



AGENDA

KERN COUNTY HOSPITAL AUTHORITY BOARD OF GOVERNORS

**Kern Medical Center
1700 Mount Vernon Avenue
Bakersfield, California 93306**

Special Meeting
Tuesday, February 22, 2022

11:30 A.M.

BOARD TO RECONVENE

Board Members: Alsop, Berjis, Bigler, Brar, Kitchen, McLaughlin, Pelz
Roll Call:

STAFF RECOMMENDATION SHOWN IN CAPS

PUBLIC PRESENTATIONS

- 1) This portion of the meeting is reserved for persons to address the Board on any matter not on this agenda but under the jurisdiction of the Board. Board members may respond briefly to statements made or questions posed. They may ask a question for clarification, make a referral to staff for factual information or request staff to report back to the Board at a later meeting. In addition, the Board may take action to direct the staff to place a matter of business on a future agenda. **SPEAKERS ARE LIMITED TO TWO MINUTES. PLEASE STATE AND SPELL YOUR NAME BEFORE MAKING YOUR PRESENTATION. THANK YOU!**



BOARD MEMBER ANNOUNCEMENTS OR REPORTS

- 2) On their own initiative, Board members may make an announcement or a report on their own activities. They may ask a question for clarification, make a referral to staff or take action to have staff place a matter of business on a future agenda (Government Code section 54954.2(a)(2))

ITEMS FOR CONSIDERATION

- 3) Proposed Third Amendment to Credit Agreement 011-2019 with PNC Bank, National Association (PNC Bank), an independent contractor, containing nonstandard terms and conditions, for a revolving line of credit for the period March 1, 2019 through February 28, 2022, extending the maturity date of the Line of Credit to a date not later than March 1, 2023, amending the Credit Agreement to provide for an interest rate based on One Month Bloomberg Short-Term Bank Yield Index, and providing that the maximum available principal amount of credit provided under the Credit Agreement may not exceed \$20,000,000 and that any indebtedness incurred thereunder at any time shall be secured only by personal property, substantially the same as the personal property described in the General Security and Pledge Agreement, and delegating authority to certain officers –
APPROVE; ADOPT RESOLUTION; AUTHORIZE AND DIRECT ANY TWO OF THE FOLLOWING OFFICERS (EACH, AN “AUTHORIZED OFFICER”) OF THE AUTHORITY, FOR AND IN THE NAME OF AND ON BEHALF OF THE AUTHORITY, TO EXECUTE THE THIRD AMENDMENT TO CREDIT AGREEMENT, SUBSTANTIALLY IN THE FORM PRESENTED TO THIS BOARD, WITH SUCH CHANGES AS THE AUTHORIZED OFFICERS EXECUTING THE SAME, TOGETHER WITH THE VICE PRESIDENT & GENERAL COUNSEL OF THE AUTHORITY, SHALL APPROVE: CHAIRMAN OF THIS BOARD, VICE-CHAIRMAN OF THIS BOARD, CHIEF EXECUTIVE OFFICER OF THE AUTHORITY OR CHIEF FINANCIAL OFFICER OF THE AUTHORITY

ADJOURN TO WEDNESDAY, MARCH 16, 2022, AT 11:30 A.M.

SUPPORTING DOCUMENTATION FOR AGENDA ITEMS

All agenda item supporting documentation is available for public review at Kern Medical Center in the Administration Department, 1700 Mount Vernon Avenue, Bakersfield, 93306 during regular business hours, 8:00 a.m. – 5:00 p.m., Monday through Friday, following the posting of the agenda. Any supporting documentation that relates to an agenda item for an open session of any regular meeting that is distributed after the agenda is posted and prior to the meeting will also be available for review at the same location.

AMERICANS WITH DISABILITIES ACT (Government Code Section 54953.2)

The Kern Medical Center Conference Room is accessible to persons with disabilities. Disabled individuals who need special assistance to attend or participate in a meeting of the Kern County Hospital Authority Board of Governors may request assistance at Kern Medical Center in the Administration Department, 1700 Mount Vernon Avenue, Bakersfield, California, or by calling (661) 326-2102. Every effort will be made to reasonably accommodate individuals with disabilities by making meeting material available in alternative formats. Requests for assistance should be made five (5) working days in advance of a meeting whenever possible.



**BOARD OF GOVERNORS
KERN COUNTY HOSPITAL AUTHORITY SPECIAL MEETING**

February 22, 2022

Subject: Proposed Third Amendment to Credit Agreement 011-2019 with PNC Bank, National Association (PNC Bank), containing nonstandard terms and conditions, for a revolving line of credit for the period March 1, 2019 through February 28, 2022, extending the maturity date of the Line of Credit to a date not later than March 1, 2023, amending the Credit Agreement to provide for an interest rate based on One Month Bloomberg Short-Term Bank Yield Index, and providing that the maximum available principal amount of credit provided under the Credit Agreement may not exceed \$20,000,000 and that any indebtedness incurred thereunder at any time shall be secured only by personal property, substantially the same as the personal property described in the General Security and Pledge Agreement, and delegating authority to certain officers

Recommended Action: Approve; Adopt Resolution; Authorize and direct any two of the following officers (each, an "Authorized Officer") of the Authority, for and in the name of and on behalf of the Authority, to execute the Third Amendment to Credit Agreement, substantially in the form presented to this Board, with such changes as the Authorized Officers executing the same, together with the Vice President & General Counsel of the Authority, shall approve: Chairman of this Board, Vice-Chairman of this Board, Chief Executive Officer of the Authority or Chief Financial Officer of the Authority

Summary:

Pursuant to the authority granted in Resolution No. 2019-004 adopted by your Board on February 20, 2019, and Resolution No. 2019-040, adopted by the Kern County Board of Supervisors on February 26, 2019, the Authority entered into a Credit Agreement with PNC Bank, effective March 1, 2019, to establish a revolving line of credit for the purpose of obtaining funding from time to time for the Authority's working capital and other financial needs.

The Credit Agreement provided for a maximum available principal amount of credit not in excess of \$50,000,000 for a 120-day period and not in excess of \$20,000,000 at any other time (the "Line of Credit") and executed and delivered to PNC Bank a General Security and Pledge Agreement that provided for all indebtedness under the Credit Agreement to be secured by certain personal property of the Authority.

The Credit Agreement provided that interest on draws under the Line of Credit accrued at interest rates based on LIBOR and further provided that the Line of Credit would initially mature on March 1, 2021.

On January 20, 2021, your Board adopted Resolution No. 2021-003, which, among other things, approved the extension of the maturity date of the Line of Credit to March 1, 2022 and the terms and provisions of the Second Amendment to Credit Agreement.

Owned and Operated by the Kern County Hospital Authority
A Designated Public Hospital

1700 Mount Vernon Avenue | Bakersfield, CA 93306 | (661) 326-2000 | KernMedical.com

PNC Bank has advised that it is willing to extend the maturity date of the Line of Credit and has advised that it will be necessary to further amend the Credit Agreement and certain related instruments and documents to provide for an alternate interest rate for draws under the Line of Credit because, as of January 1, 2022, the U.K. Financial Conduct Authority, which is the body that regulates and supervises the publication of LIBOR, no longer compels banks to submit rates for the calculation of LIBOR, which effectively renders LIBOR obsolete. PNC Bank has advised that, upon amendment of the Credit Agreement, the interest rate for draws under the Line of Credit will be based on One Month Bloomberg Short-Term Bank Yield Index, which after application of the applicable spread, will result in an interest rate generally equivalent to the LIBOR-based interest rate currently paid under the Line of Credit.

The Third Amendment contains nonstandard terms and cannot be approved as to form by Counsel. The amendment that your Board is being asked to approve gives PNC the ability to amend the Credit Agreement to provide for a different Benchmark interest rate for draws under the Line of Credit without the Authority's consent. While not entirely one-sided (any amendment to the Benchmark will be done "in consultation with" the Authority), the amendment can still be made by PNC without the Authority's consent once a "Benchmark Transition Event" (as defined in the amendment) has occurred (i.e., an official statement that the selected index is no longer available for purposes of setting the rate or is no longer representative), but it will not be made without notice and without the Authority being aware that a new Benchmark (i.e., index) is being selected. If a Benchmark Transition Event occurs and PNC imposes a new Benchmark that the Authority does not like, the Authority's options would be to seek a new arrangement with a new bank in order to pay down any existing balance on the PNC Line of Credit or negotiate a new arrangement with PNC and converting the Line of Credit to that new arrangement. Practically speaking, the banking industry has known for at least two years that LIBOR was going to cease to exist, so it is unlikely that a Benchmark Transition Event would occur and PNC would select a new Benchmark in such a short timeframe that the Authority would have to live with something problematic for an extended period of time. Nonetheless, it theoretically could occur.

Extending the maturity date of the Line of Credit and further amending the Credit Agreement and certain related instruments and documents to provide for an interest rate based on One Month Bloomberg Short-Term Bank Yield Index is advisable and in the best interests of the Authority. To do so requires that your Board authorize and approve the extension of the maturity date of the Line of Credit to a date not later than March 1, 2023 and the amendment of the Credit Agreement to provide for an interest rate based on One Month Bloomberg Short-Term Bank Yield Index, provided that the Line of Credit shall otherwise be substantially on the same terms set out in the Credit Agreement (as amended prior to the date hereof) and provided further that the maximum available principal amount of credit provided to the Authority thereunder may not exceed \$20,000,000 and that any indebtedness incurred thereunder at any time shall be secured only by personal property, substantially the same as the personal property described in the General Security and Pledge Agreement.

Therefore, it is recommended that your Board approve the above-referenced recommended action.

**BEFORE THE BOARD OF GOVERNORS
OF THE KERN COUNTY HOSPITAL AUTHORITY**

In the matter of:

Resolution No. 2022-____

**APPROVING THE THIRD AMENDMENT TO THE
CREDIT AGREEMENT, BETWEEN THE
AUTHORITY AND PNC BANK, NATIONAL
ASSOCIATION, AND DELEGATING AUTHORITY
TO CERTAIN OFFICERS**

I, MONA A. ALLEN, Authority Board Coordinator for the Kern County Hospital Authority, hereby certify that the following Resolution, on motion of Director _____, seconded by Director _____, was duly and regularly adopted by the Board of Governors of the Kern County Hospital Authority at an official meeting thereof on the 22nd day of February, 2022, by the following vote, and that a copy of the Resolution has been delivered to the Chairman of the Board of Governors.

AYES:

NOES:

ABSENT:

MONA A. ALLEN
Authority Board Coordinator
Kern County Hospital Authority

Mona A. Allen

RESOLUTION

Section 1. WHEREAS:

(a) On February 20, 2019, the Board of Governors adopted Resolution No. 2019-004, which, among other things, authorized and approved the Kern County Hospital Authority (the "Authority") to incur debt pursuant to a revolving line of credit to be provided by PNC Bank, National Association ("PNC Bank"), and authorized certain officers of the Authority to execute, acknowledge, deliver, record and file such agreements,

documents, instruments and certificates necessary to effect the purposes of Resolution No. 2019-004; and

(b) On February 26, 2019, the County of Kern, by action of its Board of Supervisors, adopted Resolution No. 2019-040, which approved the Authority's incurrence of debt under a revolving line of credit to be provided by PNC Bank; and

(c) On March 1, 2019, the Authority entered into a Credit Agreement, with PNC Bank, that provided for a maximum available principal amount of credit not in excess of \$50,000,000 for a 120-day period and not in excess of \$20,000,000 at any other time (the "Line of Credit") and executed and delivered to PNC Bank a General Security and Pledge Agreement that provided for all indebtedness under the Credit Agreement to be secured by certain personal property of the Authority; and

(d) The Credit Agreement provided that interest on draws under the Line of Credit accrued at interest rates based on LIBOR and further provided that the Line of Credit would initially mature on March 1, 2021; and

(e) On January 20, 2021, the Board of Governors adopted Resolution No. 2021-003, which, among other things, approved the extension of the maturity date of the Line of Credit to March 1, 2022 and the terms and provisions of the Second Amendment to Credit Agreement; and

(f) PNC Bank has advised that it is willing to extend the maturity date of the Line of Credit and has advised that it will be necessary to further amend the Credit Agreement and certain related instruments and documents to provide for an alternate interest rate for draws under the Line of Credit because, as of January 1, 2022, the U.K. Financial Conduct Authority, which is the body that regulates and supervises the publication of LIBOR, no longer compels banks to submit rates for the calculation of LIBOR, which effectively renders LIBOR obsolete; and

(g) PNC Bank has advised that, upon amendment of the Credit Agreement, the interest rate for draws under the Line of Credit will be based on One Month Bloomberg Short-Term Bank Yield Index, which after application of the applicable spread, will result in an interest rate generally equivalent to the LIBOR-based interest rate currently paid under the Line of Credit; and

(h) Management of the Authority has advised this Board that extending the maturity date of the Line of Credit and further amending the Credit Agreement and certain related instruments and documents to provide for an interest rate based on One Month Bloomberg Short-Term Bank Yield Index is advisable and in the best interests of the Authority.

Section 2. NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Governors of the Kern County Hospital Authority, as follows:

1. This Board finds the facts recited herein are true, and further finds that this Board has jurisdiction to consider, approve, and adopt the subject of this Resolution.

2. This Board hereby authorizes and approves the extension of the maturity date of the Line of Credit to a date not later than March 1, 2023 and the amendment of the Credit Agreement to provide for an interest rate based on One Month Bloomberg Short-Term Bank Yield Index, provided that the Line of Credit shall otherwise be substantially on the same terms set out in the Credit Agreement (as amended prior to the date hereof) and provided further that the maximum available principal amount of credit provided to the Authority thereunder may not exceed \$20,000,000 and that any indebtedness incurred thereunder at any time shall be secured only by personal property, substantially the same as the personal property described in the General Security and Pledge Agreement.

3. This Board hereby authorizes and directs any two of the following officers (each, an “Authorized Officer”) of the Authority, for and in the name of and on behalf of the Authority, to execute the Third Amendment, substantially in the form presented to this Board, with such changes as the Authorized Officers executing the same, together with the Vice President & General Counsel of the Authority, shall approve: Chair of this Board, Vice-Chair of this Board, Chief Executive Officer of the Authority or Chief Financial Officer of the Authority. The execution by any two Authorized Officers of the Second Amendment shall evidence the approval hereby required.

4. This Board hereby authorizes and directs any two Authorized Officers, for and in the name of and on behalf of the Authority, to execute, acknowledge, deliver, record and file such agreements, documents, instruments and certificates, and revisions and corrections thereof and amendments thereto, in each case in a form approved by the Vice President & General Counsel of the Authority, and to perform such other acts and deeds as may, in any such Authorized Officer’s discretion and with the approval of the Vice President & General Counsel of the Authority, be deemed necessary or otherwise proper, to effect the purposes of this Resolution and the actions herein authorized.

5. All actions heretofore taken by any Authorized Officer, which are in conformity with the purposes and intent of this Resolution, whether heretofore or hereafter taken, are hereby ratified, confirmed and approved in all respects.

6. The authority conferred upon each Authorized Officer by this Resolution shall remain in full force and effect until written notice of revocation by further resolutions of this Board shall have been delivered to the other parties to such agreements.

7. The provisions of this Resolution are hereby declared to be severable, and, if any section, phrase or provision shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereof.

8. Resolution No. 2022-004, adopted by this Board on January 19, 2022, is hereby repealed and superseded by this Resolution.

9. The Authority Board Coordinator shall provide copies of this Resolution to the following:

Kern Medical Center
Legal Services Department
PNC Bank, National Association

THIRD AMENDMENT TO CREDIT AGREEMENT

This Third Amendment to Credit Agreement (this “*Third Amendment*”) dated February 23, 2022 (the “*Third Amendment Effective Date*”), is between Kern County Hospital Authority (the “*Authority*”) and PNC Bank, National Association (in such capacity, together with its successors and assigns, the “*Bank*”). All terms used herein and not defined herein shall have the meanings assigned to such terms in the hereinafter defined Agreement.

W I T N E S S E T H

WHEREAS, the Authority and the Bank have previously entered into the Credit Agreement dated as of March 1, 2019, as amended by that certain First Amendment to Credit Agreement executed on September 5, 2019, and effective retroactively to July 1, 2019, and as amended by that certain Second Amendment to Credit Agreement and Bank Note dated January 20, 2021 (as amended, the “*Agreement*”), pursuant to which the Bank agreed to make one or more Loans to the Authority subject to the terms and conditions set forth in the Agreement;

WHEREAS, pursuant to Section 9.3 of the Agreement, the Agreement may be amended by a written amendment thereto, signed by the Authority and the Bank;

WHEREAS, the parties hereto wish to amend the Agreement as set forth herein;

NOW THEREFORE, in consideration of the premises, the parties hereto hereby agree as follows:

1. AMENDMENTS TO CREDIT AGREEMENT.

Upon satisfaction of the conditions precedent set forth in Section 2 hereof, the Agreement shall be amended as follows:

1.01. The definitions of the terms “*Base Rate*,” “*Business Day*,” “*Published Rate*” and “*Scheduled Maturity Date*” set forth in Section 1.1 of the Agreement are hereby amended and restated in their entireties as follows:

“*Base Rate*” means, for any day, a fluctuating rate of interest per annum equal to the greatest of (i) the Prime Rate; (ii) the Overnight Bank Funding Rate plus 0.50%; and (iii) the Daily BSBY Rate then in effect plus 1.00%, so long as the Daily BSBY Rate is offered, ascertainable and not unlawful; *provided, however*, if the Base Rate as determined above would be less than zero, then such rate shall be deemed to be zero. Any change in the Base Rate (or any component thereof) shall take effect at the opening of business on the day such change occurs.

“*Business Day*” means any day other than a Saturday or Sunday or legal holiday on which commercial banks are authorized or required to close for business in Bakersfield, California or New York, New York; *provided* that, when used in connection with an amount that bears interest at a rate based on BSBY or any direct or indirect calculation or determination of BSBY, the term “*Business Day*” means any such day that is also a U.S. Government Securities Business Day.

“*Floor*” means a rate of interest equal to 0 basis points (0.00%).

“*Published Rate*” means the one-month Bloomberg Short-Term Bank Yield Index rate administered by Bloomberg and published by Bloomberg or another commercially available source providing such quotations as may be designated by the Bank from time to time.

“*Scheduled Maturity Date*” means February 28, 2023, as such date may be extended in accordance with Section 3.11 hereof.

1.02. Section 1.1 of the Agreement is hereby amended by incorporating the following defined terms “*Bloomberg*,” “*BSBY*,” “*BSBY Interest Period*,” “*BSBY Reserve Percentage*,” “*Daily BSBY Rate*,” “*Floor*,” “*NYFRB*” and “*U.S. Government Securities Business Day*” to be inserted in their appropriate places in the alphabetical order:

“*Bloomberg*” means Bloomberg Index Services Limited (or a successor administrator).

“*BSBY*” means the Bloomberg Short-Term Bank Yield Index rate administered by Bloomberg and published by Bloomberg or another commercially available source providing such quotations as may be designated by the Bank from time to time.

“*BSBY Reserve Percentage*” shall mean, as of any day, the maximum effective percentage in effect on such day, if any, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including, without limitation, supplemental, marginal and emergency reserve requirements) with respect to BSBY funding.

“*Daily BSBY Rate*” means, for any day, the rate per annum determined by the Bank by dividing (the resulting quotient rounded upwards, at the Bank’s discretion, to the nearest 1/100th of 1%) (A) the Published Rate for such day, by (B) a number equal to 1.00 minus the BSBY Reserve Percentage; *provided, however*, if the

Daily BSBY Rate determined as provided above would be less than the Floor, then such rate shall be deemed to be the Floor. The rate of interest will be adjusted automatically as of each Business Day based on changes in the Daily BSBY Rate without notice to the Authority.

“*Floor*” means a rate of interest equal to 0 basis points (0.00%).

“*NYFRB*” means the Federal Reserve Bank of New York.

“*U.S. Government Securities Business Day*” means any day except for (A) a Saturday or Sunday or (B) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

1.03. Section 1.1 of the Agreement is hereby amended by deleting the defined terms “*Daily Reset LIBOR Rate*” and “*LIBOR Replacement Rider*” in their entireties. All references in the Agreement to the “*Daily Reset LIBOR Rate*” shall be deemed to be references to the “*Daily BSBY Rate*.”

1.04. Section 3.1 of the Agreement is hereby amended in its entirety and as so amended shall be restated to read as follows:

(a) *Generally.* The outstanding principal balance of the Loans (all of the indebtedness evidenced by the Bank Note bearing interest at the same rate for the same period of time being hereinafter referred to as a “*Portion*”) shall bear interest with reference to the Daily BSBY Rate (the “*Daily BSBY Rate Portion*”); *provided, however,* that in the event the Base Rate becomes applicable pursuant to the terms hereof, all Loans shall bear interest at a rate per annum equal to the Base Rate from time to time in effect (the “*Base Rate Portion*”). The Authority hereby promises to pay interest on each Portion of the Bank Note at the rates and times specified in this Section 3.

(b) *Adjusted BSBY Rate Portion.* (i) The Daily BSBY Rate Portion shall bear interest at a rate per annum equal to the sum of the Daily BSBY Rate as from time to time in effect *plus* one hundred and twenty basis points (1.20%), for each Business Day; *provided* that if the Daily BSBY Rate Portion is not paid when due (whether by lapse of time, acceleration, or otherwise), and from and after the occurrence and during the continuance of any other Event of Default, such Daily BSBY Rate Portion shall automatically be

converted into and added to the Base Rate Portion and shall thereafter bear interest, whether before or after judgment until payment in full thereof, at the rate per annum equal to the Default Rate from time to time in effect. Interest on the Daily BSBY Rate Portion shall be payable monthly in arrears on the first Business Day of each calendar month in each year (commencing on the first such date occurring after the date hereof) and on the Termination Date, and interest after maturity of the Bank Note and all payment obligations evidenced thereby (whether by lapse of time, acceleration, or otherwise) shall be due and payable upon demand.

(c) *Base Rate Portion.* There shall be no Base Rate Portion, unless otherwise specifically required pursuant to the terms of this Agreement. The Base Rate Portion shall bear interest at the rate per annum equal to the Base Rate as in effect from time to time, *provided* that if the Base Rate Portion or any part thereof is not paid when due (whether by lapse of time, acceleration, or otherwise), and during the existence of any other Event of Default, such Base Rate Portion shall bear interest, whether before or after judgment until payment in full thereof, at the rate per annum equal to the Default Rate from time to time in effect, payable on demand. Interest on the Base Rate Portion shall be payable monthly in arrears on the first Business Day of each calendar month in each year (commencing on the first such date occurring after the date hereof) and at maturity of the Bank Note, and interest after maturity (whether by lapse of time, acceleration, or otherwise) shall be due and payable upon demand. Any change in the interest rate on the Base Rate Portion resulting from a change in the Base Rate shall be effective on the date of the relevant change in the Base Rate.

1.05. Section 3.5 of the Agreement is hereby amended in its entirety and as so amended shall be restated to read as follows:

Section 3.5. Benchmark Replacement Provisions. If the applicable rate is based on a Benchmark (as defined below) and the Bank determines (which determination shall be final and conclusive) that (A) such Benchmark cannot be determined pursuant to its definition other than as a result of a Benchmark Transition Event (as defined below), or (B) any enactment, promulgation or adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by a governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any guideline, request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for the

Bank to make or maintain or fund loans based on such Benchmark, then the Bank shall give notice thereof to the Authority. Thereafter, until the Bank notifies the Authority that the circumstances giving rise to such determination no longer exist, (a) the availability of any Benchmark shall be suspended, and (b) the Daily BSBY Rate Portion shall be converted to the Base Rate Portion either (i) on the last day of the then current applicable interest period(s) if the Bank may lawfully continue to maintain or fund loans based on such Benchmark to such day, or (ii) immediately if the Bank may not lawfully continue to maintain or fund loans based on such Benchmark.

Notwithstanding anything to the contrary herein or in any other Loan Document, if the Bank determines (which determination shall be final and conclusive) that a Benchmark Transition Event has occurred with respect to a Benchmark, the Bank, in consultation with the Authority, may amend this Agreement to replace such Benchmark with a Benchmark Replacement (as defined below); and any such amendment shall be in writing, shall specify the date that the Benchmark Replacement is effective and will not require any further action or consent of the Authority. Until the Benchmark Replacement is effective, amounts bearing interest with reference to a Benchmark will continue to bear interest with reference to such Benchmark as long as such Benchmark is available, and otherwise such amounts automatically will bear interest at the Base Rate. In connection with the implementation and administration of a Benchmark Replacement, the Bank will have the right to make technical, administrative or operational changes from time to time that the Bank decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Bank in a manner substantially consistent with market practice or as reasonably necessary as determined by the Bank (which determination shall be final and conclusive) and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such technical, administrative or operational changes will become effective without any further action or consent of the Authority. The Bank will promptly notify the Authority of any such technical, administrative or operational changes.

For purposes of this Section, the following terms have the meanings set forth below:

“*Benchmark*” means, at any time, any interest rate index (or tenor of an interest rate index) then used in the determination of an interest rate under the terms of this Agreement. Once a Benchmark

Replacement becomes effective under this Agreement, it is a Benchmark. For example, BSBY is a Benchmark under this Agreement.

“*Benchmark Replacement*” means, for any Benchmark, the sum of (a) an alternate benchmark rate and (b) an adjustment (which may be a positive or negative value or zero), in each case that has been selected by the Bank as the replacement for such Benchmark giving due consideration to any evolving or then- prevailing market convention, including any applicable recommendations made by the official sector or any official sector-sponsored committee or working group, for U.S. dollar-denominated credit facilities at such time; *provided* that, if the Benchmark Replacement as determined pursuant to the foregoing would be less than the Floor, the Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement and the other Loan Documents.

“*Benchmark Transition Event*” means a public statement or publication by or on behalf of the administrator of a Benchmark, the regulatory supervisor of such administrator, the Board of Governors of the Federal Reserve System, NYFRB, an insolvency official or resolution authority with jurisdiction over the administrator for such Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark, announcing or stating that (a) such administrator has ceased or will cease to provide such Benchmark permanently or indefinitely, provided that at the time of such statement or publication there is no successor administrator that will continue to provide such Benchmark or (b) such Benchmark is or will no longer be representative.

1.06. The Agreement is hereby amended by removing Exhibit D thereto in its entirety.

2. CONDITIONS PRECEDENT.

This Third Amendment shall be deemed effective on the Third Amendment Effective Date subject to the satisfaction of or waiver by the Bank of all of the following conditions precedent (such satisfaction to be evidenced by the Bank’s execution and delivery of this Third Amendment):

2.01. Delivery by the Authority of an executed counterpart of this Third Amendment.

2.02. Delivery to the Bank of an opinion of counsel to the Authority, addressed to the Bank and in form and substance satisfactory to the Bank and its counsel.

2.03. Receipt by the Bank of (i) a certified copy of the authorizing resolution of the Authority approving the execution and delivery and performance of its obligations under the Agreement, as amended hereby, and the Bank Note, and (ii) a customary certificate executed by appropriate officers of the Authority including the incumbency and signature of the officer of the Authority executing this Third Amendment.

2.04. Payment to the Bank on the Third Amendment Effective Date of the reasonable legal fees and expenses of counsel to the Bank.

2.05. All other legal matters pertaining to the execution and delivery of this Third Amendment shall be satisfactory to the Bank and its counsel.

3. REPRESENTATIONS AND WARRANTIES OF THE AUTHORITY.

3.01. The Authority hereby represents and warrants that the following statements shall be true and correct as of the date hereof:

(a) the representations and warranties of the Authority contained in Section 5 of the Agreement and in each of the Loan Documents are true and correct on and as of the date hereof as though made on and as of such date (except to the extent the same expressly relate to an earlier date and except that the representations contained in Section 5.7 of the Agreement shall be deemed to refer to the most recent financial statements of the Authority delivered to the Bank pursuant to Section 7.5(a) of the Agreement); and

(b) no Default or Event of Default has occurred and is continuing or would result from the execution of this Third Amendment.

3.02. In addition to the representations given in Section 5 of the Agreement, the Authority hereby represents and warrants as follows:

(a) The execution, delivery and performance by the Authority of this Third Amendment and the Agreement, as amended hereby, are within its powers, have been duly authorized by all necessary action and do not contravene any law, rule or regulation, any judgment, order or decree or any contractual restriction binding on or affecting the Authority.

(b) No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Authority of this Third Amendment or the Agreement, as amended hereby.

(c) This Third Amendment and the Agreement, as amended hereby, constitute valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms, except that (i) the enforcement thereof may be limited by bankruptcy, reorganization, insolvency, liquidation, moratorium and other laws relating to or affecting the enforcement of creditors' rights and remedies generally, the

exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against the Authority, and (ii) no representation or warranty is expressed as to the availability of equitable remedies.

4. MISCELLANEOUS.

Except as specifically amended herein, the Agreement shall continue in full force and effect in accordance with its terms. Reference to this Third Amendment need not be made in any note, document, agreement, letter, certificate, the Agreement or any communication issued or made subsequent to or with respect to the Agreement, it being hereby agreed that any reference to the Agreement or the Bank shall be sufficient to refer to the Agreement, as hereby amended. In case any one or more of the provisions contained herein should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired hereby. All capitalized terms used herein without definition shall have the same meanings herein as they have in the Agreement. THIS THIRD AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA.

This Third Amendment may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. This Third Amendment may be delivered by the exchange of signed signature pages by facsimile transmission or by e-mail with a pdf copy or other replicating image attached, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

The parties agree that the electronic signature of a party to this Third Amendment shall be as valid as an original signature of such party and shall be effective to bind such party to this Third Amendment. The parties agree that any electronically signed document (including this Third Amendment) shall be deemed (i) to be “written” or “in writing,” (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Such paper copies or “printouts,” if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule. For purposes hereof, “electronic signature” means a manually-signed original signature that is then transmitted by electronic means; “transmitted by electronic means” means sent in the form of a facsimile or sent via the internet as a “pdf” (portable document format) or other replicating image attached to an e-mail message; and, “electronically signed document” means a document transmitted by electronic means and containing, or to which there is affixed, an electronic signature.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be duly executed and delivered by their respective officers hereunto duly authorized as of the Third Amendment Effective Date.

"AUTHORITY"

KERN COUNTY HOSPITAL AUTHORITY

By: _____

Name: Scott Thygerson

Title: Chief Executive Officer

By: _____

Name: Andrew J. Cantu

Title: Chief Financial Officer

REVIEWED ONLY

NOT APPROVED AS TO FORM:

By: _____

Name: Karen S. Barnes

Title: Vice President & General Counsel,
Kern County Hospital Authority

"BANK"

PNC BANK, NATIONAL ASSOCIATION

By: _____

Name: Lisa Berger

Title: Senior Vice President