinary Course of Business, or (iii) that would not reasonably be expected to have a Material Adverse Effect.
- (e) Hospice East Bay has no liability (and, to Hospice East Bay’s Knowledge, there is no basis for any action, suit, proceeding, hearing, investigation, charge, complaint, claim, or deemed against any of them giving rise to any liability) with respect to any reimbursements from the Medicare program, the Medicaid program or any other third-party payment claimed or received by Hospice East Bay in excess of the amount permitted by Law, except as and to the extent that such liability for such

Overpayments has already been satisfied or for which adequate provision has been made in the Hospice East Bay Historical Financial Information.

4.8 Material Licenses.

- (a) Schedule 4.8 contains a materially accurate and complete list of all Permits and Approvals owned or held by Hospice East Bay as of the date of this Agreement (the “Material Licenses”). Hospice East Bay has made available to Chapters materially accurate and complete copies of all Material Licenses listed on Schedule 4.8.
- (b) As of the date of this Agreement, the Material Licenses constitute all of the Permits and Approvals that are necessary for Hospice East Bay to own, lease, or operate their properties and assets and to carry on the Business as currently conducted.
- (c) Hospice East Bay is in compliance in all material respects with the terms of such Material Licenses.
- (d) There are no provisions in, or agreements relating to, any Material Licenses that preclude or limit Hospice East Bay from operating the Hospice East Bay Assets and carrying on the Business as currently conducted.
- (e) There is no pending, or to the Knowledge of Hospice East Bay, threatened, Proceeding by or before any Governmental Authority to revoke, cancel, rescind, suspend, restrict, modify, or refuse to renew any such Material Licenses.
- (f) As of the date of this Agreement, Hospice East Bay has not received any written notice or communication from any Governmental Authority, alleging any violation of any Material Licenses other than any surveys or deficiency reports for which Hospice East Bay has submitted a plan of correction that has been accepted or approved by the applicable Governmental Authority. Hospice East Bay has made available to Chapters materially accurate and complete copies of all survey reports, deficiency notices, plans of correction, and related correspondence received by Hospice East Bay in connection with the Material Licenses.

4.9 Accreditation.

Hospice East Bay is accredited by the agencies or organizations listed on Schedule 4.9 hereto.

4.10 Government Program Participation; Reimbursement.

Except as set forth on Schedule 4.10, for the prior three (3) years:

- (a) The Facilities are certified or otherwise qualified for participation in the Government Programs and have current and valid provider agreements with such Programs (the “Program Agreements”). Hospice East Bay has delivered materially accurate and complete copies of all such Program Agreements to Chapters. The Facilities are in compliance in all material respects with the conditions of

participation in the Government Programs and with the terms, conditions, and provisions of the Program Agreements. The Program Agreements are each in full force and effect, and to the Knowledge of Hospice East Bay no events or facts exist that would cause any Program Agreement to be suspended, terminated, restricted, withdrawn, or subjected to an admissions hold or to not remain in force or effect after the Closing.

- (b) Hospice East Bay has received all approvals or qualifications necessary for reimbursement of the Facilities by the Government Programs. All billing practices of Hospice East Bay, including, but not limited to, those pertaining to Government Programs and private insurance companies, have been conducted in compliance with all applicable Laws and the billing guidelines of such third-party payors.
- (c) Hospice East Bay has not received notice of any Proceeding, survey, or other action pending, and to Hospice East Bay's Knowledge, no such Proceeding, survey, or other action is threatened, involving any of the Government Programs or any other third-party payor programs, including the Facilities' participation in and the reimbursement received by Hospice East Bay from the Government Programs or any such program.
- (d) No third-party payor has terminated any contract or arrangement with Hospice East Bay or modified or altered any such contract or arrangement in a manner materially adverse to Hospice East Bay. The consummation of the Transaction contemplated by this Agreement will not result in the termination or material modification or alteration of any contract or arrangement with any third-party payor.
- (e) Schedule 4.10(e) contains a list of all National Provider Identifiers and all provider numbers of Hospice East Bay under the Government Programs, all of which are in full force and effect.

4.11 Third-Party Payor Cost Reports.

Hospice East Bay has timely filed all required cost reports and all such cost reports accurately reflect the information required to be included therein.

4.12 Regulatory Compliance.

Except as set forth on Schedule 4.12, for the prior three (3) years:

- (a) Hospice East Bay has not been convicted of, or, to the Knowledge of Hospice East Bay, charged with, investigated for or engaged in any conduct that would reasonably be expected to constitute, a violation of Law related to the Medicare or other Federal Health Care Program (as defined in 42 U.S.C. § 1320a-7(b)(f)) or any Law related to fraud, theft, embezzlement, breach of fiduciary duty, kickbacks, bribes, other financial misconduct, obstruction of an investigation or controlled substances. To the Knowledge of Hospice East Bay, none of the officers, directors or employees of Hospice East Bay has been convicted of, charged with,

investigated for or engaged in conduct that would reasonably be expected to constitute a violation of any such Laws.

- (b) To the Knowledge of the Hospice East Bay, Hospice East Bay has complied in all material respects with all applicable Healthcare Laws, including, Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395hhh (the Medicare statute), including specifically, the Ethics in Patient Referrals Act, as amended (the "Stark Law"), 42 U.S.C. § 1395nn; Title XIX of the Social Security Act, 42 U.S.C. §§ 1396-1396v (the Medicaid statute); the Federal Health Care Program Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b); the False Claims Act, 31 U.S.C. §§ 3729-3733 (as amended); the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the Anti-Kickback Act of 1986, 41 U.S.C. §§ 8701-8707; the Civil Monetary Penalties Law, 42 U.S.C. §§ 1320a-7a; the Exclusion Laws, 42 U.S.C. § 1320a-7; HIPAA; the HITECH Act, the Controlled Substances Act, 21 U.S.C. §801 et seq.; Information Privacy or Security Laws; and any corresponding state statutes and applicable implementing regulations that address the subject matter of the foregoing.
- (c) Hospice East Bay has not received any written notice or other communication from a Governmental Authority or commercial payor that alleges that Hospice East Bay is not in compliance with any Law, other than statements of deficiencies from a Governmental Authority received in the Ordinary Course of Business.
- (d) To the Knowledge of Hospice East Bay, all of the contracts entered into by Hospice East Bay with physicians, other health care providers, or immediate family members of any physicians or other health care providers or entities in which physicians, other health care providers, or immediate family members of any physicians or other health care providers are equity owners involving services, supplies, payments, or any other type of remuneration, and all of the leases of personal or real property of Hospice East Bay with such physicians, health care providers, immediate family members or entities are in material compliance with all applicable Laws, and when required by such applicable Laws, are in writing, are signed by the appropriate parties, set forth the services to be provided, and provide for fair market value compensation in exchange for such services, space, or goods.
- (e) To the Knowledge of Hospice East Bay, except in compliance with applicable Law, neither Hospice East Bay nor any of its officers, directors or employees is a party to any contract, lease agreement or other arrangement (including any joint venture or consulting agreement) related to Hospice East Bay, or the Hospice East Bay Assets with any physician, physical or occupational therapist, health care facility, hospital, nursing facility, home health agency or other person or entity that is in a position to make or influence referrals to or otherwise generate business for Hospice East Bay.
- (f) To the Knowledge of Hospice East Bay, neither Hospice East Bay nor any of its officers, directors, or managing employees, have engaged in any activities that are prohibited under 42 U.S.C. §§ 1320a-7 et seq., or the regulations promulgated

thereunder, or under any other federal or state statutes or regulations, or which are prohibited by applicable rules of professional conduct.

- (g) Hospice East Bay has conducted its operations in all material respects in accordance with its compliance programs, and Hospice East Bay: (i) has no reporting obligations pursuant to any settlement agreement entered into with any Governmental Authority; (ii) to the Knowledge of Hospice East Bay, has not been the subject of any Government Program investigation conducted by any federal or state enforcement agency (not including routine or random surveys, audits or reviews which do not or reasonably should not be expected to result in findings materially adverse to Hospice East Bay); (iii) has not been a defendant in any qui tam/False Claims Act litigation (other than by reason of a sealed complaint of which Hospice East Bay has no Knowledge); (iv) has not been served with or received any search warrant, subpoena, or civil investigation demand by or from any federal or state enforcement agency (except in connection with medical services provided to third parties who may be defendants or the subject of investigations into conduct unrelated to the Business); and (v) Hospice East Bay is not a party to a corporate integrity agreement with the OIG.

4.13 Information Privacy and Security Compliance.

- (a) To the Knowledge of Hospice East Bay, Hospice East Bay's operations fully comply with HIPAA and the changes thereto imposed by HITECH and is in compliance with all other applicable Information Privacy or Security Laws.
- (b) Hospice East Bay has provided to Chapters materially accurate and complete copies of the compliance policies and/or procedures and privacy notices of Hospice East Bay relating to Information Privacy or Security Laws. To the extent required by Information Privacy or Security Laws, Hospice East Bay provides training to its workforce (as such term is defined in 45 C.F.R. § 160.103) with respect to compliance with Information Privacy or Security Laws.

4.14 Medical Staff Matters.

Hospice East Bay has made available to Chapters materially correct and complete copies of any bylaws and rules and regulations of the medical staff of the Facilities, as well as a materially correct and complete list of all current members of the Facilities' medical staffs. There are no (i) pending or threatened adverse actions with respect to any medical staff member of the Facilities or any applicant thereto, including any adverse actions for which a medical staff member or applicant has requested a judicial review hearing that has not been scheduled or that has been scheduled but has not been completed, (ii) pending or threatened disputes with applicants, staff members or health professional affiliates, and all appeal periods in respect of any medical staff member or applicant against whom an adverse action has been taken have expired, or (iii) medical staff members of the Facilities that have resigned or had their privileges revoked or suspended since the Most Recent Fiscal Month End.

4.15 Intellectual Property.

Except as set forth on Schedule 4.15, for the prior three (3) years:

- (a) Hospice East Bay owns, is licensed or otherwise has the right to use, all Intellectual Property necessary for or material to the conduct of the Business as currently conducted.
- (b) To the Knowledge of Hospice East Bay, Hospice East Bay has not infringed upon or otherwise violated, or is infringing upon or otherwise violating, the Intellectual Property rights of any Person.
- (c) To the Knowledge of Hospice East Bay, no Person or any products or services of any Person is infringing upon or otherwise violating any Intellectual Property rights of East Bay.
- (d) To the Knowledge of Hospice East Bay, there are no royalties, fees or other payments due with respect to any third-party Intellectual Property distributed or used in connection with products or services provided by Hospice East Bay to any Person.
- (e) Hospice East Bay is not, nor will be as a result of the execution and delivery of this Agreement or any of the documents described herein to which Hospice East Bay is (or at the Closing, will become) a party, in material breach of any Contract relating to the Intellectual Property or the Intellectual Property rights of any third party related to any of the Hospice East Bay Assets.
- (f) Hospice East Bay does not own any patents, registered trademarks, registered service marks or registered copyrights related to any of the Hospice East Bay Assets.
- (g) Hospice East Bay has not received written notice of any Proceeding involving a possible infringement or other violation by Hospice East Bay of any Intellectual Property rights by of any Person, and Hospice East Bay has not brought any Proceeding against any Person for infringement of Intellectual Property or breach of any license or Contract involving Intellectual Property.

4.16 Contracts.

- (a) Schedule 4.16 includes a materially complete and accurate description of all Contracts that (i) are entered into by Hospice East Bay with a physician or any other party which to Hospice East Bay's Knowledge is owned in whole or in part by a physician, (ii) contain any restrictive covenant, change of control or other Contract provision that would trigger any modification or termination of the Contract or that require the consent from or notice, to any third party to the Contract as a result of the Transaction, and/or (iii) involve a total financial commitment of more than \$200,000 annually and which cannot be terminated without cause upon less than ninety (90) calendar days' notice, (the Contracts described in Section 4.16(a)(i)-(iii) above are collectively referred to herein as the "Material Contracts"). Schedule

4.16 identifies with respect to each such Material Contract appearing thereon the applicable criteria noted in Section 4.16(a)(i)-(iii) above that requires listing on Schedule 4.16, the date and title of the Material Contract and the parties thereto. Hospice East Bay has delivered or otherwise made available to Chapters materially correct and complete copies of all Material Contracts.

- (b) Each Material Contract is in full force and effect and is a legal, valid and binding agreement of Hospice East Bay and, to the Knowledge of Hospice East Bay, of each other party thereto, enforceable against Hospice East Bay, and, to the Knowledge of Hospice East Bay, against the other party or parties thereto, in each case, in accordance with its terms, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other Laws affecting creditors' rights generally or by general principles of equity, and Hospice East Bay, is not (with or without notice or lapse of time or both) in breach or default thereunder and, to the Knowledge of Hospice East Bay, no other party to any of the Material Contracts is (with or without notice or lapse of time or both) in breach or default thereunder in any material respect.
- (c) Hospice East Bay has not given or received any written notice with respect to any actual, alleged or potential violation, breach or default under or any demand for renegotiation or termination with respect to any Material Contract.
- (d) No Material Contract contains any (i) non-competition restriction, (ii) take-or-pay arrangement, (iii) change of control or similar provision, or (iv) any term that requires the Business to deal exclusively with a particular party with respect to particular goods or services.
- (e) Each Material Contract was entered into in the Ordinary Course of Business and without the commission of any act, or any consideration having been paid or promised, which is or would reasonably be expected to result in a violation of any Law.

4.17 Personal Property.

To the Knowledge of Hospice East Bay, no Person other than Hospice East Bay owns any tangible personal property situated on the Real Property, except for the following all of which is excluded from the Transaction: (a) items leased by Hospice East Bay pursuant to a lease agreement; (b) furniture and equipment owned or leased by third parties leasing space in the Real Property pursuant to a lease agreement; (c) personal property of employees, patients or visitors of Hospice East Bay; and (d) property owned by third parties but in the possession of Hospice East Bay and held on a consignment basis for sale or other disposition.

4.18 Real Property.

- (a) Schedule 4.18(a) sets forth a materially correct and complete list of the addresses of each parcel of Owned Real Property and all such Owned Real Property is owned by Hospice East Bay free and clear of all Encumbrances, except for Permitted Encumbrances.

- (b) Schedule 4.18(b) sets forth a materially correct and complete list of the addresses of all the Leased Real Property and identifies each Tenant Lease under which such Leased Real Property is occupied or used by Hospice East Bay, including the date of, and name of each of the parties to, such Tenant Lease. Hospice East Bay holds good and marketable leasehold title to each parcel of the Leased Real Property.
- (c) Schedule 4.18(c) sets forth a materially correct and complete list of all existing Third Party Leases, including the following information with respect to each: (i) the premises covered; (ii) the date; (iii) the name of the record tenant, licensee or occupant; (iv) the commencement date and; (v) either the expiration date or its status as a month to month tenancy.
- (d) Hospice East Bay has made available to Chapters materially accurate and complete copies of the Tenant Leases and Third Party Leases, in each case as amended or otherwise modified and in effect, together with any extension notices, as applicable.
- (e) Hospice East Bay has not received written notice from any Governmental Authority of (and otherwise has no Knowledge of): (i) any pending or threatened condemnation Proceedings affecting the Owned Real Property, or any part thereof; or (ii) any material violations of any Laws (including zoning and land use ordinances) with respect to the Real Property, or any part thereof, which have not heretofore been cured.
- (f) Except as set forth on Schedule 4.18(f), as of the Closing there will be no incomplete construction projects affecting the Real Property.
- (g) Hospice East Bay is not, nor will become, a Person or entity with whom U.S. persons are restricted from doing business under regulations of the Office of Foreign Asset Control (“OFAC”) of the United States Department of the Treasury (including those named on OFAC’s Specially Designated and Blocked Persons list) or under any statute, executive Order (including Executive Order November 13224 on Terrorism Financing, effective September 24, 2001), or the United and Strengthening America by Providing Tools Required to Intercept and Obstruct Terrorism Act of 2001, H.R. 3162, Public Law 107-56, or any other governmental action. At the Closing, Hospice East Bay shall execute and deliver to Chapters an affidavit certifying that it is not a “blocked person” under Executive Order 13224, the form of which shall be acceptable to Chapters.
- (h) To the Knowledge of Hospice East Bay, all improvements, including all utilities which are a part of the Real Property, have been substantially completed and installed in accordance with the plans and specifications approved by the Governmental Authorities having jurisdiction, to the extent applicable, or to Hospice East Bay’s Knowledge will be completed and installed in accordance with the plans and specifications approved by the Governmental Authorities.
- (i) Except as set forth on Schedule 4.18(i), Hospice East Bay has not received written notice from any Governmental Authority that the improvements which are a part of

the Real Property, as designed and constructed, do not comply with all Laws applicable thereto, including but not limited to the Americans with Disabilities Act, as amended, and Section 504 of the Rehabilitation Act of 1973.

- (j) To the Knowledge of Hospice East Bay, the existing water, sewer, gas and electricity lines, storm sewer and other utility systems on the Real Property are, as of the date hereof, adequate to serve the utility needs of the Real Property. To the Knowledge of Hospice East Bay, all approvals, licenses and permits required for said utilities have been obtained and are in force and effect. All of said utilities are installed and operating, and all installation and connection charges have been paid in full.
- (k) Hospice East Bay has not received written notice from any Governmental Authority that the location, construction, occupancy, operation and use of the Real Property (including the improvements which are a part of the Real Property) violates any applicable Law or determination of any Governmental Authority or any board of fire underwriters (or other body exercising similar functions), judicial precedent or any restrictive covenant or deed restriction (recorded or otherwise) affecting the Real Property or the location, construction, occupancy, operation or use thereof, including, all applicable Laws.

4.19 Insurance.

Schedule 4.19 sets forth a materially correct and complete list and description of all insurance policies or self-insurance funds maintained by Hospice East Bay as of the date of this Agreement covering the Business and the Hospice East Bay Assets, including the following:

- (a) The name of the insurer, the name of the policyholder and the name of each covered insured;
- (b) The policy number and the period of coverage;
- (c) The scope (including an indication of whether the coverage was on a claims made, occurrence or other basis) and amount (including a description of how deductibles and ceilings are calculated and operate) of coverage; and
- (d) A description of any retroactive premium adjustments or other loss-sharing arrangements.

With respect to each such insurance policy: (A) the policy is legal, valid, binding, enforceable and in full force and effect; (B) neither Hospice East Bay, nor any other party to the policy is in breach or default (including with respect to payment or time that would constitute such a breach or default, or permit termination, modification or acceleration, under the policy); and (C) no party to the policy has repudiated any provision thereof. Hospice East Bay has been covered during the past five (5) years by insurance in scope and amount customary and reasonable for the Business. Schedule 4.19 also describes any self-insurance arrangements affecting Hospice East Bay.

4.20 Employee Benefit Plans.

- (a) Hospice East Bay has provided or made available to Chapters copies of each of the following that is sponsored, maintained or contributed to by Hospice East Bay, or any Hospice East Bay ERISA Affiliate, as defined below, for the benefit of the employees of Hospice East Bay:
- (i) Each “employee benefit plan” for the benefit of the current or former employees of Hospice East Bay, as such term is defined in § 3(3) of ERISA, including employee benefit plans that are not subject to some or all of the provisions of ERISA (each, a “Plan”); and
 - (ii) To the extent applicable to the employees of Hospice East Bay, each material personnel policy, collective bargaining agreement, bonus plan, incentive award, vacation policy, severance pay plan, policy or agreement, deferred compensation agreement, form of consulting agreement, form of employment agreement, dependent care, life insurance program, and each other material employee benefit plan, agreement, arrangement, program, or practice that is not described in Section 4.20(a)(i) (each, a “Benefit Program and Agreement”).
- (b) True, correct and complete copies of each of the Plans and Benefit Programs and Agreements, and related trusts, if applicable, including all amendments thereto, have been furnished or made available to Chapters. Hospice East Bay has also furnished or made available to Chapters, with respect to each Plan required to file such report and description, the most recent report on Form 5500 and the summary plan description.
- (c) For purposes of this Agreement, the term “Hospice East Bay ERISA Affiliate” shall mean any person (as defined in § 3(9) of ERISA) that together with Hospice East Bay would be treated as a single employer under § 4001(b) of ERISA, or would be aggregated with Hospice East Bay under § 414(b), (c), (m) or (o) of the Code or Section 4001(b)(1) of ERISA that includes or included the first entity, trade or business, or that is a member of the same "controlled group" as the first entity, trade or business pursuant to Section 4001(a)(14) of ERISA.
- (d) Except as otherwise set forth on Schedule 4.20(d):
- (i) All obligations, whether arising by operation of law or by contract, required to be performed by Hospice East Bay in connection with the Plans and the Benefit Programs and Agreements have been performed in all material respects;
 - (ii) Hospice East Bay has provided to Chapters a copy of the most recent favorable determination or opinion letter from the Internal Revenue Service for each Plan intended to be qualified under § 401 of the Code. To the Knowledge of Hospice East Bay, since receipt of the most recent favorable determination letters, none of the Plans have been amended or operated in

a way that would reasonably be expected to affect adversely such qualified and exempt status;

- (iii) There are no actions, suits, or claims pending (other than routine claims for benefits) or, to the Knowledge of Hospice East Bay, threatened against, or with respect to, any of the Plans or Benefit Programs and Agreements or their assets, other than with regard to Plans, routine claims for benefits;
 - (iv) All contributions required to be made to the Plans and Benefit Programs and Agreements pursuant to their terms and provisions have been timely made or reserved;
 - (v) As to any Plan subject to Title IV of ERISA (“Title IV Plan”), there has been no event or condition that presents the material risk of any Title IV Plan termination, no funding deficiency, whether or not waived, within the meaning of § 302 of ERISA or §§ 412 and 430 of the Code has been incurred, no reportable event within the meaning of § 4043 of ERISA (for which the disclosure requirements of Regulation §4043.3 promulgated by the Pension Benefit Guaranty Corporation (“PBGC”) have not been waived), other than as a result of the Transaction, has occurred, no notice of intent to terminate any Title IV Plan has been given under § 4041 of ERISA, no Proceeding has been instituted under § 4042 of ERISA to terminate any Title IV Plan, no liability to the PBGC has been incurred, and the assets of each Title IV Plan equal or exceed the actuarial present value of the benefit liabilities under the Plan, determined based on the actuarial assumptions set forth in the most recent actuarial valuation performed with respect to such Plan; and, provided further, there is no material risk that Hospice East Bay iate has any liability with respect to any plan subject to Title IV maintained by any former Hospice East Bay ERISA Affiliate (with respect to that period in which such former Hospice East Bay ERISA Affiliate was a Hospice East Bay ERISA Affiliate);
 - (vi) To the Knowledge of Hospice East Bay, there is no matter pending (other than routine qualification determination filings) with respect to any of the Plans or Benefit Programs or Agreements before the Internal Revenue Service, the Department of Labor or the PBGC;
 - (vii) Hospice East Bay has no any liability, contingent or otherwise, relating to a Title IV Plan that is a “multiemployer plan” as defined in § 3(37) and 4001(a) (3) of ERISA; and
 - (viii) Hospice East Bay does not maintain or contribute to any defined benefit pension plan that is not a Title IV Plan.
- (e) Hospice East Bay is not a party to any agreement, nor has any such entity established any policy or practice, requiring it to make a payment or provide any other form of compensation or benefit to any Person performing services for

Hospice East Bay which would not be payable or provided in the absence of the Transaction.

- (f) In connection with the consummation of the Transaction, no payments have or will be made under the Plans or Benefit Programs and Agreements which, in the aggregate, would result in imposition of the sanctions imposed under section 280G, 4999 or 409A of the Code.
- (g) Hospice East Bay does not maintain, contribute to or have any liability under any funded or unfunded medical, health or life insurance plan or arrangement for present or future retirees or future terminated employees for the benefit of the employees of Hospice East Bay, except as required by the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended. Neither Hospice East Bay nor any Hospice East Bay ERISA Affiliate maintains or contributes to a trust, organization or association for the benefit of the employees of Hospice East Bay or any Hospice East Bay ERISA Affiliate described in any of §§ 501(c)(9), 501(c)(17) or 501(c)(20) of the Code.

4.21 Employee Matters.

- (a) Schedule 4.21(a) contains a list of all current employees of Hospice East Bay, their current salary or wage rates, bonus and other compensation, benefit arrangements, accrued paid time off, periods of service, departments and job titles. Schedule 4.21(a) also indicates whether such employees are part-time, full-time, per diem or on a leave of absence and, if so, the type of leave. Hospice East Bay, and each of the Plans have properly classified individuals providing services to Hospice East Bay as independent contractors or employees, as the case may be. All current employees of Hospice East Bay are employees at-will, unless otherwise specified on Schedule 4.21(a). Except as disclosed on Schedule 4.21(a), Hospice East Bay is not a party to any oral (express or implied) or written employment agreement, severance agreement, or retention agreement with any individual.
- (b) Hospice East Bay is not delinquent in payments to any of its employees for any wages, salaries, commissions, bonuses or other direct compensation for any services performed for it or any other amounts required to be reimbursed to such employees (including accrued paid time off and other benefits) or in the payment to the appropriate Governmental Authority of all required Taxes, insurance, social security and withholding thereon, except to the extent that such delinquency in payment would not, individually or in the aggregate, materially and adversely affect Hospice East Bay.
- (c) Except as set forth on Schedule 4.21(c): (i) there is no pending or threatened employee strike, work stoppage or labor dispute at any of the Facilities; (ii) to the Knowledge of Hospice East Bay, no question exists respecting union representation of any employees of Hospice East Bay, no demand has been made for recognition by a labor organization by or with respect to any employees of Hospice East Bay, no union organizing activities by or with respect to employees of Hospice East Bay

are taking place, and no employees of Hospice East Bay are represented by any labor union or organization; (iii) no collective bargaining agreement exists or is currently being negotiated by Hospice East Bay; (iv) there is no unfair labor practice claim against Hospice East Bay before the National Labor Relations Board pending or, to the Knowledge of Hospice East Bay, threatened against or involving the Business; (v) to the Knowledge of Hospice East Bay, Hospice East Bay is in compliance in all material respects with all Laws and Contracts respecting employment and employment practices, labor relations, terms and conditions of employment, and wages and hours; (vi) Hospice East Bay is not engaged in any unfair labor practices; (vii) there are no material pending or, to the Knowledge of Hospice East Bay, threatened complaints or charges before any Governmental Authority regarding employment discrimination, safety or other employment-related charges or complaints, wage and hour claims, unemployment compensation claims or workers' compensation claims; and (viii) except as otherwise expressly provided in this Agreement, Hospice East Bay will not be subject to any claim or liability for severance pay as a result of the consummation of the Transaction. Hospice East Bay has no reason to believe that any Proceedings may be brought or threatened against Hospice East Bay.

4.22 Litigation.

Schedule 4.22 contains a materially correct and complete list and summary description of all ongoing Proceedings with respect to which Hospice East Bay is a party or that relates to Hospice East Bay, the Business or the Hospice East Bay Assets. Except as set forth on Schedule 4.22, for the prior three (3) years Hospice East Bay has not received written notice of any Proceeding by or before any Governmental Authority against or affecting (i) Hospice East Bay, the Business or the Hospice East Bay Assets, (ii) any current or former employee or agent of Hospice East Bay relating to obligations with respect to the Business or Hospice East Bay Assets, or (iii) any current or former medical staff member, supplier or contractor relating to obligations with respect to the Business or Hospice East Bay Assets.

4.23 Tax Matters.

Except as disclosed on Schedule 4.23:

- (a) To the Knowledge of Hospice East Bay, Hospice East Bay (i) is, and has been since the date of its incorporation, an organization exempt from federal income tax under § 501(a) of the Code an organization that is described in § 501(c)(3), (ii) is not, and has not been since the date of its incorporation, a private foundation within the meaning of § 509(a) of the Code because it is an organization described in §§ 509(a)(1), 509(a)(2) or 509(a)(3), and (iii) is in possession of a determination letter from the Internal Revenue Service to such effect, which determination letter has not been revoked or otherwise modified,
- (b) To the Knowledge of Hospice East Bay, Hospice East Bay (i) is in compliance in all material respects with all applicable Laws pertaining to the operation of an organization described in § 501(c)(3) of the Code, as applicable, and (ii) has not

entered into any transaction that would reasonably be expected to constitute an “excess benefit transaction” within the meaning of § 4958 of the Code.

- (c) To the Knowledge of Hospice East Bay, the interests in the Real Property of Hospice East Bay are, and shall be through the Closing Date, exempt from all real and personal property Taxes, sales and use Taxes and there are no municipal assessments on, related to or under consideration for any of the Real Property.
- (d) Hospice East Bay has filed all Tax Returns that it was required to file and has paid all Taxes shown thereon as owing. Except with respect to waivers or extensions that are no longer in force, Hospice East Bay has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency other than ordinary course extensions of time within which to file any Tax Return.
- (e) Hospice East Bay has withheld and paid all material Taxes required to have been withheld and paid by it in connection with amounts paid or owing to any employee, independent contractor, creditor or other third party, and all Internal Revenue Service Forms W-2 and 1099 required with respect thereto have been properly completed and timely filed (taking into account all extensions).
- (f) No Liens for Taxes exist with respect to any of the Hospice East Bay Assets, except for Permitted Encumbrances.
- (g) Hospice East Bay has not received any written notice from any Governmental Authority of deficiency or assessment, or proposed adjustment or assessment, in respect of Taxes of Hospice East Bay. To the Knowledge of Hospice East Bay, there are no pending or threatened Proceedings relating to any liability in respect of Taxes of Hospice East Bay.

4.24 Environmental Matters.

- (a) Except as disclosed on Schedule 4.24, for the prior three (3) years: (i) Hospice East Bay has no Knowledge that Hospice East Bay, the Real Property or any improvements on the Real Property are in violation of any Environmental Laws; (ii) Hospice East Bay has not received any written notice that remains outstanding from a Governmental Authority or any other Person that alleges that Hospice East Bay is in violation of or liable pursuant to applicable Environmental Laws; and (iii) Hospice East Bay has no Knowledge of any facts which would reasonably be expected to form the basis for any such liability.
- (b) Hospice East Bay has been duly issued, and currently has and will maintain through the Closing Date, all material Approvals and Permits required under any Environmental Law with respect to any of the Real Property.
- (c) To the Knowledge of Hospice East Bay, the Real Property contains no underground improvements, including treatment or storage tanks or underground piping associated with such tanks, used currently or in the past for the management of

Hazardous Materials, and Hospice East Bay has not used any portion of the Real Property as a dump or landfill.

- (d) Hospice East Bay will promptly furnish to Chapters written notice of any material Environmental Condition or of any actions or notices described in this Section 4.24 arising or received after the date hereof prior to the Effective Time.

4.25 Tax-Exempt Bond Debt.

- (a) Schedule 4.25 sets forth a materially correct and complete list of all of the Hospice East Bay Tax-Exempt Bonds, including any trust indenture, loan agreement or other agreement entered into in connection with the Hospice East Bay Tax-Exempt Bonds (the “Hospice East Bay Tax-Exempt Bond Documents”). Hospice East Bay has made available to Chapters correct and complete copies of the Hospice East Bay Tax-Exempt Bond Documents.
- (b) Except as set forth on Schedule 4.25, to the Knowledge of Hospice East Bay, Hospice East Bay is not in violation of any of the terms and conditions of any Hospice East Bay Tax-Exempt Bond Documents, and no event or condition exists that constitutes an event of default under any such documents or that with the passing of time or the giving of notice, or both, would constitute an event of default under any such documents.
- (c) Hospice East Bay is not aware of any event or condition, that has occurred or exists that would adversely affect the tax-exempt status under federal law of the interest payable on any Hospice East Bay Tax-Exempt Bonds and no inquiry or notice has been received from the Internal Revenue Service and no Proceeding by or before any Governmental Authority is pending or, to the Knowledge of Hospice East Bay, threatened, which challenges the tax-exempt status under federal law of the interest payable on any Hospice East Bay Tax-Exempt Bonds.
- (d) Any arbitrage rebate payments required to be paid with respect to the Hospice East Bay Tax-Exempt Bonds under § 148(f) of the Code and the Treasury Regulations thereunder have been paid to the United States, in the manner on the dates and in the amounts required by § 148(f) of the Code and the Treasury Regulations thereunder.
- (e) Between the date hereof and the Closing Date, Hospice East Bay will use its commercially reasonable efforts to ensure that Hospice East Bay does not take any action or fail to act if such action or failure to act would reasonably be expected to adversely affect the tax-exempt status under federal law of the interest payable on any Hospice East Bay Tax-Exempt Bonds or would, with the passage of time, reasonably be expected to constitute an event of default with respect to any Hospice East Bay Tax-Exempt Bond Documents. Nothing contained in this subsection will restrict the ability of Hospice East Bay to retire the Hospice East Bay Tax-Exempt Bonds.

- (f) Hospice East Bay has not entered into, and between the date of this Agreement and the Closing, Hospice East Bay will not enter into, any lease, management contract, service agreement, or other similar arrangement with a private entity or person which would be considered a private use of facilities financed with the proceeds of Hospice East Bay Tax-Exempt Bonds if such private use, combined with any other private uses with respect to the Hospice East Bay Tax-Exempt Bonds, would reasonably be expected to cause any Hospice East Bay Tax-Exempt Bonds to cease qualifying for tax-exempt status under Code § 103.

4.26 Other Indebtedness.

- (a) Schedule 4.26 sets forth a materially correct and complete list of all Hospice East Bay Taxable Debt, including any trust indenture, loan agreement or other agreement entered into in connection with Hospice East Bay Taxable Debt (the “Hospice East Bay Taxable Debt Documents”). Hospice East Bay has made available to Chapters correct and complete copies of the Hospice East Bay Taxable Debt Documents.
- (b) Except as set forth as Schedule 4.26, to the Knowledge of Hospice East Bay, Hospice East Bay is not in violation of any of the terms and conditions of any Hospice East Bay Taxable Debt Documents and no event or condition exists that constitutes an event of default under any such documents or that with the passing of time or the giving of notice, or both, would constitute an event of default under any such documents.

4.27 Absence of Changes.

Except as set forth on Schedule 4.27, since July 31, 2024, there has been no:

- (a) Material Adverse Effect;
- (b) material damage, destruction or loss with respect to or affecting any of the Hospice East Bay Assets, whether or not covered by insurance;
- (c) strike, work stoppage, lockout or other significant labor dispute or, to Hospice East Bay’s Knowledge, commencement of organization activity with respect to the workforce of Hospice East Bay;
- (d) sale, transfer or other disposal of any of the Hospice East Bay Assets, except in the Ordinary Course of Business;
- (e) Encumbrance imposed on any of the Hospice East Bay Assets, except for Permitted Encumbrances;
- (f) change in any accounting policy or methodology, except as may have been required in accordance with GAAP;

- (g) transaction or other action by Hospice East Bay outside the Ordinary Course of Business or not otherwise permitted by this Agreement; or
- (h) agreement, whether in writing or otherwise, by Hospice East Bay to take any of the actions set forth in this Section 4.27 or not otherwise permitted by this Agreement.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF CHAPTERS

As of the date hereof and as of the Closing Date (except to the extent any of the following refers to any other specific date and subject to Section 12.13 of this Agreement), Chapters represents and warrants to Hospice East Bay, as follows:

5.1 Organization; Capacity.

Chapters is a corporation duly organized, validly existing and with an active status under the laws of the State of Florida. Chapters is qualified to do business under all applicable Laws of any Governmental Authority having jurisdiction over its businesses and to own its properties and conduct its business in the place and manner now conducted. Chapters has the requisite power and authority to enter into this Agreement and the other Transaction Documents to which Chapters is (or at the Closing, will become) a party and to perform its obligations hereunder and thereunder. The execution and delivery by Chapters of this Agreement and documents described herein to which it is (or at the Closing, will become) a party, the performance by Chapters of its obligations under this Agreement and documents described herein to which it is a (or at the Closing, will become) Party and the consummation by Chapters of the Transaction, as applicable, have been, or will be prior to the Closing, duly and validly authorized and approved by all necessary corporate actions on the part of Chapters, none of which actions have been modified or rescinded and all of which actions remain in full force and effect.

5.2 Authority; Noncontravention.

There are no outstanding powers of attorney executed by or on behalf of Chapters. The execution, delivery and performance of this Agreement and each other Transaction Document by Chapters thereto and the consummation by Chapters of the Transaction, as applicable:

- (a) are within Chapters' powers and are not in contravention or violation of the terms of the articles of incorporation or bylaws of Chapters and have been, or will be prior to the Closing, approved by all requisite corporate action;
- (b) except as set forth on Schedule 5.2(b), do not require that Chapters seek or obtain any Approval of, filing or registration with, the issuance of any material Permit by, or give any Notice to, any Governmental Authority;
- (c) assuming the Approvals and Permits set forth on Schedule 5.2(b) are obtained, to the Knowledge of Chapters, will not conflict in any material respect with, or result in any violation of or default under (with or without notice or lapse or both), or give

rise to a right of termination, cancellation, acceleration or augmentation of any obligation or to loss of any material benefit under, (i) any Contract, instrument, indenture, covenant, or understanding to which Chapters is bound or is a party, or (ii) any Order or Law to which Chapters may be subject; and

- (d) to the Knowledge of Chapters, will neither conflict with, nor result in, a material breach or contravention of any agreement, lease, instrument, indenture, covenant, or understanding to which Chapters is bound or is a party.

5.3 Binding Agreement.

This Agreement has been, and each Transaction Document to which Chapters is (or at the Closing, will become) a party has been, or upon execution thereof will be, duly executed and delivered by Chapters and (assuming due authorization, execution, and delivery by Hospice East Bay and all other parties thereto) this Agreement and each Transaction Document to which Chapters is a party constitute legal, valid, and binding obligations of Chapters enforceable against Chapters in accordance with the respective terms hereof and thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other Laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity.

5.4 Financial Information.

- (a) Schedule 5.4(a) hereto contains the following financial statements and financial information of Chapters (the "Chapters Historical Financial Information"):
 - (i) the audited consolidated balance sheets, statements of operation, statements of changes in net assets, and statements of cash flow (including the accompanying consolidating schedules of balance sheet information and statement of operation information) for Chapters as of, and for the twelve-month periods ended December 31, 2023, and December 31, 2022.
 - (ii) the unaudited consolidated balance sheet (including the accompanying consolidating schedules of balance sheet information) and unaudited consolidated statement of operations (including the accompanying consolidating schedules of statement of operation information) prepared in the Ordinary Course of Business for the fiscal period ending on a date which is not more than sixty (60) calendar days prior to the date of this Agreement.
- (b) The consolidated financial statements included in the Chapters Historical Financial Information have been prepared in accordance with GAAP, applied on a consistent basis throughout the periods indicated (subject, in the case of the unaudited Chapters Historical Financial Information, to the absence of notes and normal year-end audit adjustments, the effect of which is not material to Chapters), and are based on the information contained in the books and records of Chapters and its Affiliates. Chapters has not materially changed any accounting policy or methodology during the periods presented in the Chapters Historical Financial Information (including accounting policies and methodologies for determining the obsolescence of

inventory or in calculating reserves, including reserves for uncollected accounts receivable).

5.5 Litigation.

Except as set forth on Schedule 5.5: (i) there is no Proceeding or Order pending or, to the Knowledge of Chapters, threatened against or affecting Chapters before any court or Governmental Authority that has or would reasonably be expected to have a material adverse effect on Chapters' ability to perform this Agreement; and (ii) Chapters is not subject to any Order that would materially and adversely affect the consummation of the Transaction.

5.6 Regulatory Compliance.

Except as set forth on Schedule 5.6, for the prior three (3) years:

- (a) Neither Chapters, nor to Chapters' Knowledge, any of its respective officers, directors or employees, has been convicted of, charged with, investigated for, or has engaged in conduct that would reasonably be expected to constitute, a Medicare or other Federal Health Care Program (as defined in 42 U.S.C. § 1320a-7(b)(f)) related offense or convicted of, charged with, investigated for, or engaged in conduct that would constitute a violation of any Law related to fraud, theft, embezzlement, breach of fiduciary duty, kickbacks, bribes, other financial misconduct, obstruction of an investigation or controlled substances. Neither Chapters, nor to Chapters' Knowledge, any officer, director or employee of Chapters has been excluded from participating in any Government Program, subject to sanction pursuant to 42 U.S.C. § 1320a-7a or § 1320a-8 or been convicted of a crime described at 42 U.S.C. § 1320a-7b, nor are any such exclusions, sanctions or charges threatened or pending.
- (b) Chapters (i) is not a party to a corporate integrity agreement with the OIG; (ii) has no reporting obligations pursuant to any settlement agreement entered into with any Governmental Authority; (iii) has not been formally notified that it is the subject of any Government Program investigation conducted by any federal or state enforcement agency (not including routine or random surveys, audits or reviews which do not or reasonably should not result in findings materially adverse to the relevant Chapters); and (iv) has not been formally notified that it is a defendant in any qui tam/False Claims Act litigation (other than by reason of a sealed complaint of which Chapters may have no Knowledge).
- (c) Except in compliance with applicable Law, neither Chapters, nor to Chapters' Knowledge, any of their officers, directors or employees is a party to any contract, lease agreement or other arrangement (including any joint venture or consulting agreement) related to Chapters with any physician, physical or occupational therapist, health care facility, hospital, nursing facility, home health agency or other person or entity that is in a position to make or influence referrals to or otherwise generate business for Chapters with respect to its assets, to provide services or lease space or equipment.

5.7 Tax Matters.

Except as set forth on Schedule 5.7:

- (a) To the Knowledge of Chapters, Chapters (i) is, and has been since the date of its incorporation, an organization exempt from federal income tax under § 501(a) of the Code as an organization that is described in § 501(c)(3), (ii) is not, and has not been since the date of its incorporation, a private foundation within the meaning of § 509(a) of the Code because it is an organization described in §§ 509(a)(1), 509(a)(2) or 509(a)(3), (iii) is in possession of a determination letter from the Internal Revenue Service to such effect, which determination letter has not been revoked or otherwise modified, (iv) is in compliance in all material respects with all applicable Laws pertaining to the operation of an organization described in § 501(c)(3) of the Code, and (v) has not entered into any transaction that would reasonably be expected to constitute an “excess benefit transaction” within the meaning of § 4958 of the Code.
- (b) Chapters has filed all Tax Returns required to be filed by it. All Taxes due and owing by Chapters (whether or not shown on any Tax Return), have either been paid or are being contested in good faith by appropriate Proceedings for which adequate reserves have been established. Except with respect to waivers or extensions that are no longer in force, Chapters has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency other than ordinary course extensions of time within which to file any Tax Return.
- (c) Chapters has withheld and paid all material Taxes required to have been withheld and paid by it in connection with amounts paid or owing to any employee, independent contractor, creditor or other third party, and all Internal Revenue Service Forms W-2 and 1099 required with respect thereto have been properly completed and timely filed (taking into account all extensions).
- (d) Chapters has not received any written notice from any Governmental Authority of deficiency or assessment, or proposed adjustment or assessment, in respect of Taxes of Chapters. To the Knowledge of Chapters, there are no pending or threatened Proceedings relating to any liability in respect of Taxes of Chapters.

ARTICLE 6**PRE-CLOSING COVENANTS OF THE PARTIES**

The covenants of the Parties set forth in this Article 6 shall apply to the period between the date of this Agreement and the Closing.

6.1 Access to Information.

Subject to the terms of the Confidentiality Agreement agreed upon by the Parties, (i) Hospice East Bay shall provide to Chapters and its authorized representatives such reasonable and customary access to and an opportunity to inspect, investigate and review all facilities, books and records of

Hospice East Bay and shall cause the directors, employees, accountants, and other agents and representatives of Hospice East Bay to reasonably cooperate in connection with Chapters' due diligence investigation of Hospice East Bay's assets, contracts, liabilities, operations, records and other aspects of the operations, business and affairs of Hospice East Bay, and (ii) Chapters shall provide to Hospice East Bay and its authorized representatives such reasonable and customary access to and an opportunity to inspect, investigate and review all facilities, books and records of Chapters and shall cause the directors, employees, accountants, and other agents and representatives of Chapters to reasonably cooperate with Hospice East Bay's due diligence investigation of Chapters' assets, contracts, liabilities, operations, records and other aspects of the operations, business and affairs of Chapters. All due diligence will be conducted by each Party in a manner that will not unreasonably interfere with the other Party's ongoing operations.

6.2 Conduct of Business.

From the date hereof until the Effective Time, except in the Ordinary Course of Business and consistent with past practices, or as otherwise approved in writing by Chapters, Hospice East Bay will:

- (a) carry on the Business in substantially the same manner as it has heretofore and not make any material change in operations, finance, accounting policies, or the Hospice East Bay Assets other than in the Ordinary Course of Business;
- (b) not make any change in employees or other personnel (excluding voluntary terminations and retirements) that is at a level of executive vice-president or above;
- (c) maintain the Hospice East Bay Assets and all parts thereof in as good working order and condition as at present, ordinary wear and tear excepted;
- (d) make all normal and planned capital expenditures and other capital expenditures for emergency repairs or replacement;
- (e) perform in all material respects all of its obligations and enforce the performance in all material respects of any party's obligations under the Material Contracts;
- (f) keep in full force and effect present insurance policies or other comparable insurance on the Hospice East Bay Assets;
- (g) use commercially reasonable efforts to maintain and preserve intact its business organizations with respect to the Hospice East Bay Assets, retain its present employees at the Facilities and maintain its relationships with physicians, medical staff, suppliers, customers and others having business relations with the Facilities;
- (h) permit and allow reasonable access by Chapters to physicians, medical staff and others that have business relations with Hospice East Bay;
- (i) use commercially reasonable efforts to correct any requirements for improvement cited by any Governmental Authority or accreditation agency in the most recent surveys conducted by each or develop and timely implement evidence of standards

compliance that is acceptable to any Governmental Authority or accreditation agency;

- (j) comply in all material respects with all Laws applicable to the conduct of the Business;
- (k) continue to collect accounts receivable and pay accounts payable with respect to the Business in the Ordinary Course of Business; and
- (l) comply with all obligations, covenants and requirements set forth in the Hospice East Bay Tax-Exempt Bond Documents and the Hospice East Bay Taxable Debt Documents.

From and after the date of this Agreement, Hospice East Bay shall notify Chapters as and when Hospice East Bay proposes to vary from, or to not take, any action described in subsections (a) through (1) of this Section 6.2 (each, a “**Proposed Change Notification**”). Thereafter, any such proposed change may be undertaken by Hospice East Bay as permitted by this Section 6.2 including if consented to in writing by Chapters, which consent shall be deemed to have been given if no objection by Chapters is received by Hospice East Bay within three (3) calendar days following the date of Chapters’ receipt of the Proposed Change Notification; for purposes of clarification, Andrew K. Molosky, President and CEO of Chapters and Rhonda White, COO of Chapters, are each independently authorized to approve of such action under the Proposed Change Notification. Each Proposed Change Notification shall be in writing (which may be in the form of email) addressed to Andrew Molosky at MoloskyA@chaptershealth.org and Rhonda White at RWhite@chaptershealth.org and shall identify the proposed change and set forth a description of the proposed change in sufficient detail to allow Chapters to make an informed determination. In the event Hospice East Bay takes an action described in subsections (a) through (1) of this Section 6.2 without first obtaining the consent of Chapters, Chapters shall have the right to terminate this Agreement within ten (10) calendar days after Chapters becomes aware of such action by Hospice East Bay. Under no event will an action of Hospice East Bay described in this Section 6.2 constitute a breach of this Agreement, and Chapters sole remedy shall be to terminate this Agreement during such ten (10) calendar day period.

6.3 Negative Covenants.

From the date hereof to the Effective Time, except in the Ordinary Course of Business, upon the written approval of Chapters (which approval shall not be unreasonably withheld, conditioned or delayed), as may be required by applicable Law, or as contemplated or permitted by this Agreement, Hospice East Bay will not, with respect to the Business or otherwise regarding the Hospice East Bay Assets:

- (a) enter into any Contract (i) that involves direct or indirect payments to or from physicians or, to the Knowledge of Hospice East Bay, other potential sources of referrals (or Persons owned or controlled, in whole or in part, by physicians or, to the Knowledge of Hospice East Bay, potential sources of referrals, including those

in a position to influence referrals) of a base compensation or fee of more than \$100,000 annually (or \$100,000 in the case of a Contract renewal), (ii) that is an employment agreement that commits to the payment of annual base compensation greater than \$100,000 and that is for a term greater than one year (regardless of whether such agreement satisfies the standards described in Section 6.3(a)(i)), (iii) that will restrict the ability of Hospice East Bay to compete in any manner in any geographic area, (iv) that is with a union or other collective bargaining group, or (v) that is with a managed care payor or other third-party payor;

- (b) enter into any other Contract except for Contracts that satisfy each of the following requirements: (i) the Contract does not contain any restrictive covenant, change of control or other Contract provision that would trigger any modification or termination of the Contract or that requires the consent from or notice to any third party to the Contract as a result of the Transaction, and (ii) the Contract does not involve the payment or receipt of more than \$100,000 annually (or \$100,000 in the case of a Contract renewal);
- (c) amend or terminate any Contract that is of the type referenced in either Section 6.3(a) or Section 6.3(b) above;
- (d) materially increase compensation payable to, or to become payable to, or make or agree to make a bonus payment to, any employee, physician, director, or officer or under any consulting or independent contractor Contract, except in the Ordinary Course of Business in accordance with existing personnel policies or as necessary to comply with Contracts that are binding on Hospice East Bay as of the date of this Agreement;
- (e) (i) by action or inaction, abandon, terminate, cancel, forfeit, waive or release any material rights of Hospice East Bay, in whole or in part, with respect to the Hospice East Bay Assets or encumber any of the Hospice East Bay Assets (other than purchase money security interests or vendor financing entered into in the Ordinary Course of Business); (ii) effect any corporate merger, business combination, reorganization or similar transaction or take any other action, corporate or otherwise; or (iii) settle any dispute or threatened dispute with any Governmental Authority regarding the Hospice East Bay Assets in a manner that materially and adversely affects the Business;
- (f) except for an emergency capital expenditure, make any material unbudgeted capital expenditure commitment for additions to property, plant, equipment, intangible or capital assets or for any other purpose, other than for emergency repairs or replacement;
- (g) fail to maintain the books, accounts and records of Hospice East Bay in accordance with GAAP consistently applied;

- (h) amend the Articles of Incorporation, Bylaws or other comparable charter or organizational documents of Hospice East Bay, except as required by this Agreement;
- (i) adopt or amend any new or existing Plans of Hospice East Bay (other than such routine amendments as may be necessary for regulatory compliance);
- (j) apply for or become subject to the appointment of a receiver, trustee or liquidator, make an assignment for benefit of its creditors, admit in writing its inability to pay its debts as they become due, or file a voluntary petition in any court of competent jurisdiction seeking protection from creditors or declaring itself insolvent and unable to meet its obligations when due;
- (k) incur any unbudgeted long-term indebtedness;
- (l) alter title to the Owned Real Property as it exists on the date of this Agreement, between the date of this Agreement and Closing; or
- (m) sell, assign or otherwise transfer any lease of the Leased Real Property or enter into any sublease, license or occupancy agreement with respect to all or any portion of the Leased Real Property.

6.4 Notification of Certain Matters.

- (a) From the date hereof to the Effective Time, Hospice East Bay shall give prompt written notice to Chapters of (i) the occurrence, or failure to occur, of any event that causes any representation or warranty of Hospice East Bay contained in this Agreement to be untrue in any material respect, and (ii) any failure of Hospice East Bay to comply with or satisfy, in any material respect, any covenant, condition or agreement to be complied with or satisfied by it under this Agreement.
- (b) From the date hereof to the Closing Date, Chapters shall give prompt notice to Hospice East Bay of (i) the occurrence, or failure to occur, of any event that causes any representation or warranty of Chapters contained in this Agreement to be untrue in any material respect, and (ii) any failure of Chapters to comply with or satisfy, in any material respect, any covenant, condition or agreement to be complied with or satisfied by it under this Agreement. Such notice shall provide a reasonably detailed description of the relevant circumstances, based on facts known to Chapters.

6.5 Restrictive Contracts.

- (a) With regard to any Material Contract that contains a restrictive covenant, change of control or other Material Contract provision that would trigger a modification or termination of the Material Contract or that requires consent from or notice to any third party to the Material Contract as a result of the Transaction, Hospice East Bay shall be responsible for and shall use its commercially reasonable efforts to obtain all such consents and provide all such notices. If any such consent cannot be

obtained despite such commercially reasonable best efforts, Hospice East Bay shall upon the reasonable request of Chapters cooperate in any reasonable arrangement designed to preserve benefits under any such Material Contract, including enforcement of any and all rights of Hospice East Bay against the other party or parties thereto arising out of the breach or cancellation by such other party or otherwise.

- (b) Anything contained in this Agreement to the contrary notwithstanding, this Agreement shall not be deemed to constitute an agreement that would restrict the actions, purchasing power or options, or other contracting rights of Chapters or its Affiliates with respect to any entity, facility, business or operations other than Hospice East Bay and the Hospice East Bay Assets. If a Contract contains such a restriction, Hospice East Bay shall reasonably cooperate in any reasonable arrangement designed to preserve benefits under any such Contract without the application of such restrictions or limitations to Chapters or its Affiliates.

6.6 Approvals.

Between the date hereof and the Closing Date, Hospice East Bay and Chapters shall use their respective commercially reasonable best efforts to obtain all Approvals and Permits and deliver all Notices necessary for the completion of the Transaction and the operation of the Business following the Closing. Chapters and Hospice East Bay agree to reasonably cooperate with each other and to provide such information and communications to each other or to any Governmental Authority as may be reasonably requested by one another or any Governmental Authority in order to obtain the Approvals and Permits and deliver the Notices contemplated above or as otherwise necessary to consummate the Transaction. Subject to any limitations required by applicable Law, Chapters and Hospice East Bay will, and will cause their respective counsel to, supply to each other copies of all material correspondence, filings or written communications by such Party with any Governmental Authority or staff members thereof, with respect to the Transaction.

6.7 Additional Financial Information.

Within thirty (30) days following the end of each calendar month prior to the Closing Date, Hospice East Bay will deliver to Chapters, copies of the unaudited consolidated balance sheets and the related unaudited combined income statements relating to the Business for each month then ended. Within ten (10) days of receipt, Hospice East Bay will deliver to Chapters for fiscal years ending prior to the Closing Date audited consolidated balance sheets, statements of operation, statements of changes in net assets, and statements of cash flow (including the accompanying consolidating schedules of balance sheet information and statement of operation information). Such financial statements shall have been prepared from and in accordance with Hospice East Bay's books and records, shall be true, correct and complete in all material respects and fairly present the financial position and results of operations of the Business as of the date and for the period indicated, and shall be prepared in accordance with GAAP, consistently applied, except that in the case of the unaudited monthly statements, such financial statements need not include required footnote disclosures, nor reflect normal year-end adjustments or adjustments that may be required as a result of the Transaction.

6.8 Closing Conditions.

Between the date of this Agreement and the Effective Time, Hospice East Bay and Chapters will use their commercially reasonable efforts (unless another standard is provided for herein) to cause the conditions specified in ARTICLE 8 and ARTICLE 9 hereof over which Hospice East Bay and Chapters, respectively, have control, including the receipt of all required Approvals and Permits set forth on Schedules 8.4 and 9.4, to be satisfied as soon as reasonably practicable, but in all events on or before the Effective Time.

ARTICLE 7
POST-CLOSING COVENANTS OF THE PARTIES

The covenants of the Parties set forth in this Article 7 shall apply to the period that commences on the Effective Time.

7.1 Employees.

- (a) Subject only to Chapters standard hiring practices and policies, Chapters shall offer employment to all of Hospice East Bay's employees who are employed and in good standing as of the Closing. All such employees will continue to be employed for an interim period of at least twelve (12) weeks after the Closing (except for any such employees who voluntarily resign). Subject to Section 7.1(c), for a period of fifty-two (52) weeks commencing with the date of this Agreement, all regular full-time and part-time non-exempt and exempt salaried employees of Hospice East Bay as of the Closing Date will in the event of termination of employment, other than termination due to performance or a voluntary termination, be eligible to receive severance benefits described as follows: (i) regular full-time and part-time non-management employees (excluding temporary or "PRN" employees), three (3) months; (ii) manager level employees, four (4) months; (iii) director level employees, six (6) months; and (iv) vice-president level employees, eight (8) months. Temporary or "PRN" employees will not be eligible for severance benefits. Any severance benefits potentially payable under this Section 7.1(a) to a Hospice East Bay employee will not be impacted by any post-Closing change in title or income level, nor will any such severance benefits become payable or adjusted solely because a Hospice East Bay managerial employee becomes employed by Chapters or a pre-Closing Chapters Affiliate (in which case severance benefits will be paid only if the managerial employee's position with Chapters or such pre-Closing Chapters Affiliate is eliminated). Eligibility of each manager, director and vice president level employee to potentially receive the severance benefits provided for in this Section 7.1(a) will be conditioned upon Chapters and Hospice East Bay receiving from such Hospice East Bay employee prior to the payment of any severance a duly executed and effective separation and release agreement in a form mutually acceptable to Chapters and Hospice East Bay in which such employee agrees to keep the terms associated with their severance benefits confidential and to fully release Hospice East Bay and Chapters from any and all liabilities and obligations upon the payment of severance benefits to which such employee may become entitled. Any severance benefits to be paid to

employees of Hospice East Bay pursuant to this Section 7.1(a) will be paid out of Hospice East Bay's pre-Closing assets. In anticipation of potentially paying the severance benefits described in this Section 7.1(a), Hospice East Bay will prior to the Closing reserve on its financial statements the following amounts: (a) five percent (5%) of the maximum potential aggregate amount of severance benefits that could become due and payable to Hospice East Bay's regular full-time and part-time non-management employees; and (b) fifty percent (50%) of the maximum potential aggregate amount of severance benefits that could become due and payable to Hospice East Bay's manager level, director level and vice-president level employees. Hospice East Bay's managerial employees that remain in good standing will continue to participate in any existing Hospice East Bay bonus incentive plan that may exist for 2024 and any bonus earned for 2024 will be paid in accordance with the terms of that plan. Commencing with calendar year 2025, Hospice East Bay's executive employees will participate in Chapters' bonus incentive plan and any bonuses that are paid will be in accordance with such plan.

- (b) Attached as Schedule 7.1(b) is a list of all employment agreements, severance agreements and plans, retention agreements, and plans, and all other similar agreements and plans of every kind and nature that create outstanding obligations owed by Hospice East Bay to any employee or former employee of Hospice East Bay.
- (c) Notwithstanding anything to the contrary, those employees represented by the National Union for Health Care Workers or any other labor union or organization shall receive the compensation, benefits, and other protections, including without limitation any severance benefits, as contemplated under the applicable collective bargaining agreement or similar agreement, if any. If no such collective bargaining agreement or similar agreement exists as of the Closing, then such employees represented by the National Union for Health Care Workers or any other labor union or organization shall be eligible for the severance benefits described in Section 7.1(a) until a collective bargaining agreement or similar agreement takes effect.

7.2 Restricted Funds.

Chapters and Hospice East Bay will continue to be bound by and honor the terms of all endowments and/or donor-restricted funds, and the beneficial interests of the Parties in any gifts or bequests shall continue. Future contributions to each of the Parties, whether under will, deed of trust or otherwise, shall be treated as contributions to the named Party.

7.3 Restrictions on Use of Hospice East Bay Assets; Maintenance of Specialty Programs.

After the Effective Time all assets of Hospice East Bay will continue to be used for qualifying healthcare and charitable purposes. All assets on Hospice East Bay's balance sheet as of the Closing and any proceeds from the sale of any real property or health facility owned by Hospice East Bay as of the Closing net of any gains or losses on invested assets, including, without limitation (i) that certain real property located at 3470 Buskirk Avenue, Pleasant Hill, California 94523 and (ii) the Bruns House inpatient hospice facility located at 2849 Miranda Avenue, Alamo,

California 94507, will, unless otherwise decided by vote of the Hospice East Bay board (excluding board members who are also Chapters officers or employees), be irrevocably dedicated to use in the Service Area. A copy of Hospice East Bay's balance sheet as of the Closing will be attached hereto and made a part hereof as Schedule 7.3. For five (5) years after the Closing, Chapters shall not take any action to restrict, prohibit or limit Hospice East Bay's ability to maintain existing "specialty" programs that include the Bruns House, Veterans Program, Bridge Program (grief services for children and teens) and Music Therapy as long as any operating losses from those programs can be funded through a combination of Hospice East Bay's fundraising efforts and non-reserved investments.

7.4 Local Fundraising; Charitable Contributions.

To the extent that after the Effective Time Hospice East Bay engages in retail thrift store operations designed to support local programs, or local fundraising or receives charitable contributions or grants, the net income of all such efforts will, unless otherwise decided by vote of the Hospice East Bay board (excluding board members who are also Chapters officers or employees), be irrevocably dedicated for use in the Service Area.

7.5 Access to Information.

The Parties acknowledge that, subsequent to the Effective Time, Chapters and Hospice East Bay may need access to information and documents in the control or possession of the other for purposes of completing the Transaction, audit preparation, compliance with Laws and other legitimate business purposes. The Parties agree that they will provide such information and documents in their possession or control to the other Parties, their attorneys and independent auditors as shall be reasonably necessary or appropriate for the purposes described in this Section 7.3, subject to all applicable Laws, specifically including the Laws pertaining to antitrust and competition.

ARTICLE 8

CONDITIONS PRECEDENT TO OBLIGATIONS OF CHAPTERS

The obligations of Chapters hereunder are subject to the satisfaction, on or prior to the Closing Date, of the following conditions unless waived in writing by Chapters:

8.1 Representations and Warranties.

The representations and warranties of Hospice East Bay contained in this Agreement and in any document, instrument or certificate delivered hereunder shall be true and correct in all material respects at and as of the date of this Agreement and on the Closing Date with the same force and effect as if made as of the Closing (except to the extent expressly made as of an earlier date, in which case as of such earlier date).

8.2 Performance.

Hospice East Bay shall have performed and complied, in all material respects, with all agreements, obligations and covenants contained in this Agreement that are required to be performed or complied with by Hospice East Bay at or prior to the Closing.

8.3 No Material Adverse Effect.

No Material Adverse Effect shall have occurred.

8.4 Pre-Closing Confirmations by Governmental Authorities.

Chapters shall have obtained documentation or other evidence reasonably satisfactory to Chapters that the Parties have received all those Approvals and Permits set forth on Schedule 8.4.

8.5 Action/Proceeding.

No court or any other Governmental Authority shall have issued an Order restraining or prohibiting the Transaction (that, if not permanent, has not been lifted or vacated or otherwise is no longer in effect); no Governmental Authority shall have commenced or threatened in writing to commence any Proceeding before any court of competent jurisdiction or other Governmental Authority that seeks to restrain or prohibit the consummation of the Transaction or otherwise seeks a remedy which would reasonably be expected to materially and adversely affect the operation of the Business; and none of the Justice Department, FTC, California Attorney General, California Department of Public Health, or California Office of Health Care Affordability shall have requested, orally or in writing, that Chapters delay, postpone or forebear from the Closing.

8.6 Closing Documents.

Hospice East Bay shall have executed and delivered to Chapters all of the documents and other items required to be delivered by Hospice East Bay as contemplated by Section 3.2 or otherwise pursuant to any term or provision of this Agreement.

8.7 Post-Closing Compliance with Laws and Regulations.

Chapters shall have received such reasonable assurances as it determines to be reasonably necessary to confirm that the Transaction described in this Agreement and the post-Closing operations and affairs of Chapters and Hospice East Bay will comply with all applicable Laws, including those relating to antitrust and competition, and that all other outstanding substantive and regulatory issues have been resolved to the satisfaction of Chapters.

8.8 Tax-Exempt Status of Hospice East Bay.

Chapters shall have received such reasonable assurances as it deems reasonably necessary to confirm that, since the date of this Agreement, (i) no changes in Law shall have occurred and (ii) no changes in facts and circumstances (excluding these that were either reasonably foreseeable or caused by or within the control of Chapters) shall have transpired, that in either case cause the

Code § 501(c)(3) federal income tax-exempt status of Hospice East Bay to be placed in jeopardy by the Closing of the Transaction.

8.9 Completion of Due Diligence.

Chapters shall have completed such due diligence of Hospice East Bay, and the Hospice East Bay Assets as it deems appropriate and shall be satisfied with the results thereof in its sole discretion.

8.10 Approvals.

All actions to be taken by Hospice East Bay in connection with the execution, delivery, and performance of this Agreement and the ancillary documents, the consummation of the Transaction contemplated hereby or thereby, and all consents, certificates, documents, instruments, agreements and government approvals required to effect the Transaction contemplated hereby or thereby shall be reasonably satisfactory in form and substance to Chapters.

8.11 Schedules, Exhibits, Attachments, and Ancillary Documents.

The Schedules delivered by Hospice East Bay shall be complete to the reasonable satisfaction of Chapters and all Exhibits, attachments, and ancillary documents shall be in the form and substance reasonably satisfactory to Chapters.

8.12 Further Assurances.

Chapters shall have received such consents, certificates, documents, instruments, and agreements as may reasonably be required by it to carry out and consummate the Transaction contemplated hereby and to evidence the fulfillment of the agreements herein contained and the performance of all the conditions to the consummation of the Transaction.

ARTICLE 9

CONDITIONS PRECEDENT TO OBLIGATIONS OF HOSPICE EAST BAY

The obligations of Hospice East Bay hereunder are subject to the satisfaction, on or prior to the Closing Date, of the following conditions unless waived in writing by Hospice East Bay:

9.1 Representations and Warranties.

The representations and warranties of Chapters contained in this Agreement and in any document, instrument or certificate delivered hereunder shall be true and correct in all material respects at and as of the date of this Agreement and on the Closing Date with the same force and effect as if made as of the Closing (except to the extent expressly made as of an earlier date, in which case as of such earlier date).

9.2 Performance.

Chapters shall have performed and complied, in all material respects, with all agreements, obligations and covenants contained in this Agreement that are required to be performed or complied with by Chapters at or prior to the Closing.

9.3 No Material Adverse Effect.

No Material Adverse Effect shall have occurred.

9.4 Pre-Closing Confirmations by Governmental Authorities.

Hospice East Bay shall have obtained documentation or other evidence reasonably satisfactory to Hospice East Bay that the Parties have received such Approvals and Permits as set forth on Schedule 9.4.

9.5 Action/Proceeding.

No court or any other Governmental Authority shall have issued an Order restraining or prohibiting the Transaction (that, if not permanent, has not been lifted or vacated or otherwise is no longer in effect); no Governmental Authority shall have commenced or threatened in writing to commence any Proceeding before any court of competent jurisdiction or other Governmental Authority that seeks to restrain or prohibit the consummation of the Transaction or otherwise seeks a remedy which would reasonably be expected to materially and adversely affect the operation of the Business; and none of the Justice Department, FTC, California Attorney General, or California Department of Public Health, or California Office of Health Care Affordability shall have requested, orally or in writing, that Hospice East Bay delay, postpone or forebear from the Closing.

9.6 Closing Documents.

Chapters shall have executed and delivered to Hospice East Bay all of the documents and other items required to be delivered by Chapters as contemplated by Section 3.3 or otherwise pursuant to any term or provision of this Agreement.

9.7 Post-Closing Compliance with Laws and Regulations.

Hospice East Bay shall have received such reasonable assurances as it determines to be reasonably necessary to confirm that the Transaction described in the Agreement and the post-Closing operations and affairs of Chapters and Hospice East Bay will comply with all applicable Laws, including those relating to antitrust and competition, and that all other outstanding substantive and regulatory issues have been resolved to the satisfaction of Hospice East Bay.

9.8 Tax-Exempt Status of Chapters.

Hospice East Bay shall have received such reasonable assurances as it deems reasonably necessary to confirm that, since the date of this Agreement, (i) no changes in Law shall have occurred and (ii) no changes in facts and circumstances (excluding those that were either reasonably foreseeable or caused by or within the control of Hospice East Bay) shall have

transpired, that in either case cause the Code § 501(c)(3) federal income tax-exempt status of Chapters, to be placed in jeopardy by the Closing of the Transaction.

9.9 Completion of Due Diligence.

Hospice East Bay shall have completed such due diligence of Chapters as Hospice East Bay deems appropriate and shall be satisfied with the results thereof in its sole discretion.

9.10 Approvals.

All actions to be taken by Chapters in connection with the execution, delivery, and performance of this Agreement and the ancillary documents, the consummation of the Transaction contemplated hereby or thereby, and all consents, certificates, documents, instruments, agreements and governmental approvals required to effect the Transaction contemplated hereby or thereby shall be reasonably satisfactory in form and substance to Hospice East Bay.

9.11 Schedules, Exhibits, Attachments, and Ancillary Documents.

The Schedules delivered by Chapters shall be complete to the reasonable satisfaction of Hospice East Bay and all Exhibits, attachments, and ancillary documents shall be in the form and substance reasonably satisfactory to Hospice East Bay.

9.12 Chapters West.

Hospice East Bay shall have received such evidence as it deems reasonably satisfactory to confirm that (i) at least two (2) independent not for profit hospice organizations in addition to Hospice East Bay have entered into binding affiliation agreements to affiliate with Chapters and participate in Chapters West and (ii) if such affiliation transactions have not closed by the Closing Date, Chapters has no Knowledge of any violation, breach, default or other condition related to such affiliation agreements that could reasonably be expected to result in a failure to close the transactions contemplated by such affiliation agreements.

9.13 Further Assurances.

Hospice East Bay shall have received such consents, certificates, documents, instruments and agreements as may reasonably be required by it to carry out and consummate the Transaction contemplated hereby and to evidence the fulfillment of the agreements herein contained and the performance of all of the conditions to the consummation of such Transaction.

ARTICLE 10
TERMINATION

10.1 Termination Prior to Closing.

This Agreement may be terminated and the Transaction may be abandoned at any time prior to the Closing only as follows:

- (a) by mutual consent in writing of Chapters and Hospice East Bay;
- (b) by Hospice East Bay, if Chapters breaches in any material respect any of the representations, warranties, covenants or other agreements of Chapters contained in this Agreement, which breach has not been waived in writing or cannot be or has not been cured within thirty (30) calendar days after the giving of written notice by Hospice East Bay to Chapters specifying such breach;
- (c) by Chapters, if Hospice East Bay breaches in any material respect any of the representations, warranties, covenants or other agreements of Hospice East Bay contained in this Agreement, which breach has not been waived in writing or cannot be or has not been cured within thirty (30) calendar days after the giving of written notice by Chapters to Hospice East Bay specifying such breach;
- (d) by Chapters or Hospice East Bay, if any court or any other Governmental Entity issues an order restraining or prohibiting such Party from consummating the Transaction and such order becomes final and non-appealable;
- (e) by Hospice East Bay, if satisfaction of any of the conditions in ARTICLE 9 is or becomes impossible and Hospice East Bay has not waived such condition in writing; provided that in each case the failure to satisfy the applicable condition or conditions has occurred by reason other than (A) through the failure of Hospice East Bay to comply with its obligations under this Agreement, or (B) Chapters' failure to provide its closing deliveries on the Closing Date is as a result of Hospice East Bay not being ready, willing and able to close the Transaction on the Closing Date;
- (f) by Chapters, if satisfaction of any of the conditions in ARTICLE 8 is or becomes impossible and Chapters has not waived such condition in writing; provided that in each case the failure to satisfy the applicable condition or conditions has occurred by reason other than (A) through the failure of Chapters to comply with their obligations under this Agreement, or (B) Hospice East Bay's failure to provide its closing deliveries on the Closing Date is as a result of Chapters not being ready, willing and able to close the Transaction on the Closing Date; or
- (g) by either Chapters or Hospice East Bay, if the Closing has not occurred (other than through the failure of any Party seeking to terminate this Agreement to comply in all material respects with its obligations under this Agreement) on or before December 31, 2024, or such other date as mutually agreed in writing by the Parties.

10.2 Effect of Termination Prior to Closing.

In the event that this Agreement is terminated by either Chapters or Hospice East Bay pursuant to Section 10.1, this Agreement shall forthwith become void and have no effect, and all rights and obligations of the Parties under this Agreement shall terminate, without any liability or obligation of any Party to any other Party of any nature or kind whatsoever (whether at law or in equity or otherwise), except that the provisions of this ARTICLE 10, ARTICLE 11 and Section 12.6 shall survive such termination, and nothing contained in this Agreement shall relieve any Party hereto from liability for damages resulting from any failure to perform any of its covenants or obligations set forth in this Agreement.

ARTICLE 11
ADDITIONAL AGREEMENTS

11.1 Exclusivity.

During the period from the date of this Agreement to the earlier of (i) the Closing Date or (ii) the date on which discussions with respect to a potential Transaction have been terminated by either Party pursuant to Section 10.1 and any applicable cure periods have expired:

- (a) Hospice East Bay will not (i) offer for lease, sale, divestiture or other disposition its assets and operations (or any material portion thereof), or any ownership or membership interest in Hospice East Bay; (ii) solicit offers to lease, sell, divest or otherwise dispose of its assets and operations (or any material portion thereof), or any ownership or membership interest in Hospice East Bay; (iii) hold discussions with any party (other than Chapters) looking toward any such transaction, offer or solicitation such as those referenced in subsections (i) and (ii) above; (iv) enter into any agreement with any party (other than Chapters) with respect to the lease, sale, divestiture or other disposition of its assets and operations (or any material portion thereof) or with respect to any ownership or membership interest in Hospice East Bay, or with respect to any merger, consolidation or other fundamental transaction, or (v) furnish or cause to be furnished any information with respect to Hospice East Bay, its assets or operations to any party that Hospice East Bay knows or has reason to believe is in the process of considering any such acquisition, lease, sale, membership substitution, merger, consolidation or other transaction. Hospice East Bay shall immediately cease and cause to be terminated any existing discussions or negotiations with any third parties conducted heretofore with regard to any of the foregoing.

- (b) Chapters, solely with respect to any transaction involving hospice services in the Counties of Contra Costa, Alameda or Solano in the State of California, will not (A) hold discussions with any other party (other than Hospice East Bay) looking toward any transaction, offer or solicitation such as the types of transactions referenced in subsections (i) and (ii) of the preceding sentence; (B) enter into any agreement with any party (other than Hospice East Bay) with respect to the lease, sale, divestiture or other disposition of its assets and operations (or any material portion thereof) or with respect to any ownership or membership interest in any

entity, or with respect to any merger, consolidation or other fundamental transaction, or (C) furnish or cause to be furnished any information with respect to Chapters, its assets or operations to any party that Chapters knows or has reason to believe is in the process of considering any such acquisition, lease, sale, membership substitution, merger, consolidation or other transaction. Chapters shall immediately cease and cause to be terminated any existing discussions or negotiations with any third parties conducted heretofore with respect to any of the foregoing.

11.2 Confidentiality.

Each Party agrees to remain subject to and bound by the terms of that certain mutual non-disclosure agreement dated as of March 1, 2024 (the "Confidentiality Agreement"), which is incorporated by reference into this Agreement, until the Closing; provided, however, that if this Agreement is terminated pursuant to Section 10.1 herein, the Confidentiality Agreement shall survive any such termination and shall continue in full force and effect thereafter in accordance with its terms, conditions, and other provisions with the exception of any exclusive dealing covenants which shall be deemed terminated and no longer of any force or effect. Neither Party will make any public disclosure or issue any press releases pertaining to the existence or terms and conditions of this Agreement or the Transaction between the Parties without having first obtained the written consent of the other Party, except for communications with governmental or regulatory agencies as may be legally required, necessary or appropriate solely with respect to the Transaction, and which are not inconsistent with the prompt consummation of a Transaction as contemplated by this Agreement. Neither Party will encourage any third party to make any public comment concerning the Transaction. All public communications regarding the Transaction will be made only in accordance with a mutually agreed upon communication plan. The Parties will coordinate with one another as to any communications to their respective employees and medical staff, as applicable, relating to the Transaction prior to the communication of the same.

11.3 Enforcement of Agreement.

- (a) To the extent that a dispute develops with regard to the Agreement and does not implicate issues related to compliance with law or concerns regarding patient safety or clinical care standards, the Parties agree that prior to filing a suit in court either Party may initiate arbitration by providing notice to the other Party (an "Arbitration Notice"), which shall specify the issues to be resolved in such arbitration. Unless otherwise agreed by the Parties, the arbitration will be before a single mutually acceptable independent, impartial and conflicts-free arbitrator selected in accordance with Rule 3.2 of the AHILA Rules of Procedure for Commercial Arbitration. The arbitration hearing will be conducted in the Service Area on a date that is no more than forty-five (45) calendar days after the selection of the arbitrator.
- (b) The arbitration process shall include a pre-hearing exchange of exhibits and summary of witness testimony upon which each Party is relying, proposed rulings and remedies on each issue, and a brief in support of each Party's proposed rules and remedies not to exceed twenty (20) pages in length. The pre-hearing exchange must be completed no later than ten (10) calendar days prior to the hearing date.

Any disputes relating to the pre-hearing exchange shall be resolved by the arbitrator. The arbitration shall be a “baseball style” arbitration by which the arbitrator shall not be required to adopt in its entirety the proposed ruling and remedy of one of the Parties on each disputed issue but may adopt one Party’s proposed rulings and remedies on some issues and the other Party’s proposed rulings and remedies on other issues. The arbitrator shall not have the power to commit errors of law or decline to enforce the terms of this Agreement. The arbitrator shall rule within fourteen (14) calendar days following the hearing and shall issue a written opinion sufficient to clearly inform the Parties of the arbitrator’s decision.

- (c) The arbitrator shall be paid a reasonable fee plus expenses. Such fee and expenses, along with the AHLA’s fees and the reasonable legal fees and the expenses of the prevailing Party (including all expert witness fees and expenses), the fees and expenses of a court reporter, and any expenses for a hearing room, shall be paid as follows: (i) if the arbitrator rules in favor of one Party on all disputed issues in the arbitration, the losing Party shall pay one hundred percent (100%) of all such fees and expenses; (ii) if the arbitrator rules in favor of one Party on some issues and the other Party on the other issues, the arbitrator shall issue with the rulings a written determination as to how such fees and expenses shall be allocated between the Parties. The arbitrator shall allocate fees and expenses in a way that bears a reasonable relationship to the outcome of the arbitration, with the Party prevailing on more issues, or on issues of greater value or gravity, recovering a relatively larger share of its legal fees and expenses.
- (d) The Parties agree that the Hospice East Bay board (excluding board members who are also Chapters officers or employees) may by majority vote authorize and direct Hospice East Bay to initiate arbitration proceedings in accordance with this Section 11.3.

11.4 Injunctive Relief.

- (a) Chapters agrees that Hospice East Bay would be damaged irreparably in the event that Chapters breaches any of the provisions of this Agreement or fails to perform such provisions in accordance with their specific terms. Accordingly, Chapters agrees that Hospice East Bay shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any state thereof, or in any arbitration, having jurisdiction over the Parties and the matter, in addition to any other remedy to which it may be entitled, at law or in equity.
- (b) Hospice East Bay agrees that Chapters would be damaged irreparably in the event that Hospice East Bay breaches any of the provisions of this Agreement or fails to perform such provisions in accordance with their specific terms. Accordingly, Hospice East Bay agrees that Chapters shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action

instituted in any court of the United States or any state thereof, or in any arbitration, having jurisdiction over the Parties and the matter, in addition to any other remedy to which it may be entitled, at law or in equity.

ARTICLE 12
GENERAL

12.1 Notice.

Any notice, demand or communication required, permitted, or desired to be given under this Agreement (“Notice”) shall be deemed effectively given (a) when personally delivered (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by email (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next business day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications, must be sent to the respective Parties at the following addresses (or at such other address as shall be specified in a Notice given in accordance with this Section 12.1):

If to Chapters:	Chapters Health System, Inc. 12470 Telecom Drive, Suite 300 West Temple Terrace, FL 33637 Attention: Andrew K. Molosky, President & CEO Email: moloskya@chaptershealth.org
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with copy to (which shall not constitute notice):	Buchanan Ingersoll & Rooney PC 401 E. Jackson Street, Suite 2400 Tampa, FL 33602 Attention: Dale S. Webber, Esquire Email: dale.webber@bipc.com
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If to Hospice East Bay:	East Bay Integrated Care, Inc. d/b/a Hospice East Bay 3470 Buskirk Avenue Pleasant Hill, CA 94523 Attention: Bill Musick, Interim President & CEO
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with a copy to: (which shall not constitute notice):	Hooper, Lundy & Bookman, P.C. 1875 Century Park East, Suite 1600 Los Angeles, CA 90067 Attention: Robert F. Miller, Esquire Email: rmiller@hooperlundy.com
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12.2 Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement, binding on all of the Parties hereto. One or more of such counterparts may be delivered via facsimile, email or other electronic format, and the Parties intend that they shall have the same legal force and effect as an original counterpart hereof.

12.3 Choice of Law; Waiver of Trial by Jury; Venue; Limitation on Damages.

- (a) The Parties agree that this Agreement shall be governed by and construed in accordance with the laws of the State of California without giving effect to any choice or conflicts of law provision or rule thereof (whether of the State of California or any other jurisdiction). Any legal proceeding, action or suit arising out of or related to the Transaction may be instituted in the federal courts of the United States of America located in the Northern District of California or the courts of the State of California located in the County of Contra Costa, and each Party irrevocably submits to the exclusive jurisdiction of such courts in any such proceeding, action or suit.
- (b) EACH PARTY ABSOLUTELY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHTS TO TRIAL BY JURY IN CONNECTION WITH ANY PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTION.
- (c) NOTWITHSTANDING ANYTHING TO THE CONTRARY ELSEWHERE IN THIS AGREEMENT, NO PARTY TO THIS AGREEMENT (OR ANY OF ITS AFFILIATES) SHALL, IN ANY EVENT, BE LIABLE TO THE OTHER PARTIES (OR ANY OF THEIR AFFILIATES) FOR SPECIAL, CONSEQUENTIAL, PUNITIVE, EXEMPLARY, INCIDENTAL OR INDIRECT DAMAGES, COSTS, EXPENSES, CHARGES OR CLAIMS.

12.4 Benefit; Assignment.

Subject to any specific provisions of this Agreement to the contrary, this Agreement is not assignable by any Party hereto without the prior written consent of the other Party.

12.5 Reproduction of Documents.

This Agreement and all documents relating hereto, including (a) consents, waivers and modifications which may hereafter be executed, (b) the documents delivered at the Closing, and (c) certificates and other information previously or hereafter furnished by one Party to the others, may, subject to the provisions of Section 11.2 hereof, be reproduced by any photographic, photostatic, microfilm, photographic or other similar process. Hospice East Bay and Chapters agree and stipulate that any such reproduction shall be admissible in evidence as the original itself

in any judicial, arbitral or administrative Proceeding (whether or not the original is in existence) and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

12.6 Costs of Transaction.

Except as otherwise provided herein, the Parties agree as follows:

- (a) whether or not the Transaction shall be consummated, Hospice East Bay will pay the fees, expenses and disbursements of Hospice East Bay and its agents, representatives, accountants, and counsel incurred in connection with the Transaction or this Agreement; and
- (b) whether or not the Transaction shall be consummated, Chapters will pay the fees, expenses and disbursements of Chapters and its agents, representatives, accountants, and counsel incurred in connection with the Transaction or this Agreement.

12.7 Waiver of Breach.

No waiver by any Party of any provision of this Agreement or any breach or violation of any provision of this Agreement, whether intentional or not, shall be valid unless the same shall be in writing and signed by the Party making such waiver. The waiver by any Party of any breach or violation of any provision of this Agreement shall not operate as, or be construed to constitute, a waiver of any subsequent breach of the same or other provision hereof.

12.8 Severability.

In the event any provision of this Agreement is held to be invalid, illegal or unenforceable for any reason and in any respect, such invalidity, illegality, or unenforceability shall in no event affect, prejudice or disturb the validity of the remainder of this Agreement, unless doing so would result in an interpretation of this Agreement that is manifestly unjust.

12.9 No Inferences.

Inasmuch as this Agreement is the result of negotiations between sophisticated Parties of equal bargaining power represented by counsel, no inference in favor of, or against, either Party shall be drawn from the fact that any portion of this Agreement has been drafted by or on behalf of such Party.

12.10 Sections and Headings.

The division of this Agreement into sections and subsections and the use of captions and headings in connection therewith are solely for convenience and shall have no legal effect in construing the provisions of this Agreement.

12.11 No Third-Party Beneficiaries.

The terms and provisions of this Agreement are intended solely for the benefit of Chapters and Hospice East Bay and their respective permitted successors or assigns, and it is not the intention of the Parties to confer, and this Agreement shall not confer, third-party beneficiary rights upon any other Person.

12.12 Entire Agreement; Amendment.

Except for the Confidentiality Agreement, this Agreement (together with the Schedules and Exhibits attached hereto) constitutes the entire agreement of the Parties with respect to the subject matter hereof, and supersedes all prior or contemporaneous statements, communications, disclosures, failures to disclose, agreements, understandings, representations, warranties, promises, or covenants, whether oral, written, or otherwise, between or among the Parties with respect to such subject matter hereof other than those expressly set forth in this Agreement and the Confidentiality Agreement, as applicable. No modification or amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by all of the Parties.

12.13 Schedules and Exhibits.

Schedules and Exhibits referred to in this Agreement shall be attached hereto and incorporated herein by reference. Notwithstanding any other provision hereof, should any Schedule or Exhibit not be completed and attached hereto as of the date hereof, Chapters and Hospice East Bay shall promptly and in good faith prepare and finalize such Schedule and Exhibit as soon as reasonably practical, but no later than ten (10) calendar days prior to the Closing. The Parties shall also have the right to modify their respective Schedules and Exhibits after being submitted to the reviewing Party, provided that any such update shall be provided to the reviewing Party at least ten (10) calendar days prior to the Closing. In the event that any Schedule or Exhibit, or updated Schedule or Exhibit materially changes the terms of the Transaction, the reviewing Party may terminate this Agreement by giving written notice thereof to the other Party within five (5) calendar days after such reviewing Party has received any such Schedule or Exhibit. If such reviewing Party does not terminate this Agreement in accordance with the provisions of this Section 12.13 after such reviewing Party has received any such Schedule or Exhibit, such reviewing Party shall have been deemed to have accepted such Schedule or Exhibit, and any representation or warranty to which it relates shall be deemed qualified and amended to include the matters contained in such Schedule or Exhibit, and to have cured any misrepresentation or breach thereof that otherwise might have existed or occurred hereunder or thereunder or in respect thereof. All Schedules and Exhibits and updated Schedules and Exhibits to be provided pursuant to this Section 12.13 shall be submitted to the reviewing Party in accordance with the notice provisions set forth in Section 12.1 of this Agreement. Nothing in this Section 12.13 is intended as a waiver of either Party's conditions precedent to Closing under ARTICLE 8 or ARTICLE 9, respectively.

12.14 Further Assurances.

On and after the Closing Date, Chapters and Hospice East Bay will take all appropriate action and execute all documents, instruments or conveyances of any kind which may be reasonably necessary or advisable to carry out the terms and conditions of this Agreement.

12.15 Waiver of Certain Damages.

In no event shall any Party be entitled to recover or make a claim under this Agreement for any amounts in respect of, and in no event shall any damages, liabilities, costs, expenses, losses, or other adverse consequences be deemed to include, (a) punitive damages (unless payable to a third party), (b) consequential, incidental, special, or indirect damages, or (c) lost profits, loss of future revenue or income, or any diminution of value or similar damages based on “multiple of profits” or “multiple of cash flow” or other valuation methodology, whether or not such damages were reasonably foreseeable or the Parties contemplated that such damages would be a probable result of a breach of this Agreement.

12.16 Survival.

None of the representations and warranties in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time. No Party shall have any liability (whether in contract or in tort or otherwise) from and after the Effective Time arising out of or relating to any representation or warranty of such Party contained herein or in any instrument delivered pursuant hereto; and, from and after the Effective Time, each Party hereby waives, to the fullest extent permitted by Law, any and all claims, rights or remedies such Party may have (whether at law or in equity or otherwise) against another Party arising out of or relating to any breach or misrepresentation by such other Party of any its representations or warranties in this Agreement or in any instrument delivered pursuant to this Agreement. This Section 12.16 shall not limit any covenant or agreement of the Parties which by its terms contemplates performance after the Effective Time.

[Remainder of Page Intentionally Left Blank]

[Signatures on the Following Page]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their authorized officers, all as of the date and year first above written.

CHAPTERS:

**CHAPTERS HEALTH SYSTEM, INC., a
Florida not for profit corporation**

DocuSigned by:
By: 
302F93DDE0A2

Name:
Andrew K. Molosky

Title:
President and CEO

HOSPICE EAST BAY:

**EAST BAY INTEGRATED CARE, INC.
d/b/a HOSPICE EAST BAY, a California
nonprofit public benefit corporation**

DocuSigned by:

ABA1E4EA46C948E

Name:
Bill Musick

Title:
Interim CEO

Certificate Of Completion

Envelope Id: 908EF55A1D2E4CF79B5B3D07994F239C
Subject: Complete with DocuSign: Chapters Hospice East Bay Affiliation Agreement
Source Envelope:
Document Pages: 66
Certificate Pages: 5
AutoNav: Enabled
EnvelopeId Stamping: Enabled
Time Zone: (UTC-05:00) Eastern Time (US & Canada)

Status: Completed
Envelope Originator:
Kelly Hahn
kelly.hahn@bipc.com
IP Address: 170.55.152.10

Record Tracking

Status: Original
10/2/2024 10:16:04 AM
Holder: Kelly Hahn
kelly.hahn@bipc.com

Location: DocuSign

Signer Events

Andrew K. Molosky
Moloskya@chaptershealth.org
President and CEO
Security Level: Email, Account Authentication (None)

Signature

DocuSigned by:
Signature Adoption: Pre-selected Style
Using IP Address: 163.116.250.48

Timestamp

Sent: 10/2/2024 10:26:36 AM
Viewed: 10/2/2024 11:07:14 AM
Signed: 10/2/2024 11:07:31 AM

Electronic Record and Signature Disclosure:
Accepted: 10/2/2024 11:07:14 AM
ID: 1f75bab7-f4e4-452e-aeb1-d71a280494c2

Bill Musick
billm@hospiceeastbay.org
Interim CEO
Hospice East Bay
Security Level: Email, Account Authentication (None)

DocuSigned by:
Signature Adoption: Pre-selected Style
Using IP Address: 12.172.78.2

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Viewed: 10/3/2024 4:05:26 PM
Signed: 10/4/2024 11:21:22 AM

Electronic Record and Signature Disclosure:
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In Person Signer Events

Signature

Timestamp

Editor Delivery Events

Status

Timestamp

Agent Delivery Events

Status

Timestamp

Intermediary Delivery Events

Status

Timestamp

Certified Delivery Events

Status

Timestamp

Carbon Copy Events

Status

Timestamp

Dale Webber
Dale.webber@bipc.com
Security Level: Email, Account Authentication (None)

COPIED

Sent: 10/4/2024 11:21:23 AM
Viewed: 10/4/2024 3:06:31 PM

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

Witness Events

Signature

Timestamp

PUBLIC

Notary Events	Signature	Timestamp
Envelope Summary Events		
	Status	Timestamps
Envelope Sent	Hashed/Encrypted	10/2/2024 10:26:37 AM
Certified Delivered	Security Checked	10/3/2024 4:05:26 PM
Signing Complete	Security Checked	10/4/2024 11:21:22 AM
Completed	Security Checked	10/4/2024 11:21:23 AM
Payment Events		
	Status	Timestamps
Electronic Record and Signature Disclosure		

**DISCLOSURE SCHEDULES TO
AFFILIATION AGREEMENT**

by and between

CHAPTERS HEALTH SYSTEM, INC.,

and

**EAST BAY INTEGRATED CARE, INC.,
d/b/a HOSPICE EAST BAY**

September [●], 2024

THESE DISCLOSURE SCHEDULES (these “**Disclosure Schedules**”) have been prepared in connection with the execution and delivery of the Affiliation Agreement, dated as of September [●], 2024 (the “**Agreement**”), by and between Chapters Health System, Inc., a Florida not for profit corporation (“**Chapters**”) and East Bay Integrated Care, Inc. d/b/a Hospice East Bay, a California nonprofit public benefit corporation (“**Hospice East Bay**”). Chapters and Hospice East Bay are sometimes referred to individually in these Disclosure Schedules as a “**Party**” and collectively as the “**Parties**.” Capitalized terms used but not otherwise defined in these Disclosure Schedules have the respective meanings assigned to them in the Agreement.

These Disclosure Schedules are arranged according to the numbered sections contained in the Agreement, and the disclosure in any section of these Disclosure Schedules shall qualify (a) the corresponding section of the Agreement and (b) all other sections of the Agreement to which such disclosure may apply, so long as application to such section is reasonably apparent from such disclosure.

Nothing in these Disclosure Schedules constitutes an admission of any liability or obligation of either Party to any third party, nor an admission of any liability or obligation to any third party against the interests of either Party. In disclosing this information, the Parties do not waive any attorney-client privilege associated with any such information or any protection afforded by the “work product doctrine” with respect to any of the matters disclosed or discussed in these Disclosure Schedules.

Headings have been inserted on Sections of these Disclosure Schedules for the convenience of reference only and shall not affect the construction or interpretation of any of the provisions of the Agreement or these Disclosure Schedules. Any attachments to these Disclosure Schedules shall be deemed incorporated by reference into these Disclosure Schedules in their entirety.

Schedule 1.1

Permitted Liens

None.

Schedule 4.2(b)

Hospice East Bay Approvals and Permits

Notice or approval of the following agencies is expected to be required for this transaction:

- Change of ownership filings with the California Department of Public Health and the Centers for Medicare and Medicaid Services.
- Waiver or approval by California Attorney General
- Material change transaction filing with the California Office of Health Care Affordability
- Notice to Community Health Accreditation Partner

Schedules 4.2(c) and 4.2(d)

Hospice East Bay Exceptions to Noncontravention

None

Schedule 4.3

Subsidiaries; Minority Interests

None

Schedule 4.4

No Outstanding Rights

None

Schedule 4.5

Title to Assets

Owned Property:

- The office located at 3470 Buskirk Avenue, Pleasant Hill, CA 94523.
- The hospice inpatient facility located at 2849 Miranda Avenue, Alamo, CA 94507.

Leased Property:

1.	8th Amendment to Lease Premises: 444&442 Diablo Road (3700 SF) Dated: August 2, 2000 Signed: June 21, 2022 Green Valley Shopping Center Limited, a California Partnership (“Landlord”) Hospice of East Bay (“Tenant”)
2.	Standard Shopping Center Lease Premises: Green Valley Shopping Center, 444 Diablo Road, Danville, CA 94526 Green Valley Shopping Center, LTD (“Landlord”) Hospice of Contra Costa Foundation (“Tenant”)
3.	First Amendment to Lease (relative to Landlord’s and Tenant’s Work) Premises: Unit 1536, 1536-1560 Newell Avenue, Walnut Creek, California 94596 Dated: November 1, 2023 El Pinal Associates Newell, LLC (“Landlord”) East Bay Integrated Care, Inc. (“Tenant”)
4.	Lease Premises: Unit 1536, 1536-1560 Newell Avenue, Walnut Creek, California 94596 (3896 SF) Pro rata share: 18.9642% Dated: October 9, 2023 El Pinal Associates Newell, LLC (“Landlord”) East Bay Integrated Care, Inc. (“Tenant”)
5.	Morello/Martinez Shopping Center Lease Premises: 550 Morello Avenue, Suite A (4750 SF) Tenant’s proportionate share shall be 55% Dated: September 28, 2012
6.	General Lease Triple Net Premises: 3162 Danville, Blvd., Suite A, Alamo, CA (2010 SF) Dated: December 1, 2005 The Lineweaver Trust (“Landlord”) Hospice of Contra Costa Foundation (“Tenant”)

PUBLIC

7.	<p>First Addendum to Lease Dated December 1, 2005 Dated: March 16, 2010 The Lineweaver Trust (“Landlord”) Hospice of Contra Costa Foundation (“Tenant”)</p>
8.	<p>Amendment to Lease Dated: August 10, 1998 Premises: Property #1155 – 5350 Clayton Road, Concord, CA Dated: March 25, 2013 *A copy of a letter dated November 28, 2007 extending the Term of the Lease until August 31, 2013 was attached. Kin Properties, Inc. (“Landlord”) Hospice Foundation of the East Bay formerly known as Hospice of Contra Costa, Inc. (“Tenant”)</p>
9.	<p>Air Commercial Real Estate Association Standard Industrial/ Commercial Multi-Tenant Lease – Gross Premises: 2355 Whitman Road, Suite C, Concord, CA 94518 2765 SF Pro rata share: 7.3% Dated: March 5, 2014 Hofmann Plastering Company (“Lessor”) East Bay Integrated Care, Inc. (“Lessee”)</p>
10.	<p>Office Lease Bay Center Offices Emeryville, CA Premises: Suite 265, consisting of the 2nd floor of the Building 2,200 SF. Pro rata share 1.81% Dated: April 24, 2020 Bay Center Investor LLC (“Landlord”) East Bay Integrated Care, Inc. (“Tenant”)</p>
11.	<p>First Amendment and Extension of Lease Premises: 2,550 square feet of floor space located at 959 Contra Costa Blvd. Dated: December 20, 2021 Marie Gomes Farms, Inc. (“Landlord”) East Bay Integrated Care, Inc. dba Hospice of the East Bay (“Tenant”)</p>
12.	<p>Retail Lease Agreement Premises: 2,550 square feet of floor space located at 959 Contra Costa Blvd. (Casa Del Sol Shopping Center) Pro rata share: 11.9% Dated: January 13, 2017 Marie Gomes Farms, Inc. (“Landlord”) East Bay Integrated Care, Inc. dba Hospice of the East Bay (“Tenant”)</p>

Schedule 4.7

Financial Information

(i)

East Bay Integrated Care, Inc.		
Balance Sheets		
December 31, 2023 and 2022		
	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,980,962	\$ 2,814,765
Patient accounts receivable, net	4,559,962	4,210,407
Interest and dividends receivable	114,784	119,451
Prepaid expenses and other	607,697	470,627
Total current assets	8,263,405	7,615,250
Noncurrent Assets		
Beneficial interest in charitable trust	208,013	169,460
Investments	27,605,464	25,854,128
Property and equipment, net	7,124,993	7,364,542
Right of use assets - operating	2,097,652	2,172,761
Deposits	308,124	221,832
Total noncurrent assets	37,344,246	35,782,723
Total assets	\$ 45,607,651	\$ 43,397,973

East Bay Integrated Care, Inc.		
Balance Sheets		
December 31, 2023 and 2022		
	2023	2022
Liabilities and Net Assets		
Current Liabilities		
Line of credit	\$ -	\$ 338,508
Accounts payable	727,729	720,801
Accrued expenses	1,636,514	1,807,546
Funds held for others	4,851	5,078
Operating lease liability	632,804	703,555
Total current liabilities	3,001,898	3,575,488
Noncurrent Liabilities		
Operating lease liability, net of current portion	1,493,486	1,493,648
Total liabilities	4,495,384	5,069,136
Net Assets		
Without donor restrictions	39,459,039	36,737,660
With donor restrictions	1,653,228	1,591,177
Total net assets	41,112,267	38,328,837
Total liabilities and net assets	\$ 45,607,651	\$ 43,397,973

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East Bay Integrated Care, Inc.		
Statements of Operations		
Years Ended December 31, 2023 and 2022		
	2023	2022
Revenue, Gains, and Other Support Without Donor Restrictions		
Patient service revenue	\$ 27,745,652	\$ 28,777,320
Retail revenue	3,188,288	3,242,546
Special events, net	156,452	176,983
Other income	152	42
Net assets released from restriction for operations	311,049	246,040
Total revenues, gains, and other support	31,401,593	32,442,931
Expenses		
Salaries and benefits	22,817,805	23,781,514
Contract labor and services	2,442,545	2,473,099
Occupancy	2,170,873	2,204,635
Medical supplies and equipment	1,211,893	1,404,104
Other expenses	887,489	845,827
Pharmacy, therapies, hospital and laboratory	794,631	824,570
Professional fees	959,269	556,401
Depreciation	604,512	553,140
Inpatient facility	251,535	242,834
Patient related transportation	228,052	268,350
General liability insurance	291,725	233,367
Printing and office supplies	159,969	183,106
Education	58,568	123,070
Total expenses	32,878,866	33,694,017
Operating Loss	(1,477,273)	(1,251,086)
Other Income (Expense)		
Rental income	17,971	63,029
Investment income (loss)	3,346,371	(2,316,909)
Unrestricted contributions and grants	834,310	1,050,147
Total other income, net	4,198,652	(1,203,733)
Revenues in Excess of (Less Than) Expenses and Change in Net Assets Without Donor Restrictions	\$ 2,721,379	\$ (2,454,819)

East Bay Integrated Care, Inc.		
Statements of Changes in Net Assets		
Years Ended December 31, 2023 and 2022		
	2023	2022
Net Assets Without Donor Restrictions		
Revenues in excess of (less than) expenses and change in net assets without donor restrictions	\$ 2,721,379	\$ (2,454,819)
Net Assets With Donor Restrictions		
Contributions restricted by donors	291,405	188,023
Change in beneficial interest in charitable trust	38,553	(41,667)
Investment income (loss)	43,142	(36,020)
Net assets released from restrictions	(311,049)	(246,040)
Change in net assets with donor restrictions	62,051	(135,704)
Change in Net Assets	2,783,430	(2,590,523)
Net Assets, Beginning of Year	38,328,837	40,919,360
Net Assets, End of Year	\$ 41,112,267	\$ 38,328,837

PUBLIC

East Bay Integrated Care, Inc. Statements of Cash Flows Years Ended December 31, 2023 and 2022		
	2023	2022
Operating Activities		
Change in net assets	\$ 2,783,430	\$ (2,590,523)
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized (gain) loss on investments	(2,504,662)	3,119,161
Depreciation	604,512	553,140
Gain on disposal of capital asset	(823)	-
Change in beneficial interest of charitable trust	(38,553)	41,667
Changes in assets and liabilities		
Patient accounts receivable, net	(349,555)	(709,362)
Interest and dividends receivable	4,667	(19,715)
Contributions receivable	-	100,000
Prepaid expenses and other	(137,070)	25,469
Deposits	(86,292)	25,533
Accounts payable	6,928	50,808
Accrued expenses	(171,032)	(120,870)
Funds held for others	(227)	(976)
Operating lease assets and liabilities	4,196	24,442
Unearned revenue	-	(21,874)
Net Cash from Operating Activities	115,519	476,900
Investing Activities		
Purchases of investments	(11,051,880)	(8,982,839)
Donated securities	(54,245)	(75,134)
Proceeds from sales of investments	11,859,451	6,387,799
Purchases of property and equipment	(390,865)	(767,589)
Proceeds from sales of property and equipment	26,725	-
Net Cash from (used for) Investing Activities	389,186	(3,437,763)
Financing Activity		
Increase (decrease) in line of credit	(338,508)	338,508
Net Change in Cash and Cash Equivalents	166,197	(2,622,355)
Cash and Cash Equivalents, Beginning of Year	2,814,765	5,437,120
Cash and Cash Equivalents, End of Year	\$ 2,980,962	\$ 2,814,765
Supplemental Disclosure of Non-cash Investing and Financing Activity		
Lease liabilities arising from obtaining right of use assets	\$ 83,246	\$ -

(ii)

Consolidated Income Statement

SSS in Thousands (000's)	July						YTD July		
	Actual vs Budget			Actual vs Prior Month			YTD Actual vs YTD Budget		
	Actual	Budget	Var	Prior Month	Var	YTD Actual	YTD Budget	Var	
Revenue	\$ 2,243	\$ 2,530	\$ (287)	\$ 2,266	\$ (23)	\$ 17,569	\$ 17,635	\$ (66)	
Direct Labor	\$ 1,069	\$ 1,187	\$ 119	\$ 1,136	\$ 67	\$ 8,339	\$ 7,649	\$ (690)	
Direct Patient Related Expenses	\$ 196	\$ 206	\$ 9	\$ 190	\$ (6)	\$ 1,404	\$ 1,413	\$ 9	
Total Direct Expenses	\$ 1,265	\$ 1,393	\$ 128	\$ 1,326	\$ 61	\$ 9,743	\$ 9,063	\$ (681)	
Indirect Labor	\$ 878	\$ 968	\$ 90	\$ 983	\$ 106	\$ 6,546	\$ 6,267	\$ (280)	
Administrative Expenses	\$ 291	\$ 293	\$ 2	\$ 221	\$ (70)	\$ 1,777	\$ 2,010	\$ 233	
Facility-Related Expenses	\$ 199	\$ 174	\$ (25)	\$ 173	\$ (26)	\$ 1,265	\$ 1,204	\$ (61)	
Total Indirect Expenses	\$ 1,368	\$ 1,434	\$ 67	\$ 1,377	\$ 10	\$ 9,588	\$ 9,480	\$ (108)	
Total Operating Expenses	\$ 2,633	\$ 2,827	\$ 195	\$ 2,703	\$ 70	\$ 19,331	\$ 18,543	\$ (789)	
Operating Income/(Loss)	\$ (390)	\$ (298)	\$ (92)	\$ (437)	\$ 47	\$ (1,763)	\$ (908)	\$ (854)	

Balance Sheet

SSS in Thousands (000's)	Current Month		Prior Period	
	Jul 24		Jun 24	
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 1,944	\$	686	\$
Total AR-Net	\$ 4,281	\$	5,961	\$
Inventory	\$ 1	\$	1	\$
Prepaid Expenses	\$ 598	\$	579	\$
Other Current Assets	\$ 318	\$	308	\$
Total Current Assets	\$ 7,142	\$	7,535	\$
Fixed Equipments				
Property, Plant, & Equipment	\$ 12,484	\$	12,484	\$
Accumulated Depreciation	\$ (5,607)	\$	(5,555)	\$
Rights of Use Asset (net)	\$ 2,415	\$	2,480	\$
Total Fixed Assets	\$ 9,292	\$	9,409	\$
Investments	\$ 30,358	\$	29,983	\$
Total Assets	\$ 46,792	\$	46,927	\$
Liabilities & Equities				
Current Liabilities				
Accounts Payable	\$ 930	\$	1,080	\$
Accrued Payroll and Bonuses	\$ 819	\$	629	\$
Accrued PTO	\$ 776	\$	840	\$
Other Accrued Liabilities	\$ 338	\$	401	\$
Total Current Liabilities	\$ 2,872	\$	2,960	\$
Long Term Liabilities				
Other LT Liabilities	\$ -	\$	-	\$
LT Capital Lease Liability	\$ 2,122	\$	2,122	\$
Total Liabilities	\$ 4,994	\$	5,082	\$
Fund Balances				
Fund Balance	\$ 39,459	\$	39,459	\$
Current Year Earnings	\$ 687	\$	733	\$
Temporarily Restricted	\$ 1,153	\$	1,153	\$
Permanently Restricted	\$ 500	\$	500	\$
Total Fund Balance	\$ 41,799	\$	41,845	\$
Total Liabilities & Fund Balance	\$ 46,792	\$	46,927	\$

4.7(c) N/A

Schedule 4.8

Material Licenses

AGENCY	TYPE OF LICENSE / PERMIT	ENTITY HOLDING LICENSE	LICENSE NUMBER	EFFECTIVE DATE	EXPIRATION DATE
State of California Department of Public Health	Hospice Facility Bed Classification / Services / Stations “6 Hospice”	East Bay Integrated Care, Inc. – Bruns House 2849 Miranda Avenue Alamo, CA 94507-1443	020000650	03/25/2024	03/24/2025
State of California Department of Public Health	Hospice Approved Services: Palliative Care - Pilot	Hospice of the East Bay 3470 Buskirk Avenue Pleasant Hill, CA 94523- 4316 Approved Other Hospice Locations Hospice of the East Bay 6425 Christie Avenue, Suite 265 Emeryville, CA 94608	070000568	11/01/2022	10/31/2024
State of California Department of Public Health	Hospice	Hospice of the East Bay 3470 Buskirk Avenue Pleasant Hill, CA 94523- 4316 Approved Other Hospice Locations Hospice of the East Bay 6425 Christie Avenue, Suite 265 Emeryville, CA 94608	070000568	11/01/2022	10/31/2024
City of Emeryville	Administration Office	East Bay Integrated Care, Inc. 6425 Christie Ave. Suite 265 Emeryville, CA	18800062	01/01/2024	12/31/2024
City of Walnut Creek	Miscellaneous- Retail	The Hospice Shoppe - Walnut Creek 1345 Newell Ave. A Walnut Creek, CA 94596- 5317	16501257	07/01/2024	06/30/2025
City of Concord	Business license	Hospice Of The East Bay 5350 Clayton Rd. Concord, CA 94521-3205	98044478	8/31/2024	09/30/2025
Town of Danville	Retail	East Bay Integrated Care, Inc.	000057	07/01/2024	06/30/2025

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		444 Diablo Rd. Danville, CA 94526-3503			
City of Martinez	Exempt-Non profit Activities	East Bay Integrated Care Inc. 550 Morello Ave. Martinez, CA 94553-6870	02503707	01/01/2024	12/31/2024
City of Pleasant Hill	8091 Health 7 Allied Services	Hospice of The East Bay 3470 Buskirk Ave. Pleasant Hill, CA 94523	35117	01/01/2024	12/31/2024

Schedule 4.9

Accreditation

AGENCY	TYPE OF LICENSE / PERMIT	ENTITY HOLDING LICENSE	LICENSE NUMBER	EFFECTIVE DATE	EXPIRATION DATE
Community Health Accreditation Partner	Full Accreditation Hospice and Palliative Care Certification	East Bay Integrated Care, Inc. dba Hospice of the East Bay 3470 Buskirk Avenue Pleasant Hill, CA 94523 Bruns House (IPU) 2849 Miranda Avenue Alamo, CA 94507 East Bay Integrated Care Inc. 6425 Christy Avenue, Suite 265 Emeryville, CA 94608	CCN/PTAN: 05-1547 Customer ID 2011430	10/18/2022	10/18/2025

Schedule 4.10

Government Program Participation; Reimbursement

(c) HEB received notice of a RAC audit in 2024. The details are below:

ADR Set	Number of Claims Requested	Initial Financial Risk	Current Status	Current Denial Financial Loss
RAC Audit	1	\$10,510	Approved	0
RAC Audit	2	\$39,182	Approved	0
RAC Audit	3	\$5,114	Pending	\$865

(e)

East Bay Integrated Care, Inc. d/b/a Hospice of the East Bay Home Health: 1205946555
East Bay Integrated Care, Inc. d/b/a Hospice of the East Bay Internal Medicine: 1659769826

Schedule 4.12

Hospice East Bay Regulatory Compliance

(a)

HEB has been going through a Targeted Probe and Educate (TPE) review. The details are below:

ADR Set	Number of Claims Requested	Initial Financial Risk	Current Appeal Stage	Current Denial Financial Loss
NGS TPE, Round 1	25	\$193,592	Completed	\$33,814.
NGS TPE, Round 2	20	\$166,295	Completed	\$41,633
NGS TPE, Round 3	20	\$169,300	Pending ALJ submission	\$34,737
Noridian Audit	98	\$703,000	ALJ Submission	\$311,461

Schedule 4.13

Information Privacy and Security Compliance

None

Schedule 4.14

Medical Staff Matters

None

Schedule 4.15

Intellectual Property

None

Schedule 4.16

Material Contracts

#	Name / Type Agreement / Date	Parties	Notice Address	Applicable subsections of Section 4.16(a)
1.	Pharmacy Services Agreement (Exclusive Provider) Dated: November 25, 2019	Enclara Pharmacia, Inc. ("Enclara") Hospice of the East Bay ("Hospice")	Enclara Pharmacia, Inc. 1601 Cherry Street Suite 1800 Philadelphia, PA 19102 Attn: Andrew Horowitz, CEO With a copy to the Legal Department	(ii & iii)
2.	Horizon Oxygen and Medical Equipment Inc. Contract Amendment #1 Dated: September 1, 2023	Horizon Oxygen and Medical Equipment, Inc. ("Provider") East Bay Integrated Care, Inc. dba Hospice of the East Bay ("Hospice")	---	(ii & iii)
3.	Business Associate Agreement Dated: May 6, 2021	East Bay Integrated Care, Inc. dba Hospice of the East Bay ("Covered Entity") Medline Industries, Inc. ("Business Associate")	---	(ii & iii)
4	John Muir Health Family Medicine Residency Program Independent Educational Sites – Program Letter of Agreement (uploaded twice to data room) Dated: December 11, 2017	John Muir Health ("JMH") East Bay Integrated Care, Inc. dba Hospice of the East Bay ("HEB")	---	(ii)
5.	Chief Medical Officer / Medical Director Services Agreement Dated: June 2, 2023	East Bay Integrated Care, Inc. dba Hospice of the East Bay and Palliative Care of the East Bay ("Hospice") Mina Chang, MD ("CMO")	Mina Chang, MD 222 Overhill Road Orinda, CA 94563	(iii)
6.	Provider Agreement • Dated: May 31, 2017	East Bay Integrated Care, Inc. dba Hospice of the East Bay ("Provider") Aetna Health of California Inc. and Aetna Health Management, LLC ("Company")	Aetna Regional Network Contracting and Operations, F953 2850 Shadelands Drive, Suite 200 Walnut Creek, CA 94598	(ii & iii)

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7.	<p>First Amendment to Medical Services Agreement between Alameda Alliance for Health and Hospice of the East Bay (to amend the Services to include Outpatient Adult Palliative Care Services to Medi-Cal Members)</p>	<p>Hospice of the East Bay ("HEB")</p> <p>Alameda Alliance for Health ("Alameda")</p>	---	(ii & iii)
8.	<p>Anthem Blue Cross Medi-Cal Management Care Program Ancillary Provider Agreement</p> <p>Location: Hospice of the East Bay 3470 Buskirk Avenue Pleasant Hill, CA 94523</p> <p>Dated: February 18, 2019</p>	<p>Medicaid Division of Blue Cross of California dba Anthem Blue Cross ("Anthem")</p> <p>East Bay Integrated Care, Inc. ("Provider")</p>	<p>Blue Cross of California Dba Anthem Blue Cross 2221 Edward Holland Drive Richmond, VA 23230</p>	(ii & iii)
9.	<p>Anthem Blue Cross Facility Agreement with East Bay Integrated Care, Inc.</p> <p>Location: Hospice of the East Bay 3470 Buskirk Avenue Pleasant Hill, CA 94523</p> <p>Dated: February 18, 2019</p>	<p>Blue Cross of California dba Anthem Blue Cross ("Anthem")</p> <p>East Bay Integrated Care, Inc. ("Facility")</p>	<p>Blue Cross of California Dba Anthem Blue Cross 2221 Edward Holland Drive Richmond, VA 23230</p>	(ii & iii)
10.	<p>Ancillary Provider Services Agreement</p> <p>(Agreement is subject to the Approval of the California Department of Managed Health Care and the Department of Health Care Services)</p> <p>Dated: November 18, 2019</p>	<p>Blue Shield of California Promise Health Plan ("Plan")</p> <p>Hospice of the East Bay ("Provider")</p>	<p>Blue Shield of California Promise Health Plan 601 Potrero Grande Drive Monterey Park, CA 91755 Attn: Director of Contracting</p>	(ii & iii)
11.	<p>Amendment #3 to HMO & PPO Hospice Agreement</p> <p>Location: 3470 Buskirk Avenue, Pleasant Hill, CA 94523</p> <p>(Payment Premiums – Payment of Member premiums by Hospice</p>	<p>California Physicians' Service d/b/a Blue Shield of California ("Blue Shield")</p> <p>Hospice of the East Bay ("Hospice")</p>	<p>Blue Shield of California 6300 Canoga Avenue, 12th Floor Woodland Hills, CA 91367 Attn: Vice President, Provider Network Management, Care 1st and Specialty Networks</p>	(ii & iii)

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	shall be deemed a material breach of the Agreement) Dated: August 1, 2018			
12.	Memorandum of Understanding for adding Palliative Care Services and Rates Location: 3470 Buskirk Avenue, Pleasant Hill, CA 94523 Dated: December 29, 2017	Contra Costa Health Plan ("Plan") East Bay Integrated Care (Hospice of the East Bay)	---	(ii & iii)
13.	Amendment to Participating Provider Agreement dated July 1, 2020 Dated: January 27, 2017	Cigna HealthCare of California, Inc. and Cigna Health and Life Insurance Company (collectively "Cigna") Hospice of the East Bay ("Hospice")	---	(ii & iii)
15.	Contra Costa Health Plan reapplication to participate as an Organizational Provider has been approved letter dated July 29, 2013 (Health Plan Requirements dated August 29, 2016 attached but not signed)	Contra Costa Health Plan ("Plan") East Bay Integrated Care, Inc. ("Hospice")	---	(ii & iii)
16.	Coventry Health Care Provider Network Location: 2849 Miranda Street, Alamo, CA 94507 Dated: August 6, 2013	Coventry Health Care, Inc. ("Plan") East Bay Integrated Care, Inc. ("Hospice")	Coventry Health Care National Network, Inc. 750 Riverpoint Drive West Sacramento, CA 95605	(ii & iii)
17.	Provider Participation Agreement Location: 3470 Buskirk Pleasant Hill, CA 94523 Dated: March 15, 2019	East Bay Integrated Care, Inc. dba Hospice of the East Bay ("Provider") Health Net, Inc. ("Health Net")	Director, Provider Network Management, Ancillary Contracts Health Net of California, Inc. 101 N. Brand Blvd., 15 th Floor Glendale, CA 91203 With a copy to: Regional Health Plan Officer And	(ii & iii)

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			Vice President and Deputy General Counsel Health Net of California, Inc. 21281 Burbank Blvd. Woodland Hills, CA 91367	
18.	Interim Agreement to Provide Services Dated: June 26, 1996	PriMed Management Consulting Services, Inc. on behalf of Hill Physicians Medical Group, Inc. and Summit Medical Center Bay Area Hospice Network ("Provider")	PriMed Management Consulting Services, Inc. 2401 Crow Canyon Road San Ramon, CA 94583-0980	(ii & iii)
19.	John Muir Select	---	---	(ii & iii)
20.	First Amendment to the Health Care Services Agreement dated January 1, 2012 Dated: September 12, 2014	Kaiser Foundation Hospitals ("KFH") East Bay Integrated Care, Inc.	---	(ii & iii)
21.	Health Care Services between Partnership Health Plan of California Dated: October 15, 2019	Partnership HealthPlan of California ("Partnership") East Bay Integrated Care, Inc. dba Palliative Care of the East Bay ("Provider")	---	(ii & iii)
22.	TriCare for Life Letter dated February 12, 2010 regarding new claims processing software	Department of Veterans Affairs VA Northern California Health Care System	Department of Veterans Affairs VA Northern California Health Care System 201 Walnut Ave. Mare Island, CA 94592	(ii & iii)
23.	Hospice All Payer Appendix Dated 05/15/2017	Hospice of the East Bay United Health Care	---	(ii & iii)
24.	Veteran's Care Agreement	Department of Veterans Affairs Veterans Health Administration Hospice East Bay	Office of VA Community Care Attn: Mail Code OCC 4150 Clement Street San Francisco, CA 94103	(ii & iii)
25.	8 th Amendment to Lease Premises: 444&442 Diablo Road (3700 SF) Dated: August 2, 2000 Signed: June 21, 2022	Green Valley Shopping Center Limited, a California Partnership ("Landlord") Hospice of East Bay ("Tenant")	---	(ii & iii)
26.	Standard Shopping Center Lease	Green Valley Shopping Center, LTD ("Landlord")	Green Valley Shopping Center, Ltd. 11750 Sorrento Valley Road	(ii & iii)

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	Premises: Green Valley Shopping Center, 444 Diablo Road, Danville, CA 94526	Hospice of Contra Costa Foundation ("Tenant")	San Diego, CA 92121 Attn: President, Asset Management Group	
27.	First Amendment to Lease (relative to Landlord's and Tenant's Work) Premises: Unit 1536, 1536-1560 Newell Avenue, Walnut Creek, California 94596 Dated: November 1, 2023	El Pinal Associates Newell, LLC ("Landlord") East Bay Integrated Care, Inc. ("Tenant")	---	(ii & iii)
28	Lease Premises: Unit 1536, 1536-1560 Newell Avenue, Walnut Creek, California 94596 (3896 SF) Pro rata share: 18.9642% Dated: October 9, 2023	El Pinal Associates Newell, LLC ("Landlord") East Bay Integrated Care, Inc. ("Tenant")	El Pinal Associates Newell, LLC 655 3 rd Street #66 Oakland, CA 94607 Attn: Manager With a copy to: Kho & Patel Certified Public Accountants 160 E. Arrow Highway San Dimas, CA 91773 Attn: Jay Patel With a copy to: SPM Properties, Inc. 1330 North Broadway Suite C Walnut Creek, CA 94596 Attn: Sicily Calderon	(ii & iii)
29.	Morello/Martinez Shopping Center Lease Premises: 550 Morello Avenue, Suite A (4750 SF) Tenant's proportionate share shall be 55% Dated: September 28, 2012	Constantine and Jeanie B. Christopoulos as Trustee of the Christopoulos Family Trust Dated March 25, 1997 ("Landlord") Hospice of the East Bay ("Hospice")	C&H Development Co. 43 Panoramic Way Walnut Creek, CA 94595 Attn: Basil Christopoulos	(ii & iii)
30	Third Amendment to Lease Agreement Dated: May 19, 2023	Chestnut Martinez, LLC successor in interest to Jeanie B Christopoulos and Basil Christopoulos as Trustees of the Christopoulos Survivor's Trust dated June 10, 2017 ("Landlord")	---	(ii & iii)

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		Hospice of the East Bay ("Tenant")		
31.	General Lease Triple Net Premises: 3162 Danville, Blvd., Suite A, Alamo, CA (2010 SF) Dated: December 1, 2005	The Lineweaver Trust ("Landlord") Hospice of Contra Costa Foundation ("Tenant")	The Lineweaver Trust PO Box 680 263 Stone Valley Way Alamo, CA 94507	(ii & iii)
32	First Addendum to Lease Dated December 1, 2005 Dated: March 16, 2010	The Lineweaver Trust ("Landlord") Hospice of Contra Costa Foundation ("Tenant")	---	(ii & iii)
33	Third Addendum to Lease Dated December 1, 2005 Dated: July 30, 2020	The Lineweaver Trust ("Landlord") Hospice of Contra Costa Foundation ("Tenant")	---	(ii & iii)
34.	Third Amendment to Lease dated August 10, 1998 Premises: Property #1155 – 5350 Clayton Road, Concord, CA Dated: November 7, 2018	Kin Properties, Inc. ("Landlord") Hospice Foundation of the East Bay formerly known as Hospice of Contra Costa, Inc. ("Tenant")	---	(ii & iii)
35	Amendment to Lease dated August 10, 1998 Premises: Property #1155 – 5350 Clayton Road, Concord, CA Dated: March 25, 2013 *A copy of a letter dated November 28, 2007 extending the Term of the Lease until August 31, 2013 was attached.	Kin Properties, Inc. ("Landlord") Hospice Foundation of the East Bay formerly known as Hospice of Contra Costa, Inc. ("Tenant")	---	(ii & iii)
36.	Air Commercial Real Estate Association Standard Industrial/ Commercial Multi-Tenant Lease – Gross	Hofmann Plastering Company ("Lessor") East Bay Integrated Care, Inc. ("Lessee")	Hofmann Plastering Company PO Box 907 Concord, CA 94522	(ii & iii)

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	<p>Premises: 2355 Whitman Road, Suite C, Concord, CA 94518 2765 SF Pro rata share: 7.3%</p> <p>Dated: March 5, 2014</p>			
37.	<p>Office Lease Bay Center Offices Emeryville, CA</p> <p>Premises: Suite 265, consisting of the 2nd floor of the Building 2,200 SF</p> <p>Pro rata share 1.81%</p> <p>Dated: April 24, 2020</p>	<p>Bay Center Investor LLC (“Landlord”)</p> <p>East Bay Integrated Care, Inc. (“Tenant”)</p>	<p>Bay Center Investor LLC c/o Harvest Properties 180 Grand Avenue, Suite 1400 Oakland, CA 94610 Attn: Project Manager</p>	(ii & iii)
38.	<p>First Amendment and Extension of Lease</p> <p>Premises: 2,550 square feet of floor space located at 959 Contra Costa Blvd.</p> <p>Dated: December 20, 2021</p>	<p>Marie Gomes Farms, Inc. (“Landlord”)</p> <p>East Bay Integrated Care, Inc. dba Hospice of the East Bay (“Tenant”)</p>	---	(ii & iii)
39.	<p>Retail Lease Agreement</p> <p>Premises: 2,550 square feet of floor space located at 959 Contra Costa Blvd. (Casa Del Sol Shopping Center)</p> <p>Pro rata share: 11.9%</p> <p>Dated: January 13, 2017</p>	<p>Marie Gomes Farms, Inc. (“Landlord”)</p> <p>East Bay Integrated Care, Inc. dba Hospice of the East Bay (“Tenant”)</p>	<p>Cardoza Properties, Inc. 101 Ellinwood Drive Pleasant Hill, CA 94523</p>	(ii & iii)
40.	<p>Trella Health, LLC</p> <p>July 2024</p>	<p>Trella Health, LLC</p> <p>Hospice of the East Bay (“Hospice”)</p>	<p>Trella Health, LLC PO. Box 19239, Atlanta GA,31126</p>	Neither ‘i, ii, iii applies
41.	<p>Overlook Networks Global Technology Solutions August 2024</p>	<p>Overlook Networks Global Technology Solutions</p> <p>Hospice of the East Bay (“Hospice”)</p>	<p>Overlook Networks 16185 Los Gatos Blvd, Ste 205, Los Gatos, CA 95032</p>	Neither ‘i, ii, iii applies
42.	<p>Netsmart Technologies, Inc April 2018</p>	<p>Netsmart Technologies, Inc</p> <p>Hospice of the East Bay (“Hospice”)</p>	<p>Netsmart Technologies, Inc 11100 Nall Ave. Overland Park, KS 66211</p>	(ii & iii)
43.	<p>ADP, Inc July 2022</p>	<p>ADP, Inc</p> <p>Hospice of the East Bay (“Hospice”)</p>	<p>ADP, Inc One ADP Boulevard Roseland, NJ 07068</p>	(ii & iii)

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44.	Omniceil, Inc April 2023	Omniceil, Inc Hospice of the East Bay ("Hospice")	Omniceil, Inc 500 Cranberry Woods Dr, Cranberry TSP., PA 16066	(ii)
45.	NorthStar Solutions Group June 2021	NorthStar Solutions Group Hospice of the East Bay ("Hospice")	NorthStar Solutions Group 2366 Oak Valley Dr. Ann Arbor, MI 48103	(ii & iii)

Schedule 4.17

Personal Property

None

Schedule 4.18

Real Property

Owned Property:

- The office located at 3470 Buskirk Avenue, Pleasant Hill, CA 94523.
- The hospice inpatient facility located at 2849 Miranda Avenue, Alamo, CA 94507.

Schedule 4.19

Insurance

Named Insured:

- East Bay Integrated Care, Inc. d/b/a Hospice of the East Bay
- Palliative Care of the East Bay
- Hospice Foundation of the East Bay
- Hospice House d/b/a Bruns House
- The Hospice Shoppe
- Hospice Thrift Shoppe

LIMITS	DEDUCTIBLES	CARRIER	POLICY NO.	POLICY TERM	
Commercial Property					
Property					
Blanket Building	\$ 16,268,028	\$ 2,500	Philadelphia	FHPK2574978-001	7/1/2024 - 7/1/2025
Blanket Business Personal Property	\$ 2,870,000	\$ 2,500			
Blanket Business Income and Extra Expense	\$ 300,000	72 Hours	the east bay		
Professional and General Liability					
General Liability					
General Aggregate	\$ 10,000,000		BETA	HCL241028	7/1/2024 - 7/1/2025
Each Claim	\$ 5,000,000				
Products Liability Aggregate	\$ 3,000,000				
Advertising & Personal Injury	\$ 1,000,000				
Fire Damage	\$ 1,000,000				
Medical Expense	\$ 5,000				
Professional Liability					
General Aggregate	\$ 10,000,000				
Each Claim	\$ 5,000,000				
Covered Physician Sublimit - each claim	\$ 1,000,000				
Covered Physician Sublimit - aggregate	\$ 3,000,000				
Employee Benefits Liability					
General Aggregate	\$ 10,000,000				
Each Claim	\$ 5,000,000				
Sexual Physical Abuse or Molestation					
Aggregate	\$ 3,000,000				
Each Claim	\$ 1,000,000				

PUBLIC

Auto						
Liability				BETA	AL24 1028	7/1/2024 - 7/1/2025
Any Auto	\$ 5,000,000					
Uninsured Motorist	\$ 1,000,000					
Medical Payments	\$ 5,000					
Deductibles						
Comprehensive	\$ 250					
Collision	\$ 500					
Crime						
Employee Theft	\$ 250,000	\$ 5,000		Travelers	107283109	7/1/2024 - 7/1/2025
ERISA Fidelity	\$ 250,000					
Forgery or Alteration	\$ 50,000	\$ 1,000				
On Premises	\$ 50,000	\$ 1,000				
In Transit	\$ 50,000	\$ 1,000				
Money Orders and Counterfeit Money	\$ 50,000	\$ 1,000				
Computer Fraud	\$ 100,000	\$ 1,000				
Computer & Data Restoration Expense	\$ 50,000	\$ 1,000				
Funds Transfer Fraud	\$ 100,000	\$ 1,000				
Personal Accounts Forgery or Alteration	\$ 50,000	\$ 1,000				
Identity Fraud Expense Reimbursement	\$ 25,000					
Claim Expense	\$ 5,000					
Executive & Organization Liability Limit - Claims Made						
Combined Aggregate	\$ 2,000,000			Hudson	HFP-HNPP4363070124	7/1/2024 - 7/1/2025
Directors and Officers						
Aggregate	\$ 2,000,000	\$ 25,000				
Additional Side A Limit	\$ 500,000					
Employment Practices Liability						
Aggregate	\$ 2,000,000	\$ 100,000				
Workplace Violence Expenses Sublimit	\$ 250,000	\$ -				
Wage and Hour Sublimit	\$ 100,000	\$ -				
Immigration Claims Sublimit	\$ 100,000	\$ 50,000				
Fiduciary Liability						
Aggregate	\$ 2,000,000	\$ -				
Settlement Program Sublimit	\$ 100,000	\$ 25,000				
HIPPA Sublimit	\$ 25,000	\$ -				
Cyber - Claims Made						
General Aggregate Limit	\$ 1,000,000	\$ 15,000		Beazley	W3549F240201	7/1/2024 - 7/1/2025
Breach Response - In Addition to Aggregate	\$ 1,000,000	\$ 15,000				
Business Interruption Loss	\$ 1,000,000	\$ 8 Hours				
Dependent Business Loss	\$ 100,000	\$ 15,000				
Cyber Extortion	\$ 1,000,000	\$ 15,000				
Data Recovery Costs	\$ 1,000,000	\$ 15,000				
Data & Network Liability	\$ 1,000,000	\$ 15,000				
Regulatory Defense & Penalties	\$ 1,000,000	\$ 15,000				
Payment Card Liabilities & Costs	\$ 1,000,000	\$ 15,000				
Media Liability	\$ 1,000,000	\$ 15,000				
Fraudulent Instruction	\$ 250,000	\$ 15,000				
Funds Transfer Fraud	\$ 250,000	\$ 15,000				
Telephone Fraud	\$ 250,000	\$ 15,000				
Criminal Reward	\$ 50,000	\$ 15,000				
Workers' Compensation - CA						
Each Accident	Statutory	None		BETA	WC41028	7/1/2024 - 7/1/2025
Employer's Liability	\$ 2,000,000					
Workers' Compensation - NV/OR						
Statutory - NV, OR	Statutory	None		Safety National	PRP4064125	7/1/2024 - 7/1/2025
Employer's Liability	\$ 2,000,000					

Schedule 4.20

Employee Benefit Plans

(d)(vi)

The 2023 403(b) audit (completed in 2024) contained reportable findings related to internal control deficiencies. These findings are being addressed by HEB.

Schedule 4.21

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

Level	Bonus %	Frequency
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Schedule 4.21(a) -- Attachment 1: Employee Census

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The table consists of 11 rows and 15 columns. The content is almost entirely obscured by black redaction marks. The redactions vary in size and shape, often covering multiple cells or filling them completely. Some cells in the second and third rows appear to have some faint, illegible text visible through the redaction. The overall layout is a grid where data is hidden behind black bars.

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Schedule 4.22

Hospice East Bay Litigation

[REDACTED]

PUBLIC

Schedule 4.23

Tax Matters

None

Schedule 4.24

Environmental Matters

None

Schedule 4.25

Tax-Exempt Bond Debt

None

Schedule 4.26

Other Indebtedness

None

Schedule 4.27

Absence of Changes

None

Schedule 5.2

Chapters Authority; Noncontravention

[There are no outstanding powers of attorney executed by or on behalf of Chapters. The execution, delivery and performance of this Agreement and each other Transaction Document by Chapters thereto and the consummation by Chapters of the Transaction, as applicable:]

[(a) are within Chapters' powers and are not in contravention or violation of the terms of the articles of incorporation or bylaws of Chapters and have been, or will be prior to the Closing, approved by all requisite corporate action;]

[(b) except as set forth on Schedule 5.2(b), do not require that Chapters seek or obtain any Approval of, filing or registration with, the issuance of any material Permit by, or give any Notice to, any Governmental Authority;]

[(c) assuming the Approvals and Permits set forth on Schedule 5.2(b) are obtained, to the Knowledge of Chapters, will not conflict in any material respect with, or result in any violation of or default under (with or without notice or lapse or both), or give rise to a right of termination, cancellation, acceleration or augmentation of any obligation or to loss of any material benefit under, (i) any Contract, instrument, indenture, covenant, or understanding to which Chapters is bound or is a party, or (ii) any Order or Law to which Chapters may be subject; and]

[(d) to the Knowledge of Chapters, will neither conflict with, nor result in, a material breach or contravention of any agreement, lease, instrument, indenture, covenant, or understanding to which Chapters is bound or is a party.]

Schedule 5.4

Chapters Financial Information

[(a) Schedule 5.4(a) hereto contains the following financial statements and financial information of Chapters (the “Chapters Historical Financial Information”):

(i) the audited consolidated balance sheets, statements of operation, statements of changes in net assets, and statements of cash flow (including the accompanying consolidating schedules of balance sheet information and statement of operation information) for Chapters as of, and for the twelve-month periods ended December 31, 2023, and December 31, 2022.

(ii) the unaudited consolidated balance sheet (including the accompanying consolidating schedules of balance sheet information) and unaudited consolidated statement of operations (including the accompanying consolidating schedules of statement of operation information) prepared in the Ordinary Course of Business for the fiscal period ending on a date which is not more than sixty (60) calendar days prior to the date of this Agreement.]

[(b) The consolidated financial statements included in the Chapters Historical Financial Information have been prepared in accordance with GAAP, applied on a consistent basis throughout the periods indicated (subject, in the case of the unaudited Chapters Historical Financial Information, to the absence of notes and normal year-end audit adjustments, the effect of which is not material to Chapters), and are based on the information contained in the books and records of Chapters and its Affiliates. Chapters has not materially changed any accounting policy or methodology during the periods presented in the Chapters Historical Financial Information (including accounting policies and methodologies for determining the obsolescence of inventory or in calculating reserves, including reserves for uncollected accounts receivable).]

Schedule 5.5

Chapters Litigation

[Except as set forth on Schedule 5.5: (i) there is no Proceeding or Order pending or, to the Knowledge of Chapters, threatened against or affecting Chapters before any court or Governmental Authority that has or would reasonably be expected to have a material adverse effect on Chapters' ability to perform this Agreement; and (ii) Chapters is not subject to any Order that would materially and adversely affect the consummation of the Transaction.]

Schedule 5.6

Chapters Regulatory Compliance

[Except as set forth on Schedule 5.6, for the prior three (3) years:]

[(a) Neither Chapters, nor to Chapters' Knowledge, any of its respective officers, directors or employees, has been convicted of, charged with, investigated for, or has engaged in conduct that would reasonably be expected to constitute, a Medicare or other Federal Health Care Program (as defined in 42 U.S.C. § 1320a-7(b)(f)) related offense or convicted of, charged with, investigated for, or engaged in conduct that would constitute a violation of any Law related to fraud, theft, embezzlement, breach of fiduciary duty, kickbacks, bribes, other financial misconduct, obstruction of an investigation or controlled substances. Neither Chapters, nor to Chapters' Knowledge, any officer, director or employee of Chapters has been excluded from participating in any Government Program, subject to sanction pursuant to 42 U.S.C. § 1320a-7a or § 1320a-8 or been convicted of a crime described at 42 U.S.C. § 1320a-7b, nor are any such exclusions, sanctions or charges threatened or pending.]

[(b) Chapters (i) is not a party to a corporate integrity agreement with the OIG; (ii) has no reporting obligations pursuant to any settlement agreement entered into with any Governmental Authority; (iii) has not been formally notified that it is the subject of any Government Program investigation conducted by any federal or state enforcement agency (not including routine or random surveys, audits or reviews which do not or reasonably should not result in findings materially adverse to the relevant Chapters); and (iv) has not been formally notified that it is a defendant in any qui tam/False Claims Act litigation (other than by reason of a sealed complaint of which Chapters may have no Knowledge).]

[(c) Except in compliance with applicable Law, neither Chapters, nor to Chapters' Knowledge, any of their officers, directors or employees is a party to any contract, lease agreement or other arrangement (including any joint venture or consulting agreement) related to Chapters with any physician, physical or occupational therapist, health care facility, hospital, nursing facility, home health agency or other person or entity that is in a position to make or influence referrals to or otherwise generate business for Chapters with respect to its assets, to provide services or lease space or equipment.]

Schedule 5.7

Chapters Tax Matters

[Except as set forth on Schedule 5.7:]

[(a) To the Knowledge of Chapters, Chapters (i) is, and has been since the date of its incorporation, an organization exempt from federal income tax under § 501(a) of the Code as an organization that is described in § 501(c)(3), (ii) is not, and has not been since the date of its incorporation, a private foundation within the meaning of § 509(a) of the Code because it is an organization described in §§ 509(a)(1), 509(a)(2) or 509(a)(3), (iii) is in possession of a determination letter from the Internal Revenue Service to such effect, which determination letter has not been revoked or otherwise modified, (iv) is in compliance in all material respects with all applicable Laws pertaining to the operation of an organization described in § 501(c)(3) of the Code, and (v) has not entered into any transaction that would reasonably be expected to constitute an “excess benefit transaction” within the meaning of § 4958 of the Code.]

[(b) Chapters has filed all Tax Returns required to be filed by it. All Taxes due and owing by Chapters (whether or not shown on any Tax Return), have either been paid or are being contested in good faith by appropriate Proceedings for which adequate reserves have been established. Except with respect to waivers or extensions that are no longer in force, Chapters has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency other than ordinary course extensions of time within which to file any Tax Return.]

[(c) Chapters has withheld and paid all material Taxes required to have been withheld and paid by it in connection with amounts paid or owing to any employee, independent contractor, creditor or other third party, and all Internal Revenue Service Forms W-2 and 1099 required with respect thereto have been properly completed and timely filed (taking into account all extensions).]

[(d) Chapters has not received any written notice from any Governmental Authority of deficiency or assessment, or proposed adjustment or assessment, in respect of Taxes of Chapters. To the Knowledge of Chapters, there are no pending or threatened Proceedings relating to any liability in respect of Taxes of Chapters).]

Schedule 7.1(b)

Agreements That Create Employment Obligations

Hospice East Bay’s severance policy applies to all employees based on years of services (see below).

HUMAN RESOURCE POLICY MANUAL	Number:
Policy Section: Employment and Performance	Effective Date: 10/10/19
Subject: SEVERANCE	Revision Date:
	Page Number: 1 of 1
PURPOSE:	
The purpose of this policy is to provide guidelines outlining Hospice of the East Bay’s severance policy.	
Eligibility	
This policy applies to all exempt and nonexempt, full-time and part-time employees. Part-time employees will receive severance pay on a pro-rated basis in accordance with their scheduled hours.	
Triggering Events	
In the event of an involuntary termination due to a reduction in force/downsizing, change in company direction, or job elimination, Hospice of the East Bay provides a severance benefit for the affected employees. This does not apply to terminations for cause/performance/misconduct, refusal to be reassigned or refusal to be relocated.	
Payment Amount	
The rate of severance is based on length of service with Hospice of the East Bay (or as adjusted through acquisition).	
Length of Service	Number of Weeks
Less than one year – less than 2	2
Two years - less than three	4
Three years - less than four	6
Four years - less than five	8

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Five years - less than six	10
Six years - less than seven	12
Seven years or more	13
The maximum allowed severance is thirteen weeks. Severance is calculated on base pay only.	

Physician (independent contractor) and other employment agreements:

Physician Name	Date of Agreement	Last Addendum Date
Smita Chandra, MD	03.01.2023	03.01.2023
Mina Chang, MD , CMO	06.02.2023	
Robert Cole, MD	03.01.2023	
Russ Granich, MD	02.12.2023	
Michael Jensen-Akula, MD	01.01.2015	03.15.2024
Sonja Kassuba, MD	12.01.2021	04.01.2024
Tiffany King, MD	02.16.2023	
Stephanie Marquet, MD	02.03.2020	06.14.2021
Guy Micco, MD	03.01.23	
Walter Peters, MD	01.01.2015	04.01.2024
Sally Sample, MD	09.18.23	04.01.2024
Ann Stevens, MD	03.01.2023	
Clara Triane, MD	04.01.2022	03.15.2024
Natalia Zielkiewicz, MC	02.13.2023	04.01.2024
Bill Musick, Interim President & CEO	01.13.2023	05.01.2024

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Schedule 7.3

Hospice East Bay Closing Balance Sheet

[This will be provided at closing as this requires the last balance sheet statement before Closing.]

Schedule 8.4

Chapters Pre-Closing Confirmations from Government Authorities

[Chapters shall have obtained documentation or other evidence reasonably satisfactory to Chapters that the Parties have received all those Approvals and Permits set forth on Schedule 8.4.]

Schedule 9.4

Hospice East Bay Pre-Closing Confirmations from Government Authorities

- Change of ownership filings with the California Department of Public Health and the Centers for Medicare and Medicaid Services.
- Waiver or approval by California Attorney General
- Material change transaction filing with the California Office of Health Care Affordability
- Notice to Community Health Accreditation Partner

DISCLOSURE SCHEDULES OF CHAPTERS HEALTH SYSTEM, INC.

TO AFFILIATION AGREEMENT

by and between

CHAPTERS HEALTH SYSTEM, INC.

and

EAST BAY INTEGRATED CARE, INC.,

d/b/a HOSPICE EAST BAY

as of October 2, 2024

THESE DISCLOSURE SCHEDULES (these “**Disclosure Schedules**”) have been prepared in connection with the execution and delivery of the Affiliation Agreement, dated as of October 2, 2024 (the “**Agreement**”), by and between Chapters Health System, Inc., a Florida not for profit corporation (“**Chapters**”) and East Bay Integrated Care, Inc. d/b/a Hospice East Bay, a California nonprofit public benefit corporation (“**Hospice East Bay**”). Chapters and Hospice East Bay are sometimes referred to individually in these Disclosure Schedules as a “**Party**” and collectively as the “**Parties.**” Capitalized terms used but not otherwise defined in these Disclosure Schedules have the respective meanings assigned to them in the Agreement.

These Disclosure Schedules are arranged according to the numbered sections contained in the Agreement, and the disclosure in any section of these Disclosure Schedules shall qualify (a) the corresponding section of the Agreement and (b) all other sections of the Agreement to which such disclosure may apply, so long as application to such section is reasonably apparent from such disclosure.

Nothing in these Disclosure Schedules constitutes an admission of any liability or obligation of either Party to any third party, nor an admission of any liability or obligation to any third party against the interests of either Party. In disclosing this information, the Parties do not waive any attorney-client privilege associated with any such information or any protection afforded by the “work product doctrine” with respect to any of the matters disclosed or discussed in these Disclosure Schedules.

Headings have been inserted on Sections of these Disclosure Schedules for the convenience of reference only and shall not affect the construction or interpretation of any of the provisions of the Agreement or these Disclosure Schedules. Any attachments to these Disclosure Schedules shall be deemed incorporated by reference into these Disclosure Schedules in their entirety.

SCHEDULE 5.2(b)

CHAPTERS APPROVALS AND PERMITS

- Change of ownership filings with the California Department of Public Health and the Centers for Medicare and Medicaid Services.
- Waiver or approval by California Attorney General
- Material change transaction filing with the California Office of Health Care Affordability

SCHEDULE 5.4(a)

CHAPTERS HISTORICAL FINANCIAL INFORMATION

1. Chapters Health System, Inc. and Affiliates Consolidated Financial Statements dated December 31, 2023 and 2022.
2. Chapters Health System, Inc. and Affiliates Unaudited Balance Sheet dated no more than 60 days prior to October 2, 2024.

(Copies of the above are attached to this Schedule 5.4(a))

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
Temple Terrace, Florida

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

PUBLIC

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
Temple Terrace, Florida

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Chapters Health System, Inc. and Affiliates
Temple Terrace, Florida

Opinion

We have audited the consolidated financial statements of Chapters Health System, Inc. and Affiliates, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Chapters Health System, Inc. and Affiliates as of December 31, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chapters Health System, Inc. and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Chapters Health System, Inc. and Affiliates' ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

(Continued)

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chapters Health System, Inc. and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chapters Health System, Inc. and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the 2023 consolidated financial statements as a whole. The 2023 obligated group and consolidating balance sheets, obligated group and consolidating statements of operations, and obligated group and consolidating statements of changes in net assets are presented for purposes of additional analysis of the 2023 consolidated financial statements rather than to present the financial position and operations and changes in net assets of the individual affiliates and are not a required part of the 2023 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2023 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2023 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2023 consolidated financial statements or to the 2023 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2023 consolidated financial statements as a whole.

Crowe LLP

Crowe LLP

Tampa, Florida
April 26, 2024

PUBLIC

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATED BALANCE SHEETS
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 33,818,101	\$ 13,957,074
Short-term investments	11,572,539	9,291,149
Assets limited as to use, current portion	4,839,261	3,452,644
Patient accounts receivable, net	43,623,346	19,119,599
Capitated accounts receivable	6,516,439	7,099,173
Due from related party	675,980	5,729,953
Note receivable	-	5,000,000
Pledges receivable, current portion	423,454	480,305
Interest rate swap agreements	282,822	678,387
Other current assets	<u>19,547,437</u>	<u>10,073,620</u>
Total current assets	121,299,379	74,881,904
Assets limited as to use, net	5,608,228	1,788,383
Pledges receivable, net	3,667,088	1,116,880
Long-term investments	97,711,164	92,165,502
Property and equipment, net	164,962,290	93,968,878
Right-of-use assets	50,622,821	28,233,549
Beneficial interest in net assets of Comerstone Foundation	7,925,900	6,993,965
Goodwill and intangible assets, net	30,640,428	19,828,480
Other assets	<u>2,359,863</u>	<u>2,133,276</u>
Total assets	<u>\$ 484,797,161</u>	<u>\$ 321,110,817</u>

(Continued)

PUBLIC

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATED BALANCE SHEETS
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 21,639,476	\$ 7,358,511
Accrued employee compensation and related benefits	25,132,183	12,425,829
Estimated patient care expenses payable	12,654,636	6,093,588
Third-party medical claims	2,462,980	1,612,982
Lease liabilities, current	7,548,904	4,149,085
Current portion of long-term debt	2,200,646	1,552,300
Annuity obligations, current portion	109,455	159,457
Third-party settlements	1,527,940	1,814,804
Deferred revenue	-	29,807
Total current liabilities	<u>73,276,220</u>	<u>35,196,363</u>
Long-term debt, net of current portion	27,372,177	22,542,808
Lease liabilities, net	44,708,347	25,624,707
Annuity obligations, net	367,552	258,825
Other long-term liabilities	3,011,719	2,765,560
Total liabilities	<u>148,736,015</u>	<u>86,388,263</u>
Net assets		
Without donor restrictions	316,096,599	221,336,505
Noncontrolling interest in subsidiaries	(3,352,699)	(1,042,752)
Total net assets without donor restrictions	312,743,900	220,293,753
With donor restrictions	23,317,246	14,428,801
Total net assets	<u>336,061,146</u>	<u>234,722,554</u>
	<u>\$ 484,797,161</u>	<u>\$ 321,110,817</u>

See accompanying notes to consolidated financial statements

PUBLIC

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Net assets without donor restrictions		
Revenues and other support		
Net patient service revenue	\$ 423,243,012	\$ 215,191,792
Capitated non-risk revenue	38,982,807	31,212,715
Contributions	6,018,503	4,153,614
Net assets released from restrictions used for operations	9,642,515	5,490,085
Other operating revenue	<u>9,640,256</u>	<u>6,317,296</u>
Total revenue, gains and support	487,527,093	262,365,502
Expenses		
Salaries and benefits	311,988,176	164,746,108
Purchased services	46,859,869	22,342,452
Insurance and other	60,212,040	40,908,730
Durable medical equipment, medical supplies, and drugs	37,107,842	15,885,746
Medical claims expense	33,852,997	24,912,802
Depreciation and amortization	11,551,948	9,183,759
Interest	2,289,158	1,063,889
Affiliation expenses	1,188,528	375,000
Total expenses	<u>505,030,558</u>	<u>279,418,486</u>
Loss from operations	(17,503,465)	(17,052,984)
Nonoperating revenues and expenses		
Excess of fair value of assets acquired over liabilities assumed in acquisition of Hope Hospice and Community Services, Inc. (Hope) and Capital Caring Health and its affiliates (Capital) (See Note 2)	98,229,329	-
Excess of fair value of assets acquired over liabilities assumed in acquisition of Cornerstone Hospice and Palliative Care, Inc (Cornerstone) (See Note 2)	-	63,662,588
(Loss) gain on sale of property and equipment	(1,623,578)	112,817
Loss on disposal of license	(1,510,134)	-
Loss on sale of a business	-	(344,993)
Investment income (loss)	17,563,507	(18,009,439)
Change in fair value of interest rate swap agreements	(395,565)	1,316,604
Total nonoperating (loss) income	<u>112,263,559</u>	<u>46,737,577</u>
Change in net assets without donor restrictions before other changes	\$ <u>94,760,094</u>	\$ <u>29,684,593</u>
Change in net assets with donor restrictions before other changes		
Excess of fair value of assets acquired over liabilities assumed in acquisition of Hope Hospice and Community Services, Inc. (Hope) and Capital Caring Health and its affiliates (Capital) (See Note 2)	7,163,521	-
Excess of fair value of assets acquired over liabilities assumed in acquisition of Cornerstone Hospice and Palliative Care, Inc (Cornerstone) (See Note 2)	-	12,119,093
Contributions	10,153,137	4,789,698
Investment income (loss)	282,367	(308,609)
Change in beneficial interest in net assets of Cornerstone Foundation	931,935	(5,125,128)
Net assets released from restrictions	<u>(9,642,515)</u>	<u>(5,490,085)</u>
Change in net assets with donor restrictions before other changes	\$ <u>8,888,445</u>	\$ <u>5,984,969</u>

See accompanying notes to consolidated financial statements

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Net assets without donor restrictions - January 1	\$ 220,293,753	189,613,422
Change in net assets without donor restrictions before other changes	94,760,094	29,684,593
Member distributions	(3,079,562)	(1,571,622)
Change in non-controlling interest	769,615	2,567,360
	<u>(2,309,947)</u>	<u>995,738</u>
Change in net assets without donor restrictions	<u>92,450,147</u>	<u>30,680,331</u>
Net assets without donor restrictions - December 31	<u>\$ 312,743,900</u>	<u>220,293,753</u>
Net assets with donor restrictions - January 1	\$ 14,428,801	8,443,832
Change in net assets with donor restrictions before other changes	<u>8,888,445</u>	<u>5,984,969</u>
Net assets with donor restrictions - December 31	<u>\$ 23,317,246</u>	<u>14,428,801</u>

See accompanying notes to consolidated financial statements

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**CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash flow from operating activities		
Change in net assets before other changes	\$ 103,648,539	\$ 35,669,562
Adjustments to reconcile change in net assets to net cash from operating activities		
Excess of fair value of assets over liabilities assumed acquired less cash acquired	(92,955,215)	(49,951,291)
Depreciation and amortization	11,551,948	9,183,759
Change in beneficial interest in net assets of Cornerstone Foundation	(931,935)	5,125,128
Net realized and unrealized (gains) losses on investments	(13,883,811)	21,541,502
Change in fair value of interest rate swap agreements	395,565	(1,316,604)
Loss on sale of a business	-	344,993
Change in non controlling interest	769,615	2,587,360
Loss (gain) on sale/disposal of assets	3,133,712	(112,817)
Change in assets and liabilities		
Patient accounts receivable	(7,848,339)	2,798,137
Capitation receivable	3,609,418	(4,395,437)
Due from related party	5,053,973	(4,237,650)
Fledges receivable	(101,357)	(129,808)
Other current assets	(9,473,817)	1,961,584
Other assets	3,966,355	349,174
Reduction in carrying amount of right-of-use assets	6,144,674	4,560,494
Change in operating lease liabilities	(6,080,760)	(3,825,208)
Accounts payable and accrued expenses	(1,922,235)	(1,337,900)
Estimated patient care expenses payable	6,561,048	1,704,964
Third party medical claims	849,998	(828,522)
Accrued employee compensation and related benefits	(1,296,213)	(2,841,081)
Third-party settlements	(502,508)	(472,282)
Deferred revenue	(29,807)	(7,943)
Other liabilities	(16,585)	(126,402)
Net cash from operating activities	<u>10,642,253</u>	<u>16,223,712</u>
Cash flow from investing activities		
Proceeds from sale of property and equipment	996,201	710,388
Purchase of property and equipment	(3,257,802)	(9,399,671)
Proceeds from sales of investments	49,769,555	41,471,483
Purchases of investments	(19,627,732)	(45,824,545)
Proceeds from sale of a business	-	1,600,000
Note receivable advances converted to consideration (see Notes 2 and 7)	(2,000,000)	(5,000,000)
Net cash from investing activities	<u>25,880,222</u>	<u>(16,442,345)</u>
Cash flow from financing activities		
Payment of member distributions	(3,079,562)	(1,571,622)
Proceeds from long-term debt	9,000,000	-
Repayment of long-term debt	(22,396,862)	(5,318,075)
Payment of deferred financing fees	(185,024)	-
Net cash from financing activities	<u>(16,661,448)</u>	<u>(6,889,697)</u>
Net change in cash and cash equivalents	19,861,027	(7,108,330)
Cash and cash equivalents at beginning of year	<u>13,957,074</u>	<u>21,065,404</u>
Cash and cash equivalents at end of year	<u>\$ 33,818,101</u>	<u>\$ 13,957,074</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 2,269,158	\$ 1,063,889
Leased assets obtained in exchange for new operating lease liabilities	\$ 310,790	\$ 27,135,558
Leased assets obtained during business affiliation	\$ 27,533,946	\$ 6,464,209

See accompanying notes to consolidated financial statements

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Mission: Chapters Health System, Inc. and Affiliates (collectively CHS), is a Florida nonprofit corporation that provides support and care for people in our community with or affected by advanced illnesses by offering a wide variety of compassionate healthcare choices. CHS's service areas include Florida, Georgia, Virginia, Maryland, and Washington DC.

CHS is the sole member of each of the following entities:

LifePath Hospice, Inc. (LPH): LPH is a Florida nonprofit corporation whose mission is to provide hospice and other end of life services for residents living in Hillsborough County, Florida.

Good Shepherd Hospice, Inc. (GSH): GSH is a Florida nonprofit corporation whose mission is to provide hospice and other end of life services for residents living in Polk, Highlands, Hardee, and Monroe counties, Florida.

Chapters Health Pharmacy, LLC (PHA): Pharmacy is a Florida single member limited liability company that provides pharmacy services to the Affiliates.

Chapters Health Palliative Care, LLC (PAL): Palliative Care is a Florida single member limited liability company that provides palliative care services in the counties served by the Affiliates.

Chapters Health Staffing, LLC (HSS): Staffing is a Florida single member limited liability company that primarily provides physician, nursing, and therapy services to the Affiliates.

Hernando-Pasco Hospice, Inc. (HPH): HPH is a Florida nonprofit corporation whose mission is to provide hospice and other end-of-life services for residents living in Hernando, Pasco, Citrus, and Alachua counties. HPH also provided home health services in Pasco, Pinellas, Hardee, Highlands, Hillsborough, and Polk counties until March 2023 at which time those services were discontinued and the Medicare enrollment was voluntarily terminated.

Cornerstone Hospice & Palliative Care, Inc. (COR) is a Florida nonprofit corporation whose mission is to provide hospice and other end of life services for residents living in Marion, Sumter, Lake, Orange, Polk Osceola, Hardee and Highlands counties in Central Florida and Cherokee, Cobb, Gwinnett, and Fulton counties in Northwestern Georgia.

Cornerstone Health Services, LLC (SVC): SVC is a Florida single member limited liability company that provides palliative care services in the counties served by the Affiliates.

Care Partners, LLC (CPL): CPL is a company registered in Delaware whose purpose is to develop and provide consolidated financial and purchasing services to the venture partners as well as other not-for-profit hospice companies. Services may include general financial consulting, specialized financial consulting, IT consulting, operations consulting, bookkeeping, analytics for management, and discounted group purchasing opportunities for clients.

Chapters Health Foundation (Foundation): Foundation is a nonprofit organization that is an affiliate of CHS (as sole member of the Foundation) and will support all current and future CHS affiliates.

Hospice of Okeechobee, Inc. (HOK): HOK is a Florida nonprofit corporation whose mission is to provide hospice and other end-of-life services for residents living in Okeechobee, Martin, and St. Lucie counties.

(Continued)

PUBLIC

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Hope Hospice and Community Services, Inc. (HOP): HOP is a Florida nonprofit corporation whose mission is to provide hospice and other end-of-life services for residents living in Charlotte, Collier, Glades, Hendry, and Lee counties.

Visiting Nurses Association of Southwest Florida, Inc. (VNA): VNA is a nonprofit corporation that provides home and community based health care services to all people in Charlotte, Collier, Glades, Hendry, and Lee counties. In March 2023, these services were discontinued and the Medicare enrollment was voluntarily terminated.

Capital Caring Health (CCH): CCH is a Virginia nonstock corporation and is the sole member of three supporting organizations: Capital Hospice d/b/a Capital Caring, Capital Caring Stay at Home Services, Inc., and Capital Caring Advanced Illness, Inc.

Capital Hospice d/b/a Capital Caring (CAP): CAP is a nonprofit organization whose mission is to provide hospice and other end-of-life services for residents living in Northern Virginia, Washington D.C., suburban Maryland, and surrounding metropolitan communities. Capital Caring is the sole member of Capital Palliative Care Consultants (CPCC).

Capital Palliative Care Consultants: CPCC is a Virginia single member limited liability company that provides palliative care services in the counties served by CAP.

Capital Caring Stay at Home Services, Inc. (CCSH): CCSH is a Virginia nonprofit organization that offers services that seek to improve patients' social and physical environments as a means of bettering their care and quality of life so that they can ultimately stay at home. Services include care coordination, transportation, assistance with nutritional needs, caregiver training, home safety evaluations, helping with pet care, and other general coordination of medical and homecare services.

Capital Caring Advanced Illness, Inc. (CCAI): CCAI is a Virginia nonprofit organization that services seniors who are home limited or otherwise benefit from receiving most of their care in the home due to an advanced illness or disability.

Allcare Medical of Florida (Allcare): Allcare provides a full range of medical equipment to hospice patients and those with life limiting conditions. At December 31, 2021, CHS owned 90% of Allcare. CHS acquired the remaining 10% of Allcare in 2022 and subsequently sold the entity to an unrelated party for \$1,600,000. CHS recorded a loss of approximately \$345,000.

CareNU, Inc. (CNU): CNU is a Florida for-profit corporation and was established to provide patients with a collaborative team based approach to chronic illness care. CNU is authorized to issue 100,000 shares of common stock. As of December 31, 2023, there are 100,000 common stock shares issued and outstanding.

Assurity Direct Contracting Entity (ADCE): ADCE, a Florida limited liability company, provides and arranges for medical care to beneficiaries through managed care capitation agreements in the state of Florida who have enrolled with various health plans. ADCE's capitation agreements with the various health plans are on a non-risk basis. CNU owns 60% of ADCE and has been consolidated with CNU for financial reporting purposes.

SECUR, Inc (SEC): SEC, is a Florida for-profit corporation and was established as an Institutional Special Needs Medicare Advantage Plan (I-SNP). The sole shareholder of SEC is CareNu, Inc.

(Continued)

PUBLIC

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation: The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Consolidation: The accompanying consolidated financial statements include the accounts of CHS and its affiliates. All inter-organization accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation: The consolidated financial statements report the changes in and totals of each net asset class based on the existence of donor restrictions, as applicable. Net assets are classified as net assets without donor restrictions or net assets with donor restrictions and are detailed as follows:

Net assets without donor restrictions are net assets that are not subject to donor-restrictions and may be expended for any purpose in performing the primary objectives of CHS.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and will be met by actions of CHS or by passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Non-controlling interest: Non-controlling interest is the portion of the equity ownership in an affiliate not attributable to the parent company (CareNU), who has the controlling interest. CNU owns 60% of ADCE and has been consolidated with CNU for financial reporting purposes.

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to \$250,000. At times these amounts may exceed federally insured limits. Additionally, for purposes of the consolidated statements of cash flows, CHS considers all highly liquid investments of operating cash purchased with an original maturity of three months or less to be cash equivalents.

Patient Accounts Receivable, Net: The patient accounts receivable balance represents the unpaid amounts billed to patients and third-party payors, which include Medicare, Medicaid, and commercial insurers. Contractual adjustments, discounts, and implicit price concessions are recorded to report receivables at net realizable value. Past due receivables are determined based on contractual terms. CHS does not accrue interest on any of its accounts receivable.

Capitated Accounts Receivable: Capitated accounts receivables consist of amounts due from managed care capitated contracts. The capitated receivables are carried at contracted amounts and capitated payments are received in accordance with the risk adjustment model and timeline used by the Centers for Medicare and Medicaid Services.

Notes Receivable: Note receivable represents advances under a line of credit agreement to Capital Caring as well as funds loaned to a software company to help develop computer software for hospice. The software loans are valued at historic cost, including unpaid contractual interest payments, less a valuation allowance for which it is probable that Capital Caring will be unable to collect. See Notes 2 and 7 for additional information.

(Continued)

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: All investments are stated at their fair values in the consolidated balance sheets. Unrealized gains and losses are included in the change in net assets. See Note 6 for additional information on the nature of CHS's investments. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included within nonoperating revenues and expenses, unless the income or loss is related to assets with donor restrictions.

Assets Limited as to Use: Certain amounts of CHS's cash and investments are limited as to use by provisions of donor restrictions. These cash and investments are classified as assets limited to use in the accompanying consolidated balance sheets. Amounts required to meet current liabilities have been classified as current assets in the consolidated balance sheets at December 31, 2023 and 2022. The investment income or loss on investments that are restricted by donor or law is recorded as increases or decreases to net assets with donor restrictions.

Interest Rate Swap Agreements: CHS entered into interest rate swap agreements as part of their interest rate risk management strategy, not for speculation. CHS has elected to report the instruments as freestanding derivatives with gains and losses included within change in net assets without donor restrictions from operations.

The derivatives are separated into current and non-current assets or liabilities based on their expected cash flows. Cash inflows expected within one year, including derivative assets that CHS intends to settle, are reported as current assets. Cash inflows expected beyond one year are reported as non-current assets. Cash outflows expected within one year, including derivative liabilities in which the counterparty has the contractual right to settle, are reported as current liabilities. Cash outflows expected beyond one year are reported as non-current liabilities.

Inventories: Inventories are stated at the lower of cost or net realizable value, using the first-in, first-out method.

Other Current Assets: Other current assets are comprised of primarily of prepaid expenses, deposits, other accounts receivable, and other miscellaneous current assets. Prepaid expenses at December 31, 2023 and 2022 were approximately \$7,851,000 and \$5,982,000, respectively. Deposits at December 31, 2023 and 2022 were approximately \$3,448,000 and \$1,930,000, respectively. Other accounts receivable at December 31, 2023 and 2022 were approximately \$8,248,000 and \$646,000, respectively.

Property and Equipment: Property and equipment are stated at cost or, if acquired through an affiliation agreement or donated to CHS, at fair value on the date of acquisition. Property and equipment acquired through a business affiliation is also stated at fair value. Additions and improvements over \$2,500 are capitalized. Expenditures for routine maintenance are charged to operations. Depreciation is provided over the estimated useful lives of the various classes of assets which range from three to thirty years and is computed on the straight-line method.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets are to be used. Gifts of long-lived assets with explicit donor stipulations that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(Continued)

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The cost of property and equipment sold or otherwise disposed of and the accumulated depreciation applicable thereto are eliminated from the accounts, and any resulting gain or loss is reflected in the consolidated financial statements in the year of disposition.

Intangible assets: The Organization has acquired intangible assets through its affiliation agreements as described in Note 2. Intangible assets consists of tradenames, certificates of need, and a PACE license. The useful lives of the intangible assets range from 15 to 20 years.

Impairment of Long-Lived Assets: On an ongoing basis, CHS reviews long-lived assets (property and equipment and intangible assets) for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. CHS considers potential impairment losses to exist if the undiscounted cash flow expected to be generated by the assets are less than carrying value. The impairment loss adjusts the assets to fair value. During the year, CHS determined that the Achieve tradename no longer had value as the home health practices were voluntarily dissolved. CHS recorded a loss of \$1,510,134, which is included within loss on disposal of license within the consolidated statements of operations. As of December 31, 2023 and 2022, management believes that no other impairments exist.

Goodwill: Goodwill of approximately \$16,397,000 at December 31, 2023 and 2022, respectively, represents the excess of the purchase price over the assigned fair value of the identifiable net assets acquired in association with CHS's purchase of Good Shepherd Hospice, Inc. (GSH). During the year ended December 31, 2022, CHS sold Allcare, which resulted in the decrease of goodwill of \$1,082,538. Goodwill is tested for impairment annually unless events warrant more frequent testing. CHS has evaluated its existing goodwill for impairment as of December 31, 2023 and 2022 and has determined that goodwill is not impaired.

Patient Care Expenses and Estimated Patient Care Expenses Payable: When a patient receives hospice benefits under the Medicare or Medicaid programs, the hospice provider becomes the payor for all medical services related to the patient's terminal diagnosis. CHS has contracts with various providers of physician, inpatient, and outpatient services which generally state that the provider has approximately 12 months from the date of service to invoice CHS for the hospice related charges. CHS estimates and records a liability for patient care expenses which are incurred but not reported (IBNR). This IBNR estimate is based upon an analysis of invoices paid and estimated current utilization and other statistics. The difference between CHS's estimates of IBNR patient care expense and actual expenses is included in or deducted from patient care expenses in subsequent periods in which such differences are identified. Patient care expenses were approximately \$47,532,000 and \$23,115,000 for the years ended December 31, 2023 and 2022, respectively, and are included in purchased services in the consolidated statements of operations.

Third-Party Medical Claim Expense: Medical claim expenses are costs for providing medical care to patients under the direct contracting entity and PACE programs. The estimated reserve for incurred but not reported claims is included in the liability for third-party medical claims expense. Actual claims expense will differ from the estimated liability due to factors in estimated and actual member utilization of healthcare services, the amount of charges, and other factors. Adjustments to these estimates are recognized in the periods in which more precise data becomes available.

(Continued)

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenues: Patient service revenues are reported at the amount that reflects the ultimate consideration CHS expects to receive in exchange for providing patient care. These amounts are due from third-party payors, primarily commercial health insurers and government programs (Medicare and Medicaid), and includes variable consideration for revenue adjustments due to settlements of audits and reviews, as well as certain hospice-specific revenue capitations. Approximately 94% and 92% of the CHS' net patient service revenue was derived from the Medicare and Medicaid programs for the years ended December 31, 2023 and 2022, respectively. Amounts are generally billed monthly or subsequent to patient discharge. Subsequent changes in the transaction price initially recognized are not significant.

Hospice services are provided on a daily basis and the type of service provided is determined based on a physician's determination of each patient's specific needs on that given day. Reimbursement rates for hospice services are on a *per diem* basis regardless of the type of service provided or the payor.

Reimbursement rates from government programs are established by the appropriate governmental agency and are standard across all hospice providers. Reimbursement rates from health insurers are negotiated with each payor and generally structured to closely mirror the Medicare reimbursement model.

The types of hospice services provided and associated reimbursement model for each are as follows:

Routine Home Care occurs when a patient receives hospice care in their home, including a nursing home setting. The routine home care rate is paid for each day that a patient is in a hospice program and is not receiving one of the other categories of hospice care. For Medicare patients, the routine home care rate reflects a two-tiered rate, with a higher rate for the first 60 days of a hospice patient's care and a lower rate for days 61 and after. In addition, there is a Service Intensity Add-on payment which covers direct home care visits conducted by a registered nurse or social worker in the last seven days of a hospice patient's life, reimbursed up to four hours per day in fifteen-minute increments at the continuous home care rate.

General Inpatient Care occurs when a patient requires services in a controlled setting for a short period of time for pain control or symptom management which cannot be managed in other settings. General inpatient care services must be provided in a Medicare or Medicaid certified hospital or long-term care facility or at a freestanding inpatient hospice facility with the required registered nurse staffing.

Continuous Home Care is provided to patients while at home, including a nursing home setting, during periods of crisis when intensive monitoring and care, primarily nursing care, is required in order to achieve palliation or management of acute medical symptoms. Continuous home care requires a minimum of 8 hours of care within a 24-hour day, which begins at midnight. The care must be predominantly nursing care provided by either a registered nurse or licensed nurse practitioner. While the published Medicare and Medicaid continuous home care rates are daily rates, Medicare and Medicaid pay for continuous home care in fifteen-minute increments. This fifteen-minute rate is calculated by dividing the daily rate by 96.

Respite Care permits a hospice patient to receive services on an inpatient basis for a short period of time in order to provide relief for the patient's family or other caregivers from the demands of caring for the patient. A hospice can receive payment for respite care for a given patient for up to five consecutive days at a time, after which respite care is reimbursed at the routine home care rate.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
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NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Each level of care represents a separate promise under the contract of care and is provided independently for each patient, contingent upon the patient's specific medical needs as determined by a physician. However, the clinical criteria used to determine a patient's level of care is consistent across all patients, given that, each patient is subject to the same payor rules and regulations. As a result, CHS has concluded that each level of care is capable of being distinct and is distinct in the context of the contract. Furthermore, CHS has determined that each level of care represents a stand ready service provided as a series of either days or hours of patient care. CHS believes that the performance obligations for each level of care meet criteria to be satisfied over time. CHS recognizes revenue based on the service output. CHS believes this to be the most faithful depiction of the transfer of control of services as the patient simultaneously receives and consumes the benefits provided by the performance. Revenue is recognized on a daily or hourly basis for each patient in accordance with the reimbursement model for each type of service. CHS' performance obligations relate to contracts with an expected duration of less than one year. Therefore, CHS has elected to apply the optional exception provided in FASB accounting standard "Revenue from Contracts with Customers" (ASC 606) and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially satisfied performance obligations referred to above relate to bereavement services provided to patients' families for up to 12 months after discharge.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance which vary in amount. CHS also provides service to patients without a reimbursement source and may offer those patients discounts from standard charges. CHS estimates the transaction price for patients with deductibles and coinsurance, along with those uninsured patients, based on historical experience and current conditions. The estimate of any contractual adjustments, discounts or implicit price concessions reduces the amount of revenue initially recognized. Subsequent changes to the estimate of the transaction price are recorded as adjustments to patient service revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in the patients' ability to pay (i.e., change in credit risk) are recorded as provision for uncollectible accounts. CHS has no material adjustments related to subsequent changes in the estimate of the transaction price or subsequent changes as the result of an adverse change in the patient's ability to pay for any period reported.

For the CHS' patients in the nursing home setting in which Medicaid pays the nursing home room and board, CHS serves as a pass-through between Medicaid and the nursing home. CHS is responsible for paying the nursing home for that patient's room and board. Medicaid reimburses CHS for 95% of the amount paid to the nursing home. CHS has concluded that the 5% difference between the amount paid to the nursing home and the amount received from Medicaid is an adjustment to transaction price and, as a result, the 5% is recognized as a reduction to revenue recognized in the accompanying consolidated financial statements. Nursing home room and board expenses over revenues for the years ended December 31, 2023 and 2022, were approximately \$2,471,000 and \$1,483,000, respectively.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Compliance with such laws and regulations may be subject to future government review and interpretation. Additionally, the contracts CHS has with commercial health insurance payors provide for retroactive audit and review of claims. Settlement with third party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. The variable consideration is estimated based on the terms of the payment agreement, existing correspondence from the payor and our historical settlement activity. These estimates are adjusted in future periods, as new information becomes available. Management intends to fully cooperate with any governmental agencies in requests for information. Noncompliance with laws and regulations can make the CHS subject to regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
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NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Hospice organizations are subject to two specific payment limit caps under the Medicare program. One limit relates to inpatient care days that exceed 20% of the total days of hospice care provided for the year. CHS did not exceed the 20% cap related to inpatient days in 2023 and 2022. The second limit relates to an aggregate Medicare reimbursement cap calculated by the CHS. CHS did not exceed the Medicare reimbursement cap for the years ended December 31, 2023 and 2022.

During 2020, CHS affiliates had select Medicare claims under review. The amount of the settlement accrued as of December 31, 2023 and 2022 was approximately \$226,000 and \$1,004,000, respectively, and is included in third-party settlements in the accompanying consolidated balance sheets. The remaining balance is for miscellaneous third-party overpayments.

During 2022, CHS affiliates had select Medicare claims under review under a Targeted Probe and Educate regulatory claims review. During such review, management determined there was an error in the coding of certain claims. CHS self-reported and paid approximately \$4,144,000 back to Medicare. Management recorded this as a reduction to net patient service revenue during the year ended December 31, 2022.

Additionally, during 2022, the Office of Inspector General (OIG) is performing an audit Medical Part A services claimed by LPH. The objective of the audit is to determine whether services provided by the Hospice during the period January 1, 2020 to December 31, 2021 complied with Medicare requirements. The OIG audit is in process and LifePath has not received any findings from the OIG as December 31, 2023 and through the date of the Independent Auditor's report and therefore has not recorded a liability as of December 31, 2023 or 2022.

Beginning in November 2021, and continuing through February 2022, Medicare conducted a Supplemental Medical Review Contractor (SMRC) claims review. Capital Caring received notifications that the SMRC claims review identified approximately \$2,555,000 of improper payments. The SMRC claims review identified approximately \$1,433,000 as being improperly paid by the State of Virginia and was recouped against payments in 2022. The SMRC claims review identified approximately \$1,122,000 as being improperly paid by the State of Maryland. Approximately \$280,000 was recouped against payments in 2022, and in August 2022, Capital Caring entered into a repayment agreement for the remaining balance of approximately \$842,000 to be repaid in 10 monthly installments, including interest at an annual rate of 9.375%. The remainder of the settlement was paid during the year ended December 31, 2023, and there is no payable at December 31, 2023.

PACE Revenue: CHS operates Hope PACE (Program of All-Inclusive Care for the Elderly), a Medicare and Medicaid program that helps people meet their health care needs in the community instead of going to a nursing home or other care facilities. PACE serves individuals who: are ages 55 or older; certified by their state to need nursing home care; able to live safely in the community at the time of enrollment; and live in a PACE service area. Capitation revenue recognized from the PACE program relates to contracts with participants in which the performance obligation is to provide healthcare services to the participants. CHS contracts directly with Medicare and Medicaid to manage the healthcare needs of the program's participants and records PACE capitation revenue on a per member, per month ("PMPM") basis. Fees are recorded gross in revenues because CHS is acting as a principal in providing for or overseeing comprehensive care provided to the participants. CHS considers all contracts with participants as a single performance obligation to provide comprehensive medical, health, and social services that integrate acute and long-term care. The capitation revenues are recognized based on the estimated PMPM transaction price to transfer the service for a distinct increment of the series (i.e. month). CHS recognizes revenue in the month in which participants are entitled to receive comprehensive care benefits during the contract term. During the year ended December 31, 2023, CHS recognized approximately \$41,402,000 in PACE revenue included within net patient service revenue included in the consolidated statements of operations.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitated Revenue: Capitated contract revenue is recorded as revenue in the month that members are entitled to healthcare services through contracts with ADCE. As of December 31, 2023 and 2022, CHS had capitation agreements in place with one healthcare payer (non-risk).

Charity Care: CHS determines each patient's ability to pay during the admission process. When a patient meets certain criteria, part or all of the patient's charges are deemed charity care and are not billed for collection. Because CHS does not pursue collection of amounts determined to qualify as charity care, those amounts are excluded from net patient service revenue. The cost of charity care provided was approximately \$7,093,000 and \$6,743,000 for the years ended December 31, 2023 and 2022, respectively. This cost estimate was based on the organization-wide cost to charge ratio.

In addition to providing charity care in its continuing effort to further its mission, CHS also provides a variety of programs and services that receive little or no funding. These include medical research, medical education programs, caregiver programs, extensive community bereavement programs, and children's grief centers, including twice-yearly camps.

Contributions: Contributions received and unconditional promises to give are recorded as revenue without donor restrictions or revenue with donor restrictions depending on the existence of donor restrictions and the nature of such restrictions if they exist. Conditional promises to give are recognized in the consolidated statements of operations only when the conditions on which they depend are substantially met and the promises become unconditional.

When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions.

Donor restricted gifts that are received for which their restricted purpose is met during the same year are initially recorded as net assets with donor restrictions and then reported as net assets released from restrictions and reclassified as net assets without donor restrictions.

Donated Services: Donated services are reflected in the consolidated financial statements at the fair value of services received. The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no donated services recognized.

Performance Indicator: The consolidated statements of operations include change in net assets without donor restrictions before other changes which is designated as CHS' performance indicator.

Income Taxes: Chapters and the affiliate organizations, except for CNU, are exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely to be realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The applicable Forms 990 have not been subject to examination by the Internal Revenue Service or the state of Florida for the last three years. CHS does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. CHS recognizes interest and/or penalties related to income tax matters in income tax expense. CHS did not have any amounts accrued for interest and penalties at December 31, 2023 and 2022.

CNU is a C-corporation and is subject to income taxes. The provision for income taxes is determined using the asset and liability approach of accounting for income taxes. Under this approach, the provision for income taxes represents income taxes paid or payable (or received or receivable) for the current year plus the change in deferred taxes during the year. Deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid, and result from differences between the financial and tax basis of the Company's assets and liabilities and are adjusted for changes in tax rates and tax laws when enacted. Tax benefits related to uncertain tax positions taken or expected to be taken on a tax return are recorded when such benefits meet a more likely than not threshold. Otherwise, these tax benefits are recorded when a tax position has been effectively settled, which means that the statute of limitation has expired or the appropriate taxing authority has completed their examination even though the statute of limitations remains open. As of December 31, 2023, CNU believes none of its income tax positions are uncertain and, accordingly, has no amount provided for uncertain tax positions. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve months. Interest and penalties related to uncertain tax positions are recognized as part of the provision for income taxes and are accrued beginning in the period that such interest and penalties would be applicable under relevant tax law until such time that the related tax benefits are recognized.

Reclassifications: Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications did not have any impact on the total net assets or change in net assets.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2023 to determine the need for any adjustments to and/or disclosures within the consolidated financial statements for the year ended December 31, 2023. Management has performed their analysis through April 26, 2024, which is the date the consolidated financial statements were available to be issued.

In January 2024, Chapters and Good Shepherd sold certain assets to Medicare Hospice Services, LLC. in exchange for \$500,000 cash, \$300,000 note receivable and a 20% equity interest in Medicare Hospice Services, LLC. The purpose of this transaction is to enter the hospice market in Miami-Dade County, Florida.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 – AFFILIATION AGREEMENTS

Current year:

Hope Hospice and Community Services, Inc.:

On December 8, 2022, CHS signed an affiliation agreement with Hope Hospice and Community Services, Inc. and its affiliates to expand CHS' market in Southwest Florida. On March 1, 2023, CHS and Hope Hospice and Community Services, Inc. (collectively, the "Hope Parties") closed their affiliation agreement making CHS the sole member of the Hope Parties. Beginning on March 1, 2023, the financial position, results of activities and cash flows of all Hope entities were consolidated with CHS. This transaction was accounted for under the acquisition accounting method of business combinations. As a result, CHS recorded an inherent contribution of \$80,261,224 in 2023. No consideration was exchanged, and no financial commitments were made. CHS incurred approximately \$874,000 in acquisition costs.

The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed at March 1, 2023:

Cash	\$	9,531,656
Patient accounts receivable		4,989,452
Other accounts receivable		3,026,684
Investments		26,060,170
Intangible assets and tradenames		5,375,000
Right-of-use assets		4,792,536
Property and equipment		61,864,819
Other assets		<u>3,348,273</u>
Total assets		<u>118,988,590</u>
Accounts payable	\$	6,009,569
Accrued expenses		1,387,540
Accrued payroll liabilities		7,197,485
Long-term debt		19,000,000
Lease liabilities		4,811,293
Other liabilities		<u>321,479</u>
Total liabilities		<u>38,727,366</u>
Excess of fair value of assets acquired over liabilities assumed	\$	<u>80,261,224</u>
Included within net assets without donor restrictions	\$	80,024,844
Included within net assets with donor restrictions	\$	236,380

During the period March 1, 2023 to December 31, 2023, the acquired debt was paid in full.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 – AFFILIATION AGREEMENTS (Continued)

The following methods were used to determine fair value:

Property and equipment - fair value was determined using the cost and sales comparison approach.
Tradenames - fair value was determined using the royalty relief method, a form of the income approach.

Certificate of Need and PACE license - fair value was determined using the cost approach.

Contractual accounts receivable approximates the fair value of accounts receivable.

Capital Caring Health:

On December 27, 2022, CHS signed an affiliation agreement with Capital Caring Health and its affiliates to expand CHS' market into the Virginia, Maryland and the Washington D.C. metropolitan areas. On May 1, 2023, CHS and Capital Caring Health (collectively, the "Capital Parties" or "Capital Caring") closed their affiliation agreement making CHS the sole member of Capital Caring Health. Beginning on May 1, 2023, the financial position, results of activities and cash flows of all Capital entities were consolidated with CHS.

This transaction was accounted for under the acquisition accounting method of business combinations. As a result, CHS recorded an Inherent contribution of \$25,131,626 in 2023. Prior to the closing of the affiliation agreement on May 1, 2023, CHS loaned the Capital Parties \$7,000,000 in two tranches of \$5,000,000 (prior to December 31, 2022) and \$2,000,000 (prior to May 1, 2023). As part of the affiliation transaction, the \$7,000,000 was accounted for as consideration paid to the Capital Parties. CHS incurred approximately \$612,000 in acquisition costs.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
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NOTE 2 – AFFILIATION AGREEMENT (Continued)

The following table summarizes the estimated fair value of Capital Caring's assets and liabilities at May 1, 2023:

Cash	\$	2,905,979
Patient accounts receivable		11,665,956
Pledges receivable		2,392,000
Investments		3,231,356
Intangibles and tradenames		7,200,000
Right-of-use assets		23,741,410
Property and equipment		19,729,999
Other assets		<u>844,669</u>
Total assets		<u>71,711,369</u>
Accounts payable	\$	3,098,597
Accrued expenses		5,707,494
Accrued payroll liabilities		6,805,082
Lease liabilities		23,752,926
Other liabilities		<u>215,644</u>
Total liabilities		<u>39,579,743</u>
Excess of fair value of assets acquired over liabilities assumed	\$	32,131,626
Less consideration	\$	<u>(7,000,000)</u>
	\$	<u>25,131,626</u>
Included within net assets without donor restrictions	\$	18,204,485
Included within net assets with donor restrictions	\$	6,927,141

The following methods were used to determine fair value:

Property and equipment - fair value was determined using the cost and sales comparison approach.
Tradenames - fair value was determined using the royalty relief method, a form of the income approach.

Contractual accounts receivable approximates the fair value of accounts receivable.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
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NOTE 2 – AFFILIATION AGREEMENT (Continued)

Prior year:

Cornerstone Hospice & Palliative Care, Inc.:

On December 2, 2021, CHS signed an affiliation agreement with Cornerstone to expand CHS' market in Central Florida and four counties in Northwest Georgia. On April 1, 2022, CHS and Cornerstone (collectively, the "Parties") closed their affiliation agreement making CHS the sole member of Cornerstone. Beginning on April 1, 2022, the balance sheet, results of activities and cash flows of all Cornerstone entities were consolidated with CHS. This transaction was accounted for under the acquisition accounting method of business combinations. As a result, CHS recorded an inherent contribution of \$75,781,681 in 2022. No consideration was exchanged, and no financial commitments were made. CHS incurred approximately \$375,000 in acquisition costs.

The following table summarizes the estimated fair value of Cornerstone's assets and liabilities at April 1, 2022:

Cash	\$ 25,830,390
Patient accounts receivable	5,205,884
Prepays	2,590,145
Interest in net assets of Cornerstone Foundation	12,119,093
Intangibles and Tradenames	1,600,000
Right-of-use assets	6,464,209
Property and equipment	37,583,339
Other assets	1,026,207
Due from related party	1,492,303
Total assets	<u>93,911,570</u>
Accounts payable	2,092,997
Accrued expenses and payroll liabilities	6,555,139
Right-of-use liabilities	6,464,209
Note payable	2,510,039
Other liabilities	507,505
Total liabilities	<u>18,129,889</u>
Excess of fair value of assets acquired over liabilities assumed	<u>\$ 75,781,681</u>
Included within net assets without donor restrictions	\$ 63,662,588
Included within net assets with donor restrictions	\$ 12,119,093

The following methods were used to determine fair value:

- Property and equipment - fair value was determined using the cost and sales comparison approach.
- Tradenames - fair value was determined using the royalty relief method, a form of the income approach.
- Contractual accounts receivable approximates the fair value of accounts receivable.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
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NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 33,818,101	\$ 13,957,074
Short-term investments	11,572,539	9,291,149
Patient accounts receivable, net	43,623,346	19,119,599
Capitation receivable	6,516,439	7,099,173
Due from related party	675,980	5,729,953
Pledges receivable, current portion	423,454	480,305
Other current assets	<u>5,396,021</u>	<u>1,717,744</u>
	<u>\$ 102,025,880</u>	<u>\$ 57,394,997</u>

As part of CHS' liquidity management plan, management invests cash in excess of daily requirements in short-term investments and money market funds. CHS has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet sixty days of normal operating expenses. CHS has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The CHS treasury management function is consolidated at the parent level and pays expenses on behalf of its affiliates. CHS typically collects patient accounts receivable within sixty days of the date of service and its Florida based hospice affiliates participate in the Medicare Periodic Interim Payment program (PIP) which provides bi-weekly cash payments based on management's estimate of census. CHS reconciles PIP with actual billings three times per year and the net PIP position is recorded in patient accounts receivable. In the event of an unanticipated liquidity need, CHS could utilize the long-term investments that are not donor restricted. CHS could utilize the line of credit as described in Note 10 should liquidity needs arise.

NOTE 4 – PATIENT ACCOUNTS RECEIVABLE

At December 31, patient accounts receivable by payor category consists of the following:

	<u>2023</u>	<u>2022</u>
Medicare	\$ 55,529,123	\$ 35,704,938
Medicaid	11,426,481	8,200,953
Other third-party payors	9,751,401	7,683,526
Less Medicare Periodic Interim Payments (PIP)	(12,776,227)	(14,045,031)
Less implicit price concessions	<u>(20,307,432)</u>	<u>(18,424,787)</u>
	<u>\$ 43,623,346</u>	<u>\$ 19,119,599</u>

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 – ASSETS LIMITED AS TO USE

The composition of assets limited as to use at December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 6,629,801	\$ 3,452,644
Money market funds	1,953,565	60,097
Mutual funds	1,864,123	1,728,286
	<u>10,447,489</u>	<u>5,241,027</u>
Less current portion	<u>(4,839,261)</u>	<u>(3,452,644)</u>
	<u>\$ 5,608,228</u>	<u>\$ 1,788,383</u>

NOTE 6 – INVESTMENTS

Investments, stated at fair value, at December 31 include:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 859,729	\$ 1,780,247
Money market funds	3,252,303	7,420,132
U.S. government agencies	1,527,559	673,813
Corporate bonds	991,281	258,390
Equity mutual funds	74,242,791	71,095,887
Bond mutual funds	9,802,093	8,818,080
Commodities mutual funds	1,422,439	1,509,974
Real estate fund	1,010,474	943,147
Equity securities	16,175,034	8,956,981
	<u>109,283,703</u>	<u>101,456,651</u>
Less current portion	<u>(11,572,539)</u>	<u>(9,291,149)</u>
	<u>\$ 97,711,164</u>	<u>\$ 92,165,502</u>

Investment income from assets limited as to use and investments is comprised of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Interest and dividends, net of fees	\$ 3,962,063	\$ 3,223,454
Net realized gains on sales of securities	5,655,183	119,521
Net unrealized gains (losses)	<u>8,228,628</u>	<u>(21,661,023)</u>
	<u>\$ 17,845,874</u>	<u>\$ (18,318,048)</u>

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 7 – NOTES RECEIVABLE

Capital Caring: During 2022, CHS entered into a line of credit agreement with Capital Caring. The note is a revolving line of credit (i) for the period prior to the occurrence of the affiliation event, an amount of up to \$5,000,000 and (ii) after the occurrence of the affiliation event, an amount of up to \$10,000,000. In the occurrence of an affiliation termination Event, the revolving line of credit shall be reduce to \$0 and no further advances may be requested or made without the written consent of CHS. Capital Caring may borrow, repay, and reborrow hereunder and CHS may advance and readvance under this note from time to time until the expiration date. The affiliation event is defined as the consummation of the affiliation agreement whereby CHS becomes the sole member of Capital Caring, which occurred in May 2023. The affiliation termination event is defined as the time that Capital Caring notifies CHS that they will no longer execute or consummate the affiliation agreement. The note bears an interest rate at the sum of the Wall Street Journal Prime rate plus 2%.

On closing of the affiliation agreement, the note receivable balance between CHS and Capital Caring was settled. As of May 1, 2023, Capital Caring had a balance outstanding of \$7,000,000, which CHS recognized as consideration paid to Capital Caring as part of the affiliation agreements. CHS and Capital Caring continue to utilize the credit agreement to lend and repay funds between the organizations. The terms did not change post-affiliation. The outstanding balance on the note receivable was \$3,000,000 as of December 31, 2023. As of and subsequent to the Affiliation Event the note receivable eliminates in the consolidated financial statements.

Software company: Capital Caring advanced funds to a software company headquartered in New Orleans, Louisiana. The software company develops computer software for the hospice industry. All advances are to be used solely for business purposes and are stated at unpaid principal balances. The loans are secured by the assets of the borrower and guarantor of the advances. There were no fees involved in these transactions. No new loans will be made to the software company beyond those listed below.

Interest on the loans is recognized over the lives of the loans and is calculated on the outstanding principal balance.

Loan receivable originating in April 2015: \$1,000,000 payable in full in April 2020 or payable upon sale or transfer as defined below; interest accrues quarterly at the 12% (12% at December 31, 2023). An allowance for doubtful accounts in the amount \$1,000,000 has been recorded for the outstanding receivable balance at December 31, 2023.

Loan receivable originating in April 2016 for \$1,500,000 original note was amended several times for a total balance of \$2,970,000; payable in full in February 2021 or payable upon sale or transfer as defined below; interest accrues quarterly at 12% (12% at December 31, 2023). Interest on the amended amounts accrues at an annual interest at of 12%. An allowance for doubtful accounts in the amount \$2,970,000 has been recorded for the outstanding receivable balance at December 31, 2023.

If a sale or transfer of the borrower occurs prior to the loan maturity dates, principal and any unpaid interest is due in full plus a percentage of the gross sale proceeds in excess of \$10,000,000. If no sale or transfer occurs within five years of the origination date, the repayment amount is equal to the principal plus a percentage of the borrower entity's current value based on a multiple of the borrower entity's earnings before interest, depreciation, and amortization.

An allowance for doubtful accounts of \$1,154,265 has been establish for the remaining interest amounts contractually due from the software company as management has determined it is probable the organization may not be able to collect such amounts. Per the related note agreements, Capital Caring can, in the event of default and after notice to the borrower, commence such legal actions or proceedings against the borrower and guarantor, as permitted under the agreement or otherwise at law or at equity.

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NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment as of December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Land and land improvements	\$ 26,083,826	\$ 15,888,782
Building and leasehold improvements	207,509,257	99,819,814
Furniture, fixtures, and equipment	74,430,027	50,147,656
Vehicles	2,225,084	281,948
Projects in process	960,430	12,459,483
	<u>311,208,624</u>	<u>178,597,683</u>
Less accumulated depreciation	<u>(146,246,334)</u>	<u>(84,628,805)</u>
	<u>\$ 164,962,290</u>	<u>\$ 93,968,878</u>

Projects in process at December 31, 2023 consist primarily of software implementation and general facility upgrades to be placed in service in calendar year 2024. There are not any significant projects planned or commitments entered into.

Depreciation expense for the years ended December 31, 2023 and 2022, was approximately \$11,262,000 and \$9,033,000, respectively. No interest expense was capitalized during 2023 or 2022.

NOTE 9 – LEASES

At the inception of an arrangement, CHS determines if an arrangement is a lease based on all relevant facts and circumstances. Leases are classified as operating or finance leases at the lease commencement date. Operating leases are included in operating lease ROU assets, current operating lease liabilities and long-term operating lease liabilities on the balance sheets. Finance leases are included in property and equipment, current maturities of long-term debt and finance leases and long-term debt and finance leases, net of current maturities, on the balance sheets. Leases are classified between current and long-term liabilities based on their payment terms. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Leases with a term of 12 months or less (short-term leases) are not recorded on the balance sheets. ROU assets represent CHS's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. ROU assets also include prepaid rent and are adjusted by the unamortized balance of lease incentives.

As the implicit rate is generally not readily determinable for all of CHS's leases, CHS utilized the risk free rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments. Some leases include one or more options to extend the lease, with extension terms that can extend the lease term by one to five years. The exercise of lease extension options is at CHS's sole discretion. The lease term includes options to extend or terminate the lease when it is reasonably certain that CHS will exercise that option. CHS generally concluded options to extend the lease are reasonably certain to be exercised when it is cost prohibitive to relocate operations or pursue alternative leased assets. Certain leases contain early termination penalties; however, as of December 31, 2023, it is not reasonably certain that CHS will exercise or become subject to such early termination penalties.

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NOTE 9 – LEASES (Continued)

Nonperformance-related default covenants, cross-default provisions, subjective default provisions and material adverse change clauses contained in material lease agreements, if any, are also evaluated to determine whether those clauses affect lease classification. Real estate and vehicle leases comprise the majority of CHS's leasing activities.

CHS accounts for lease agreements with lease and non-lease components separately. Operating expenses and property taxes due for leased facilities are accounted for as non-lease components. Leases with a term greater than one year are recognized on the consolidated balance sheet as ROU assets and lease liabilities. CHS has elected not to recognize on the consolidated balance sheet leases with terms of one year or less.

At December 31, 2023 and 2022, the right-of-use asset related to operating leases was approximately \$50,623,000 and \$28,234,000, respectively, and is recorded in the accompanying consolidated balance sheets.

Lease expense is recognized on a straight-line basis over the term of the lease and presented as a single charge in the consolidated statements of operations. During the years ended December 31, 2023 and 2022, CHS recorded approximately \$8,278,000 and \$4,560,000, respectively, in lease expense. The weighted-average remaining operating lease life was 8.14 years at December 31, 2023. The weighted average discount rate is 1.60%.

A summary of future operating lease payments at December 31, 2023 is as follows:

A summary of maturities for operating leases at December 31, 2023 is as follows:

2024	\$ 9,020,207
2025	8,176,284
2026	7,070,256
2027	6,182,386
2028	5,621,209
Thereafter	22,820,227
Total lease payments	58,890,569
Less: Amount representing interest	(6,633,318)
Present value of lease liabilities	\$ 52,257,251

NOTE 10 – LINES OF CREDIT

Cornerstone has obtained two lines of credit, a revolving line of credit and a non-revolving line of credit, from a financial institution. The revolving line of credit has availability of \$7,500,000, however, of that balance, \$330,000 is restricted as a letter of credit for the workers compensation insurance policy. There is no outstanding balance on this line of credit at December 31, 2022. Cornerstone's non-revolving line of credit has an available borrowing limit of \$11,250,000. There is no outstanding balance on this line of credit at December 31, 2022. Both lines of credit accrue interest at a variable rate of Bloomberg Short-Term Bank Yield Index rate plus 1.75%. The lines of credit are secured by a Negative Pledge agreement which will expired on April 30, 2023. Management did not extend the lines of credit after April 30, 2023.

In May 2023, Chapters obtained a revolving line of credit with a financial institution. The line has availability of \$7,500,000 and incurs interest at a rate of monthly simple SOFR plus 1.45%. As of December 31, 2023, there was no outstanding balance on the line of credit. The line matures in May 2024.

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NOTE 11 – LONG-TERM DEBT

A summary of long-term debt and capital lease obligations as of December 31 is as follows:

	<u>2023</u>	<u>2022</u>
City of Temple Terrace, Florida Revenue Refunding Bond, (Chapters Health System Project), Series 2017, with Regions Bank as bondholder, commencing April 2017, maturing April 2031, secured by certain assets of CHS, principal maturing in varying amounts, interest payable monthly at 0.67% of one-month simple SOFR plus 1.12% (4.79% at December 31, 2023) (Series 2017 Bond).	\$ 9,620,300	\$ 10,749,600
Conventional taxable loan, with Regions Bank as bondholder, commencing April 2017, maturing December 2035, secured by certain assets of CHS, principal maturing in varying amounts, interest payable monthly at 0.67% of one-month simple SOFR plus 1.75% (7.22% at December 31, 2023) due through 2035 (Taxable Loan).	13,256,000	13,679,000
Conventional term loan, with Regions Bank, commencing May 2023, secured by certain assets of CHS, principal maturing in varying amounts, interest payable at 1.75% plus one-month simple SOFR (5.41% at December 31, 2023) due through May 2027	7,160,089	-
	30,036,389	24,428,600
Less current portion of long-term debt	(2,200,646)	(1,552,300)
Less unamortized debt issuance costs	(463,566)	(333,492)
	\$ 27,372,177	\$ 22,542,808

The agreement underlying the bond issues and the 2017 Taxable Loan as described above were modified in May 2023 to change the Obligated Group. The Obligated Group now includes Chapters Health Palliative Care, LLC, Chapters Health Pharmacy, LLC, Chapters Health Staffing, LLC, Chapters Health Home Connect, Inc., Hospice of Okaloosa, and Cornerstone Health Services, LLC. The addition was to add Cornerstone.

The agreements underlying the bond issues and the 2017 Taxable Loan described above contain covenants that provided for, among other things, the maintenance of certain ratios, conditions for issuance of additional indebtedness and the transferability of funds. At December 31, 2023, CHS was out of compliance with certain financial covenants. CHS obtained a waiver from the financial institution subsequent to year end. The Series 2017 Bond and 2017 Taxable Loan are secured under a Master Trust Indenture and Supplemental Indentures and are collateralized by pledged revenues, all rights, titles, interests and estates in and to all real property and the revenue fund as outlined in the agreements.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
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NOTE 11 – LONG-TERM DEBT (Continued)

Debt Issuance Costs: Debt issuance costs are netted against the related obligation and amortized over the term of the related obligation. In conjunction with the issuance of the Series 2017 Bond, 2017 Taxable Loan, 2023 Term Loan, and 2023 Revolver, CHS recorded debt issuance costs of approximately \$185,000.

Unamortized debt issuance costs as of December 31, 2023 and 2022, was approximately \$463,000 and \$333,000, respectively, and is included in the non-current portion of long-term debt in the accompanying consolidated balances sheets. Amortization expense was approximately \$60,000 for the years ended December 31, 2023 and 2022 and is included in interest in the accompanying consolidated statements of operations.

Debt Maturities: Maturities of long-term debt and capital lease obligations are as follows:

	Series 2017 & 2023 Bonds & Loans
2024	\$ 2,200,646
2025	2,284,337
2026	2,367,458
2027	6,986,097
2028	1,795,400
Thereafter	<u>14,402,451</u>
	<u>\$ 30,036,389</u>

Interest Rate Swap Agreements: CHS utilizes interest rate swap agreements to modify CHS's exposure to interest rate risk by converting a portion of its variable rate borrowings to a fixed-rate basis, thus reducing the impact of interest-rate changes on future interest expense. These agreements involve the receipt of variable-rate payments amounts in exchange for fixed-rate interest payments over the life of the agreements without an exchange of the underlying principle amount. In conjunction with the Series 2017 Bond and 2017 Taxable Loan, in March 2017, CHS entered into two interest rate swap agreements with Regions Bank to convert a portion of its variable-rate borrowings to a fixed-rate basis. These swap agreements matured on April 1, 2024.

CHS pays a fixed rate of 1.45% and receives a variable-rate payment based on 67% of SOFR for one swap and pays a fixed rate of 2.182% and receives a variable-rate payment based on SOFR for the other swap. At December 31, 2023 and 2022, the notional amount of these swap agreements totaled approximately \$22,876,000 and \$24,429,000, respectively.

NOTE 12 – EMPLOYEE BENEFIT PLANS

CHS sponsors noncontributory supplemental executive retirement plans (SERP) for a select group of management or highly compensated employees. The plans call for benefits to be paid in a lump sum amount on the 45th day following separation from service as long as the participant has attained the vesting dates for employer-contributed amounts. Employee-contributed amounts may be distributed based on a list of options provided in the plans.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
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NOTE 12 – EMPLOYEE BENEFIT PLANS (Continued)

Distributions equal to 100% of the amount credited to the participant's account will be made to the participant or beneficiary if the event of total and permanent disability, death, termination due to change in the control of the employer or termination without cause prior to the vesting date. Total assets held to fund the liability and total accrued liabilities to the plans were approximately \$2,117,000 and \$1,851,000 at December 31, 2023 and 2022, respectively, and are included in other assets and other long-term liabilities in the accompanying consolidated balance sheets.

CHS, in its sole discretion, may at any time make additional deposits of cash or other property in trust with the plans' trustee to augment the principle to be held, administered, and disposed of by the Plans' trustee as provided in the trust agreement. Expenses related to these plans were approximately \$1,021,000 and \$697,000 for the years ended December 31, 2023 and 2022, respectively.

CHS has established a retirement plan under Section 403(b) of the Internal Revenue Code whereby eligible employees may elect to defer a portion of their salary. The plan allows employees to make deposits to self-directed savings accounts through payroll deductions. CHS has the option to make discretionary nonelective contributions for eligible participating employees, as well as matching contributions based upon the amount of eligible compensation contributed by the employee up to certain specified limitations. Employees vest in the employer discretionary nonelective contributions and matching contribution over a six-year period. Participants' forfeitures are used to offset CHS's future plan contributions. Employer contributions to the plan were approximately \$2,247,000 and \$1,829,000 for the years ended December 31, 2023 and 2022, respectively.

Cornerstone has established a retirement plan under Section 403(b) of the Internal Revenue Code whereby eligible employees may elect to defer a portion of their salary. The plan allows employees to make deposits to self-directed savings accounts through payroll deductions. CHS has the option to make discretionary nonelective contributions for eligible participating employees, as well as matching contributions based upon the amount of eligible compensation contributed by the employee up to certain specified limitations. Employees must normally work in excess of twenty hours a week to participate in the plan and over 1,000 hours a year to vest in the employer's contribution. Employer contributions to the plan were approximately \$234,000 for the period of April 1, 2022 through December 31, 2022 and are included in salaries and benefits on the consolidated statements of operations. Cornerstone migrated to the CHS plan on October 1, 2022.

Hope has established 3 retirement plans under Section 403(b) of the Internal Revenue Code whereby eligible employees may elect to defer a portion of their salary. Two of the plans only allow for employee contributions. Hope does not contribute to either of those two plans. The third plan is a retirement plan under Section 403(b) of the Internal Revenue Code in which eligible employees who are at least 21 years of age and have one year of service. This retirement plan is solely funded by Hope, at the discretion of the board of directors and is determined annually. Employer contributions to the plan were approximately \$798,000 for the period of March 1, 2023 through December 31, 2023, and are included in salaries and benefits on the consolidated statements of operations.

Capital Caring has established a retirement plan under Section 403(b) of the Internal Revenue Code whereby eligible employees may elect to defer a portion of their salary. Capital Caring matches employee contributions dollar for dollar up to 1% of each eligible employee's salary. Employer contributions to the plan were approximately \$158,000 for the period of May 1, 2023 through December 31, 2023, and are included in salaries and benefits on the consolidated statements of operations.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2023 and 2022

NOTE 13 – RELATED PARTY TRANSACTIONS

Cornerstone Foundation was established to exclusively foster, promote, support, develop, and encourage the functions of Cornerstone. U.S. GAAP requires Cornerstone to recognize as an asset its interest in the net assets of Cornerstone Foundation, and to reflect in its changes in net assets the changes in the net assets of Cornerstone Foundation. Total net assets held by the Foundation as of December 31, 2023 and 2022 amounted to \$7,925,900 and \$6,993,965, respectively, and are classified as interest in net assets of Cornerstone Foundation on the consolidated balance sheets and with donor restrictions by Cornerstone because Cornerstone does not control the timing or amount of the contributions made by Cornerstone Foundation. The change in beneficial interest in the net assets of Cornerstone Foundation is recorded within the consolidated statements of operations within the changes in net assets with donor restrictions.

During the period ended December 31, 2023 and 2022, Cornerstone Foundation made grants to Cornerstone totaling approximately \$1,500,000 and \$5,619,000, respectively to provide funding for certain programs of Cornerstone. Cornerstone Foundation owed Cornerstone \$536,633 and \$1,492,303 at December 31, 2023 and 2022, respectively, for operating expenses paid on Cornerstone Foundation's behalf and unpaid grants to Cornerstone. Such amounts are recorded as due from related party in the consolidated balance sheets at December 31, 2023 and 2022.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Litigation: During the normal course of business, CHS may be subject to various threatened or asserted claims related to professional liability, employment or other matters. CHS maintains commercial insurance on a claims-made basis for medical malpractice, as well as other commercial insurance to cover general liabilities. Management is not aware of any threatened claims that are not covered by its risk management programs or that, in the event of an adverse outcome, would have a significant impact on the financial position of CHS.

Workers' Compensation: CHS maintains workers' compensation insurance through a captive insurance company. Accruals for workers' compensation claims have been estimated by management based upon loss runs and claims data provided by the insurance company. Estimated accruals for workers' compensation claims totaled approximately \$1,299,000 and \$632,000 at December 31, 2023 and 2022, respectively, and are included in accrued employee compensation and related benefits in the accompanying consolidated balance sheets.

NOTE 15 – SELF-FUNDED INSURANCE

Employee Health Insurance: CHS is self-insured for employee health care to provide medical and other health care benefits to eligible employees and covered dependents. Reinsurance, covering costs above \$200,000, for years ended December 31, 2023 and 2022, per individual is maintained through a commercial excess coverage policy. Estimated accruals for claims incurred but not yet reported totaled approximately \$2,092,000 and \$1,420,000 at December 31, 2023 and 2022, respectively, and are included in accrued employee compensation and related benefits in the accompanying consolidated balance sheets. The estimate of the liability for unasserted claims arising from incurred but not reported claims is based on an analysis of historical claims data. CHS incurred approximately \$20,819,000 and \$10,512,000 in expense related to self-insured employee health benefits in the accompanying consolidated statements of operations during the years ended December 31, 2023 and 2022, respectively.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
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NOTE 15 – SELF-FUNDED INSURANCE (Continued)

Cornerstone was self-insured for a portion of employee health benefits and migrated to CHS' plan in October 2022. Estimated accruals for claims incurred but not yet reported totaled approximately \$589,000 at December 31, 2022 and are included in accrued employee compensation and related benefits in the accompanying consolidated balance sheets. The estimate of the liability for unasserted claims arising from incurred but not reported claims is based on an analysis of historical claims data. Cornerstone incurred approximately \$3,370,000 in expense related to self-insured employee health benefits in the accompanying consolidated statements of operations during the period of April 1 through December 31, 2022.

Capital Caring is self-insured for employee health care to provide medical and other health care benefits to eligible employees and covered dependents. Estimated accruals for claims incurred but not yet reported totaled approximately \$722,000 at December 31, 2023 and are included in accrued employee compensation and related benefits in the accompanying consolidated balance sheets. The estimate of the liability for unasserted claims arising from incurred but not reported claims is based on an analysis of historical claims data. Capital Caring incurred approximately \$3,179,000 in expense related to self-insured employee health benefits in the accompanying consolidated statements of operations during the period of May 1, 2023 through December 31, 2023.

NOTE 16 – LIABILITY FOR UNPAID CLAIMS

Medical claims expense and the liability for unpaid claims include estimates of CHS' obligations for medical care services that have been rendered by third parties on behalf of insured consumers for which the CHS is contractually obligated to pay (through the CHS' capitation arrangements), but for which claims have either not yet been received, processed, or paid. CHS develops estimates for medical care services incurred but not reported ("IBNR"), which includes estimates for claims that have not been received or fully processed, utilizing actuarial models. CHS recorded a liability for accrued third-party medical expense claims of approximately \$2,463,000 and \$1,613,000 at December 31, 2023 and 2022, respectively.

CHS purchases provider excess insurance to protect against significant, catastrophic claims expenses incurred on behalf of its patients. The total amount of provider excess insurance premiums was \$4,065,215 and \$440,509 for the years ended December 31, 2023 and 2022, respectively. The provider excess insurance premiums less reimbursements are reported in medical claims expense in the consolidated statements of operations. Recoveries due are included in capitated accounts receivable in the consolidated balance sheets. CHS' provider excess insurance deductible for the plan was \$17.52 and \$17.70 per member per month for the years ended December 31, 2023 and 2022, respectively.

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NOTE 17 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2023</u>	<u>2022</u>
Beneficial interest in the net assets of Cornerstone Foundation	\$ 7,925,900	\$ 6,993,965
For the operations of LifePath Hospice	4,178,730	3,125,461
For the operations of Good Shepherd Hospice	2,254,725	2,157,307
For the operations of Hemando-Pasco Hospice	1,805,032	732,700
For the operations of Capital Caring Hospice	3,492,559	-
For the operations of Hope Healthcare	223,591	-
Endowment – LifePath Hospice	844,605	844,605
Endowment – Good Shepherd Hospice	166,994	166,994
Endowment – Capital Caring	2,481,515	-
For the operations of Chapters Health Foundation	<u>(56,405)</u>	<u>407,769</u>
	<u>\$ 23,317,246</u>	<u>\$ 14,428,801</u>

NOTE 18 – FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

U.S. GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the CHS's principle or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value as follows:

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. The fair values of cash and cash equivalents, money market funds, mutual funds, equity securities, and real estate funds are determined by obtaining quoted prices on nationally recognized securities exchanges.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. The fair values of CHS's government debt securities and corporate bonds are determined by matrix pricing, a market method, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities. CHS's derivatives, which are comprised of two interest rate swap agreements, are also reported at fair value using Level 2 inputs. CHS obtained the fair value from a financial institution which utilizes internal models with observable market data inputs to estimate the value of this instrument (market approach valuation technique).

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NOTE 18 – FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. The interest in net assets of Cornerstone Foundation is based on the underlying assets of Cornerstone Foundation, which are not redeemable upon request by Cornerstone or CHS. The interest in net assets of Cornerstone Foundation is largely composed of underlying investments that have observable inputs and market activity allowing for pricing based on the market prices of the items in the investments (market approach valuation technique).

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following tables present the financial instruments carried at fair value on a recurring basis as of December 31, 2023 and 2022, by valuation hierarchy, all of which were based on the market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets.

Assets and liabilities measured on a recurring basis are as follows:

	Fair Value Measurement at December 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Assets limited as to use:				
Cash and cash equivalents	\$ 6,629,801	\$ -	\$ -	\$ 6,629,801
Money market funds	1,953,565	-	-	1,953,565
Mutual funds	1,864,123	-	-	1,864,123
Total assets limited as to use	<u>10,447,489</u>	<u>-</u>	<u>-</u>	<u>10,447,489</u>
Investments				
Cash and cash equivalents	859,729	-	-	859,729
Money market funds	3,252,303	-	-	3,252,303
U.S. government agencies	-	1,527,559	-	1,527,559
Corporate bonds	-	991,281	-	991,281
Equity mutual funds	74,242,791	-	-	74,242,791
Bond mutual funds	9,802,093	-	-	9,802,093
Commodities mutual funds	1,422,439	-	-	1,422,439
Real estate fund	16,175,034	-	-	16,175,034
Equity securities	1,010,474	-	-	1,010,474
Total investments	<u>106,764,863</u>	<u>2,518,840</u>	<u>-</u>	<u>109,283,703</u>
Interest rate swap agreements	<u>-</u>	<u>282,822</u>	<u>-</u>	<u>282,822</u>
Interest in net assets of Cornerstone Foundation	<u>-</u>	<u>-</u>	<u>7,925,900</u>	<u>7,925,900</u>
Total assets	<u>\$ 117,212,352</u>	<u>\$ 2,801,662</u>	<u>\$ 7,925,900</u>	<u>\$ 127,939,914</u>

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NOTE 18 – FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

	Fair Value Measurement at December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Assets limited as to use:				
Cash and cash equivalents	\$ 3,452,644	\$ -	\$ -	\$ 3,452,644
Money market funds	60,097	-	-	60,097
Mutual funds	1,728,286	-	-	1,728,286
Total assets limited as to use	<u>5,241,027</u>	<u>-</u>	<u>-</u>	<u>5,241,027</u>
Investments				
Cash and cash equivalents	1,780,247	-	-	1,780,247
Money market funds	7,420,132	-	-	7,420,132
U.S. government agencies	-	673,813	-	673,813
Corporate bonds	-	258,390	-	258,390
Equity mutual funds	71,095,887	-	-	71,095,887
Bond mutual funds	8,818,080	-	-	8,818,080
Commodities mutual funds	1,509,974	-	-	1,509,974
Real estate fund	943,147	-	-	943,147
Equity securities	8,956,981	-	-	8,956,981
Total investments	<u>100,524,447</u>	<u>932,203</u>	<u>-</u>	<u>101,456,651</u>
Interest rate swap agreements	<u>-</u>	<u>678,387</u>	<u>-</u>	<u>678,387</u>
Interest in net assets of Cornerstone Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,993,965</u>	<u>\$ 6,993,965</u>
Total assets	<u>\$ 105,765,475</u>	<u>\$ 1,610,590</u>	<u>\$ -</u>	<u>\$ 107,376,065</u>

A reconciliation of beginning and ending balances for Organization's fair value measurements using Level 3 inputs is as follows:

	Interest in Net Assets of Cornerstone Founda
Assets at January 1, 2023	\$ 6,993,965
Change in interest in net assets of Cornerstone Foundation	<u>931,935</u>
Assets at December 31, 2023	<u>\$ 7,925,900</u>

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December 31, 2023 and 2022

NOTE 19 – FUNCTIONAL EXPENSES

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

<u>Year ended December 31, 2023</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses 2023</u>
Salaries and benefits	\$ 299,526,441	\$ 6,663,622	\$ 5,798,112	\$ 311,988,176
Purchased services	44,733,195	1,194,317	932,357	46,859,869
Durable medical equipment, supplies and drugs	35,448,878	956,932	702,032	37,107,842
Medical claims expense	32,857,719	362,227	633,051	33,852,997
Insurance and other	57,729,584	1,389,153	1,093,302	60,212,040
Depreciation and amortization	11,113,640	220,485	217,823	11,551,948
Interest	2,164,514	64,673	39,971	2,269,158
Affiliation expenses	-	1,188,528	-	1,188,528
	<u>\$ 483,573,972</u>	<u>\$ 12,039,937</u>	<u>\$ 9,416,649</u>	<u>\$ 505,030,558</u>
<u>Year ended December 31, 2022</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Expenses 2022</u>
Salaries and benefits	\$ 135,224,058	\$ 26,684,925	\$ 2,837,125	\$ 164,746,108
Purchased services	21,612,084	463,010	267,358	22,342,452
Durable medical equipment, supplies and drugs	15,885,746	-	-	15,885,746
Medical claims expense	24,912,802	-	-	24,912,802
Insurance and other	35,655,789	3,048,320	2,204,621	40,908,730
Depreciation and amortization	-	9,183,759	-	9,183,759
Interest	-	1,063,889	-	1,063,889
Affiliation expenses	-	375,000	-	375,000
	<u>\$ 233,290,479</u>	<u>\$ 40,818,903</u>	<u>\$ 5,309,104</u>	<u>\$ 279,418,486</u>

PUBLIC

SUPPLEMENTARY INFORMATION

PUBLIC

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
OBLIGATED GROUP BALANCE SHEET
December 31, 2023

	Chapters Health System	Comerstone	LifePath Hospice	Good Shepard Hospice	Foundation	CareNu	Hemando- Payco Hospice	Other	Total Before Eliminations	Eliminations Total	Obligated Group Total
ASSETS											
Current assets											
Cash and cash equivalents	\$ 5,622,572	\$ 34,271	\$ -	\$ -	\$ 1,404,159	\$ 9,137,080	\$ 1,000	\$ (390)	\$ 16,196,692	\$ -	\$ 16,196,692
Short-term investments	2,888,243	-	-	-	230,712	491,436	-	-	3,610,381	-	3,610,381
Assets limited to use, current portion	-	-	-	-	4,839,261	-	-	-	4,839,261	-	4,839,261
Patient accounts receivable, net	-	8,421,133	11,043,660	2,841,263	-	-	2,866,451	831,865	24,104,174	-	24,104,174
Capitation receivable	-	-	-	-	-	6,516,439	-	-	6,516,439	-	6,516,439
Due from related party	2,566,729	536,833	-	-	-	-	-	249	3,103,811	(2,002,841)	1,100,770
Note receivable	3,000,000	-	-	-	-	-	-	-	3,000,000	-	3,000,000
Pledges receivable, current portion	-	-	-	-	412,084	-	-	-	412,084	-	412,084
Interest rate swap agreements	282,822	-	-	-	-	-	-	-	282,822	-	282,822
Other current assets	9,380,197	3,867,629	41,928	2,723	160,288	1,642,030	60,315	267,694	15,412,802	-	15,412,802
Total current assets	23,720,563	10,859,668	11,085,588	2,843,986	7,036,502	17,786,995	2,927,766	1,219,218	77,480,276	(2,002,841)	75,477,435
Assets limited as to use, net	-	-	-	-	1,983,314	-	-	-	1,983,314	-	1,983,314
Pledges receivable, net	-	-	-	-	1,407,974	-	-	-	1,407,974	-	1,407,974
Long-term investments	84,844,211	-	-	-	4,737,116	8,029,807	-	-	97,711,164	-	97,711,164
Property and equipment, net	40,260,215	41,396,655	-	-	438,440	-	-	2,585	82,095,315	-	82,095,315
Right-of-use assets	13,864,489	5,188,418	2,242,430	16,018	1,177,816	-	-	394,819	24,124,268	-	24,124,268
Interest in net assets of affiliates	-	-	20,231,079	14,174,845	-	-	3,877,394	-	38,383,318	(38,383,318)	-
Interest in net assets of related party	18,142,309	7,925,900	-	-	-	-	-	-	26,068,209	(16,142,309)	9,925,900
Goodwill and intangibles, net	18,008,428	1,460,000	-	-	-	-	-	-	19,468,428	-	19,468,428
Other assets	2,330,522	-	-	-	-	17,500	-	-	2,348,022	-	2,348,022
Total assets	\$ 206,887,737	\$ 66,840,652	\$ 33,555,097	\$ 17,034,849	\$ 16,761,192	\$ 25,834,292	\$ 7,299,970	\$ 2,852,100	\$ 378,640,898	\$ 156,520,468	\$ 535,161,366

(Continued)

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
OBLIGATED GROUP BALANCE SHEET
December 31, 2023

	Chapters Health System	Cornerstone	LifePath Hospice	Good Shepard Hospice	Foundation	CareNu	Hernando- Pasco Hospice	Other	Total Before Eliminations	Eliminations Total	Consolidated Total
LIABILITIES AND NET ASSETS											
Current liabilities											
Accounts payable and accrued expenses	\$ 4,800,735	\$ 1,466,568	\$ 676,404	\$ 366,890	\$ 744,882	\$ 1,784,682	\$ 415,078	\$ 183,161	\$ 10,237,396	\$ -	\$ 10,237,396
Accrued employee compensation and related benefits	8,931,143	2,524,551	1,305,778	810,373	191,397	175,898	901,021	56,834	15,086,735	-	15,086,735
Estimate patient care expenses payable	-	3,708,410	2,519,413	1,458,038	-	-	865,257	215,051	8,784,170	-	8,784,170
Third-party medical claim expense	-	-	-	-	-	2,482,980	-	-	2,462,980	-	2,462,980
Due to related party	-	-	-	-	340,925	1,681,910	-	-	2,002,841	(2,002,841)	-
Lease liabilities, current	1,988,560	682,960	457,620	18,303	623,663	-	185,747	358,925	4,291,777	-	4,291,777
Current portion of long-term debt	2,200,646	-	-	-	-	-	-	-	2,200,646	-	2,200,646
Current portion of annuity obligations	-	-	-	-	34,285	-	-	-	34,285	-	34,285
Third-party settlements	-	775,044	487,345	677,824	-	-	84,420	14,502	1,939,144	-	1,939,144
Total current liabilities	17,701,084	9,167,621	6,946,569	3,227,429	1,935,152	6,085,416	2,471,530	826,273	47,049,974	(2,002,841)	45,047,133
Long-term debt, net of current portion and debt issuance costs											
	27,372,177	-	-	-	-	-	-	-	27,372,177	-	27,372,177
Lease liabilities, net	12,756,515	4,847,059	1,847,243	-	696,852	-	219,856	1,110,683	21,178,407	-	21,178,407
Annuity obligations, net	-	-	-	-	149,795	-	-	-	149,795	-	149,795
Other long-term liabilities	2,887,620	13,430	-	-	-	-	-	-	2,901,050	-	2,901,050
Total liabilities	60,717,396	13,818,010	7,492,812	3,227,429	2,681,799	6,085,416	2,691,386	1,937,166	98,651,403	(2,002,841)	96,648,562
Net assets											
Net assets without donor restriction	146,950,341	45,096,742	20,994,115	11,385,701	4,945,377	23,101,575	2,803,582	714,944	254,992,357	(45,226,706)	208,765,651
Noncontrolling interest	-	-	-	-	-	(3,352,699)	-	-	(3,352,699)	-	(3,352,699)
Total Net assets without donor restriction	146,950,341	45,096,742	20,994,115	11,385,701	4,945,377	19,748,876	2,803,582	714,944	251,639,658	(45,226,706)	206,412,952
Net assets with donor restrictions	-	7,925,900	5,072,170	2,421,719	9,134,916	-	1,806,032	-	26,358,037	(9,298,921)	17,059,116
Total net assets	146,950,341	53,022,642	26,066,285	13,807,420	14,079,393	19,748,876	4,609,614	714,944	277,998,495	(54,525,627)	223,472,868
	\$ 200,667,737	\$ 66,840,652	\$ 33,569,097	\$ 17,034,049	\$ 16,761,192	\$ 25,834,292	\$ 7,299,879	\$ 2,652,100	\$ 370,649,898	\$ (56,526,468)	\$ 320,123,430

See accompanying independent auditor's report.

PUBLIC

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATING BALANCE SHEET
December 31, 2023

	Obligated Group	Hope Healthcare	Capital Caring Hospice	Other	Total Before Eliminations	Eliminations Total	Consolidated Total
ASSETS							
Current assets							
Cash and cash equivalents	\$ 16,198,692	\$ 10,453,924	\$ 6,875,674	\$ 289,811	\$ 33,818,101	\$ -	\$ 33,818,101
Short-term investments	3,610,391	7,962,148	-	-	11,572,539	-	11,572,539
Assets limited to use, current portion	4,839,261	-	-	-	4,839,261	-	4,839,261
Patient accounts receivable, net	24,104,174	8,791,271	10,388,811	339,090	43,823,346	-	43,823,346
Capitation receivable	6,516,439	-	-	-	6,516,439	-	6,516,439
Due from related party	1,100,770	-	169,993	-	1,270,763	(594,783)	675,980
Note receivable	3,000,000	-	-	-	3,000,000	(3,000,000)	-
Pledges receivable, current portion	412,084	-	11,370	-	423,454	-	423,454
Interest rate swap agreements	282,822	-	-	-	282,822	-	282,822
Other current assets	15,412,802	3,136,091	950,871	47,673	19,547,437	-	19,547,437
Total current assets	75,477,435	30,343,434	18,396,719	676,574	124,894,162	(3,594,783)	121,299,379
Assets limited as to use, net	1,963,314	-	3,644,914	-	5,608,228	-	5,608,228
Pledges receivable, net	1,407,974	-	2,259,114	-	3,667,088	-	3,667,088
Long-term investments	97,711,164	-	-	-	97,711,164	-	97,711,164
Property and equipment, net	91,097,905	54,935,261	18,929,124	-	164,962,290	-	164,962,290
Right-of-use assets	24,124,288	3,823,101	22,675,432	-	50,622,821	-	50,622,821
Interest in net assets of related party	7,925,900	-	-	-	7,925,900	-	7,925,900
Goodwill and Intangibles, net	18,065,428	5,375,000	7,200,000	-	30,640,428	-	30,640,428
Other assets	2,348,022	-	11,841	-	2,359,863	-	2,359,863
Total assets	\$ 320,121,430	\$ 94,476,796	\$ 73,117,144	\$ 676,574	\$ 488,391,944	\$ (3,594,783)	\$ 484,797,161

(Continued)

PUBLIC

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATING BALANCE SHEET
December 31, 2023

	Obligated Group	Hope Healthcare	Capital Caring Hospice	Other	Total Before Eliminations	Eliminations Total	Consolidated Total
LIABILITIES AND NET ASSETS							
Current liabilities							
Accounts payable and accrued expenses	\$ 10,237,396	\$ 5,267,853	\$ 6,069,539	\$ 64,688	\$ 21,639,476	\$ -	\$ 21,639,476
Accrued employee compensation and related benefits	15,096,735	4,434,489	5,506,679	94,280	25,132,183	-	25,132,183
Estimate patient care expenses payable	8,784,170	1,135,711	2,734,755	-	12,654,636	-	12,654,636
Third-party medical claim expense	2,462,980	-	-	-	2,462,980	-	2,462,980
Due to related party	-	335,227	-	259,556	594,783	(594,783)	-
Lease liabilities, current	4,291,777	1,068,835	2,190,292	-	7,548,904	-	7,548,904
Current portion of long-term debt	2,200,646	-	3,000,000	-	5,200,646	(3,000,000)	2,200,646
Current portion of annuity obligations	34,285	-	75,170	-	109,455	-	109,455
Third-party settlements	1,939,144	(795,725)	384,521	-	1,527,940	-	1,527,940
Total current liabilities	45,047,133	11,444,390	19,960,956	418,524	76,871,003	(3,594,783)	73,276,220
Long-term debt, net of current portion and debt issuance costs							
	27,372,177	-	-	-	27,372,177	-	27,372,177
Lease liabilities, net	21,178,407	2,802,414	20,727,526	-	44,708,347	-	44,708,347
Annuity obligations, net	149,795	217,757	-	-	367,552	-	367,552
Other long-term liabilities	2,901,050	90,196	20,473	-	3,011,719	-	3,011,719
Total liabilities	96,648,562	14,554,757	40,708,955	418,524	152,330,798	(3,594,783)	148,736,015
Net assets							
Net assets without donor restriction	209,765,651	79,698,448	26,434,115	198,385	316,096,599	-	316,096,599
Noncontrolling interest	(3,352,699)	-	-	-	(3,352,699)	-	(3,352,699)
Total Net assets without donor restriction	206,412,952	79,698,448	26,434,115	198,385	312,743,900	-	312,743,900
Net assets with donor restrictions	17,059,916	223,591	5,974,074	59,665	23,317,246	-	23,317,246
Total net assets	223,472,868	79,922,039	32,408,189	258,050	336,061,146	-	336,061,146
	\$ 320,121,430	\$ 94,476,796	\$ 73,117,144	\$ 676,574	\$ 488,391,944	\$ (3,594,783)	\$ 484,797,161

See accompanying notes to consolidated financial statements

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
OBLIGATED GROUP STATEMENT OF OPERATIONS
Year ended December 31, 2023

	Chapters Health System	Comencon	LifePath Hospice	Good Shepard Hospice	Foundation	CareNu	Hernando- Palco Hospice	Other	Total Before Eliminations	Eliminations Total	Obligated Group Total
Net assets without donor restrictions											
Revenue and other support											
Net patient service revenue	\$ -	\$ 83,301,321	\$ 85,024,237	\$ 38,225,588	\$ -	\$ -	\$ 47,284,398	\$ 5,400,202	\$ 289,235,774	\$ -	\$ 289,235,774
Capitalized non-risk revenue	-	-	-	-	-	38,882,807	-	-	38,882,807	-	38,882,807
Contributions	-	1,500,000	1,182,492	628,200	27,340	-	890,872	73,068	4,288,812	(2,771,472)	1,527,340
Net assets released from restrictions used for operations	-	-	-	-	6,825,591	-	-	-	6,825,591	-	6,825,591
Other operating revenue	913,652	-	-	10,000	2,824,941	1,971,790	-	18,751,194	24,471,577	(17,744,822)	6,726,656
Intercompany cost allocations	82,135,411	-	-	-	-	-	-	-	82,135,411	(81,439,543)	695,868
Total revenue, gains and support	83,049,053	84,801,321	86,206,729	38,863,788	9,677,872	40,854,597	48,171,268	24,225,334	425,949,972	(101,955,937)	323,994,035
Expenses											
Salaries and benefits	45,753,164	57,187,708	42,998,586	24,870,247	3,043,405	3,789,105	27,303,685	21,876,214	275,979,175	(11,954,241)	214,024,934
Purchased services	758,048	8,284,781	6,982,508	2,635,636	227,810	1,714,097	2,774,068	266,286	23,530,005	-	23,530,005
Insurance and other	29,038,351	16,306,609	17,959,539	13,430,821	2,294,399	769,185	12,317,325	3,045,502	92,383,031	(52,624,360)	39,758,671
Durable medical equipment, medical supplies, and drugs	-	6,650,230	7,908,742	3,485,273	-	-	4,324,103	2,543,797	28,040,145	(5,790,582)	20,249,563
Medical claims expense	-	-	-	-	-	33,852,997	-	-	33,852,997	-	33,852,997
Depreciation and amortization	8,639,447	80,000	-	-	-	-	-	-	8,619,447	-	8,619,447
Interest	1,193,321	-	-	-	-	18,337	-	-	1,211,658	-	1,211,658
Contributions to affiliates	-	-	-	-	2,771,472	-	-	-	2,771,472	(2,771,472)	-
Affiliate expenses	1,168,528	-	-	-	-	-	-	-	1,168,528	-	1,168,528
Intercompany cost allocations	-	4,385,237	11,817,738	8,070,374	300,000	145,041	3,069,178	414,439	29,811,045	(28,815,177)	995,868
Total expenses	84,082,769	84,687,768	69,372,165	50,431,454	6,368,806	40,988,762	52,168,340	27,344,246	445,263,403	(101,955,938)	343,107,465
Income (loss) from operations	(1,013,696)	(86,445)	(168,450)	(11,537,666)	1,040,096	(14,165)	(4,217,072)	(3,118,814)	(10,113,431)	1	(9,113,430)
Nonoperating revenues and expenses											
Note receivable converted to consideration at affiliate date	(7,000,000)	-	-	-	-	-	-	-	(7,000,000)	-	(7,000,000)
Gain (loss) on sale of property and equipment	998,201	-	-	-	-	-	-	-	998,201	-	998,201
Loss on disposal of intangibles	(1,510,134)	-	-	-	-	-	-	-	(1,510,134)	-	(1,510,134)
Investment income (loss)	14,813,484	-	-	-	658,068	84,131	-	-	15,354,811	-	15,354,811
Change in fair value of interest rate swap agreements	(395,385)	-	-	-	-	-	-	-	(395,385)	-	(395,385)
Total nonoperating income	8,709,666	-	-	-	658,068	84,131	-	-	7,445,113	-	7,445,113
Net assets with donor restrictions											
Contributions	\$ -	\$ -	\$ -	\$ -	\$ 8,293,817	\$ -	\$ -	\$ -	\$ 8,293,817	\$ -	\$ 8,293,817
Investment income	-	-	-	-	231,154	-	-	-	231,154	-	231,154
Change in beneficial interest	-	831,935	1,102,104	97,418	-	-	1,072,333	-	3,203,790	(2,271,855)	831,935
Net assets released from restrictions	-	-	-	-	(8,828,591)	-	-	-	(8,828,591)	-	(8,828,591)
Change in net assets with donor restrictions before other changes	-	831,935	1,102,104	97,418	1,895,180	-	1,072,333	-	4,902,970	(2,271,855)	2,631,115

See accompanying notes to consolidated financial statements

PUBLIC

CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS
Year ended December 31, 2023

	Oligated Group	Hope Healthcare	Capital Caring Hospice	Other	Total Before Eliminations	Eliminations Total	Consolidated Total
Net assets without donor restrictions							
Revenue and other support							
Net patient service revenue	\$ 269,235,774	\$ 98,987,868	\$ 53,884,742	\$ 1,154,628	\$ 423,241,012	\$ -	\$ 423,241,012
Capitalized non-risk revenue	38,982,807	-	-	-	38,982,807	-	38,982,807
Contributions	1,527,340	1,100,789	3,375,280	15,085	6,018,503	-	6,018,503
Net assets released from restrictions used for operations	6,825,591	1,225,963	1,458,610	134,151	9,642,515	-	9,642,515
Other operating revenue	6,728,855	2,848,462	30,808	238,631	9,846,756	-	9,846,756
Intercompany cost allocations	695,868	-	-	-	695,868	(695,868)	-
Total revenue, gains, and support	323,994,035	103,981,182	58,727,448	1,540,295	488,222,961	(695,868)	487,527,093
Expenses							
Salaries and benefits	214,024,934	57,950,417	37,754,057	2,252,168	311,988,176	-	311,988,176
Purchased services	23,530,005	22,388,295	857,058	84,611	46,859,869	-	46,859,869
Insurance and other	34,738,665	8,096,044	11,167,037	310,274	60,212,040	-	60,212,040
Durable medical equipment, medical supplies, and drugs	20,249,463	12,056,484	4,792,679	7,216	37,107,842	-	37,107,842
Medical claims expense	33,852,997	-	-	-	33,852,997	-	33,852,997
Depreciation and amortization	6,615,447	2,151,041	785,460	-	11,551,948	-	11,551,948
Interest	1,211,558	375,800	681,711	88	2,269,158	-	2,269,158
Affiliation expenses	1,188,528	-	-	-	1,188,528	-	1,188,528
Intercompany cost allocations	695,868	-	-	-	695,868	(695,868)	-
Total expenses	343,107,465	103,926,081	56,018,622	2,654,756	505,726,428	(695,868)	505,030,560
Income (loss) from operations	(19,113,430)	35,101	2,688,827	(1,113,963)	(17,503,465)	-	(17,503,465)
Nonoperating revenues and expenses							
Excess of fair value of assets acquired over liabilities assumed in acquisition of Hope Hospice and Community Services, Inc. (Hope) and Capital Caring Health and its affiliates (Capital) (See Note 2)	-	80,024,844	16,794,874	1,409,811	98,229,329	-	98,229,329
Note receivable converted to consideration at affiliation date	(7,000,000)	-	7,000,000	-	-	-	-
Gain (loss) on sale of property and equipment	998,201	(2,454,406)	(165,371)	-	(1,623,578)	-	(1,623,578)
Loss on disposal of license	(1,510,134)	-	-	-	(1,510,134)	-	(1,510,134)
Investment income (loss)	15,354,611	2,092,911	115,585	-	17,563,507	-	17,563,507
Change in fair value of interest rate swap agreements	(395,565)	-	-	-	(395,565)	-	(395,565)
Total nonoperating income	7,445,113	79,663,347	23,745,288	1,409,811	112,263,559	-	112,263,559
Change in net assets without donor restrictions before other changes	(11,668,317)	79,698,448	26,434,115	295,848	94,760,094	-	94,760,094
Net asset with donor restrictions							
Excess of fair value of assets acquired over liabilities assumed in acquisition of Hope Hospice and Community Services, Inc. (Hope) and Capital Caring Health and its affiliates (Capital) (See Note 2)	-	236,380	6,832,680	94,461	7,163,521	-	7,163,521
Contributions	8,203,817	1,213,174	845,991	89,355	10,153,137	-	10,153,137
Change in beneficial interest	931,935	-	-	-	931,935	-	931,935
Investment income	231,154	-	51,213	-	282,367	-	282,367
Net assets released from restrictions	(6,825,591)	(1,225,963)	(1,458,610)	(134,151)	(9,642,515)	-	(9,642,515)
Change in net assets with donor restrictions before other changes	2,831,115	223,591	5,974,074	59,565	8,888,445	-	8,888,445

See accompanying independent auditor's report.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
OBLIGATED GROUP STATEMENT OF CHANGES IN NET ASSETS
Year ended December 31, 2023

	Chapters Health System		LifePath Hospice	Good Shepard Hospice	Foundation	CareNu	Hemando-Pasco Hospice	Other	Total Before Eliminations	Eliminations Total	Obligated Group Total
Net assets without donor restrictions - December 31, 2022	\$ 146,623,213	\$ 66,303,445	\$ 18,100,482	\$ 12,109,840	\$ 3,247,396	\$ 5,486,831	\$ 3,143,824	\$ 2,000,898	\$ 249,116,728	\$ (29,084,388)	\$ 220,031,328
Change in net assets without donor restrictions before other changes	6,890,290	(68,445)	(166,459)	(11,537,660)	1,897,982	69,988	(4,217,072)	(3,116,014)	(11,688,318)	-	(11,650,317)
Net asset transfer	(8,363,162)	(11,120,258)	3,080,092	10,713,527	-	359,717	3,876,810	1,833,102	359,888	-	359,888
Member distributions	-	-	-	-	-	(3,079,562)	-	-	(3,079,562)	-	(3,079,562)
Additional paid in capital	-	-	-	-	-	16,142,309	-	-	16,142,309	(16,142,309)	-
Change in non-controlling interest	-	-	-	-	-	769,615	-	-	769,615	-	769,615
Change in net assets without donor restrictions	(2,872,872)	(11,206,703)	2,893,833	(824,139)	1,897,982	14,262,045	(340,262)	(1,285,752)	2,523,932	(16,142,308)	(13,618,376)
Net assets without donor restrictions - December 31, 2023	\$ 145,950,341	\$ 45,096,742	\$ 20,994,115	\$ 11,385,701	\$ 4,945,377	\$ 19,746,876	\$ 2,803,562	\$ 714,844	\$ 251,639,658	\$ (45,226,706)	\$ 206,412,952
Net assets with donor restrictions - December 31, 2022	\$ -	\$ 8,893,895	\$ 3,970,066	\$ 2,324,301	\$ 7,434,858	\$ -	\$ 752,899	\$ -	\$ 21,455,867	\$ (7,027,065)	\$ 14,428,801
Change in net assets with donor restrictions before other changes	-	831,836	1,102,104	97,418	1,899,180	-	1,072,333	-	4,902,970	(2,271,855)	2,631,115
Net assets without donor restrictions - December 31, 2023	\$ -	\$ 7,929,900	\$ 5,072,170	\$ 2,421,719	\$ 9,134,016	\$ -	\$ 1,805,032	\$ -	\$ 28,358,837	\$ (8,298,921)	\$ 17,059,916

See accompanying independent auditor's report.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
Year ended December 31, 2023

	Obligated Group	Hope Healthcare	Capital Caring Hospice	Other	Total Before Eliminations	Eliminations Total	Consolidated Total
Net assets without donor restrictions - December 31, 2022	\$ 220,031,328	\$ -	\$ -	\$ 262,425	\$220,293,753	\$ -	\$220,293,753
Change in net assets without donor restrictions before other changes	(11,868,317)	79,898,448	28,434,115	295,848	94,760,094	-	94,760,094
Net asset transfer	359,888	-	-	(359,888)	-	-	-
Member distributions	(3,079,562)	-	-	-	(3,079,562)	-	(3,079,562)
Change in non-controlling interest	769,615	-	-	-	769,615	-	769,615
	(1,950,059)	-	-	(359,888)	(2,309,947)	-	(2,309,947)
Change in net assets without donor restrictions	(13,618,376)	79,898,448	28,434,115	(64,040)	92,450,147	-	92,450,147
Net assets without donor restrictions - December 31, 2023	\$ 206,412,952	\$ 79,898,448	\$ 28,434,115	\$ 198,385	\$312,743,900	\$ -	\$312,743,900
Net assets with donor restrictions - December 31, 2022	\$ 14,428,801	\$ -	\$ -	\$ -	\$ 14,428,801	\$ -	\$ 14,428,801
Change in net assets with donor restrictions before other changes	2,631,115	223,591	5,974,074	59,665	8,888,445	-	8,888,445
Net assets with donor restrictions - December 31, 2023	\$ 17,059,916	\$ 223,591	\$ 5,974,074	\$ 59,665	\$ 23,317,246	\$ -	\$ 23,317,246

See accompanying independent auditor's report.

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CHAPTERS HEALTH SYSTEM, INC. AND AFFILIATES
NOTE TO CONSOLIDATING FINANCIAL STATEMENTS
Year ended December 31, 2023

NOTE 1 – CONSOLIDATING DETAIL

The accompanying consolidating balance sheet and consolidating statement of operations reflect the financial position and operations and changes in net assets of Chapters Health System, Inc. (CHS) and its major operating entities. The amounts included in CNU are comprised of CNU, Assurity Direct Contracting Entity, Inc., and eliminations between the two companies.

The amounts included in other within the Obligated Group includes: Chapters Health Palliative Care, LLC, Chapters Health Pharmacy, LLC, Chapters Health Staffing, LLC, Chapters Health Home Connect, Inc., Hospice of Okeechobee, and Cornerstone Health Services, LLC.

The amounts included in Capital Caring includes: Capital Caring Health and Capital Hospice.

The amounts included in other that are not in the Obligated Group are comprised of Allcare Medical of Florida, Care Partners, LLC, Achieve Home Care, LLC, Capital Caring Health, Capital Palliative Care Consultants, Capital Caring Stay at Home Services, Inc., and Capital Caring Advanced Illness Services, Inc.

See accompanying independent auditor's report.

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**Chapters Health System, Inc. and Affiliates
Consolidated Balance Sheets
As of August 31, 2024**

	Consolidated 8/31/2024	Consolidated 7/31/2024	Consolidated 12/31/2023
<i>Financial Indicators</i>			
Current Ratio	1.58	1.63	1.95
Debt to Equity Ratio	0.47	0.48	0.38
Days Cash on Hand	108	109	118
Days in AR	65	95	53
<i>Assets</i>			
Current assets:			
Cash and cash equivalents	\$49,087,196	\$53,060,604	\$33,818,103
Short-term investments	7,918,130	10,369,543	11,634,375
Patient Accounts Receivable, net	54,139,493	49,772,013	43,623,345
Other Current Assets	26,456,609	37,946,889	41,758,529
Total Current Assets	\$137,601,428	\$151,149,050	\$130,834,352
Long-term investments, net of current portion	109,507,537	105,221,448	103,257,556
Property and equipment, net	160,777,226	160,767,923	164,962,291
Other assets	93,614,175	94,230,259	95,284,743
Total Assets	\$501,500,365	\$511,368,680	\$494,338,943
<i>Liabilities and Net Assets</i>			
Current liabilities:			
Accounts Payable and Accrued Expenses	\$17,934,131	\$22,905,002	\$21,639,490
Accrued Patient Care Expenses	16,275,727	16,233,150	13,049,489
Accrued Employee Compensation and Benefits	30,185,377	27,913,792	25,038,246
Other Current Liabilities	22,908,629	25,810,550	23,953,059
Total Current Liabilities	87,303,865	92,862,494	83,680,284
Long-term Debt, net of current portion	25,909,772	26,093,282	27,372,177
Other Long-term Liabilities	46,725,926	47,356,730	47,230,086
Total Liabilities	159,939,563	166,312,506	158,282,547
Net assets:			
Without donor restriction	320,075,220	323,587,945	314,960,052
With donor restriction	21,485,583	21,468,229	21,096,344
Total Net Assets	341,560,802	345,056,174	336,056,396
Total Liabilities and Net Assets	\$501,500,365	\$511,368,680	\$494,338,943

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**Chapters Health System, Inc. and Affiliates
Consolidated Balance Sheets
As of August 31, 2024**

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CHAPTERS DRAFT 10/2/24

SCHEDULE 5.4(b)

CHAPTERS CHANGES IN ACCOUNTING POLICY OR METHODOLOGY

None

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CHAPTERS DRAFT 10/2/24

SCHEDULE 5.5

CHAPTERS PROCEEDINGS AFFECTING TRANSACTION

None

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CHAPTERS DRAFT 10/2/24

SCHEDULE 5.6

CHAPTERS REGULATORY COMPLIANCE

None

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CHAPTERS DRAFT 10/2/24

SCHEDULE 5.7

TAX MATTERS

None

SCHEDULE 8.4

**CHAPTERS PRE-CLOSING CONFIRMATIONS FROM GOVERNMENT
AUTHORITIES**

- Change of ownership filings with the California Department of Public Health and the Centers for Medicare and Medicaid Services.
- Waiver or approval by California Attorney General
- Material change transaction filing with the California Office of Health Care Affordability

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Exhibit 2.2A to Affiliation Agreement dated October 2, 2024
Amended and Restated Articles of Incorporation of Hospice East Bay
(Chapters Health System, Inc. and East Bay Integrated Care, Inc. d/b/a Hospice East Bay)

See attached



Secretary of State
Business Programs Division

Business Entities
1500 11th Street, Sacramento, CA 95814
P.O. Box 944260, Sacramento, CA 94244-2600

Business Entities Submission Cover Sheet

For fastest service, file online at bizfileOnline.sos.ca.gov.

Instructions:

- Complete and include this form with your paper submission. This form will not be made part of the filed document.
- Make all **checks or money orders** payable to the Secretary of State.
- In-person submissions (excluding Statements of Information): \$15 special handling fee. Do not include a \$15 special handling fee when submitting documents by mail.
- All submissions are reviewed in the date order of receipt, with online submissions given priority. For updated processing time information, visit www.sos.ca.gov/business/be/processing-dates.
- To obtain a certified copy, include certification fees with your submission.

Note: All correspondence related to your submission will be sent to the name and address on your check or money order.

Contact Person (Please type or print legibly):

First Name: Dale Last Name: Webber

Phone Number: (813) 222-8187 Email: dale.webber@bipc.com

Entity Information (Please type or print legibly):

Entity Name: EAST BAY INTEGRATED CARE, INC.

Entity Number (if applicable): 0902832

Comments: _____



Restated Articles of Incorporation of California Nonprofit Corporations

A corporation may restate in a single certificate the entire text of its articles as amended by filing an officers' certificate or, in circumstances where incorporators or the board may amend a corporation's articles pursuant to California Corporations Code sections [5811](#) and [5815](#) (public benefit and religious corporations), sections [7811](#) and [7815](#) (mutual benefit corporations) and [12501](#) and [12506](#) (general cooperative corporations), a certificate signed and verified by a majority of the incorporators.

To restate the articles, it is necessary to prepare and file Restated Articles of Incorporation in compliance with California Corporations Code section [5819](#) (public benefit and religious corporations), section [7819](#) (mutual benefit corporations) and [12510](#) (general cooperative corporations).

A sample meeting statutory requirements for most filings is attached. The sample may be used as a guide when preparing documents by making modifications as necessary to meet the specific needs of the corporation. Please refer to the above referenced California Corporations Code sections prior to modification.

Fees

The fee for filing Restated Articles of Incorporation is \$30.00. In addition to the filing fee, there is a non-refundable \$15.00 handling fee for processing documents delivered in person (drop off) at the Sacramento office.

For current processing dates, go to www.sos.ca.gov/business/be/processing-dates.

Copies

Upon filing, we will return one (1) uncertified copy of your filed document for free, and will certify the copy upon request and payment of a \$5.00 certification fee at the time of submission.

Submission Cover Sheet (Optional)

Complete and include with your **paper** submission. This information will be used to communicate with you about the submission, if needed. This submission cover sheet will be treated as correspondence and will not be made part of the filed document.

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Restated Articles of Incorporation of California Nonprofit Corporations

Instructions

The attached sample can be used as a guide when drafting Restated Articles of Incorporation. The certificate should be typed following the instructions set forth below.

Restated Articles of Incorporation are most often made by the president and secretary of the corporation and for that reason the sample has been formatted using those officers. If the document will be signed by officers other than the president and secretary, or if the sample does not adequately cover the needs of the corporation, documents must be prepared with modifications to meet the specific requirements of the corporation. Please refer to California Corporations Code sections [5810-5820](#) (public benefit and religious corporations), sections [7810-7820](#) (mutual benefit corporations) or sections [12500-12510](#) (general cooperative corporations) prior to modification.

NOTE: If the corporation has not yet filed a Statement of Information (Form SI-100) pursuant to California Corporations Code section [6210](#), [8210](#), [9660](#) or [12570](#), the Restated Articles must retain the name and address of the initial agent for service of process, and if listed in the original Articles of Incorporation, the initial address and mailing address of the corporation and the names and addresses of the initial directors **exactly** as listed in the original Articles of Incorporation. If the corporation has filed Form SI-100, the Restated Articles cannot include the name and address of the agent for service of process, the street and mailing address for the corporation, or the names and addresses of officers and directors. Note: To update our records to show the current name and/or address of the agent for service of process, the street or mailing address of the corporation, and/or the names and addresses of the officers, you must file the Statement of Information. To file a Statement of Information, go to bizfileOnline.sos.ca.gov.

- **Paragraph 1** - must set forth the current name of the corporation **exactly** as the name is of record with the Secretary of State (including punctuation and abbreviations), and the Entity (File) Number issued to the corporation by the California Secretary of State at the time of registration.
- **Paragraph 2** – must set forth the entire text of the Articles of Incorporation, as amended.
- **Paragraph 3** - must state the amendment and restatement has been approved by the board of directors.
- **Paragraph 4** - must state the amendment and restatement has been approved by the required vote of the members. If the corporation has no members separate from the board of directors, member approval is not required. However, the certificate must state **the corporation has no members**.
DO NOT include both #4 paragraphs when preparing the document. Use ONLY the applicable statement.
- The certificate must be dated, signed and verified by the president and secretary. Each person's name and title should be typed directly below their respective signature.

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Sample

Restated Articles of Incorporation

The undersigned certify that:

1. They are the **president** and the **secretary**, respectively, of (NAME OF CORPORATION) , a California corporation, with California Entity Number (SECRETARY OF STATE ENTITY NUMBER)

2. The Articles of Incorporation of this corporation are amended and restated to read as follows:

 (HERE TYPE THE ARTICLES AS AMENDED AND RESTATED)

3. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by the board of directors.

4. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by the required vote of the members.

OR

4. The corporation has no members

NOTE

Choose only one of the #4 statements

DO **NOT** USE BOTH STATEMENTS

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

DATE: _____

 (Signature of President)
(Typed Name of President), President

 (Signature of Secretary)
(Typed Name of Secretary), Secretary

**AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
EAST BAY INTEGRATED CARE, INC.**

The undersigned certify that:

1. They are the president and the secretary, respectively, of East Bay Integrated Care, Inc., a California nonprofit public benefit corporation, with California Entity Number 0902832.
2. The Articles of Incorporation of this corporation are amended and restated to read as follows:

ARTICLE 1

NAME AND ADDRESS

The name of the corporation is East Bay Integrated Care, Inc. (the "Corporation"). The street address of the Corporation's principal office and the Corporation's mailing address is 3470 Buskirk Avenue, Pleasant Hill, CA 94523, or at such other location as may be approved from time to time by the Board of Directors with the consent of the Sole Member.

ARTICLE 2

PURPOSES

The Corporation is organized exclusively for educational and charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986, as amended, (the "Code"), or the corresponding provision of any future United States Internal Revenue Law and is not formed for pecuniary profit or financial gain. The Corporation is authorized to perform any lawful act or activity for which nonprofit public benefit corporations may be formed under the California Nonprofit Corporation Law, California Corporations Code § 5000 et seq. Notwithstanding any other provision of these Articles to the contrary, the Corporation shall not have or exercise any power which would cause it not to qualify as a tax-exempt organization under section 501(c)(3) of the Code, nor shall the Corporation engage directly or indirectly in any activity which would cause the loss of such qualification. The purposes of the Corporation shall include but are not limited to the following:

1. To establish and maintain services for the support and care of persons with or affected by life-limiting or advanced illnesses;
2. To promote the philosophy that the quality of life is important, and that life should be lived to its fullest extent by those persons with or affected by life-limiting or advanced illnesses;
3. To promote understanding of the needs of persons with or affected by life-limiting or advanced illnesses;
4. To obtain public involvement and support by disseminating the aims and purposes of this nonprofit corporation and its activities to the general public; and

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5. To do all other tasks, including the conducting of all activities, necessary, suitable, convenient, useful or expedient in connection with, or incidental to, the accomplishment of any of the purposes set forth herein and in furtherance of the Corporation's participation in the health system conducted through and governed by Chapters Health System, Inc., a Florida not for profit corporation, to the full extent permitted by the Bylaws and the laws of the State of California.

ARTICLE 3

MEMBERS

The sole member of the Corporation is Chapters Health System, Inc. (the "Sole Member"). The Sole Member shall have and exercise such reserved rights and powers related to the Corporation as shall be set forth in the Bylaws.

ARTICLE 4

DIRECTORS

The number of directors constituting the Board of Directors of the Corporation shall be as provided in the Bylaws. The manner in which the Directors are to be elected or appointed shall be as stated in the Bylaws.

ARTICLE 5

OFFICERS

The officers and their manner of election shall be as provided in the Bylaws.

ARTICLE 6

REGISTERED AGENT AND OFFICE ADDRESS

The registered agent for the Corporation is Bill Musick. The registered office address for the Corporation is 3470 Buskirk Ave, Pleasant Hill, CA 94523.

ARTICLE 7

BYLAWS

The Bylaws of the Corporation may be amended, altered, added to or rescinded only in the manner stated in the Corporation's Bylaws and only with the approval of the Sole Member.

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ARTICLE 8

AMENDMENTS

These Articles of Incorporation may be amended only in the manner stated in the Corporation's Bylaws and only with the approval of the Sole Member.

ARTICLE 9

DISTRIBUTION UPON DISSOLUTION

Upon the liquidation or dissolution of the Corporation, its assets, if any, remaining after payment (or provision for payment) of all liabilities of the Corporation, shall be distributed to the Sole Member if the Sole Member is exempt under Section 501(c)(3) of the Code at the time of such distribution. If the Sole Member is not exempt under Section 501(c)(3) of the Code at the time of such distribution, then such assets shall be distributed to one or more organizations qualified as exempt under Section 501(c)(3) of the Code. Upon any liquidation or dissolution of the Corporation, the use of the Corporation's net assets shall be subject to Sections 7.2, 7.3, and 7.4 of that certain Affiliation Agreement dated _____, 2024, entered into by and between the Corporation and the Sole Member.

ARTICLE 10

TAX EXEMPT RESTRICTIONS

(a) Prohibition on Private Inurement. Notwithstanding any other provision of these Articles of Incorporation to the contrary, no part of the net earnings, current or accumulated, or property of the Corporation shall inure to the benefit of, or be distributed to, the Corporation's members, directors, officers, or other private persons, except that the Corporation may pay compensation in a reasonable amount to its members, directors, or officers for services rendered, and upon dissolution, final liquidation or partial liquidation, may make distributions to its qualifying members to the extent permitted by these Articles of Incorporation and applicable law.

(b) Prohibition on Dividends. Notwithstanding any other provision of these Articles of Incorporation to the contrary, the Corporation shall not have the power to declare dividends. The Corporation may, however, confer benefits upon its Sole Member in conformity with its purposes and the Corporation's Bylaws, so long as the Sole Member is an exempt organization under Section 501(c)(3) of the Code at the time of the conferring of such benefits.

(c) Limitation of Lobbying Activities. Notwithstanding any other provision of these Articles of Incorporation to the contrary, no substantial part of the activities of the Corporation shall be carrying on of propaganda, or otherwise attempting to influence legislation.

(d) Prohibition on Intervening in Political Campaigns. Notwithstanding any other provision of these Articles of Incorporation to the contrary, the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office.

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ARTICLE 11

INDEMNIFICATION

To the fullest extent permitted by law, the Corporation shall indemnify any person who is or was an officer, director, or employee of the Corporation, or who is or was serving at the request of the Board of Directors or an officer of the Corporation as an officer, director, or employee of another corporation, partnership, limited liability company, or other entity. Any amendment, modification or repeal of this Article 11 shall be prospective only and shall not in any way have the effect of limiting or denying any rights of any such person under this Article 11 as in effect immediately prior to such amendment, modification or repeal. The right to indemnification conferred in this Article 11 shall not be exclusive of any other right which any such person who is entitled to indemnification pursuant to this Article 11 may have or hereafter acquire under any applicable law (common or statutory), provision of the Bylaws of the Corporation, agreement, vote of the Board of Directors of the Corporation or otherwise.

ARTICLE 12

ARTICLE CONSOLIDATION

These Amended and Restated Articles of Incorporation supersede the original Articles of Incorporation of the Corporation and all amendments thereto.

ARTICLE 13

EFFECTIVE DATE

These Articles of Incorporation shall be effective as of _____, 2024.

3. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by the Corporation's board of directors.

4. The Corporation has no members.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

DATE: _____

_____, President

_____, Secretary

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Exhibit 2.2B to Affiliation Agreement dated October 2, 2024

Amended and Restated Bylaws of Hospice East Bay

(Chapters Health System, Inc. and East Bay Integrated Care, Inc. d/b/a Hospice East Bay)

See attached

**Amended and Restated Bylaws
of
East Bay Integrated Care, Inc. d/b/a Hospice East Bay**

ARTICLE I: Name

The name of the corporation shall be East Bay Integrated Care, Inc. d/b/a Hospice East Bay (the “Corporation”), a California nonprofit public benefit corporation.

ARTICLE II: Purpose

The purposes of this Corporation are those stated in [Article II of its Amended and Restated Articles of Incorporation.]

***ARTICLE III: Place of
Business***

The principal place of business of the Corporation shall be located at 3470 Buskirk Avenue, Pleasant Hill, CA 94523 or at such other location approved by the Board of Directors with the consent of the Sole Member.

ARTICLE IV: Fiscal Year

The fiscal year of the Corporation shall be from January 1 to December 31, both inclusive, of each year.

ARTICLE V: Membership

The Sole Member of the Corporation shall be Chapters Health System, Inc., a Florida not for profit corporation, its successors and assigns (the “Sole Member”). The Sole Member shall have such rights and powers as are set forth in these Bylaws and as otherwise permitted by California Nonprofit Public Benefit Corporation Law (the “Law”) or any successor to the Law.

ARTICLE VI: Board of Directors

SECTION 1. Composition

The Board of Directors of the Corporation (the “Board” or the "Board of Directors") shall consist of the following members (each individually, a “Director,” collectively, the “Directors”):

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- A. Sole Member's President and Chief Executive Officer ("President/CEO"), Chief Operating Officer ("COO") and Chief Financial Officer ("CFO") shall serve on the Corporation's Board of Directors, by virtue of and concurrent with their terms of service as officers of the Sole Member.
- B. Directors elected by the Sole Member ("Elected Directors") shall be comprised of not less than seven (7) duly elected Directors¹, the exact number to be set from time to time by the Sole Member. These Directors shall reside or work in the service area in which the Corporation is licensed to operate as a hospice.
- C. Ex officio, non-voting members of the Board of Directors shall include: the Sole Member's Chief Business Development Officer ("CBDO"), Chief Medical Officer ("CMO"), Chief People Officer ("CPO"), Chief Information Officer ("CIO"), Chief Compliance Officer ("CCO"), Vice President – Foundation ("VP-F"), the Corporation's Executive Director, and any other person(s) appointed from time to time by the Chairperson of the Board of Directors.
- D. The Sole Member may at any time increase or decrease the number of Directors sitting on the Board; provided, however, there may never be fewer than seven (7) Elected Directors. The Sole Member shall designate each Director whose position has been eliminated.

SECTION 2. Qualifications

Each Director shall be eighteen (18) years of age or older, of good moral character and reputation and shall possess by reason of education, experience and background the technical skills and judgment to be a director of the Corporation.

SECTION 3. Election

The Board shall nominate, and the Sole Member may elect from those persons nominated by the Board, Elected Directors at the annual meeting of the Sole Member. If the Sole Member does not elect any person nominated by the Board, the Board shall nominate other persons until such time as the Sole Member elects new Elected Directors. Any seat to be filled by reason of the replacement of a departing Elected Director or an increase in the number of directors may be filled by the Sole Member from nominations by the Board whenever the vacancy or increase occurs.

SECTION 4. Term of Office

- A. Directors elected by the Sole Member at the annual meeting shall hold office until a successor has been elected or until earlier resignation, removal or death. Each term of an Elected Director elected at the annual meeting who is not an

¹ NTD: Parties to confirm correct number. All directors of EBIC as of the closing have the option to continue as directors, although term limits will apply to service prior to the closing.

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employee of the Sole Member shall consist of three (3) years or any portion thereof.

- B. An Elected Director who is not an employee of the Sole Member may serve no longer than three (3) consecutive full terms and may be re-elected to the Board after a one (1) year hiatus following the completion of his or her service as an Elected Director.
- C. The initial term of an Elected Director elected at a regular meeting to fill a vacancy created by reason of the departure of an Elected Director or an increase in the number of directors shall expire at the next annual meeting of the Sole Member at which Elected Directors are elected. Such a partial term will not count as a full term with respect to term limits.

SECTION 5. Attendance

If an Elected Director is absent unreasonably from two (2) consecutive Board meetings, a letter may be sent asking that his or her intent be clarified. If an Elected Director is absent unreasonably from three (3) consecutive Board meetings, the Elected Director may be removed for cause from the Board of Directors and his or her seat on the Board declared vacant by the Sole Member or by a majority vote of all Directors then entitled to vote with the approval of the Sole Member. The Elected Director who is removed and whose seat is declared vacant will be notified of such declaration.

SECTION 6. Resignation

A Director may resign at any time by giving written notice of such resignation to the Chairperson of the Board of Directors and the President/CEO of the Sole Member. Such resignation will be effective on the date specified in the resigning Director's notice of resignation, but if no effective date is set forth in such notice, then the effective date of such resignation shall be the date of such notice of resignation. If a resignation is made effective at a later date, then the vacancy created by such resignation may be filled before the vacancy occurs, provided, however, the new Director may not take office until the vacancy occurs.

SECTION 7. Removal

All ex-officio Directors may be removed with or without cause at any time by the Sole Member. An Elected Director may be removed from the Board of Directors at any time by the Sole Member or by a majority vote of all Directors then entitled to vote with the approval of the Sole Member. Any Elected Director who is removed from the Board is not eligible to stand for election again until the next annual meeting of the Sole Member. Any Elected Director removed from the Board of Directors shall turn over to the Board within 72 hours any and all records of the Corporation in his or her possession.

SECTION 8. Vacancies

Any seat on the Board that becomes vacant through resignation, removal or death of an Elected

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Director, or through an increase in the number of directors, shall be filled without undue delay. At the next regular meeting of the Board after a vacancy occurs where a quorum is present, the Sole Member shall present the name of the Elected Director it has appointed to fill the vacant seat.

SECTION 9. Quorum

- A. A quorum of the Directors shall be a simple majority of the Directors currently serving on the Board.
- B. If no quorum is present at a meeting of the Board and if written notification of the meeting and agenda has been given to all Directors, the Executive Committee may act on all matters on the agenda, except as limited by Article VIII Section I, of these Bylaws and applicable law.

SECTION 10. Meetings

- A. Regular meetings of the Board of Directors shall be held not less than quarterly in each calendar year, or as often as deemed necessary by the Chairperson of the Board of Directors or by the Sole Member, at a date, time, and place he or she or the Sole Member determines. One of the regular meetings of the Board of Directors shall be the annual meeting of the Corporation. Meeting notices shall be given to all Directors at least ten (10) days in advance, either in writing delivered via hand delivery, U.S. Mail, overnight courier, facsimile or electronic mail (e-mail).
- B. Special meetings of the Board of Directors may be called by the Chairperson of the Board or by the Sole Member. All requests for special meetings must be given to the Secretary in writing signed by the requesting Director or Chairperson of the Sole Member. The Secretary or Assistant Secretary shall notify all Directors of such special meetings, specifying the purpose, by oral notification or in writing delivered via hand delivery, U.S. mail, overnight courier, facsimile or electronic mail (e-mail).
- C. The annual meeting shall be convened by the Sole Member and occur at such time and place as may be set by the Sole Member.
- D. Directors may participate in a meeting of the Board of Directors or a committee thereof by means of a conference telephone, video conference or similar electronic communication device whereby all persons can hear each other at the same time. Such participation shall constitute presence in person at the meeting.
- E. Any action required to be taken at a meeting of the Board of Directors or a committee thereof, or any action that may be taken at a meeting of the Board of Directors or a committee thereof, may be taken without a meeting if a consent in writing, setting forth the action so taken or to be taken, signed by all of the Directors or all of the members of the committee, as the case may be, is filed in

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the minutes of the proceedings of the Board of Directors or of the committee, as the case may be. Such consent shall have the same effect as a unanimous vote.

SECTION 11. Waiver of Notice of Meeting

Notice of a meeting of the Board of Directors need not be given to any Director who signs a waiver of notice either before or after the meeting.

SECTION 12. Powers and Duties

The powers and duties of the Board of Directors shall be as follows:

- A. To assume full legal authority and responsibility for determining, implementing and monitoring policies governing the management and operations of the Corporation's operating division(s), including the provision of hospice services, as well as fiscal operations and continuous quality assessment and performance improvement of each operating division;
- B. To determine, implement and monitor policies governing the management and operation of the Corporation's operating division(s), which shall include, without limitation, a plan for providing for uncompensated care and philanthropic community activities, personnel policies that address adequate notice of termination by employees or contractors with direct patient care responsibilities and policies on the health and safety of participants in the Corporation's programs;
- C. To prepare and maintain a comprehensive emergency management plan that provides for continuing hospice services in the event of an emergency, that is consistent with local and state requirements;
- D. To adopt annual operating and capital budgets which are approved by the Sole Member;
- E. To appoint Executive Director(s) or Chief Executive Officer(s) of the Corporation's operating division(s), as presented by the President/CEO of the Sole Member, who shall report to the Board, be responsible for the day-to-day management and operation of the Corporation's programs, and serve as a liaison with the Corporation's staff; and
- F. To undertake such additional activities as are permitted or necessary to ensure that the Corporation complies with all federal and state statutes or rules governing the operation of each of the Corporation's operating division(s), as well as these Bylaws (to the extent not in conflict with any applicable law, rules or regulations), and the Law.
- G. Any other power or duty normally assigned to a nonprofit corporation's Board

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of Directors, which are not reserved to the Sole Member as provided herein.

SECTION 13. Conflict of Interest

- A. No contract or other transaction between the Corporation and one or more of its Directors or any other corporation, firm, association, or entity in which one or more of its Directors are directors, officers, or employees or are financially interested shall be void or voidable because of such relationship or interest, because such Director or Directors are present at the meeting of the Board of Directors or a committee thereof which authorizes, approves, or ratifies such contract or transaction, or because his or her or their vote(s) are counted for such purpose, if:
1. All material facts of such relationship or interest is disclosed by the interested or related Director(s) as soon as practicable and in no case later than five (5) days following knowledge of its existence, or all material facts of such interest or kinship is otherwise known to the Board of Directors or committee which authorizes, approves or ratifies the contract or transaction by a vote or consent sufficient for the purpose without counting the vote(s) or consent(s) of such interested or related Director(s);
 2. The contract, transaction or relationship is fair and reasonable as to the Corporation at the time it is authorized by the Board, a committee, or the Directors entitled to vote on such contract, transaction or relationship or by the Sole Member with regard to a matter subject to the Sole Member's authority; and
 3. Either (i), prior to authorizing the contract or transaction, the Board, a committee, or the Directors entitled to vote on such contract, transaction or relationship, or by the Sole Member with regard to a matter subject to the Sole Member's authority, considered and in good faith determined after reasonable investigation under the circumstances that the Corporation could not have obtained a more advantageous arrangement with reasonable effort under the circumstances, or (ii) the Corporation in fact could not have obtained a more advantageous arrangement with reasonable effort under the circumstances.
- B. Interested Directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such contract, transaction or relationship.

SECTION 14. Self-Dealing Transactions

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- A. Except as provided in subsection B below, for purposes of this Section 14, a self-dealing transaction means a transaction in which the Corporation is a party and in which one or more of its Directors has a material financial interest and which does not meet the requirements of subsection D below. Such a Director is an “Interested Director” for purposes of this Section 14.
- B. The provisions of this Section 14 do not apply to any of the following:
1. An action of the Board fixing the compensation of a Director as a Director or Officer of the Corporation.
 2. A transaction which is part of a public or charitable program of the Corporation if it:
 - i. is approved or authorized by the Corporation in good faith and without unjustified favoritism; and
 - ii. results in a benefit to one or more Directors or their families because they are in the class of persons intended to be benefited by the public or charitable program.
 3. A transaction, of which the Interested Director or Directors have no actual knowledge, and which does not exceed the lesser of one percent (1%) of the gross receipts of the Corporation for the preceding fiscal year or one hundred thousand dollars (\$100,000).
- C. The Attorney General or, if the Attorney General is joined as an indispensable party, any of the following may bring an action in the superior court of the proper county seeking a remedy as referenced in subsection F:
1. The Corporation, or the Sole Member asserting the right in the name of the Corporation pursuant to Cal. Corp. Code Section 5710;
 2. A Director of the Corporation;
 3. An Officer of the Corporation; or
 4. Any person granted relator status by the Attorney General.
- Any action filed in accordance with this subsection C shall be filed in accordance with the requirements of Cal. Corp. Code Section 5233.
- D. In any action brought under subsection C, the remedies referenced in subsection F shall not be granted if:
1. The Attorney General, or the court in an action in which the Attorney General is an indispensable party, has approved the transaction before or after it was consummated; or

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2. The following facts are established:

- i. The Corporation entered into the transaction for its own benefit;
- ii. The transaction was fair and reasonable as to the Corporation at the time the Corporation entered into the transaction;
- iii. Prior to consummating the transaction or any part thereof the Board authorized or approved the transaction in good faith by a vote of a majority of the Directors then in office without counting the vote of the Interested Director or Directors, and with knowledge of the material facts concerning the transaction and the Director's interest in the transaction. Except as provided in paragraph 3 below, action by a committee of the Board shall not satisfy this paragraph iii; and
- iv. (a) Prior to authorizing or approving the transaction the Board considered and in good faith determined after reasonable investigation under the circumstances that the Corporation could not have obtained a more advantageous arrangement with reasonable effort under the circumstances or

(b) the Corporation in fact could not have obtained a more advantageous arrangement with reasonable effort under the circumstances; or

3. The following facts are established:

- i. A committee or person authorized by the Board approved the transaction in a manner consistent with the standards set forth in paragraph 2 above;
- ii. It was not reasonably practicable to obtain approval of the Board prior to entering into the transaction; and
- iii. The Board, after determining in good faith that the conditions of subparagraphs (i) and (ii) of this paragraph were satisfied, ratified the transaction at its next meeting by a vote of the majority of the Directors then in office without counting the vote of the Interested Directors or Directors.

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- E. Interested Directors may be counted in determining the presence of a quorum at a meeting of the Board which authorizes, approves or ratifies a contract or transaction subject to this Section 14.
- F. If a self-dealing transaction has taken place, the Interested Director of Directors shall do such things and pay such damages as in the discretion of the court will provide an equitable and fair remedy to the Corporation, taking into account any benefit received by the Corporation and whether the Interested Director or Directors acted in good faith and with intent to further the best interest of the Corporation.

SECTION 15. Compliance

- A. The Board of Directors shall abide by the authority and objectives set forth in all applicable federal and state laws and rules, including without limitation the Law, governmental third-party program requirements, accreditation standards, and these Bylaws as adopted and amended.
- B. The Board of Directors shall act with the highest integrity to advance the best interests of the Corporation and to help the Corporation achieve its mission and operate in a manner consistent with its charitable purposes.
- C. Any Director who contributes to or participates in activities that are not in compliance with or that contribute to the Corporation's non-compliance with any applicable federal or state law or rule, governmental third party program requirement, accreditation standard, or these Bylaws as adopted and amended, or who fails to act with the highest integrity to advance the best interests of the Corporation and to help the Corporation achieve its mission and operate in a manner consistent with its charitable purpose, shall be subject to removal from the Board for cause.

SECTION 16. Compensation

Directors who are not employees of the Corporation shall receive no compensation for their services as members of the Board of Directors or any committee thereof; provided, however, Directors may, pursuant to Article VI, Section 13 of these Bylaws, receive compensation that is fair and reasonable for services rendered to the Corporation in a separate capacity. The Board of Directors may authorize the reimbursement of expenses incurred by any Director for the benefit of the Corporation.

ARTICLE VII: Officers

SECTION 1. Categories

The officers of the Corporation shall be the Chairperson, Vice Chairperson, and Secretary of the Board, and the President/CEO, COO, CFO, CBDO, CMO, CPO, CIO, CCO, and VP-F of the Corporation. There may also be one or more Assistant Secretaries.

SECTION 2. Election/Appointment and Term of Office

- A. The initial post-Closing Chairperson after these Bylaws become effective shall be a Director who is not an employee of the Sole Member and who shall be elected by the Board to serve as the Chairperson of the Board for a term of one (1) year, or if such occurs first, until the expiration of his or her term of office as director. After such initial term a Director shall be elected by the Board to serve as the Chairperson regardless of whether such individual is an employee of the Sole Member for a term of two (2) years or, if such occurs first, until the expiration of his or her term of office as a Director.
- B. One Director shall be elected by the Board to serve as Vice Chairperson of the Board, and shall serve for a term of two (2) years or, if such occurs first, until the expiration of his or her term of office as a director.
- C. One Director shall be elected by the Board to serve as Secretary of the Board, and shall serve for a term of two (2) years or, if such occurs first, until the expiration of his or her term of office as a director.
- D. The President/CEO of the Sole Member shall be the President/CEO of the Corporation, and shall serve until resignation, removal or death.
- E. The COO of the Sole Member shall be the COO of the Corporation, and shall serve until resignation, removal or death.
- F. The CFO of the Sole Member shall be the CFO of the Corporation, and shall serve until resignation, removal or death.
- G. The CMO of the Sole Member shall be the CMO of the Corporation, and shall serve until resignation, removal or death.
- H. The CBDO of the Sole Member shall be the CBDO of the Corporation, and shall serve until resignation, removal or death.
- I. The CPO of the Sole Member shall be the CPO of the Corporation, and shall serve until resignation, removal or death.
- J. The CIO of the Sole Member shall be the CIO of the Corporation, and shall serve until resignation, removal or death.
- K. The CCO of the Sole Member shall be the CCO of the Corporation, and shall serve until resignation, removal or death.
- L. The VP-F of the Sole Member shall be the VP-F of the Corporation, and shall

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serve until resignation, removal or death.

- M. The executive assistant to the President/CEO of the Corporation shall serve in the capacity as an Assistant Secretary until his or her resignation, removal or death. In the temporary absence of the executive assistant to the President/CEO, an executive assistant or administrative assistant appointed by the President/CEO shall serve as an Assistant Secretary.

SECTION 3. Vacancies

Any officer position that becomes vacant through resignation, removal or death shall be filled without undue delay. Should the position of Chairperson, Vice Chairperson, or Secretary become vacant, at the next regular meeting of the Board after the vacancy occurs where a quorum is present, the Directors shall elect a Director to fill the remaining term of the vacant office by a majority vote of those present.

SECTION 4. Powers and Duties

The powers and duties of the respective officers of the Corporation shall be as follows:

A. Chairperson of the Board

- 1. The Chairperson of the Board shall preside over all Board meetings and perform all duties incident to the office of Chairperson and such duties as from time to time may be assigned to him or her by the Board of Directors or the Sole Member.
- 2. The Chairperson of the Board shall chair the Executive Committee of the Board of Directors.

B. Vice Chairperson of the Board

In the temporary absence of the Chairperson of the Board, the Vice Chairperson of the Board shall act as the Chairperson and perform all duties assigned to that position. The Vice Chairperson shall chair the Governance Committee.

C. Secretary and the Assistant Secretary

- 1. The Secretary shall keep the minutes of the meetings of the Board of Directors, insure that all notices are duly given in accordance with the provisions of these Bylaws, be custodian of the Corporation's records, and, in general, perform all duties incident to the office of Secretary and such duties as from time to time may be assigned to him or her by the Board of Directors or the Chairperson of the Board.
- 2. The Assistant Secretary shall assist the Secretary in keeping the minutes of the meetings of the Board of Directors, insuring that all notices are

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duly given in accordance with the provisions of these Bylaws, and being custodian of the Corporation's records, and, in general, shall perform all duties incident to the office of Assistant Secretary and such duties as from time to time may be assigned to him or her by the Board of Directors or the Chairperson of the Board.

D. President/CEO

1. The President/CEO shall be the principal executive officer of the Corporation and shall, in general, supervise and control all of the business and affairs of the Corporation. He or she may sign on behalf of the Corporation, all contracts, deeds, mortgages, bonds, and any other instruments which the Board has authorized to be executed, except where execution thereof is expressly delegated by the President/CEO, the Board of Directors or by these Bylaws, or by statute, to some other officer or agency of the Corporation.
2. The President/CEO shall perform all duties incident to his or her office, and other duties as may be prescribed by the Board of Directors from time to time. The President/CEO or his or her designee shall represent the Corporation in matters of policy and negotiation with other agencies, and shall be responsible for administering the work of the Corporation in conformity with these Bylaws and the Corporation's policies and procedures.
3. The President/CEO may terminate the employment of the Corporation's Executive Director and present for appointment by the Board of Directors a new Executive Director.

E. COO

The COO shall have such powers and duties that may be assigned him/her from time to time by the President/CEO or the Board of Directors of the Sole Member.

F. CFO

The CFO shall have such powers and duties that may be assigned to him/her from time to time by the President/CEO or the Board of Directors of the Sole Member.

G. CMO

The CMO shall have such powers and duties that may be assigned to him/her from time to time by the President/CEO or the Board of Directors of the Sole Member.

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H. CBDO

The CBDO shall have such powers and duties that may be assigned to him/her from time to time by the President/CEO or the Board of Directors of the Sole Member.

I. CPO

The CPO shall have such powers and duties that may be assigned to him/her from time to time by the President/CEO or the Board of Directors of the Sole Member.

J. CIO

The CIO shall have such powers and duties that may be assigned to him/her from time to time by the President/CEO or the Board of Directors of the Sole Member.

K. CCO

The CCO shall have such powers and duties that may be assigned to him/her from time to time by the President/CEO or the Board of Directors of the Sole Member.

L. VP-F

The VP-F shall have such powers and duties that may be assigned to him/her from time to time by the President/CEO of the Board of Directors of the Sole Member.

SECTION 5. Chain of Command – Absence of President/CEO

In the temporary absence of the President/CEO, the COO shall perform the duties of the President/CEO shall be performed in accordance with the Chain of Command Policy and Procedure of the Sole Member.

ARTICLE VIII: Committees

SECTION 1. Executive Committee

- A. The Executive Committee shall carry out the work of the Board of Directors between meetings and at meetings in accordance with these Bylaws and make

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recommendations to the Board of Directors for its action. The Executive Committee shall have all the authority of the Board of Directors except as may be limited by state law and subject to the approval of the Sole Member as specified in Article XIII, provided however, that the Executive Committee shall have no authority with respect to the following:

1. The approval of any action which also requires the approval of the Sole Member;
2. The filling of any vacancies on the Board or in any committee which has the authority of the Board;
3. The fixing of compensation of the Directors for serving on the Board or on any committees;
4. The amendment or repeal of Bylaws or the adoption of new Bylaws;
5. The amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable;
6. The appointment of committees of the Board or the members thereof;
7. The expenditure of corporate funds to support a nominee for Director after there are more people nominated than can be elected; and
8. The approval of any self-dealing transaction except where permitted by state law and these Bylaws.

B. The members of the Executive Committee shall be as follows:

1. Chairperson of the Board;
2. Vice Chairperson of the Board;
3. Secretary of the Board;
4. President/CEO; and
5. CFO.

The Sole Member may at any time increase or decrease the number of individuals sitting on the Executive Committee and/or change the composition of the Executive Committee.

C. The Chairperson of the Board shall chair the Executive Committee.

D. The Executive Committee shall meet as necessary or appropriate and will report

any actions taken by it to the Board within seven (7) days after any definitive action is taken except if any action taken is of an emergent nature such action will be reported to the Board as soon as practicable.

SECTION 2. Standing Committees

The Standing Committees and their purposes shall be as follows:

A. Quality Assessment Performance Improvement (“QAPI”) and Compliance Committee

The QAPI and Compliance Committee ensures quality outcomes by adopting and implementing sound measurement and monitoring systems in accordance with all applicable state and federal laws and regulations, and accreditation and professional organization standards, including but not limited to, applicable provisions of the Medicare Conditions of Participation for Hospices, 42 C.F.R. Part 418, accreditation standards of The Joint Commission, standards of the National Hospice and Palliative Care Organization, and other laws, regulations and standards applicable to the Corporation’s operating divisions. The QAPI and Compliance Committee assists the Sole Member’s Audit and Compliance Committee and the Corporation’s Board of Directors in promoting an organizational culture that encourages a commitment to compliance with the law. The CCO shall have direct, overall responsibility for the Corporation’s compliance function and be given adequate resources and authority to carry out such responsibility. The QAPI and Compliance Committee shall prepare and present a report on its activities at least annually to the Sole Member’s Audit and Compliance Committee.

Members of the QAPI and Compliance Committee shall consist of Directors appointed by the Chairperson of the QAPI and Compliance Committee. Non-voting members of the Committee shall include the CCO and any employees of the Corporation whose participation is deemed by the Committee Chairperson to be appropriate. Committee members appointed by the Board shall serve a term of two (2) years. The QAPI and Compliance Committee shall meet at least quarterly, or as necessary and appropriate, and shall be chaired by a Director appointed by the Chairperson of the Board.

B. Development and Community Relations Committee

The Development and Community Relations Committee assists the Board and the Corporation with charitable fund-raising efforts and to more effectively and efficiently implement sound community relations practices in support of the Corporation’s mission. Its members shall be appointed by the Chairperson of the Development and Community Relations Committee and may include, from time to time, qualified individuals who are not Directors. Committee members shall serve a term of two (2) years. The Committee shall meet at least quarterly, or as

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necessary and appropriate, and shall be chaired by a Director appointed by the Chairperson of the Board.

C. Governance Committee

The Governance Committee duties shall include oversight of the following for the Board of Directors, subject to the rights of the Sole Member set forth in Article XIII: revisions to the Articles and Bylaws of the Corporation; governance policies addressing the Board of Directors and its committees; Board development and education; evaluation and performance of the Board and its committees; and establishment of committee charters.

The Governance Committee shall consist of no fewer than three (3) Board members, including at least two Elected Directors and no fewer than one officer of the Sole Member.

Members of the Governance Committee being considered for nomination to the Board for additional terms shall not be considered members of the Governance Committee when it is acting as the Board nominating committee. In addition to nominating new Board members and existing members for new terms, the Governance Committee shall recommend individuals for appointment to vacant positions on the Board. The Governance Committee shall meet as needed, but no less than twice annually.

SECTION 3. Ad Hoc Committees

Ad Hoc committees may be appointed at the discretion of the Chairperson of the Board, meet as necessary or appropriate, and may include, from time to time, qualified individuals who are not Directors, provided that no such individuals shall act with the authority of the Board.

SECTION 4. Committee Chairpersons

Unless otherwise indicated, the Chairperson of the Board shall appoint committee chairpersons and may serve as a chairperson or voting member of one or more committees.

SECTION 5. Quorum

Unless otherwise designated by the Board of Directors (or as permitted by state law in the event of an emergency), a majority of the whole committee shall constitute a quorum.

SECTION 6. Rules

Each committee may adopt rules for its own government not inconsistent with these Bylaws or with the rules adopted by the Board of Directors.

SECTION 7. Removal

Except for members of the Executive Committee, the Chairperson of the Board may remove any committee member at will.

ARTICLE IX: Fiscal Policies

SECTION 1. Contracts

In addition to the officers so authorized by these Bylaws or the Sole Member's Contracting Policy and Procedure and/or Guidelines, any officer or agent authorized by the Board of Directors may enter into any contract or execute and deliver any instrument in the name of or to the Corporation.

SECTION 2. Checks, Drafts, Etc.

All checks, drafts, or orders for the payment of money, notes or other evidence of indebtedness issued in the name of the Corporation shall be signed by such officer(s) or agent(s) as determined by resolution of the Board of Directors.

ARTICLE X: Books and Records

SECTION 1. Minute Book

The Corporation shall keep at its principal office, or such other place as the Board of Directors may order, a book of the minutes of all meetings of directors, with the time and places of holding, whether regular or special, how authorized, the notice given, the names of those present, and the proceedings thereof.

SECTION 2. Corporate Records

The Corporation shall keep and maintain at its principal office, or such other place as the Board of Directors may order, adequate and correct accounts of its properties and business transactions, including accounts of its assets, liabilities, receipts, disbursements, gains and losses.

SECTION 3. Confidentiality of Patient /Family Information

The records of any committee or board of the Corporation which contain information relating specifically to any patient served by any operating division of the Corporation shall be considered confidential. Any disclosure of such information shall be in accordance with applicable federal and state statutes and regulations in effect at the time, pertaining to disclosure of confidential patient information.

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ARTICLE XI: Waiver of Notice

When notice is required under the provisions of Law, the Corporation's Articles of Incorporation or these Bylaws, a written waiver signed by the person or persons entitled to such notice, whether before or after the time stated herein, shall be deemed equivalent to the giving of such notice.

ARTICLE XII: Amendments

Only the Sole Member may amend, supplement, restate, repeal, or rescind these Bylaws or any of them or any combination of them. These Bylaws shall be reviewed annually by the Governance Committee.

ARTICLE XIII: Rights of the Sole Member

Without the written approval of the Sole Member, the Corporation shall not:

- A. Sell, lease, or dispose of assets, merge, combine or otherwise or reorganize with any other entity, convert its corporate structure to another form or enter into any management services agreement;
- B. Enter into any loan facility, borrow any funds or pledge or hypothecate any or all of its assets as security for any borrowing;
- C. Change the primary character or nature of its business to something other than the operation of a hospice;
- D. Remove or appoint the President/CEO and other officers of the Corporation;
- E. Execute any deed, mortgage, note or bond;
- F. Adopt or amend the annual operating and/or capital budgets proposed by the President/CEO and the management or Board of Directors of the Corporation;
- G. Make any contribution or distribution of assets or property to any person or entity;
- H. Amend these Bylaws or the Articles of Incorporation of the Corporation;
- I. Dissolve, liquidate or otherwise cease to exist as a nonprofit corporation which is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code;
- J. Form any subsidiary corporation or other entity; or
- K. Acquire, utilize, and dispose of patents, copyrights, and trademarks and any licenses and other rights or interests thereunder or therein.

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ARTICLE XIV: Indemnification

To the fullest extent permitted by applicable law, the Directors, officers and committee members of the Corporation shall be indemnified and held harmless by the Corporation for any and all claims made against them personally while acting within the scope of their duties for the Corporation.

Adopted pursuant to the Corporation's Bylaws to be effective as of _____, 2024.

Dated: _____

By: _____

Name: _____

For: East Bay Integrated Care, Inc.

October 3, 2024

Chapters Health System, Inc.
12470 Telecom Drive, Suite 300
West Temple Terrace, Florida 33637
Attn: Andrew K. Molosky
Email: moloskya@chaptershealth.org

Buchanan Ingersoll & Rooney P.C.
401 E. Jackson Street, Suite 2400
Tampa, Florida 33602
Attn: Dale S. Webber
Email: dale.webber@bipc.com

Re: Side Letter to Affiliation Agreement re Enhanced Severance Policies

Dear Mr. Molosky and Mr. Webber:

Reference is hereby made to that certain Affiliation Agreement (the "Agreement") to be entered into on or about the date of this letter, by and between Chapter Health System, Inc., a Florida not for profit corporation ("Chapters") and East Bay Integrated Care, Inc. d/b/a Hospice East Bay, a California nonprofit public benefit corporation ("Hospice East Bay"). Chapters and Hospice East Bay are collectively referred to in this letter as the "Parties". Capitalized words used but not otherwise defined in this letter shall have the meanings given to them in the Agreement.

In connection with the transactions contemplated by the Agreement, Hospice East Bay will implement an enhanced severance plan for its employees (the "Plan"). The Parties have agreed that the Plan will take effect immediately as of the Parties' signing of the Agreement. Because the implementation of the Plan as of the signing date (rather than the Closing Date) implicates several of Hospice East Bay's representations, warranties, and covenants in the Agreement and corresponding disclosure schedules, the Parties have agreed to enter into this letter agreement.

The Parties acknowledge and agree that Hospice East Bay's implementation of the Plan immediately as of the date on which the Parties sign the Agreement:

1. Is expressly permitted and will not constitute a breach or violation of any provision of the Agreement, including without limitation Sections 4.20, 4.21, 6.2, and 6.3; and
2. Will not require any additional disclosure in the Agreement's disclosure schedules.

To the extent the terms set forth in this letter agreement conflict with the terms of the Agreement, the terms of this letter agreement shall control. This letter agreement may be executed in one or more counterparts, each of which, including those received via email (including in PDF format), shall be deemed an original, and all of which shall constitute one and the same agreement.

If the foregoing accurately sets forth the agreements that the Parties have reached with respect to the subject matter of this letter, please indicate your agreement to this letter's terms by countersigning in the place indicated below.

[Remainder of Page Intentionally Blank]

Very truly yours,

EAST BAY INTEGRATED CARE, INC

DocuSigned by:
By: [Redacted Signature] _____
Name: ~~Bill Mustick~~
Title: Interim President & CEO

Acknowledged and Agreed:

CHAPTERS HEALTH SYSTEM, INC.

DocuSigned by:
By: [Redacted Signature] _____
Name: ~~Andrew R. Molosky~~
Title: President & CEO