



Bay Area Hospital District
Joint Board and Finance Committee Meeting Agenda
April 21, 2026 @ Bay Area Hospital, Myrtle Conference Room

TIME

5:00 Call to Order **Simon Alonzo, Chairperson**
• Public Input—3 minutes per speaker

5:02 Patient Success Story **Simon Alonzo, Chairperson**

5:05 Consent Agenda **ACTION ITEM** **Simon Alonzo, Chairperson**
• Minutes of BOD/Finance meeting
• Approved Minutes of MEC meeting

5:07 Compliance Report **ACTION ITEM** **Mel Stibal, Compliance & Privacy Officer**
Workplan Update

5:17 Report of the Chief Executive Officer **Gretchen Nichols, CEO**
• Strategic Organizational Updates

5:30 HR Updates **Tom Fredette, CHRO**

5:35 Quality and Patient Safety Committee Report (QPSC) **Patrice Parrott, Secretary**

5:40 Finance Committee Business **ACTION ITEM** **Kyle Stevens, Treasurer**
• Financial Update
• Investment Update **Graystone**

6:05 Executive Session ORS 192.660(2)
(c) to consider matters pertaining to the function of the medical staff at a public hospital
(f) to consider information or records that are exempt by law from public inspection

6:07 Medical Executive Committee (MEC) Report - 03/2026 **ACTION ITEM** **Derrick Oaxaca, MD, CMO**

6:10 Medical Staff Report **Hammad Qadir, MD, Chief of Staff**

6:20 Board Member Comments **Simon Alonzo, Chairperson**
• Report of the Chairperson
• Board Member Comments

6:30 Adjourn – next regular meeting - Tuesday, May 19, 2026

Bay Area Hospital District Joint Board & Finance Committee Meeting Minutes

March 17, 2026, 5:00 pm, Myrtle Conference Room

CALL TO ORDER

Simon Alonzo, Board Chair, called the meeting to order at 5:00 pm with a quorum present.

BOARD ATTENDANCE

Simon Alonzo; Tom McAndrew; Patrice Parrott; Brandon Saada; Kyle Stevens; John Uno

STAFF ATTENDANCE

Gretchen Nichols, CEO; Patrick Banks, CFO; Jennifer Culbertson, CNO; Kelli Dion, CQO; Tom Fredette, CHRO; Derrick Oaxaca, MD, CMO; Jen Culbertson, CNO, Kim Winker, Marketing & Communications Director; Dr. Hammad Qadir, MD, COS (Chief of Staff); Mark Hadley, Controller (via Teams); Mel Stibal, Compliance and Privacy Officer

LEGAL COUNSEL

Megan Kronsteiner, Esq.

GUESTS:

Tony Andrade - Bakertilly

PUBLIC ATTENDANCE AND INPUT

Chairperson Alonzo opened the Public Input Session at 5:01 p.m., immediately following the call to order.

No public comments were offered, and the public comment period was closed at 5:02 pm.

PATIENT SUCCESS STORY

Patrice Parrot, Board Secretary, read a community testimonial by Leslie Davis Barnts, a parent whose son recently received care in the Short Stay unit for a day surgery procedure. The family expressed appreciation for the professionalism, compassion, and patience demonstrated by staff, and specifically recognized RN Jett and Dr. Heidi Pahls and her team for providing exceptional care. The testimonial highlighted the hospital's commitment to quality care and positive patient experiences.

CONSENT AGENDA

ACTION TAKEN BY THE BOARD:

Brandon Saada moved to approve the consent agenda, and Kyle Stevens seconded. There was no discussion, and the motion passed on a call of vote with all board members voting yes.

CEO REPORT - GRETCHEN NICHOLS

Culture of Safety and Employee Engagement Survey

Gretchen Nichols turned the discussion over to Tom Fredette, CHRO, and Kelli Dion, CQO, to review results from the Culture of Safety and Employee Engagement Survey.

They noted overall improvement in engagement and safety culture, with staff expressing a strong connection to the organization's mission and community. Strengths included positive leadership relationships, teamwork, and increased willingness among staff to speak up regarding safety concerns.

Opportunities for improvement were identified in career development, nursing engagement relative to national benchmarks, and strengthening organizational commitment to patient safety.

Discussion also emphasized the need for continued leadership visibility, improved communication across departments, and ongoing efforts to enhance safety reporting and prevention processes.

Discussion followed regarding implementation of a new patient safety and quality initiative focused on strengthening communication, leadership visibility, and real-time issue escalation. Key components include nurse leader and charge nurse rounding, bedside shift reporting, and “trio rounding” involving providers, nurses, and patients to improve engagement and care coordination.

The initiative also includes daily tiered safety huddles and visual management boards to track quality, safety, and operational concerns, allowing issues to be escalated and addressed in real time. Leadership noted this work represents a cultural shift toward proactive problem-solving and a goal of delivering highly reliable, error-free care.

CEO Updates

Following this discussion, Gretchen Nichols continued her report and shared that the hospital achieved another positive financial month, reflecting continued stability through effective expense management.

She noted ongoing efforts to reduce reliance on locum and agency staffing through physician recruitment, as well as continued opportunities for improvement in revenue cycle performance. Increased surgical volumes and growth in key service lines, including orthopedics and the Cath Lab, were also highlighted as positive indicators for the organization.

Gretchen reported that House Bill 4075 has passed both the House and Senate and is pending the Governor’s signature. She expressed appreciation to legislative partners, hospital leadership, and community supporters, including UFCW, for their efforts in advancing the bill.

Next steps include pursuing funding opportunities and financial strategies to support the organization following enactment of the legislation. Leadership also discussed refinancing opportunities and expressed confidence in securing favorable financing following passage of House Bill 4075, while recognizing staff contributions to the organization’s progress.

Additional updates included participation in upcoming Rural Transformation funding opportunities, with Oregon receiving \$197 million. The hospital plans to apply for funding to support initiatives such as a rural residency program, EPIC transition, capital equipment, and medical staff development.

Gretchen also shared that the hospital has applied for federal community capital investment funds, requesting support for Cath Lab and CT equipment. Funding decisions are expected within the coming months.

Recruitment efforts continue across multiple service lines, including orthopedics, anesthesia, and primary care. Updates included progress toward full staffing in orthopedics, onboarding of a CRNA, and collaboration with local providers to expand specialty services within the community.

Gretchen reported a transition in compliance services, with the decision to move from an external vendor to an on-site compliance and privacy officer. Mel Stibal will assume this role, with a focus on audits, regulatory alignment, policy updates, and ongoing compliance oversight.

QUALITY AND PATIENT SAFETY COMMITTEE (QPSC)

Patrice Parrott reported ongoing review of quality metrics, including readmission rates and infection control performance, with continued focus on targeted interventions and process improvements. Employee survey results will help guide future initiatives.

Simon gave the floor to Kyle Stevens, Finance Committee Chairman, to conduct the Finance Committee's business.

FINANCE COMMITTEE MEETING - KYLE STEVENS, FINANCE COMMITTEE CHAIR

FINANCE COMMITTEE ATTENDANCE: In addition to the three board members on the Finance Committee (*Kyle Stevens, Tom McAndrew, and Brandon Saada*), community members appointed to the Finance Committee were all in attendance (*Judy Moody, John Briggs, and Barbara Taylor*). The business of the Finance Committee proceeded with a full quorum.

STAFF ATTENDANCE

Gretchen Nichols, CEO (*via Teams*); Patrick Banks, CFO; Jennifer Culbertson, CNO; Kelli Dion, CQO; Tom Fredette, CHRO; Derrick Oaxaca, MD, CMO; Mel Stibal, interim CNO, Kim Winker, Marketing & Communications Director; Dr. Hammad Qadir, MD, COS (Chief of Staff); Mark Hadley, Controller (*via Teams*)

LEGAL COUNSEL

Megan Kronsteiner, Esq.

FINANCIAL REPORT — Patrick Banks - December Financial Performance

- Hospital achieved another positive operating month, marking three consecutive months of positive performance and an improving financial trend.
- Continued focus on sustaining performance over the next 12 months to support long-term financial stability and growth.
- Budget planning underway with expectations of continued improvement and organizational growth.

CASH POSITION

- Days cash on hand continues to improve and is expected to increase further.
- Labor costs remain approximately 60% year-to-date, with improvement anticipated in the next fiscal year.
- Cost to collect remains elevated and is expected to improve over time with revenue cycle initiatives.

OPERATIONAL HIGHLIGHTS

- Strong performance in Cath Lab and Operating Room volumes; emergency department activity remained high.
- Discharges were consistent with budget expectations; outpatient visits were lower for the month.
- Higher drug and supply costs impacted monthly expenses; strategies under review to stabilize purchasing and cash flow.
- Benefits expenses were lower than anticipated, contributing to positive financial performance.

REVENUE CYCLE VENDOR PERFORMANCE

- Continued focus on improving revenue cycle performance through targeted initiatives to enhance reimbursement and revenue capture.
- Improvements in EBITDA margin are expected to support future refinancing opportunities on more favorable terms.

- Non-operating income, including grant funding, contributed to overall financial results for the month.

LABOR PERFORMANCE

- Labor performance was favorable compared to budget, driven by both wage and staffing efficiencies.
- Continued emphasis on labor productivity, workforce investment, and cultural improvements to support long-term performance.

Patrick introduced Tony Andrade of Bakertilly. Below is a bullet point summary of Mr. Andrade's presentation to the Finance Committee.

2025 AUDIT RESULTS – TONY ANDRADE

- Audit results were overall positive, with no audit adjustments identified, reflecting improved accuracy and reliability of financial reporting.
- Mr. Andrade noted that while staff turnover created challenges during the audit process, the information provided was ultimately solid and complete.
- Prior accounting leadership contributed to the stability and quality of financial data, supporting successful audit outcomes.

INTERNAL CONTROLS / FINANCIAL OVERSIGHT

- Discussion occurred regarding budget variance analysis at the department level. Management clarified that financial monitoring has been ongoing, with current efforts focused on increasing the depth and rigor of monthly reviews with department leaders.
- Leadership emphasized that enhanced operational and financial oversight is being implemented to support improved performance and accountability across departments.

OVERALL ASSESSMENT

- Mr. Andrade confirmed that financial reporting accurately reflects the organization's performance, with no findings requiring significant concern or changes in financial strategy.
- Leadership noted that the audit results align with internal expectations and support confidence in the organization's current financial direction.

CAPITAL APPROVAL

A proposal was presented to transition to a centralized multifunction printing system to improve efficiency, reduce the number of printers across the organization, and lower overall printing costs. The agreement includes full-service support and is expected to generate cost savings over the term of the contract.

ACTION TAKEN BY THE FINANCE COMMITTEE:

Barbara Taylor moved for the Finance Committee to recommend to the BAHD Board approval of the printing services agreement with Pacific Office Automation. Judy Moody seconded the motion, and it passed on a call of vote.

This concluded the Finance Committee Meeting for March 17, 2026.

MOVE BACK INTO THE BOARD PORTION OF THE MEETING

Megan Kronsteiner, BAHD General Legal Counsel, advised Simon Alonzo, Board Chairperson, that a vote by the Board to approve the Finance Committee recommendation regarding the printing services agreement was appropriate at this time. Simon called for a motion to approve.

ACTION TAKEN BY THE BOARD:

Patrice Parrott moved to approve the printing services agreement with Pacific Office Automation as recommended by the Finance Committee. Dr. Tom McAndrew seconded, and the motion carried on a call of vote.

EXECUTIVE SESSION

The Board went into Executive Session at 6:48 pm as authorized by: **ORS 192.660(2)**

(c) To consider matters pertaining to the function of the medical staff at a public hospital.

(f) To consider information or records that are exempt by law from public inspection.

RETURN TO REGULAR SESSION

Chairperson Alonzo reopened the meeting into public session at 7:09 pm.

ACTION TAKEN BY THE BOARD:

Dr. McAndrew moved to approve the MEC Board Reports for February 2026. Patrice Parrott seconded the motion, and it passed unanimously on a call for a vote.

MEDICAL STAFF REPORT DR. HAMMAD QADIR, CHIEF OF STAFF

This report was given in Executive Session.

ADJOURNMENT

With no further business, the meeting was adjourned at 7:11 PM.

Quarterly Board Report Compliance/Privacy

Q.1.26

Bay Area Hospital| April 21, 2026

Mel Stibal, MSN, MBA – Compliance and Privacy Officer



Compliance/Privacy Program Overview – Q.1.26

Meetings

- 3 Compliance Committee meetings
- 2 Transition to internal resource

Privacy Incidents

- 18 reported/investigated
- 8 with findings

Enforcement Actions

- 8 sanctions in accordance with policy
 - Level 1 (minimal breach): 4
 - Level 2 (deliberate breach or curiosity/concern): 2
 - Level 3 (serious breach, deliberate w/person gain or malice) : 2



Compliance Program Report Card : 7 element framework

7-element framework shows strong performance. Leadership and Communication remain strong. Addition focus needed in written policies and auditing.

Program Element	Q1 Status	Q4 Status	Trend	Notes
Written policies & Procedures	B	B	→	Multiple policies in review/updating
Compliance Leadership	A	A	→	Transition to internal resource
Education & Training	A	A	→	Annual training 2025 complete; additional areas of opportunity identified
Effective Lines of Communication	A	A	→	Regular meetings in place
Enforcing Standards & Discipline	A	A	→	Strong communication and application of sanctions
Risk Assessment & Auditing	B	C	↑	2026 audit plan in place, outstanding audits being addressed
Responding to Offenses	A	A	→	All investigations transitioned to internal resource



A= meets expectations



B= partially meets



C= needs improvement



Q2 2026 Priorities

- **Compliance Deadlines:** ACA Section 1557 Non-discrimination practice updates, posting, policy development, SB 1570 law enforcement in hospitals , updated HIPAA security rule
- **Q1 & Q2 Audits:** execute audits, develop and implement corrective action plans as needed
- **Training** – targeted/specific training re: HIPAA vulnerabilities identified, update annual training to include
- **Policies** – Review/update compliance and privacy policies, place on annual cycle (initial review
- **Risk assessment** – perform overall compliance program risk assessment/gap analysis



Appendix

- Reference Materials
 - Privacy Report Detail
 - Audits & Monitoring Activities
 - New/Updated Legislation
 - Industry Watch



Privacy Report Q1 2026

18 Incidents

- After visit summary (AVS) included different patient info (4)
- Audit request (4)
- Fax PHI to wrong fax (3)
- Social media posting w/PHI (2)
- Billing issue (non-HIPAA) (1)
- Staff took picture of patient info screen (1)
- Fair Warning false positive (1)
- EHR from OSH w/wrong pt info (1)
- Household snooping (1)

Reporting Channels

- Patient complaint/request (5)
- Email/voicemail/internal reports (5)
- Audit (4)
- Self-report (3)
- Fair Warning/Imprivata monitoring (1)



Q1. Audits & Monitoring – 5 Audits Completed

- Education & Code of Conduct
 - Focused education over next 6 months
- OIG Exclusion (staff & vendors)
 - Continue to focus on vendor process
- Interpretation Services
 - Seeking clarification from OHA re: qualified vendors
- Use of Code 44
 - Documentation standards education for providers
- 340B Drug
 - No recommendations



New/Updated Legislation

- SB 1557 – Healthcare Without Fear
 - Requires hospitals to have policies and procedures in place that address how the hospital will respond if a law enforcement authority arrives at the hospital and to designate which areas of the hospital are not open to the public.
 - Requires hospitals to treat information concerning a person's citizenship or immigration status or a person's country of birth in the same manner as protected health information.
- 340B Update
 - U.S. District Court for the District of Maine vacated and remanded to HHS the 340B Rebate Model Pilot Program Application Notice
 - HHS is reconsidering whether to implement a 340B Rebate Model Pilot Program consistent with its statutory authority.



Questions/Comments?

Thank You!



Bay Area Hospital
Quality and Patient Safety Committee (QPSC) Minutes
03/26/2026

MEMBERSHIP ATTENDANCE:	01/2026	2/2026	3/2026	4/2026	5/2026	6/2026	7/2026	8/2026	9/2026	10/2026	11/2026	12/2026
CHARTER MEMBERS BY APPOINTMENT												
Board members, two in attendance												
Parrott, Patrice, MSN, RN, retired, QPSC	X	X	x									
Uno, John, MD	X											
Executive Team												
Dion, Kelli, CQO	X	X	x									
Nichols, Gretchen, CEO		X	x									
Oaxaca, Derrick, MD, MS, MBA	X	X	x									
Chief of Staff or Designee												
Atluri, Paavani, MD, COS												
Medical Director, Hospitalist Program												
Ravuri, Rajesh, MD												
Medical Staff												
Frey, David, MD, Chief of Anesthesiology												
Community Members, two in attendance												
Castle, Lisa, Advanced Health	X	X	x									
Jones, Doug, Community Member	X	X	x									
Roblan, Arlene, Community Member	X											
Additional Participants												
Ghattas, Morrie, Quality Data Analyst		X	X									
Megrew, Laurie, Accreditation Manager	X	X	X									
Myers, Quinn, Risk Manager		X	X									
Moriarty, William, Dr.			X									
Noggle, Randy, Emergency Preparedness			X									
Schlemeyer, Kaley, Trauma RN Coordinator			X									
Strauch, Joan, Infection Preventionist	X	X	X									
Recorder:												
Warlick, Tina, Executive Assistant	X	X										
Megrew, Laurie, Accreditation Manager												

X = Present E = Excused C = Canceled

TOPIC	DISCUSSION/INFORMATION	ACTIONS	Person Responsible	By When
Called to order:	At 1500, the meeting was called to order in person and via the Microsoft Teams system. A quorum was present.	The meeting was called to order.	Ms. P. Parrott, Chair	Complete
Approval of Minutes:	Minutes from 02/26/2026 were reviewed and approved by the first and second motions: First: Ms. Lisa Castle Second: Ms. Quinn Myers Motion carried.	Motion made to approve minutes by first and second motion. First: Ms. L. Castle Second: Ms. Q. Myers Motion carried.	Committee	Approved

Bay Area Hospital
Quality and Patient Safety Committee (QPSC) Minutes
03/26/2026

TOPIC	DISCUSSION/INFORMATION	ACTIONS	Person Responsible	By When
Consent Agenda	The consent agenda was reviewed, a correction was requested, and approved by the first and second motions: First: Ms. Quinn Myers Second: Ms. Lisa Castle Motion carried.	Motion made to approve minutes by first and second motion. First: Ms. Q. Myers Second: Ms. L. Castle Motion carried.	Committee	Approved
Infection Prevention and Control	Joan Strauch discussed CAUTI, CLASBI numbers and answered questions from the members of the committee.	Presentation	Joan Strauch	March 26, 2026
Patient Safety Indicators: 2025 Q4 Deep Dive	Kelli Dion discussed PSI 90 that is a composite of several individual measures. Each measure is individually scored and weighted to produce a total score. There are two versions of this score. CMS- one measure which only includes Medicare patients. AHRQ has the same measure that includes all patients and adds additional indicators. Discussed the difference between the two measures and that our facility composite value currently is 0.978977. Kelli discussed each PSI measure separately and that we only have a score in PSI 12 Peri-op PE or DVT 2/98 for an expected rate of 3.06. Ms. Dion also discussed our patient safety and adverse events composite score for the entire facility is 1.045855. Ms. Dion also presented on CMS HAC Reduction Program which we are showing scores in the following measures: PSI3 ,9, 11, 12. See slide presentation for scores.	Presentation	Ms. Kelli Dion	Complete
Quality Board Report Card	Ms. Kelli Dion reviewed the Quality Board Report Card, noting positive trends in mortality and survival rates for key conditions. Mortality and Survival Rates: Ms. Dion reviewed current data on mortality and survival rates for conditions such as pneumonia and	Presentation	Ms. K. Dion	Complete

Bay Area Hospital
 Quality and Patient Safety Committee (QPSC) Minutes
 03/26/2026

TOPIC	DISCUSSION/INFORMATION	ACTIONS	Person Responsible	By When
	AMI, observing that the available data was positive and trending in the desired direction.			
Tracer and Corrective Action Plan Report	Laurie Megrew discussed the places the EOC/Safety team has been visiting since the first of the year. She also discussed some findings and tasks that need to be corrected throughout the facility. Ms. Megrew shared the corrective action numbers for the measures that we have been continuing to track since 2022, 2023, 2024, and 2025. Ms. Megrew explained that the 2025 correction action items are moving to quarterly review already as those items have been complying now for the last 3 months. Ms. Megrew discussed the need to continue to work with Med Staff office on OPPE data as it remains out of compliance. She stated what an excellent job the nursing managers have been doing to educate and encourage staff compliance with the measures.	Presentation	Ms. Laurie Megrew	Complete
Adjourn: 1630	Next meeting: 4/23/2026 from 1530 - 1700			

The logo graphic consists of a blue-to-teal gradient bar at the top, with a white wavy line underneath it. Below the wavy line are several thin, curved lines in shades of blue and teal.

BAY AREA HOSPITAL

Unaudited Financial Statements

for

9 months ended March 31, 2026

Prepared

Tuesday, April 21, 2026

Finance Committee Chair

Kyle Stevens

Chief Financial Officer

Patrick Banks

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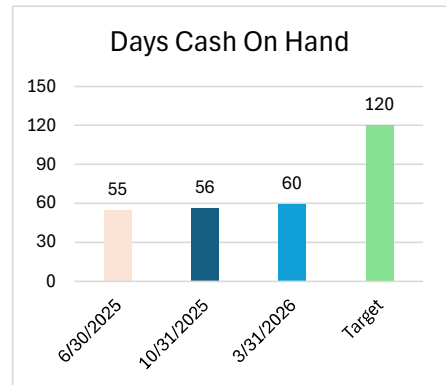
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BAY AREA HOSPITAL

MONTH END:3/31/2026

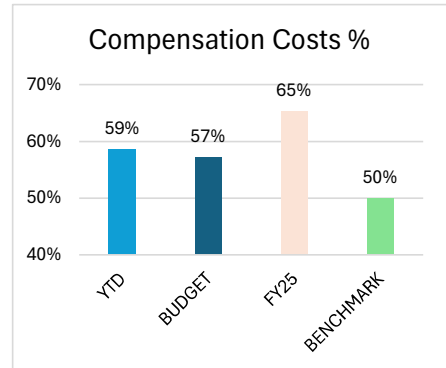
BALANCE SHEET

	YTD		Prior FYE	
	3/31/2026		6/30/2025	
ASSETS				
Current Assets	\$	53,297,126	\$	48,475,551
Investments		28,274,163		32,402,288
Capital Assets (Net)		59,348,586		64,539,978
Other Assets		5,669,367		3,806,720
Total Unrestricted Assets	\$	146,589,242	\$	149,224,537
Defined Benefit Pension Asset		6,005,032		6,005,032
Total Assets	\$	152,594,274	\$	155,229,569
LIABILITIES & NET POSITION				
Current Liabilities	\$	34,399,296	\$	31,964,509
Long-Term Debt		45,728,473		45,481,529
Other Long-Term Liabilities		14,193,876		14,111,516
Total Liabilities	\$	94,321,646	\$	91,557,554
Net Position		58,272,629		63,672,015
Total Liabilities & Net Position	\$	152,594,274	\$	155,229,569



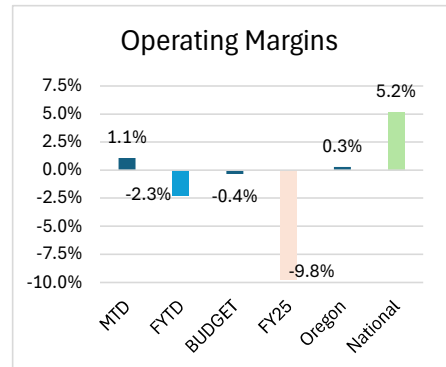
STATEMENT OF REVENUE AND EXPENSES - YTD

	MONTH OF 3/31/2026		YEAR TO DATE	
	ACTUAL	BUDGET	ACTUAL	BUDGET
Gross Patient Revenues	\$ 75,773,045	\$ 68,928,275	\$ 615,644,383	\$ 609,053,928
Deductions From Revenue	(53,160,373)	(47,558,018)	(432,715,934)	(422,050,647)
Bad Debt & Charity Write-Offs	(1,173,060)	(963,349)	(7,766,444)	(8,512,162)
Net Patient Revenues	\$ 21,439,613	\$ 20,406,908	\$ 175,162,005	\$ 178,491,119
Other Operating Revenues	2,264,322	1,465,575	19,152,538	13,190,173
Total Operating Revenues	\$ 23,703,934	\$ 21,872,483	\$ 194,314,543	\$ 191,681,292
Salaries, Benefits & Contr. Lbr	\$ 11,099,242	\$ 11,492,091	\$ 102,645,430	\$ 102,136,786
Purchased Serv & Phys Fees	4,789,375	3,746,631	34,395,448	33,732,850
Supplies	4,421,917	4,010,410	34,735,862	35,540,305
Other Operating Expenses	2,370,190	1,585,105	20,227,311	14,395,347
Depreciation	769,694	719,717	6,750,434	6,558,168
Total Expenses	\$ 23,450,417	\$ 21,553,955	\$ 198,754,485	\$ 192,363,457
Net Operating Surplus (Loss)	\$ 253,517	\$ 318,528	\$ (4,439,942)	\$ (682,165)
Non-Operating Income (Expense)	(90,797)	(135,282)	(959,444)	(2,111,538)
TOTAL NET SURPLUS (LOSS)	\$ 162,720	\$ 183,246	\$ (5,399,386)	\$ (2,793,704)



KEY STATISTICS AND RATIOS

	3/31/2026		YEAR TO DATE	
	ACTUAL	BUDGET	ACTUAL	BUDGET
Total Discharges	528	583	4,998	5,154
Acute ALOS (Non-Psych)	3.96	3.77	3.67	3.78
Emergency Room Visits	2,784	2,586	22,822	22,862
Total Outpatient Visits	12,002	11,210	100,050	100,890
Operating Room Cases	334	302	2,801	2,718
Cath Lab Cases	138	108	1,106	953
Total Worked FTE's	747	778	759	765
Total Paid FTE's	849	868	863	863
EBIDA	5.0%	4.9%	2.0%	3.3%
Adjusted EBIDA	5.5%	5.2%	2.2%	3.4%
Current Ratio	n/a	n/a	1.5	n/a
Total Adult ADC	65.7	69.5	66.1	69.5



BAY AREA HOSPITAL

MONTH END: 3/31/2026

	Year to Date	Prior FYE
	3/31/2026	6/30/2025
Profitability:		
Operating Margin	-2.3%	-9.8%
Total Net Surplus (Loss) Margin	-2.8%	-10.0%
EBIDA Margin	2.0%	-4.8%
Deductions from Revenue Percentage	71.5%	69.9%
Outpatient Factor	2.63	2.45
Liquidity:		
Days Cash On Hand, All Sources	60	62
Net Days in Accounts Receivable	43	44
Average Payment Period	28	31
Current Ratio	1.55	1.57
Capital Structure:		
Age of Plant (Annualized, in Years)	17.17	16.54
Debt to Assets Ratio	0.81	0.74
Debt Service Coverage Ratio	1.94	(1.53)
Productivity and Efficiency:		
Worked FTE/AOB	4.33	4.69
Paid FTE/AOB	4.92	5.33
SWB & Contr. Labor as a % of Net Patient Revenue	59%	65%
Salary Expense per Paid FTE (annualized)	\$126,742	\$150,088
Supply Expense Per Adj Discharge	\$2,881	\$2,767
Bad Debt Write-off %	0.89%	0.34%
Charity Care Write-off %	0.37%	1.01%
Other Ratios:		
Gross Days in Accounts Receivable	48.92	49.27
Net Revenue per Adjusted Discharge	\$14,793	\$14,997
Operating Expense per Adjusted Discharge	\$15,131	\$16,459

BAY AREA HOSPITAL

MONTH END: 3/31/2026

Current Month				Year-To-Date				
Actual	Budget	Variance	Prior Year	STATISTICS	Actual	Budget	Variance	Prior Year
3/31/2026	3/31/2026		3/31/2025	Discharge	3/31/2026	3/31/2026		3/31/2025
461	509	(48)	514	Medical, Surgical, ICU, and IMCU	4,333	4,489	(156)	4,787
26	29	(3)	22	Psychiatric	254	269	(15)	205
487	538	(51)	536	Total Adult Discharges	4,587	4,758	(171)	4,992
41	45	(4)	59	Newborn	411	396	15	403
528	583	(55)	595	Total Discharges	4,998	5,154	(156)	5,395
				Patient Days				
1,827	1,919	(92)	1,952	Medical, Surgical, ICU, and IMCU	15,905	16,960	(1,055)	19,176
210	234	(24)	196	Psychiatric	2,201	2,072	129	2,094
2,037	2,153	(116)	2,148	Total Adult Patient Days	18,106	19,032	(926)	21,270
75	89	(14)	99	Newborn	786	791	(5)	770
2,112	2,242	(130)	2,247	Total Patient Days	18,892	19,823	(931)	22,040
				Average Length of Stay (ALOS)				
3.96	3.77	0.19	3.80	Medical, Surgical, ICU, and IMCU	3.67	3.78	(0.11)	4.01
8.08	8.07	0.01	8.91	Psychiatric	8.67	7.70	0.96	10.21
4.18	4.00	0.18	4.01	Total Adult ALOS	3.95	4.00	(0.05)	4.26
1.83	1.98	(0.15)	1.68	Newborn ALOS	1.91	2.00	(0.09)	1.91
				Average Daily Census (ADC)				
59	62	(3)	63	Medical, Surgical, ICU, and IMCU	58	62	(4)	70
7	8	(1)	6	Psychiatric	8	8	0	8
66	69	(4)	69	Total Adult ADC	66	69	(3)	78
2	3	(0)	3	Newborn	3	3	(0)	3
				Emergency Room Statistics				
423	434	(11)	463	ER Visits - Admitted	3,701	3,838	(137)	3,617
2,361	2,152	209	2,173	ER Visits - Discharged	19,121	19,024	97	16,498
2,784	2,586	198	2,636	Total ER Visits	22,822	22,862	(40)	20,115
15.19%	16.78%	(1.59%)	17.56%	% of ER Visits Admitted	16.22%	16.79%	(0.57%)	17.98%
83.60%	80.67%	2.93%	82.70%	ER Admissions as a % of Total Admissions	80.59%	80.66%	(0.07%)	73.11%
				Other Statistics				
12,002	11,210	792	11,468	Total Outpatients Visits	100,050	100,890	(840)	103,322
118	86	32	85	Observation Bed Days	990	774	216	815
2,340	2,138	202	1,955	Clinic Visits - Specialty Clinics	19,505	18,895	610	18,547
89	107	(18)	119	IP Surgical Cases	860	963	(103)	921
245	195	50	186	OP Surgical Cases	1,941	1,755	186	1,698
138	108	30	123	Cath Lab Cases	1,106	953	153	941
				Productivity Statistics				
722	744	(22)	796	FTE Worked (Excluding Providers)	735	731	4	829
821	831	(10)	904	FTE Paid (Excluding Providers)	835	826	9	942
25	34	(9)	31	FTE Worked (Providers)	25	34	(9)	33
28	37	(9)	34	FTE Paid (Providers)	28	37	(9)	36
1.4996	1.5953	(0.0957)	1.7184	Case Mix Index - Medicare	1.5821	1.5953	(0.0132)	1.5863
1.5604	1.5832	(0.0228)	1.6826	Case Mix Index - All Payers	1.5873	1.5832	0.0041	1.5871

BAY AREA HOSPITAL
MONTH END:3/31/2026

	Month to Date						
	3/31/2026	Budget	Variance	Var %	3/31/2025	Variance	Var %
Gross Patient Revenue							
Inpatient Revenue	\$ 27,718,013	\$ 28,471,563	\$ (753,550)	-2.6%	\$ 25,768,844	\$ 1,949,169	7.6%
Outpatient Revenue	48,055,032	40,456,712	7,598,320	18.8%	36,979,463	11,075,570	30.0%
Total Gross Patient Revenue	\$ 75,773,045	\$ 68,928,275	\$ 6,844,770	9.9%	\$ 62,748,306	\$ 13,024,739	20.8%
Deductions							
Deductions	\$ 53,160,373	\$ 47,558,018	\$ (5,602,355)	-11.8%	\$ 43,828,357	\$ (9,332,017)	-21.3%
Bad Debt	969,179	217,961	(751,217)	-344.7%	11,883	(957,296)	-8056.0%
Charity	203,881	745,387	541,507	72.6%	999,956	796,075	79.6%
Total Deductions	\$ 54,333,433	\$ 48,521,367	\$ (5,812,066)	-12.0%	\$ 44,840,195	\$ (9,493,238)	-21.2%
Net Patient Revenue	\$ 21,439,613	\$ 20,406,908	\$ 1,032,704	5.1%	\$ 17,908,111	\$ 3,531,501	19.7%
Supplemental Payments	1,914,746	1,134,819	(779,927)	-68.7%	1,015,076	(899,670)	-88.6%
Other Oper Revenue	349,576	330,756	18,820	5.7%	120,242	229,334	190.7%
Total Net Revenue	\$ 23,703,934	\$ 21,872,483	\$ 1,831,451	8.4%	\$ 19,043,429	\$ 4,660,506	24.5%
<i>Net to Gross Patient Rev Ratio</i>	28.3%	29.6%			28.5%		
Operating Expenses							
Salaries	\$ 8,107,901	\$ 7,748,790	\$ (359,112)	-4.6%	\$ 8,184,820	\$ 76,919	0.9%
Contract Labor	865,999	1,589,413	723,414	45.5%	1,386,190	520,191	37.5%
Benefits	2,125,341	2,153,889	28,548	1.3%	2,624,358	499,017	19.0%
Physician & Prof Fee	1,977,458	1,523,009	(454,449)	-29.8%	1,584,515	(392,943)	-24.8%
Supplies	4,421,917	4,010,410	(411,506)	-10.3%	3,292,867	(1,129,050)	-34.3%
Purchased Services	2,811,916	2,223,622	(588,295)	-26.5%	2,338,573	(473,344)	-20.2%
Leases/Rentals	35,056	16,567	(18,489)	-111.6%	24,782	(10,274)	-41.5%
Depreciation	769,694	719,717	(49,977)	-6.9%	764,352	(5,342)	-0.7%
Provider Tax Expense	1,933,893	1,134,819	(799,074)	-70.4%	1,025,227	(908,667)	-88.6%
Other Oper Expense	401,240	433,719	32,478	7.5%	398,615	(2,626)	-0.7%
Total Operating Expenses	\$ 23,450,417	\$ 21,553,955	\$ (1,896,462)	-8.8%	\$ 21,624,297	\$ (1,826,120)	-8.4%
Net Operating Income	\$ 253,517	\$ 318,528	\$ (65,011)	-20.4%	\$ (2,580,868)	\$ 2,834,386	-109.8%
Investment Income	9,619	-	9,619	0.0%	71,188	(61,568)	-86.5%
Other Nonop Inc(Exp)	155,989	40,718	115,271	283.1%	(1,850,477)	2,006,467	-108.4%
Interest Expense	(256,406)	(176,000)	(80,406)	45.7%	(376,996)	120,590	-32.0%
Net Surplus (Loss)	\$ 162,720	\$ 183,246	\$ (20,526)	-11.2%	\$ (4,737,154)	\$ 4,899,874	-103.4%

BAY AREA HOSPITAL

MONTH END: 3/31/2026

	Year to Date						
	3/31/2026	Budget	Variance	Var %	3/31/2025	Variance	Var %
Gross Patient Revenue							
Inpatient Revenue	\$ 234,252,855	\$ 251,519,084	\$ (17,266,229)	-6.9%	\$ 231,357,824	\$ 2,895,032	1.3%
Outpatient Revenue	381,391,527	357,534,844	23,856,683	6.7%	325,807,766	55,583,761	17.1%
Total Gross Patient Revenue	\$ 615,644,383	\$ 609,053,928	\$ 6,590,455	1.1%	\$ 557,165,590	\$ 58,478,793	10.5%
Deductions							
Deductions	\$ 432,715,934	\$ 422,050,647	\$ (10,665,287)	-2.5%	\$ 380,402,093	\$ (52,313,841)	-13.8%
Bad Debt	5,482,222	1,925,805	(3,556,417)	-184.7%	2,049,731	(3,432,491)	-167.5%
Charity	2,284,222	6,586,358	4,302,136	65.3%	5,681,604	3,397,382	59.8%
Total Deductions	\$ 440,482,378	\$ 430,562,810	\$ (9,919,569)	-2.3%	\$ 388,133,429	\$ (52,348,949)	-13.5%
Net Patient Revenue	\$ 175,162,005	\$ 178,491,119	\$ (3,329,114)	-1.9%	\$ 169,032,161	\$ 6,129,844	3.6%
Supplemental Payments	15,431,231	10,213,371	(5,217,860)	-51.1%	9,735,600	(5,695,632)	-58.5%
Other Oper Revenue	3,721,307	2,976,802	744,505	25.0%	3,211,133	510,174	15.9%
Total Net Revenue	\$ 194,314,543	\$ 191,681,292	\$ (2,633,251)	-1.4%	\$ 181,978,894	\$ 12,335,649	6.8%
<i>Net to Gross Ratio</i>	28.5%	29.3%			30.3%		
Operating Expenses							
Salaries	\$ 72,918,883	\$ 67,296,403	\$ (5,622,481)	-8.4%	\$ 73,542,904	\$ 624,020	0.8%
Contract Labor	11,202,524	15,628,752	4,426,228	28.3%	15,404,329	4,201,805	27.3%
Benefits	18,524,022	19,211,631	687,609	3.6%	20,136,609	1,612,587	8.0%
Physician & Prof Fee	14,603,913	13,733,867	(870,045)	-6.3%	14,052,865	(551,047)	-3.9%
Supplies	34,735,862	35,540,305	804,443	2.3%	33,081,707	(1,654,155)	-5.0%
Purchased Services	19,791,536	19,998,983	207,447	1.0%	19,574,486	(217,049)	-1.1%
Leases/Rentals	231,499	150,404	(81,096)	-53.9%	163,028	(68,471)	-42.0%
Depreciation	6,750,434	6,558,168	(192,266)	-2.9%	7,891,252	1,140,817	14.5%
Provider Tax Expense	15,518,308	10,213,371	(5,304,937)	-51.9%	9,721,807	(5,796,501)	-59.6%
Other Oper Expense	4,477,504	4,031,573	(445,931)	-11.1%	4,022,329	(455,174)	-11.3%
Total Operating Expenses	\$ 198,754,485	\$ 192,363,457	\$ (6,391,028)	-3.3%	\$ 197,591,317	\$ (1,163,168)	-0.6%
Net Operating Income	\$ (4,439,942)	\$ (682,165)	\$ (3,757,777)	550.9%	\$ (15,612,423)	\$ 11,172,481	-71.6%
Investment Income	930,901	-	930,901	0.0%	1,858,274	(927,373)	-49.9%
Other Nonop Inc(Exp)	595,483	366,462	229,022	62.5%	(580,265)	1,175,748	-202.6%
Interest Expense	(2,485,829)	(2,478,000)	(7,829)	0.3%	(1,604,359)	(881,470)	54.9%
Net Surplus (Loss)	\$ (5,399,386)	\$ (2,793,704)	\$ (2,605,683)	93.3%	\$ (15,938,773)	\$ 10,539,387	-66.1%

BAY AREA HOSPITAL

MONTH END: 3/31/2026

	3/31/2026	2/28/2026	6/30/2025
Assets And Deferred Outflows Of Resources			
Current Assets			
Cash & Cash Equivalents	\$ 10,806,812	\$ 5,022,684	\$ 9,388,266
Accounts Receivable, net	28,248,564	30,800,269	26,128,118
Inventory	4,349,998	4,241,005	4,347,042
Other Current Assets	9,891,753	7,800,089	8,612,125
Total Current Assets	\$ 53,297,126	\$ 47,864,047	\$ 48,475,551
Investments	\$ 28,274,163	\$ 28,278,432	\$ 32,402,288
Capital Assets			
Depreciable Capital Assets, net	\$ 56,995,600	\$ 57,613,098	\$ 62,170,275
Nondepreciable Capital Assets	2,352,986	2,338,834	2,369,704
Total Capital Assets, net	\$ 59,348,586	\$ 59,951,932	\$ 64,539,979
Leases and Subscriptions, net	\$ 4,765,655	\$ 4,930,347	\$ 2,986,273
Other Non Current Assets	903,712	946,662	820,446
Total Assets	\$ 146,589,242	\$ 141,971,420	\$ 149,224,537
Deferred Outflows Of Resources	6,005,032	6,005,032	6,005,032
Total Assets And Deferred Outflows	\$ 152,594,274	\$ 147,976,452	\$ 155,229,569
Liabilities, Deferred Inflows of Resources, And Net Position			
Current Liabilities			
Accounts Payable	\$ 8,953,412	\$ 6,766,133	\$ 7,788,748
Accrued Payroll and Payroll Taxes	3,547,519	2,773,805	4,414,629
Accrued Paid Time Off	5,518,612	5,282,311	5,407,083
Other Accrued Liabilities	8,326,563	6,831,886	6,138,963
3rd Party Settlements Payable, net	5,507,466	5,507,466	5,706,639
Current Portion of Long Term Obligations	2,545,725	2,545,725	2,508,447
Total Current Liabilities	\$ 34,399,296	\$ 29,707,326	\$ 31,964,509
Long Term Obligations, net of current portion	\$ 45,728,473	\$ 45,922,301	\$ 45,481,529
Other Noncurrent Liabilities	3,025,772	3,068,721	2,942,506
Net Pension Liability	630,964	630,964	630,964
Total Liabilities	\$ 83,784,505	\$ 79,329,312	\$ 81,019,508
Deferred Inflows Of Resources	\$ 10,542,073	\$ 10,542,073	\$ 10,542,073
Inter Fund Receivables (Payables)	(4,932)	(4,842)	(4,027)
Total Liabilities & Deferred Cash Inflows	\$ 94,321,646	\$ 89,866,543	\$ 91,557,554
Net Position	\$ 58,272,629	\$ 58,109,909	\$ 63,672,014
Total Liabilities, Deferred Inflows, Net Position	\$ 152,594,274	\$ 147,976,452	\$ 155,229,568

BAY AREA HOSPITAL

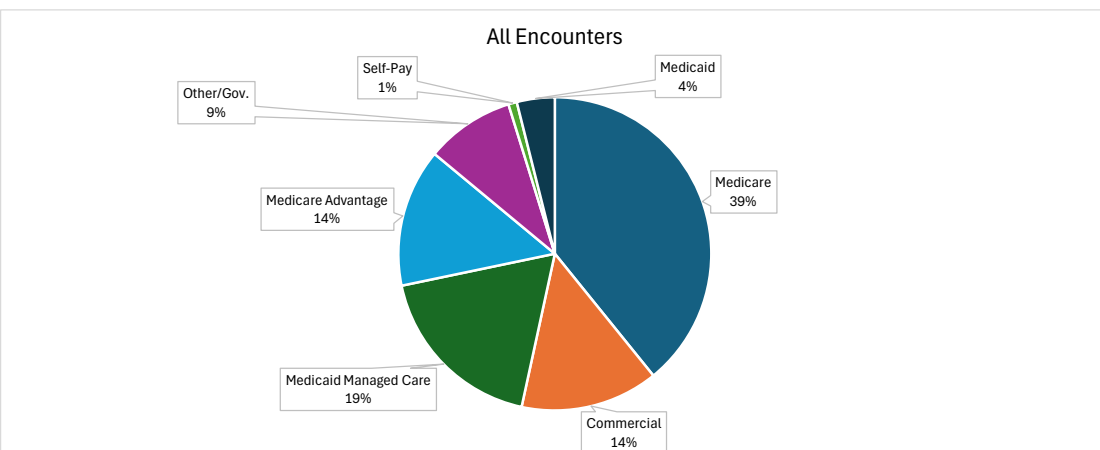
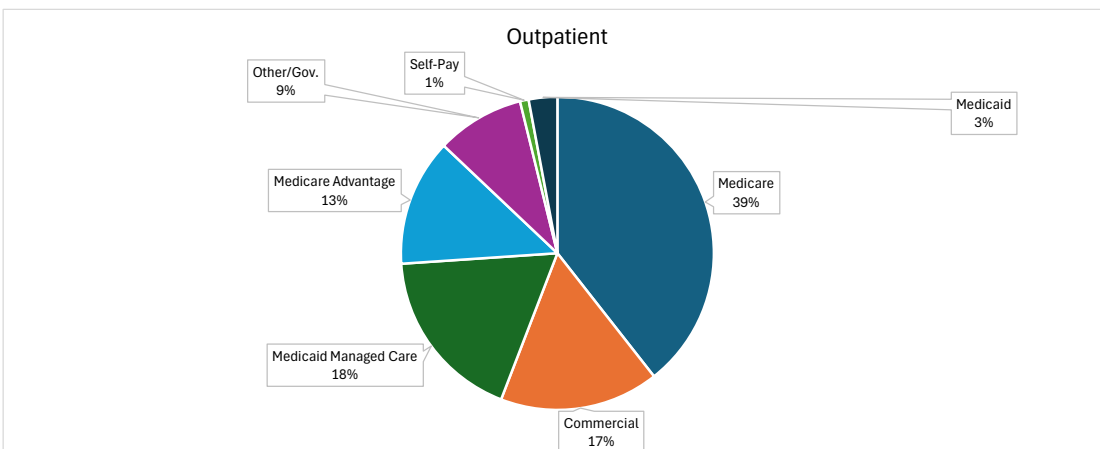
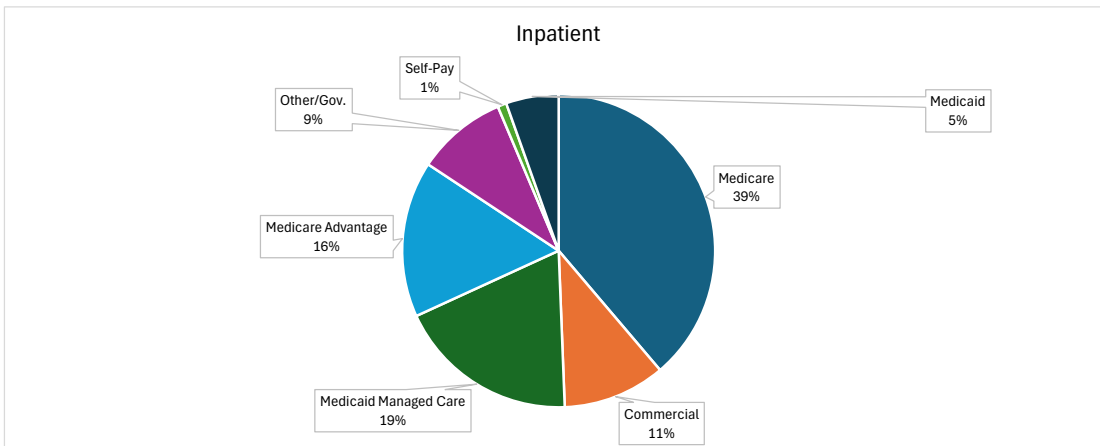
MONTH END: 2/28/2026

		Actual	Target
Net Days in Accounts Receivable		42.68	< 50
Gross Days in Unbilled Revenue - Discharges Not Final Billed		5.20	< 3.5
Gross Days in Credit Balances		0.52	< 1.0
Charity Care as a % of Gross Patient Revenue	Current Month	0.27%	- 0%
	Year- To-Date	0.37%	- 0%
Bad Debts as a % of Gross Patient Revenue	Current Month	1.28%	- 1%
	Year- To-Date	0.89%	- 1%
Collections as a Percentage of Net Patient Revenue	Current Month	95.22%	>= 100%
	Year- To-Date	97.53%	>= 100%
Percentage of Accounts Receivable > 60 Days	Medicare	23.31%	< 6%
Percentage of Accounts Receivable > 90 Days	Commercial	45.34%	< 15%
	Medicare Advantage	26.83%	< 15%
	Advanced Health	8.44%	< 15%
	State Medicaid	53.38%	< 20%
	All Others	61.94%	< 25%
% of Claims Initially Denied - Partial or Zero Pay	Current Month	10.20%	< 3%
	Year- To-Date	9.94%	< 3%
% Denials Appealed	Current Month	58.10%	100%
	Year- To-Date	NO DATA	100%
% of Patient Responsibility Collected at Point of Service	Current Month	11.30%	20% or >
	Year- To-Date	11.26%	20% or >
Cost to Collect as a % of Cash Collections	Current Month	9.69%	< 5%
	Year- To-Date	7.25%	< 5%
Late Charges as a % of Total Charges	Current Month	6.40%	0%
	Year- To-Date	5.36%	0%
% of Insurance Registrations Verified	Current Month	98.80%	100%
	Year- To-Date	98.39%	100%
% of Accounts Pre- Authorized for Service	Current Month	99.00%	100%
	Year- To-Date	99.22%	100%

BAY AREA HOSPITAL

MONTH END: 3/31/2026

	<i>Month</i>	<i>Year to Date</i>
Cash Flows from Operating Activities:		
Net Income / (loss)	\$ 162,720	\$ (5,399,386)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Change in Value of Investments	\$ 4,269	\$ (871,875)
Depreciation & Amortization	769,694	6,750,434
Decreases (Increases) In:		
Receivables	2,551,705	(2,120,446)
Inventories of Supplies	(108,993)	(2,955)
Other Current Assets	(2,091,664)	(1,279,627)
Net Pension Asset and Liability	0	0
Other Noncurrent Assets	42,950	(83,265)
Increases (Decreases) In:		
Accounts Payable	2,187,279	1,164,664
Accrued Payroll and Payroll Taxes	773,714	(867,110)
Accrued Paid Time Off	236,301	111,529
Other Current Liabilities	1,494,677	2,187,599
Estimated 3rd Party Settlements	0	(199,173)
Other Noncurrent Liabilities	(25,418)	83,265
Net cash provided by operating activities	<u>\$ 5,997,234</u>	<u>\$ (526,348)</u>
Cash flows from investing activities:		
Purchase of PP&E & Subscriptions	\$ (19,188)	\$ (399,745)
Leases and Other Subscription Arrangements in Capital	\$ -	\$ (2,938,679)
Transfers of Investments to Cash	-	5,000,000
Net cash provided by investing activities	<u>\$ (19,188)</u>	<u>\$ 1,661,576</u>
Cash flows from financing activities:		
Changes in Interfund Payables/Receivables	\$ (90)	\$ (905)
Principle Payments on Debt and Leases	(193,828)	284,222
Net cash provided by financing activities	<u>\$ (193,918)</u>	<u>\$ 283,318</u>
Net increase (decrease) in cash	<u>\$ 5,784,128</u>	<u>\$ 1,418,546</u>
Beginning Cash Balance	<u>\$ 5,022,684</u>	<u>\$ 9,388,266</u>
Ending Cash Balance	<u>\$ 10,806,812</u>	<u>\$ 10,806,812</u>



BAY AREA HOSPITAL

MONTH END: 3/31/2026

Current Month Purchases	Cost	Budgeted
Pharmacy Equipment	\$ 9,503	√
OR Equipment	\$ 9,685	√
	<hr/>	
Capital Expenditure, Current Month	\$ 19,188	
Previously Purchased in Current Fiscal Year:		
Ultrasonic Washer (Inactive)	\$ 2,830	√
WIC Heat Pump	\$ 13,262	√
Stainless Steel Case Carts (Inactive)	\$ 12,903	√
Family Housing Projects	\$ 204,473	√
Water Heater (Inactive)	\$ 8,568	√
Pneumatic Tube System	\$ 62,856	√
Cooling Management System (Inactive)	\$ 35,509	√
Two Channel Infusion Analyzer	\$ 10,863	√
Green Light Laser	\$ 18,874	√
Ultrasound Probe	\$ 5,659	√
Pevco Passport & Barcode	\$ 4,760	√
	<hr/>	
Capital Expenditure, Previously Purchased	\$ 380,557	
Total Capital Expenditure, Fiscal YTD	<hr/> \$ 399,745 <hr/>	

BAY AREA HOSPITAL

MONTH END: 3/31/2026

<u>Covenant</u>	Status
1) Income Available for Debt Service > \$5,000,000	NOT IN COMPLIANCE
2) Days Cash On Hand > 75	NOT IN COMPLIANCE
3) Unrestricted Liquid Funds > \$50,000,000	NOT IN COMPLIANCE

BAY AREA HOSPITAL

MONTH END: 3/31/2026

Month to Date

	3/31/2026	2/28/2026	1/31/2026	12/31/2025	11/30/2025	10/31/2025	9/30/2025
Gross Patient Revenue							
Inpatient Revenue	\$ 27,718,013	\$ 24,785,270	\$ 25,285,811	\$ 27,533,675	\$ 24,794,900	\$ 26,626,663	\$ 26,728,010
Outpatient Revenue	48,055,032	40,043,628	42,203,815	42,929,314	39,172,236	45,309,041	41,227,365
Total Gross Patient Revenue	\$ 75,773,045	\$ 64,828,898	\$ 67,489,626	\$ 70,462,989	\$ 63,967,137	\$ 71,935,704	\$ 67,955,375
Deductions							
Bad Debt	\$ 53,160,373	\$ 45,076,087	\$ 47,381,190	\$ 48,583,922	\$ 45,505,698	\$ 51,088,823	\$ 47,460,525
Charity	969,179	498,518	705,872	1,565,159	731,546	257,324	209,021
Total Deductions	\$ 54,333,433	\$ 45,847,788	\$ 48,348,214	\$ 50,210,344	\$ 46,428,542	\$ 51,776,066	\$ 48,045,667
Net Patient Revenue	\$ 21,439,613	\$ 18,981,110	\$ 19,141,412	\$ 20,252,644	\$ 17,538,595	\$ 20,159,638	\$ 19,909,708
Supplemental Payments	1,914,746	1,686,583	1,676,398	1,802,141	1,534,499	1,767,538	1,679,725
Other Oper Revenue	349,576	513,838	899,461	(63,067)	802,893	343,466	56,187
Total Net Revenue	\$ 23,703,934	\$ 21,181,531	\$ 21,717,271	\$ 21,991,719	\$ 19,875,987	\$ 22,270,643	\$ 21,645,620
<i>Net to Gross Patient Rev Ratio</i>	28.3%	29.3%	28.4%	28.7%	27.4%	28.0%	29.3%
Operating Expenses							
Salaries	\$ 8,107,901	\$ 7,350,047	\$ 7,933,015	\$ 7,896,929	\$ 8,161,024	\$ 7,915,210	\$ 8,363,855
Contract Labor	865,999	1,057,989	1,126,720	901,445	726,015	1,607,600	1,503,921
Benefits	2,125,341	1,758,927	1,512,921	1,917,631	1,837,150	2,296,902	1,972,668
Physician & Prof Fee	1,977,458	1,531,129	2,008,633	1,521,919	1,347,277	1,461,946	1,613,154
Supplies	4,421,917	4,635,135	3,923,268	3,993,593	3,450,109	3,865,979	3,232,610
Purchased Services	2,811,916	1,784,481	2,375,422	2,003,334	1,812,019	2,300,742	2,415,248
Leases/Rentals	35,056	15,262	38,036	28,830	16,790	26,442	33,513
Depreciation	769,694	770,547	863,605	705,876	708,467	708,889	719,449
Provider Tax Expense	1,933,893	1,703,449	1,693,162	1,820,163	1,549,844	1,785,213	1,679,725
Other Oper Expense	401,240	465,466	167,886	1,037,336	587,523	597,781	948,860
Total Operating Expenses	\$ 23,450,417	\$ 21,072,433	\$ 21,642,669	\$ 21,827,057	\$ 20,196,218	\$ 22,566,704	\$ 22,483,004
Net Operating Income	\$ 253,517	\$ 109,098	\$ 74,602	\$ 164,662	\$ (320,231)	\$ (296,061)	\$ (837,384)
Investment Income	9,619	137,692	64,439	75,553	136,471	125,137	126,043
Other Nonop Inc(Exp)	155,989	179,432	30,652	24,726	88,187	13,195	62,855
Interest Expense	(256,406)	(283,115)	(292,764)	(252,906)	(297,114)	(272,313)	(282,150)
Net Surplus (Loss)	\$ 162,720	\$ 143,107	\$ (123,070)	\$ 12,035	\$ (392,686)	\$ (430,042)	\$ (930,635)

BAY AREA HOSPITAL

MONTH END: 3/31/2026

Month to Date

	8/31/2025	7/31/2025	6/30/2025	5/31/2025	4/30/2025	3/31/2025
Gross Patient Revenue						
Inpatient Revenue	\$ 25,712,601	\$ 25,067,912	\$ 21,889,108	\$ 23,510,008	\$ 25,314,375	\$ 25,768,844
Outpatient Revenue	40,825,879	41,625,217	37,235,073	37,023,474	37,584,034	36,979,463
Total Gross Patient Revenue	\$ 66,538,480	\$ 66,693,128	\$ 59,124,181	\$ 60,533,482	\$ 62,898,409	\$ 62,748,306
Deductions						
Bad Debt	\$ 46,951,840	\$ 47,507,475	\$ 41,253,933	\$ 41,844,820	\$ 43,388,640	\$ 43,828,357
Charity	390,753	154,851	753,585	(166,025)	(87,907)	11,883
	72,326	415,079	199,108	562,617	1,023,039	999,956
Total Deductions	\$ 47,414,919	\$ 48,077,405	\$ 42,206,626	\$ 42,241,412	\$ 44,323,772	\$ 44,840,195
Net Patient Revenue	\$ 19,123,561	\$ 18,615,723	\$ 16,917,555	\$ 18,292,070	\$ 18,574,637	\$ 17,908,111
Supplemental Payments	1,695,376	1,674,225	909,741	1,023,998	1,050,610	1,015,076
Other Oper Revenue	468,529	350,424	358,227	494,088	576,185	120,242
Total Net Revenue	\$ 21,287,466	\$ 20,640,372	\$ 18,185,523	\$ 19,810,155	\$ 20,201,432	\$ 19,043,429
<i>Net to Gross Patient Rev Ratio</i>	28.7%	27.9%	28.6%	30.2%	29.5%	28.5%
Operating Expenses						
Salaries	\$ 8,244,951	\$ 8,945,952	\$ 7,717,782	\$ 8,422,402	\$ 7,944,501	\$ 8,184,820
Contract Labor	1,814,985	1,597,850	1,789,658	1,727,271	1,917,651	1,386,190
Benefits	2,767,300	2,335,181	(643,456)	2,381,375	2,406,065	2,624,358
Physician & Prof Fee	1,564,475	1,577,921	1,290,563	1,746,562	1,441,414	1,584,515
Supplies	3,479,092	3,734,160	4,365,379	4,338,049	3,634,029	3,292,867
Purchased Services	2,049,830	2,238,543	2,489,287	2,748,281	2,223,000	2,338,573
Leases/Rentals	21,281	16,288	11,758	16,944	26,427	24,782
Depreciation	764,537	739,369	743,521	798,927	766,089	764,352
Provider Tax Expense	1,695,376	1,657,482	1,030,896	1,034,238	1,061,116	1,025,227
Other Oper Expense	132,771	138,640	768,041	544,785	193,853	398,615
Total Operating Expenses	\$ 22,534,599	\$ 22,981,385	\$ 19,563,431	\$ 23,758,834	\$ 21,614,146	\$ 21,624,297
Net Operating Income	\$ (1,247,133)	\$ (2,341,013)	\$ (1,377,909)	\$ (3,948,679)	\$ (1,412,713)	\$ (2,580,868)
Investment Income	197,536	58,410	172,596	39,127	154,156	71,188
Other Nonop Inc(Exp)	21,601	18,846	496,779	27,254	69,440	(1,850,477)
Interest Expense	(282,780)	(266,282)	(294,464)	(176,794)	(278,947)	(376,996)
Net Surplus (Loss)	\$ (1,310,776)	\$ (2,530,040)	\$ (1,002,998)	\$ (4,059,093)	\$ (1,468,065)	\$ (4,737,154)

**Graystone
Consulting**
from Morgan Stanley



Board and Finance Committee Meeting

April 21, 2026

Graystone Consulting
800 Newport Center Drive, Ste 500
Newport Beach, CA 92660



Contact Information

Tim Skelly, CIMA®

Managing Director – Wealth Management
Institutional Consulting Director

Tim.Skelly@msgraystone.com

(949) 717-5324

Valerie Corradini, CIMA®

Institutional Consultant

Valerie.Corradini@msgraystone.com

(650) 496-4294

Nick Shaw

Institutional Consulting Analyst

Nick.Shaw@msgraystone.com

(949) 955-7502

Carmen Zheng

Institutional Consulting Analyst

Carmen.Zheng@morganstanley.com

(949) 717-5483

Lora Zippe

Registered Client Service Associate

Lora.Zippe@msgraystone.com

(949) 717-5417

Ellie Chizmarova, CFA®

First Vice President
Institutional Consultant

Ellie.Chizmarova@msgraystone.com

(949) 717-5479

Ryan Morrissey, CFP®, CIMA®

Institutional Consultant

Ryan.Morrissey@msgraystone.com

(949) 717-5497

Sean Davitt, CFA®, CIMA®*

Institutional Consulting Analyst

Sean.Davitt@msgraystone.com

(949) 717-5408

Brooke Crownover

Registered Client Service Associate

Brooke.Crownover@msgraystone.com

(949) 717-5437

Grant Cozzi

Registered Client Service Associate

Grant.Cozzi@msgraystone.com

(949) 717-5423

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Table of Contents

- Who We Are
- Executive Performance and Portfolio Summary
- BAH Portfolio Background
- Capital Markets
- Hospitals & Healthcare – Peer Group Insights
- Disclosures

**Graystone
Consulting**
from Morgan Stanley

Who We Are



Morgan Stanley Overview Globally

Morgan Stanley serves clients worldwide, providing a wide range of investment banking, securities, investment management, institutional consulting and wealth management services.

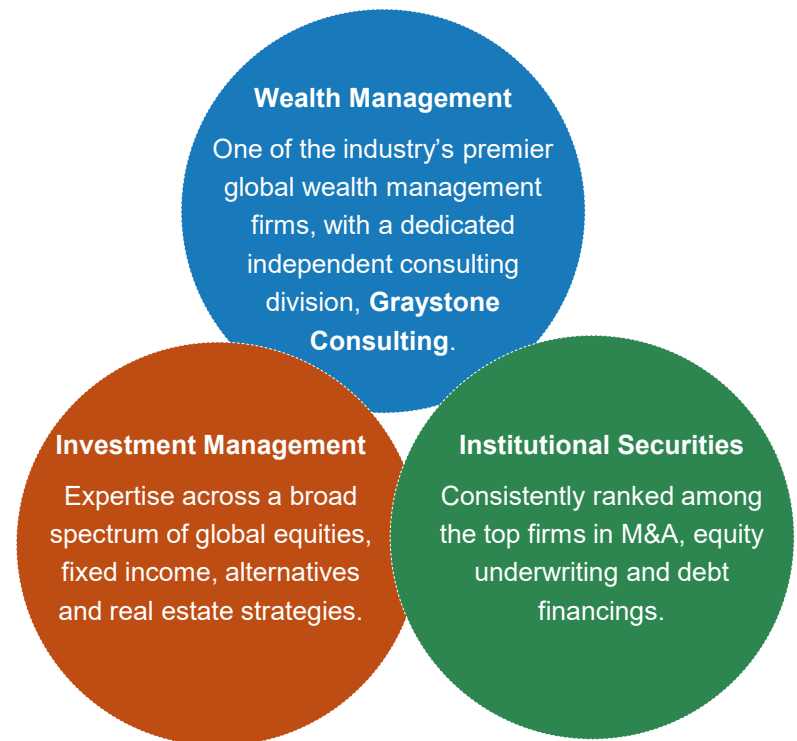
Formed in **1935**

Offices in **42** countries

82,000+ employees worldwide

\$9.3T+ assets under management

Data as of December 2025



FIDUCIARY DUTY
is at the forefront of all
that we do

Trustees must discharge their duties solely in the interest of participants and beneficiaries, for the exclusive purpose of helping to protect plan assets and defraying the associated expenses

When acting as a fiduciary, Investment consultants have a fundamental obligation to act in the best interests of their advisory clients and to provide investment advice in those clients' best interests

**LOCAL PRESENCE,
CENTRALIZED
RESOURCES AND
GLOBAL REACH**
drive our client model

Scale enables broad manager access and favorable investment manager pricing

An industry leader in resources that educate and inform:

- Investment expertise
- Manager analysis
- Customized solutions

**INDEPENDENCE
AND OBJECTIVITY**

We seek to provide full transparency of process, research, pricing and sources of compensation

Open architecture platform with independent and non-proprietary investments

Supporting Resources

Bay Area
Hospital

Your Institutional Coverage Team
(Graystone and Zager Fixed
Income Management)

40+

dedicated professionals

Alternative investment and
operational due diligence
analysts in GIMA

~30

professionals¹

Outsourced Chief Investment
Office (OCIO)

35+

portfolio managers²

Global Investment Committee

9

members²

Strategists, Research &
Manager Analysts within GIMA

65+

dedicated professionals²

Morgan Stanley & Co. Analysts

500+

research analysts covering
3,800+ securities³

¹ Morgan Stanley Wealth Management Alternative Investments Group; as of September 30, 2025

² As of September 30, 2025

³ As of June 2024

Organizational Overview

Our team of seasoned professionals is focused on providing you customized, innovative, flexible strategies to meet your organization's most sophisticated investment needs.

Tim Skelly, CIMA®
Managing Director, Wealth
Management
Institutional Consulting Director

Drew Zager¹
Managing Director, Private
Wealth Management
Private Wealth Advisor

Ellie Chizmarova, CFA®
First Vice President,
Institutional Consultant

Ryan Morrissey, CFP®, CIMA®
Institutional Consultant

Joseph McCullough¹, CFA®
Managing Director, Private Wealth
Management
Private Wealth Advisor

Gregg Manjerovic¹, CFA®
Senior Vice President
Director of Business Strategy

Sean Davitt, CFA®, CIMA®*
Institutional Consulting Analyst

Nick Shaw
Institutional Consultant Analyst

Valerie Corradini, CIMA®
Institutional Consultant

Lora Zippe
Registered Client
Service Associate

Carmen Zheng
Institutional
Consulting Analyst

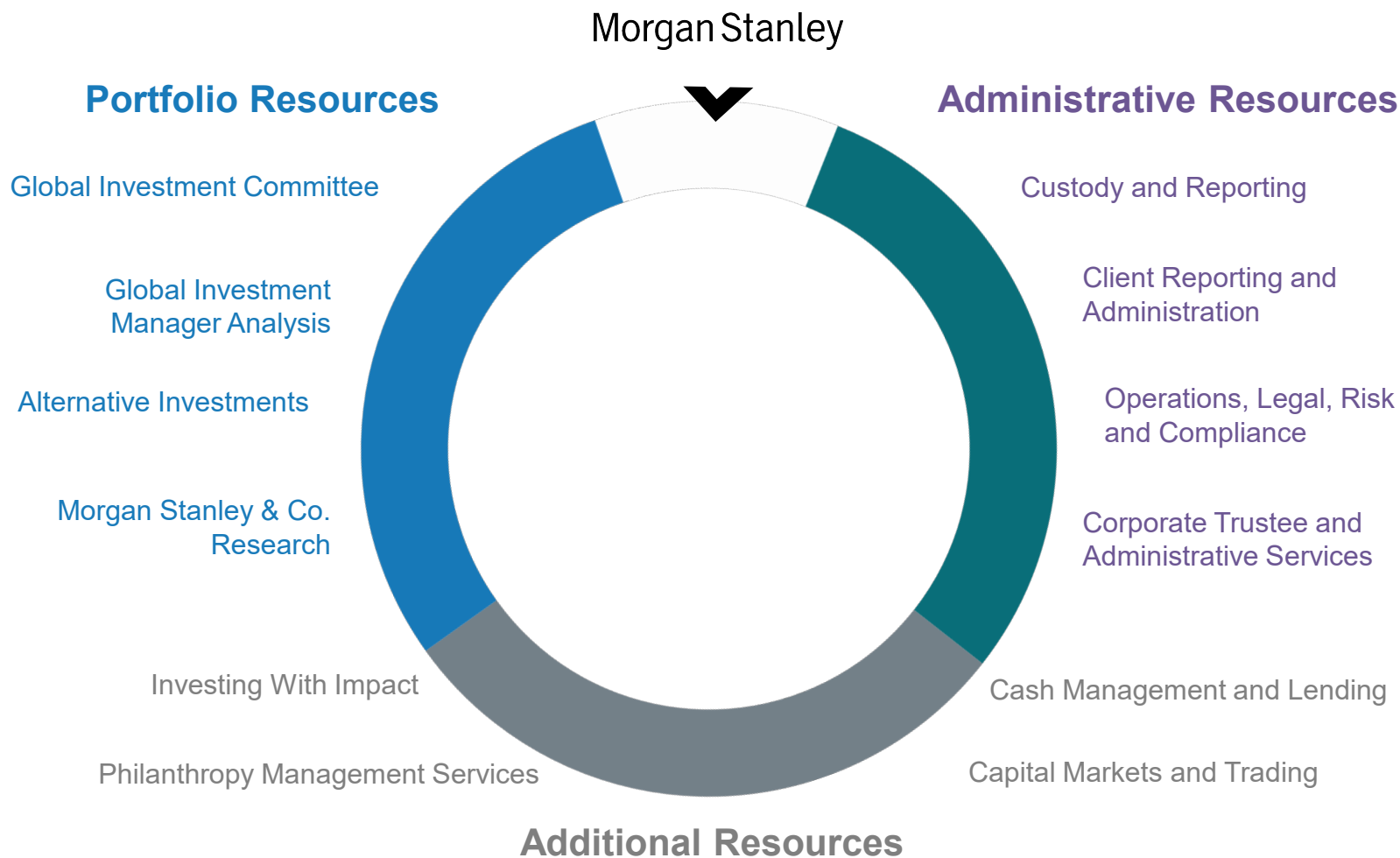
Brooke Crownover
Registered Client
Service Associate

Grant Cozzi
Registered Client
Service Associate

¹Relationship colleague and not a member of the Graystone Consulting Team

* This role cannot solicit or provide investment advice

Access to the Full Scope of the Firm's Resources



Graystone Consulting

from Morgan Stanley

Executive Performance and Portfolio Overview

As of 3/31/2026



BAH Overview – \$28.2MM

- ~45 Days Cash on Hand (DCOH)
 - Goal: 200
 - Based on ~\$630K run rate
- Due to distributions, reserves have been challenged
- Matching investments with cash flows

Portfolio Overview

- Managing fixed income since July 2024 - ZFIM
 - 2024 - July \$47.9MM
 - \$1.0MM investment earnings
 - \$6.0MM withdrawals
 - 2025 - \$42.8MM
 - \$1.7MM investment earnings
 - \$16.5MM in withdrawals
- Reduced Duration from 4.8 years in 2023 to 1.00 year
- Heavy allocation to MBS from legacy Loomis portfolio have been diversified

Discussion Points

- Portfolio Management Interim Goals
 - Preserve capital
 - Short duration securities
 - Diversified fixed income
- Board Development, Philanthropy and Education
- Portfolio Construction and Monitoring

Background

- Graystone/BAH consulting relationship began in 2021
- Loomis Sayles Manager – Int Agg Focused
- Graystone acting as fiduciary consultant
- Since July 2024, capacity as consultant (Graystone) and manager (Morgan Stanley ZFIM)
- Custodied at US Bank

*Data as of 3/31/2026

Portfolio Summary

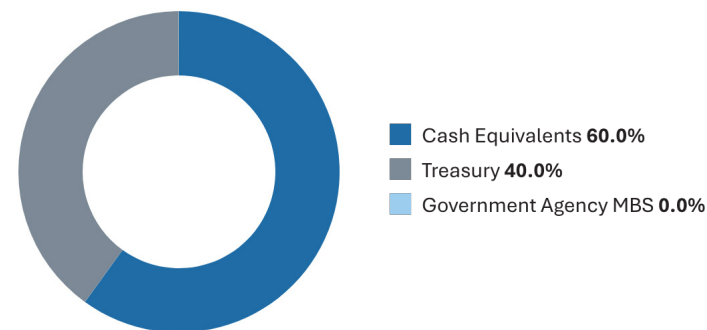
Characteristics

Modified Duration	1.00
Years to Effective Maturity	1.10
Years to Final Maturity	1.10
YTW at Cost	2.89%
TEY at Cost	2.89%
YTW at MKT	3.51%
TEY at MKT	3.51%
Yield Income	\$824,509
Coupon Rate	2.69%
# of Positions	9
MS Inception Date	8/01/24

Structure and Taxability

Tax Exempt	0.00%
Callable	0.00%
Putable	0.00%
Zero Coupon	0.00%
Floater	0.00%
Taxable	100.00%
AMT	0.00%

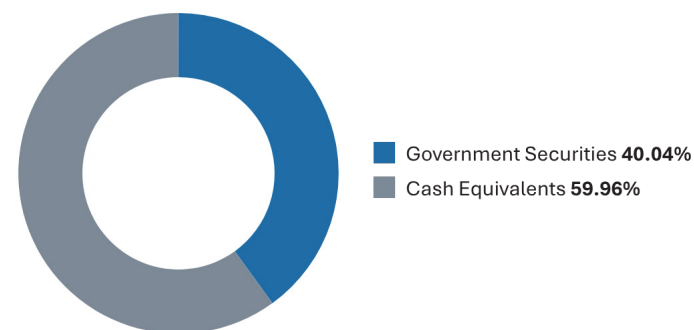
Allocation



Performance

	Month to Date	Quarter to Date	Year to Date	Since Inception
Beginning Total Market Value	\$28,295,620	\$28,089,400	\$28,089,400	
Appreciation/Depreciation	-\$86,882	\$24,580	\$24,580	
Income	\$65,544	\$160,301	\$160,301	
Contributions/Withdrawals	\$0	\$0	\$0	
Ending Total Market Value	\$28,274,282	\$28,274,282	\$28,274,282	\$28,274,282
Time Weighted Return	-0.08%	0.67%	0.67%	4.02%
Income Return	0.25%	0.72%	0.72%	3.14%
Price Return	-0.32%	-0.06%	-0.06%	0.85%
Book Return	0.25%	0.73%	0.73%	-0.94%
Benchmark	0.29%	0.85%	0.85%	4.35%

Credit Ratings



Benchmark: ICE BofA 3-Month US Treasury Bill Index

Summary Statistics – Portfolio Review

As of 3/31/2026

Summary Statistics	Bay Area Hospital
Market Value	\$28,274,282
Years to Effective Maturity	1.10
Modified Duration	1.00
Market Yield	3.51%
Estimated Income (12 months)	\$824,509
Moody's Rating / S&P Rating	Aaa/AAA

Asset Type	% of Market Value
T-Bill	40.0%
Money Market Fund	59.8%
US Government	0%
Agency	0%
Cash & Equivalents	0.2%
Total	100%

Source: Clearwater

Next Steps

Portfolio Goals

- Maintain quality – within IPS
- Navigate rate environment with liquidity/return balance
- Shorter duration in the near term
- Asset-liability management

Financing Update

- State Approved April 7th
- MS Investment Bank ongoing discussions with BAH Executive Team

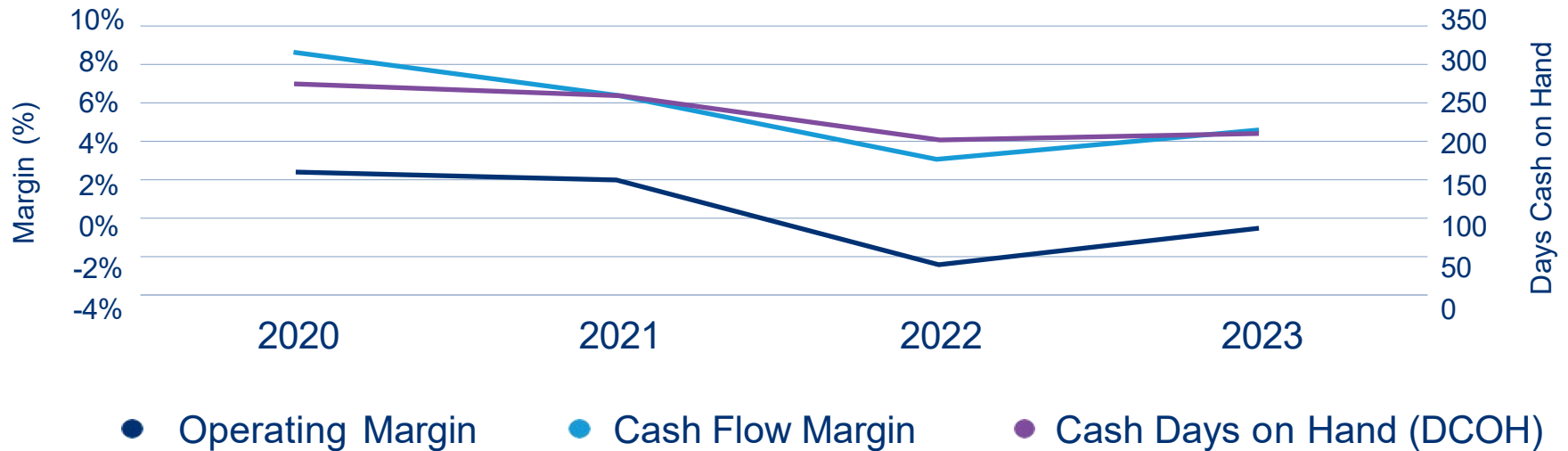
Consider Adopting Purpose Based Capitalization Structure

- Custom asset liability approach
- Match portfolio “buckets” with time horizon of term structure of liabilities
- Consider Building a Supporting Foundation

Graystone Consulting Operating Metrics

from Morgan Stanley

Operating metrics showed signs of recovery from a challenging 2022. Dispersion remained wide with results below historical averages.



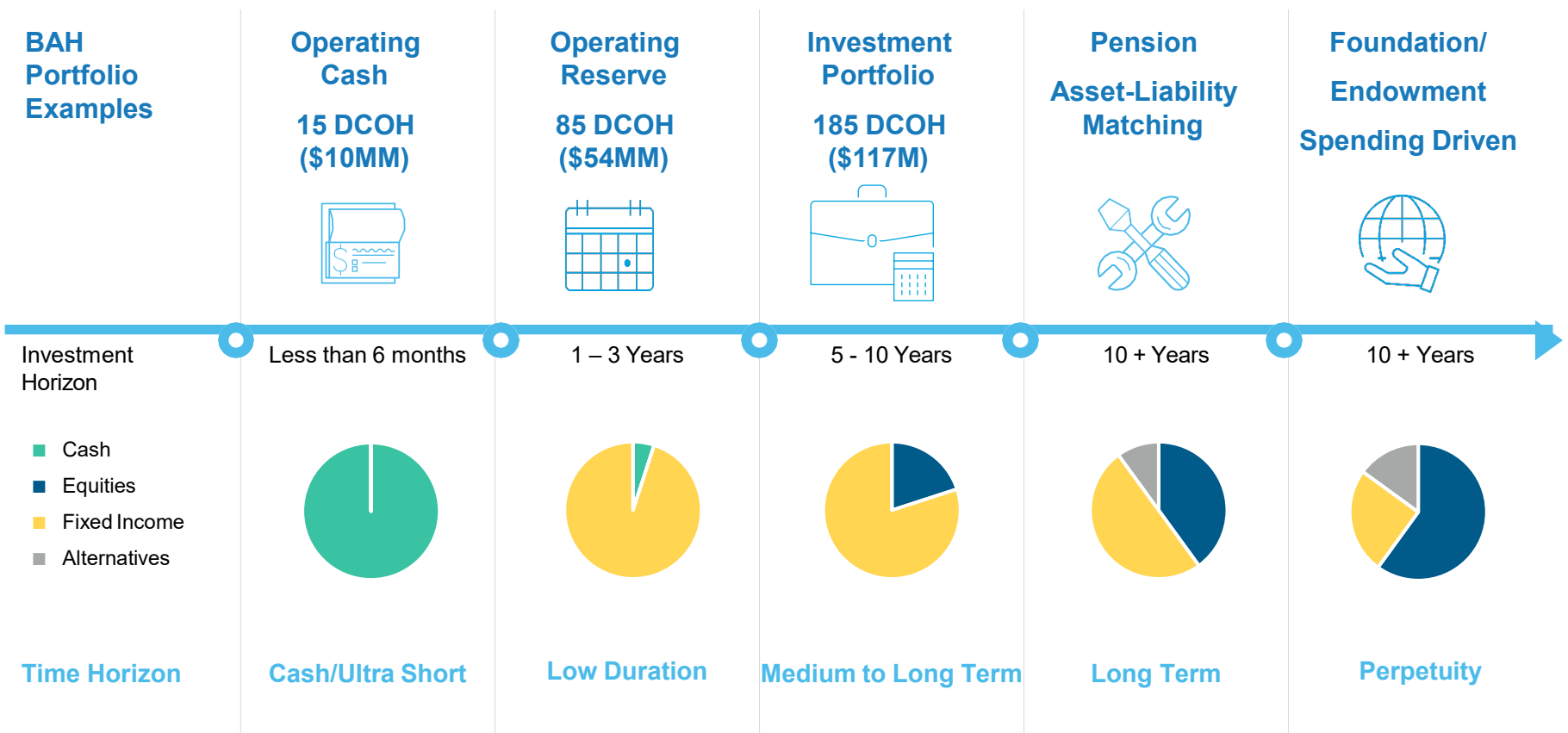
Data set comprising 56 observations in 2020, 59 in 2021, 58 in 2022 and 57 in 2023.

Source: Mercer

"Navigating volatility and challenging operating Environments Mercer's annual survey of healthcare asset owners"

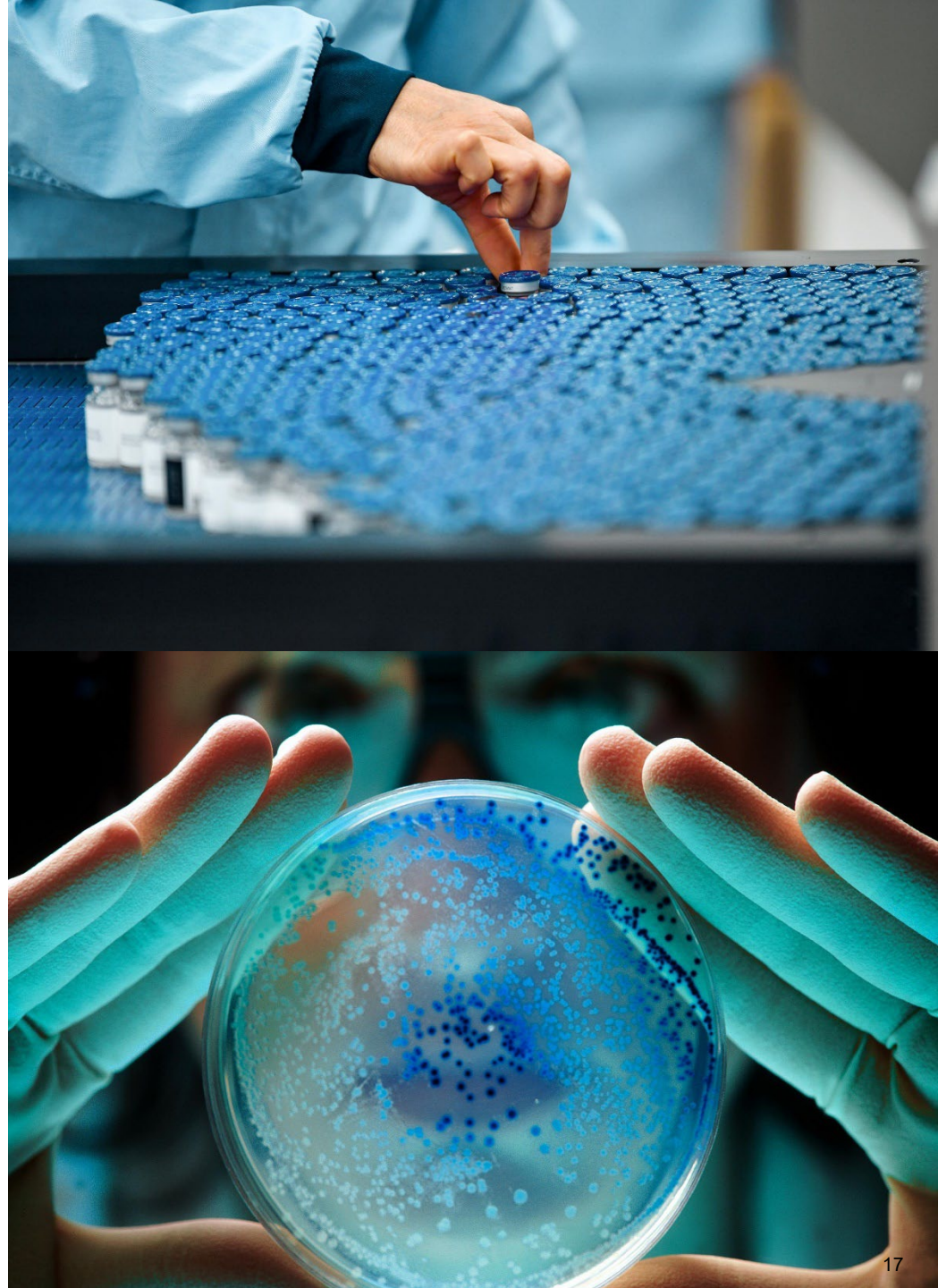
“Purpose” Based Investment Funds

Typical Capital Structure for Hospital/Health Care System



DCOH = Days Cash on Hand

Hospitals & Healthcare – Peer Group Insights



Education and Philanthropic Services



Planned giving can be a strategic pillar of long-term sustainability



Well-run nonprofits typically rely on legacy gifts



Focus should be education and governance—not complexity



Suggestion: Establish foundation for future gifting

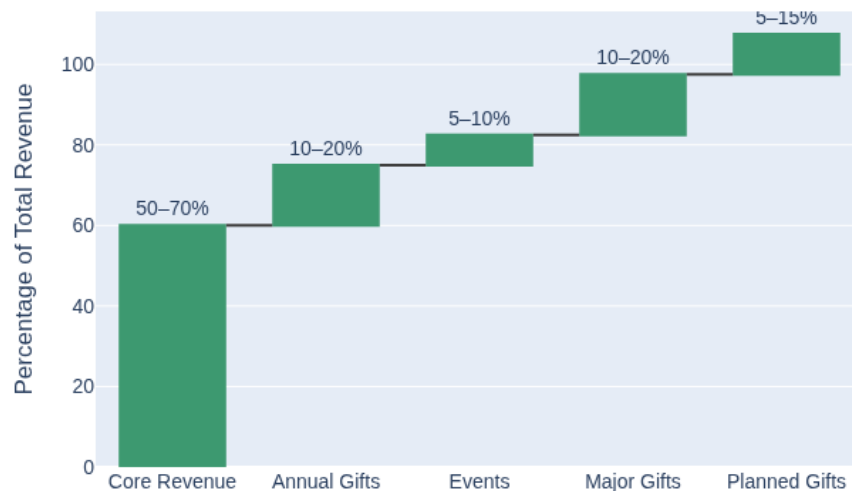
Bay Area Hospital is considering creating a Foundation, which would be a strategic initiative around creating a long-term sustainable funding mechanism for the hospital.

Revenue Waterfall: Sustainable Nonprofit Funding

Planned gifts are modest annually but can be transformational over time.

- Core revenue: 50–70%
- Annual gifts: 10–20%
- Events: 5–10%
- Major/ Capital gifts: 10–20%
- Planned gifts: 5–15% annually
 - (30–60% lifetime value)

Nonprofit Revenue Breakdown (Waterfall Chart)



SOURCES: GIVING USA; INDEPENDENT SECTOR; CASE; AHP

Why Planned Giving Matters



Diversifies philanthropic revenue

Potentially enhances lifetime donor value

Creates durability across economic cycles.

Increases grant opportunities from foundations looking for sustainable financial planning.

Opportunity to connect to multi-generational families and honor legacy.

Sector Context: Healthcare

Long-term stability amid reimbursement volatility

Common vehicles: IRA beneficiaries, DAFs, real estate

- Strong alignment with IRA and donor-advised fund assets

Planned gifts can often fund endowment and capital needs

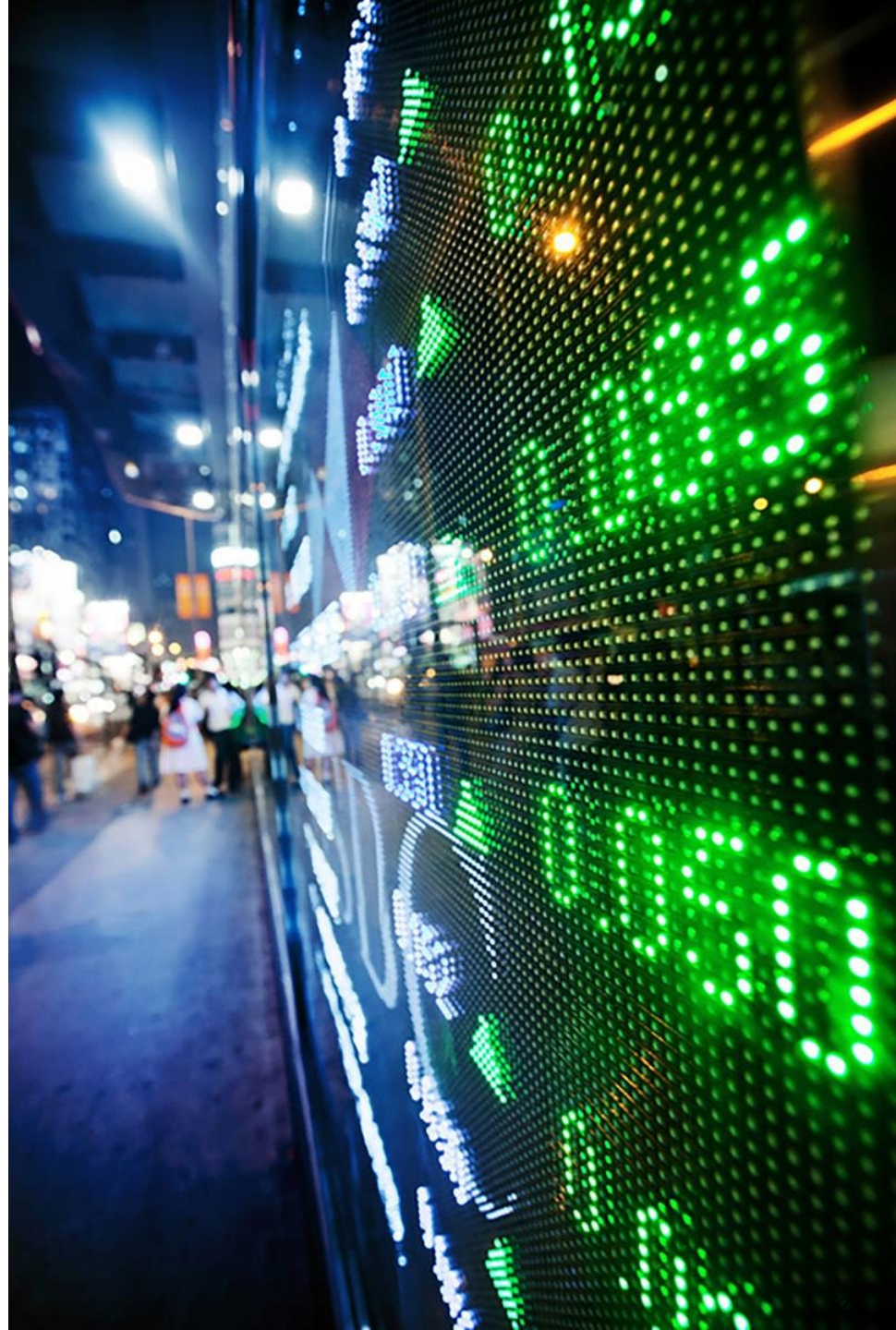
Supports access, innovation, and continuity of care

Source: Giving USA & healthcare benchmarks.

**Graystone
Consulting**
from Morgan Stanley

Capital Markets Overview

(Separate Deck)



Graystone Consulting

from Morgan Stanley

Appendix

Clearwater Report
SCR Report



Portfolio Overview

Bay Area Hospital

March 31, 2026

ZFIM at Morgan Stanley Private Wealth Management

ZFIM@MorganStanley.com

(310) 788-2130

1999 Avenue of the Stars, Suite 2400, Los Angeles, CA 90067

Drew Zager
Managing Director
Private Wealth Advisor

Joseph McCullough
Managing Director, WM
Private Wealth Advisor

Client Summary

Tax Status

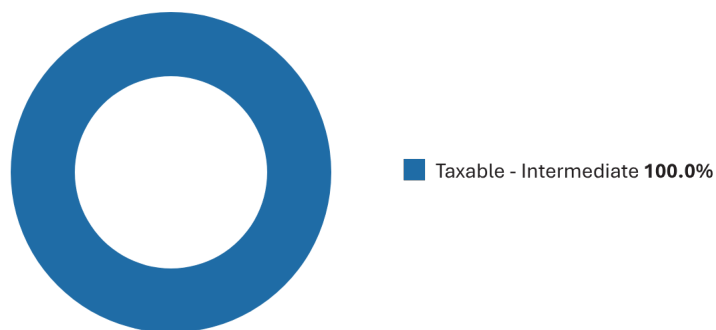
Entity Name	Tax State	Fed Tax Rate	State Tax Rate	Subject to AMT	Tax Loss Harvest	Tax Last Validated
Bay Area Hospital	OR	0.0	0.0	N		

Account Strategy

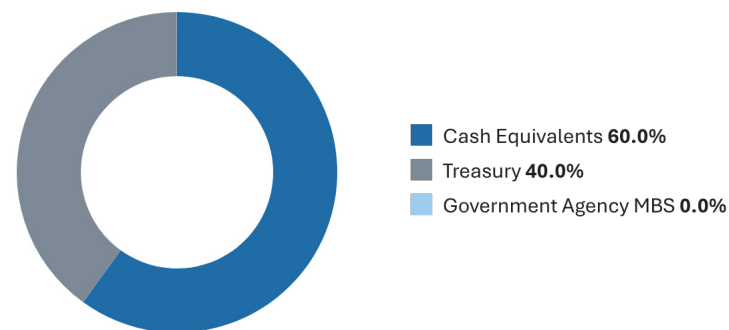
Account Number	Entity	Strategy	Idv Max Mat	Avg Max Mat	Avg Max Mod Dur	Min Credit Rating	Strategy Allowable Investments	Strategy Signed Date
714-XXX738	Bay Area Hospital	Taxable - Intermediate	30		7.0	AA-		2022-01-19

Strategy Overview

Strategy Allocation



Asset Allocation



Characteristics

Strategy	Account Number	Inception Date	Total Market Value	Mod Dur	YTW at Cost	TEY at Cost*	YTW at Market	TEY at Market*	Yield Income
Taxable - Intermediate			\$28,274,282	1.00	2.89%	2.89%	3.51%	3.51%	\$824,509
Bay Area Hospital	714-XXX738	08/01/24	\$28,274,282	1.00	2.89%	2.89%	3.51%	3.51%	\$824,509

TEY* (Taxable Equivalent Yield): Calculated based on client provided federal tax rate and state tax rate.

Portfolio Summary

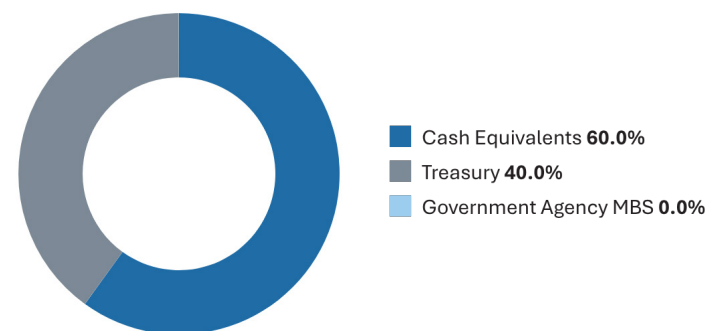
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YTW at MKT	3.51%
TEY at MKT	3.51%
Yield Income	\$824,509
Coupon Rate	2.69%
# of Positions	9
MS Inception Date	8/01/24

Structure and Taxability

Tax Exempt	0.00%
Callable	0.00%
Putable	0.00%
Zero Coupon	0.00%
Floater	0.00%
Taxable	100.00%
AMT	0.00%

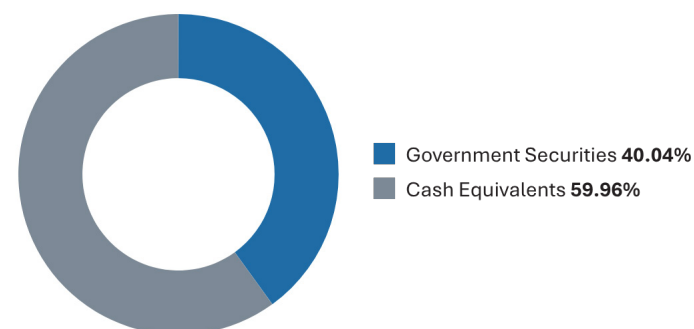
Allocation



Performance

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Contributions/Withdrawals	\$0	\$0	\$0	
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Time Weighted Return	-0.08%	0.67%	0.67%	4.02%
Income Return	0.25%	0.72%	0.72%	3.14%
Price Return	-0.32%	-0.06%	-0.06%	0.85%
Book Return	0.25%	0.73%	0.73%	-0.94%
Benchmark	0.29%	0.85%	0.85%	4.35%

Credit Ratings



Benchmark: ICE BofA 3-Month US Treasury Bill Index

Portfolio Summary

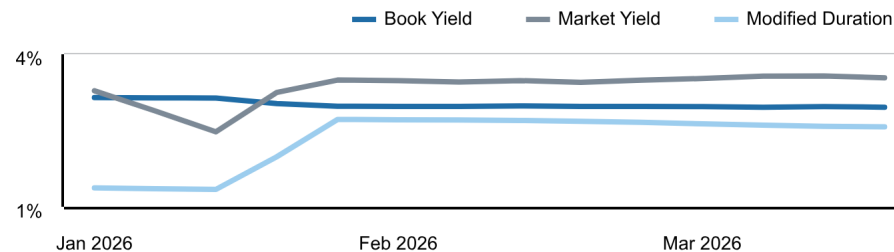
Top 10 Holdings

Security	Market Value	% of Portfolio
FIRST AMER:GVT OBLG Y	\$16,907,191	59.80%
UNITED STATES TREASURY	\$11,320,013	40.04%
Receivable	\$47,077	0.17%
Total	\$28,274,282	100.00%

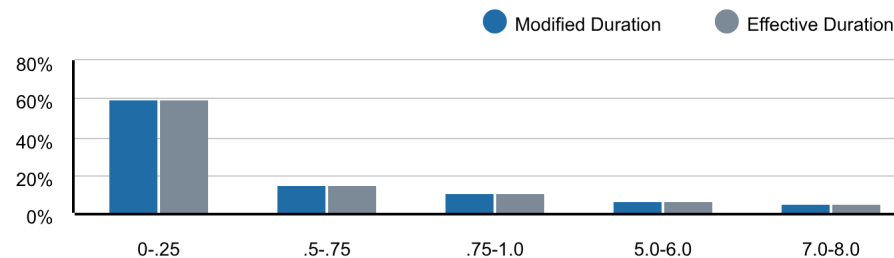
Top 10 Sectors

Sector	Market Value	% of Portfolio
Other	\$28,274,282	100.00%
Total	\$28,274,282	100.00%

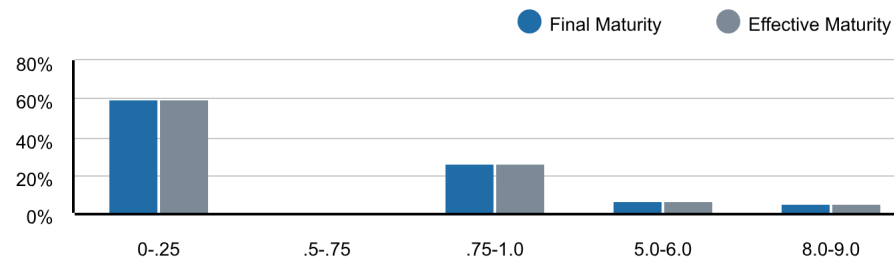
Yield and Modified Duration Over Time



Modified Duration (1.0 yrs) and Effective Duration (1.0 yrs)



Final Maturity (1.1 yrs) and Effective Maturity (1.1 yrs)



Fixed Income Position Detail

Description	CUSIP	Pur Date	Cpn	Maturity Date	Next Call Date	Moody's Rating	S&P Rating	Type	Rev Source	Par	Price	Market Value	Accrued Int	Net G/L	YTW at Cost	TEY at Cost	YTW at MKT	TEY at MKT	Mod Dur	% Port
Cash																				
	CCYUSD		0.00	03/31/26		Aaa	AAA			47,077	1.00	47,077	0	0	0.00	0.00	0.00	0.00	0.00	0.17
Cash Total	CCYUSD		0.00	03/31/26		Aaa	AAA			47,077	1.00	47,077	0	0	0.00	0.00	0.00	0.00	0.00	0.17
Money Market																				
FIRST AMER:GVT OBLG Y	31846V203	Multiple	3.27	03/31/26		Aaa	AAAm			16,907,191	1.00	16,907,191	0	0	3.27	3.27	3.27	3.27	0.00	59.80
Money Market Total	31846V203		3.27	03/31/26		Aaa	AAAm			16,907,191	1.00	16,907,191	0	0	3.27	3.27	3.27	3.27	0.00	59.80
Treasury																				
UNITED STATES TREASURY	91282CDQ1	07/19/24	1.25	12/31/26		Aa1	AA+			4,595,000	98.16	4,524,983	14,439	(67,514)	1.75	1.75	3.75	3.75	0.73	16.00
UNITED STATES TREASURY	912828Z78	07/19/24	1.50	01/31/27		Aa1	AA+			1,390,000	98.18	1,368,144	3,456	(21,920)	1.80	1.80	3.73	3.73	0.82	4.84
UNITED STATES TREASURY	91282CEC1	07/19/24	1.88	02/28/27		Aa1	AA+			1,825,000	98.32	1,797,316	2,976	(22,652)	2.36	2.36	3.76	3.76	0.89	6.36
UNITED STATES TREASURY	91282CDY4	07/19/24	1.88	02/15/32		Aa1	AA+			2,430,000	88.68	2,160,491	5,664	(163,386)	2.73	2.73	4.06	4.06	5.45	7.64
UNITED STATES TREASURY	91282CLF6	10/17/24	3.88	08/15/34		Aa1	AA+			1,500,000	97.46	1,469,080	7,225	(14,536)	4.10	4.10	4.24	4.24	7.03	5.20
Treasury Total			1.84	01/01/29		Aa1	AA+			11,740,000	96.29	11,320,013	33,759	(290,008)	2.35	2.34	3.87	3.87	2.49	40.04
Grand Total			2.69	05/08/27		Aaa	AAA			28,694,268	39.15	28,274,282	33,759	(290,008)	2.89	2.89	3.51	3.51	1.00	100.00

Trading Activity

Description	CUSIP	Trade Date	Settle Date	Par	Coupon Rate	Call Date	Final Maturity	S&P Rating	Moody's Rating	Tran Yield	Tran TEY	Tran Mod Dur	Price	Principal	Accrued Interest	Realized G/L	Proceeds
Buy																	
UNITED STATES TREASURY	912797RK5	01/14/26	01/15/26	5,000,000	0.00		01/29/26	A-1+	P-1	3.60	3.60	0.04	99.86	4,993,097	0	0	-4,993,097
Buy Total				5,000,000	0.00					3.60	3.60	0.04	99.86	4,993,097	0	0	-4,993,097
Maturity																	
UNITED STATES TREASURY	912797SF5	01/13/26	01/13/26	-5,000,000	0.00		01/13/26	A-1+	P-1	0.00	0.00	0.00	100.00	-5,000,000	0	0	5,000,000
UNITED STATES TREASURY	912797SG3	01/20/26	01/20/26	-5,000,000	0.00		01/20/26	A-1+	P-1	0.00	0.00	0.00	100.00	-5,000,000	0	0	5,000,000
UNITED STATES TREASURY	912797PD3	01/22/26	01/22/26	-5,000,000	0.00		01/22/26	A-1+	P-1	0.00	0.00	0.00	100.00	-5,000,000	0	0	5,000,000
UNITED STATES TREASURY	912797RK5	01/29/26	01/29/26	-5,000,000	0.00		01/29/26	A-1+	P-1	0.00	0.00	0.00	100.00	-5,000,000	0	0	5,000,000
Maturity				-20,000,000	0.00					0.00	0.00	0.00	100.00	-20,000,000	0	0	20,000,000
Grand				-15,000,001	0.00					0.72	0.72	0.01	99.97	-15,006,904	0	-0	15,006,904

Custom Report

Prepared on April 15, 2026 for:

BAY AREA HOSPITAL

Account No. 714-XXX738

BAY AREA HOSPITAL
C/O BRIAN MOORE &
MARY LOU TATE
1775 THOMPSON RD
COOS BAY OR 97420-2125

SKELLY/ZAGER/Ryan/+

Tel: +1 949 955-7500

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Please see the important disclosures and definitions throughout this Document. For more information or questions, please contact your Financial Advisor. Various sub-sections of this Document may not contain information on all accounts/positions covered in this Document and will be denoted on the page.

Account(s) Included in this Report by Custodial Relationship

BAY AREA HOSPITAL • 714-XXX738 • Portfolio Management

EXTERNALLY HELD[‡]

Account Name	Account Number/ Custodian	Account Type	Exclusions	Last Updated	Perf Inception Date Perf (%) Incept - 03/31/26	Total Value (\$) 03/31/26	% of Portfolio 03/31/26
BAY AREA HOSPITAL	714-XXX738 <i>External</i>	Portfolio Management	P	04/10/26	06/06/2024 4.30	28,274,281.57	100.00
Externally Held Total						28,274,281.57	100.00
Total Portfolio						28,274,281.57	100.00

The investment returns shown on this page are Net of Fees, time-weighted measurements which exclude the effect of the timing and amount of your contributions and withdrawals. Investment, insurance and annuity products offered through Morgan Stanley Smith Barney LLC are: NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED | NOT A BANK DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY. All content within this Document applies to the accounts listed above or a subset thereof, unless otherwise indicated. AA=Asset Allocation, P=Performance, POS=Positions & Balances, TW=Total Wealth, Q=Morgan Stanley Impact Quotient

[‡]Includes manually added, external accounts, assets, and/or liabilities, not held at Morgan Stanley Wealth Management.

Investment Summary Time Weighted Returns

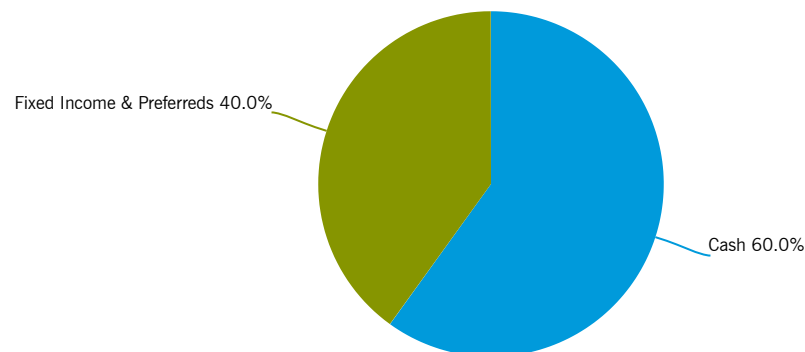
BAY AREA HOSPITAL • 714-XXX738 • Portfolio Management

Data as of April 14, 2026

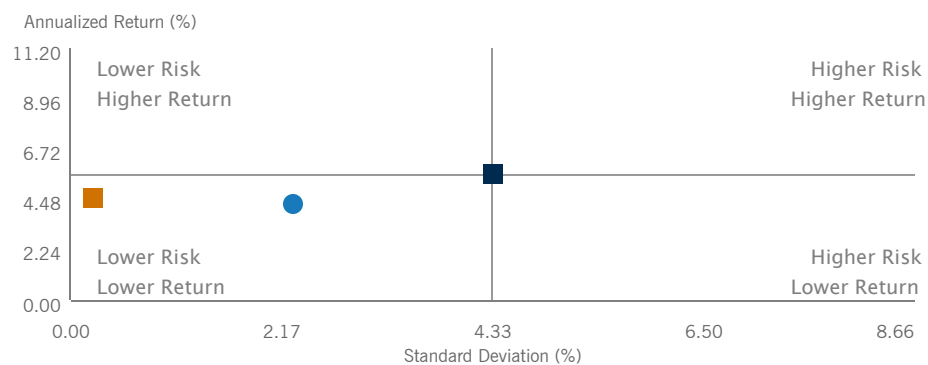
CHANGE IN VALUE AND RETURN % (NET OF FEES)‡

	Quarter to Date (\$) 03/31/26-04/14/26	Year to Date (\$) 12/31/25-04/14/26	Performance Inception (\$) 06/06/24-04/14/26
Beginning Total Value	28,274,163	28,089,598	0
Net Contributions/Withdrawals	10,574	17,214	25,359,457
Investment Earnings	72,379	250,303	2,997,658
Ending Total Value	28,357,115	28,357,115	28,357,115
TIME WEIGHTED RATE OF RETURN (%) (Annualized for periods over 12 months)			
Return % (Net of Fees)	0.26	0.89	4.35
Bloomberg US Aggregate	0.79	0.74	5.21
90-Day T-Bills	0.14	1.07	4.58

ASSET ALLOCATION‡



RISK/RETURN ANALYSIS (SINCE PERFORMANCE INCEPTION MONTH END)‡



	Return % 06/30/24-04/14/26	Standard Deviation (%) 06/30/24-04/14/26
● Portfolio Time Weighted Return (Net of Fees)	4.30	2.29
■ Bloomberg US Aggregate	5.60	4.33
■ 90-Day T-Bills	4.54	0.23

Does not include Performance Ineligible Assets.

‡Includes manually added, external accounts, assets, and/or liabilities, not held at Morgan Stanley Wealth Management.

TOP POSITIONS BASED ON TOTAL VALUE‡

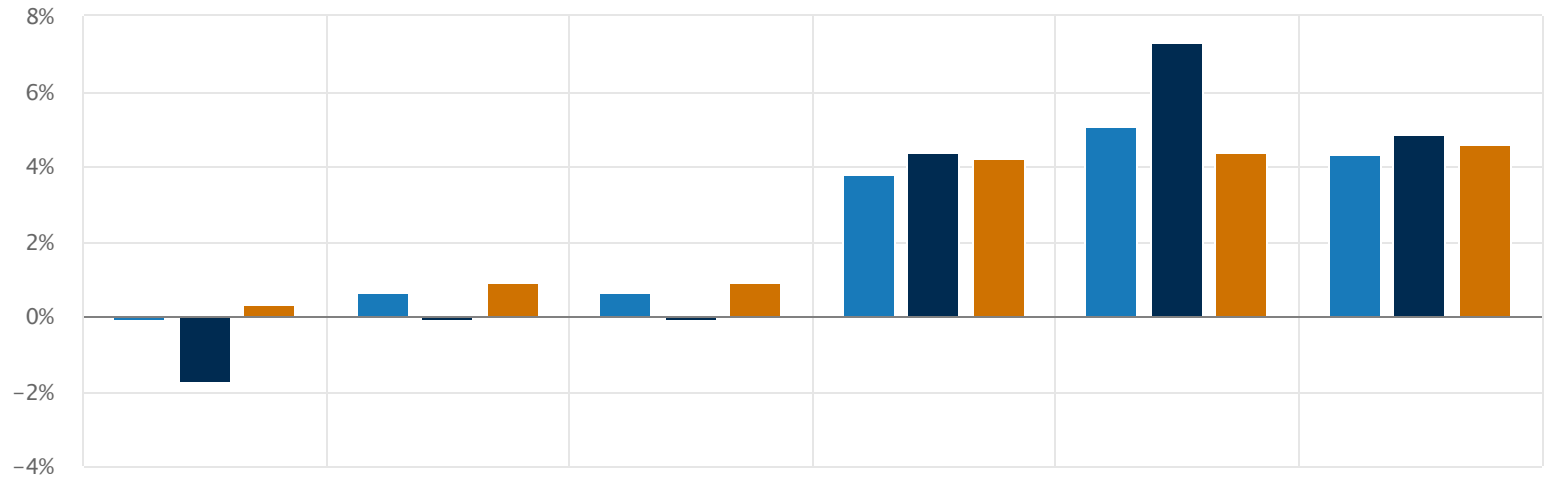
DESCRIPTION	Total Value (\$)	% of Portfolio
FIRST AMERICAN GOVERNMENT OBLI	16,967,905.98	60.0
US TSY NOTE 1250 26DE31	4,530,842.63	16.0
US TSY NOTE 1875 32FB15	2,163,547.48	7.6
US TSY NOTE 1875 27FB28	1,799,157.90	6.4
US TSY NOTE 3875 34AU15	1,471,571.15	5.2
US TSY NOTE 1500 27JA31	1,369,567.77	4.8
FHLMC 30G G00559 7000 26OC01	0.01	-
Top Positions	28,302,592.92	100.0
Other Positions	-	-
Total Portfolio	28,302,592.92	100.0

Time Weighted Performance Summary

BAY AREA HOSPITAL • 714-XXX738 • Portfolio Management

Data as of March 31, 2026

RETURN % (NET OF FEES) VS. BENCHMARKS (ANNUALIZED)[‡]



	Month to Date 02/28/26 - 03/31/26	Quarter to Date 12/31/25 - 03/31/26	Year to Date 12/31/25 - 03/31/26	Last 12 Months 03/31/25 - 03/31/26	Custom Period 12/31/24 - 12/31/25	Performance Inception 06/06/24 - 03/31/26
Beginning Total Value (\$)	28,278,432.31	28,089,598.00	28,089,598.00	36,543,410.17	42,849,926.62	0.00
Net Contributions/Withdrawals (\$)	0.00	6,640.66	6,640.66	-9,467,071.11	-16,462,744.55	25,348,883.00
Investment Earnings (\$)	-4,269.41	177,924.23	177,924.23	1,197,823.84	1,702,415.93	2,925,279.89
Ending Total Value (\$)	28,274,162.89	28,274,162.89	28,274,162.89	28,274,162.89	28,089,598.00	28,274,162.89
Return % (Net of Fees)	-0.02	0.63	0.63	3.78	5.06	4.30
Bloomberg US Aggregate (%)	-1.76	-0.05	-0.05	4.35	7.30	4.87
90-Day T-Bills (%)	0.32	0.93	0.93	4.22	4.40	4.60

The investment returns shown on this page are time-weighted measurements which exclude the effect of the timing and amount of your contributions and withdrawals.

[‡]Includes manually added, external accounts, assets, and/or liabilities, not held at Morgan Stanley Wealth Management.

Graystone Consulting

from Morgan Stanley

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Disclosures

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The information in this document is approximate and subject to updating, correction and other changes. We are not obligated to notify you if information changes. Although the statements of fact and data in this document have been obtained from, and are based upon sources that we believe to be reliable, we do not guarantee their accuracy, or timeliness, and any such information may be incomplete or condensed. Percentage values shown in this document are subject to rounding, which may impact total values. The values of securities and other investments not actively traded may be estimated or may not be available.

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Additional information about your Floating Rate Notes: For floating rate securities, the estimated accrued interest and estimated annual income are based on the current floating coupon rate and may not reflect historic rates within the accrual period.

Important Information About Auction Rate Securities: For certain Auction Rate Securities there is no or limited liquidity. Therefore, the price(s) for these Auction Rate Securities are indicated as not available by a dash "-". There can be no assurance that a successful auction will occur or that a secondary market exists or will develop for a particular security.

Important Pricing Information: Prices of securities not actively traded may not be available, and are indicated by a dash "-". Account values are based on the most recent security pricing available and may be prior to the date of this material.

Asset Classification: We classify assets based on general characteristics such as: income generation, underlying capital structure, or exposure to certain market sectors. As many assets contain characteristics of more than one asset class, allocations may be under or over inclusive. These classifications do not constitute a recommendation and may differ from the classification of instruments for regulatory or tax purposes. In addition, the Other asset class contains securities that are not included in the various asset class classifications. This can include, but is not limited to, non-traditional investments such as some Equity Unit Trusts, Index Options and Structured Investments issued outside of Morgan Stanley. Additionally, investments for which we are unable to procure market data to properly classify them will appear in the Other category.

External Accounts: "External" generally refers to accounts, assets, pricing, and/or liabilities that you hold with other financial institutions and/or which may be custodied outside of Morgan Stanley (whose subsidiaries include Morgan Stanley Smith Barney LLC and Morgan Stanley & Co.) ("External Accounts"). External Accounts are not under administration or management at Morgan Stanley and are not reflected in your Morgan Stanley account statements. Information related to External Accounts is provided solely as a service to you and your Financial Advisor/Private Wealth Advisor. The information reference is based upon information provided by external sources which we believe to be reliable. However, we do not independently verify this information. As such, we do not warrant or

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guarantee that such information is accurate or timely, and any such information may be incomplete or condensed.

Information related to Income, Performance, Tax Lots, Total Cost, Target Asset Allocation, Asset Classification, Risk Analysis and Gain/Loss may differ from the information provided by your custodian. External information presented herein is subject to, and does not supersede, the confirmations and account statements provided by your custodian. Values shown in an account statement from your custodian may differ from the values shown here due to, among other things, different reporting methods, delays, market conditions and interruptions. If there are discrepancies between your custodian's official account statement and this material, rely on the custodian's official account statement. We are not obligated to notify you or your Financial Advisor/Private Wealth Advisor if information changes. In performance calculations, the inception date referenced will reflect the first date on which Morgan Stanley received account information from the custodian. If information on an External Account cannot be reported, it will be noted.

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Performance: Performance results are annualized for time periods greater than one year and include all cash and cash equivalents, realized and unrealized capital gains and losses, dividends, interest and income. Depending on the opening or closing date of the account or position, the performance referenced may be for a portion of the time period identified. The investment results depicted herein represent historical performance. As a result of recent market activity, current performance may vary from the figures shown. Please contact your Financial Advisor for up-to-date performance information. Past performance is not a guarantee of future results. Quotations of performance appearing in this report may include performance experienced in legacy accounts which have been closed and purged, and as such are not included on the Accounts Included in This Report page.

Market values used for performance calculation do not include Performance Ineligible Assets and thus may differ from asset allocation market values. Common examples of Performance Ineligible Assets include liabilities, life insurance and annuities as well as Manually Added and External accounts for which Morgan Stanley does not receive data necessary to calculate performance.

Unless otherwise indicated, performance is an aggregated composite calculation of the entire portfolio and may include brokerage and investment advisory accounts as well as assets for different accounts included in this report. The accounts included in the composite may have (or have had) different investment objectives and strategies, been subject to different restrictions, and incurred different types of fees, markups, commissions and other charges. Accordingly, performance results may blend the performance of assets and strategies that may not have been available in all of the accounts at all times during the reporting period. In addition, accounts in the composite may have changed from brokerage to advisory or vice versa. Accounts may also have moved from one advisory program to another (including from a discretionary program to a non-discretionary program).

For Morgan Stanley Smith Barney LLC accounts, performance information may cover the full history of the account(s) or just the performance of an account(s) since the inception of the current program(s). Performance results on individual accounts will vary and may differ from the composite returns. Your Financial Advisor can provide you with individual account portfolio composition and performance information. For investment advisory accounts, please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 or applicable disclosure brochure. For brokerage accounts, please speak to your Financial Advisor for more information on commissions and other account fees and expenses. Performance inception date does not necessarily correspond to the account opening date. Where multiple accounts are included in performance calculations, the inception date is the oldest performance inception. Performance data may not be available for all periods as some accounts included in performance may have more recent performance inception dates. Consequently, the actual performance for a group of accounts may differ from reported performance. Please ask your Financial Advisor for the performance inception date for each account.

Indices: Benchmark indices and blends included in this material are for informational purposes only, are provided solely as a comparison tool and may not reflect the underlying composition and/or investment objective(s) associated with the account(s). In some circumstances, the benchmark index may not be an appropriate benchmark for use with the specific composite portfolio. For instance, an index may not take into consideration certain changes that may have occurred in the portfolio since the inception of the account(s), (e.g., changes from a brokerage to an advisory account or from one advisory program to another, asset class changes, or index changes for individual managers). The volatility of the index used for comparison may be materially different from that of the performance shown. Indices are unmanaged and not available for direct investment. Index returns do not take into account fees or other charges. Such fees and charges would reduce performance. Please see the Benchmark Definitions section of this material for additional information on the indices used for comparison.

Performance Inception Month End: Performance Inception Month End refers to performance calculated from the end of the month in which the accounts became eligible for performance. Calculating performance from the Performance Inception Month End allows for a comparison to be made to appropriate benchmarks. Performance Inception Month End does not necessarily correspond to the account opening date.

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Taxes, Fees, and Expenses: Except where net of fees performance (which reflects your actual advisory fees) is included, this material does not include the effect of taxes, account fees, advisory fees, performance fees, and commissions that could materially affect the illustration provided and the decisions that you may make. The inclusion of these factors will reduce any values referenced herein. Generally, investment advisory accounts are subject to an annual asset-based fee (the "Fee") which is payable monthly in advance (some account types may be billed differently). In general, the Fee covers Morgan Stanley investment advisory services, custody of securities with Morgan Stanley, trade execution with or through Morgan Stanley or its affiliates, as well as compensation to any Morgan Stanley Financial Advisor.

In addition, each account that is invested in a program that is eligible to purchase certain investment products, such as mutual funds, will also pay a Platform Fee (which is subject to a Platform Fee offset) as described in the applicable ADV brochure. Accounts invested in the Select UMA program may also pay a separate Sub-Manager fee, if applicable.

If your account is invested in mutual funds or exchange traded funds (collectively "funds"), you will pay the fees and expenses of any funds in which your account is invested. Fees and expenses are charged directly to the pool of assets the fund invests in and are reflected in each fund's share price. These fees and expenses are an additional cost to you and would not be included in the Fee amount in your account statements. The advisory program you choose is described in the applicable Morgan Stanley Smith Barney LLC ADV Brochure, available at www.morganstanley.com/ADV.

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GENERAL DEFINITIONS

Annualized Standard Deviation: A statistical calculation that measures the volatility of returns over time; the larger the standard deviation, the greater the volatility.

Dollar-Weighted Return (Internal Rate of Return): A return calculation that measures the actual performance of a portfolio over the reporting period. Since dollar weighted returns include the impact of client contributions and withdrawals, they should not be compared to market indices or used to evaluate the performance of a manager, but can be used to evaluate progress toward investment goals. The investment returns shown within this report are dollar-weighted measurements where indicated.

Investment Earnings: A combination of the income received and total portfolio value increase or decrease, excluding net contributions and withdrawals, over the reporting period.

Net Contributions/Withdrawals: The net value of cash and securities contributed to or withdrawn from the account(s) during the reporting period. Net contributions and withdrawals may include advisory fees for advisory accounts.

Net of Fees: Performance results depicted as "net" of fees shall mean that any wrap fee, investment management fees, trade commissions, and/or other account fees have been deducted. Any other fees or expenses associated with the account, such as third party custodian fees, may not have been deducted. Please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 Brochure for advisory accounts and/or any applicable brokerage account trade confirmation statements for a full disclosure of the applicable charges, fees and expenses. Your Financial Advisor will provide those documents to you upon request.

Performance ineligible assets: Performance returns are not calculated for certain assets because accurate valuations and transactions for these assets are not processed or maintained by Morgan Stanley Smith Barney LLC. Common examples of Performance Ineligible Assets include liabilities, life insurance and annuities as well as Manually Added and External accounts for which Morgan Stanley does not receive data necessary to calculate performance.

Time-Weighted Return: A return calculation that measures the investment performance of a portfolio over the reporting period. Time weighted returns do not include the impact of client contributions and withdrawals and therefore, may not reflect the actual rate of return the client received. Time weighted returns isolate investment actions and can be compared to benchmarks and used to evaluate the performance of a manager.

Total Value: "Total Value" represents the Market Value of the portfolio or Asset Class referenced and includes the accrual of interest and dividends. Total Value in the Asset Allocation view prior to January 2014 does not reflect the accrual of interest and dividends. Total Value for Morgan Stanley & Co. and External accounts also does not include accrued interest and dividends.

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BENCHMARK DEFINITIONS

90-Day T-Bills: The FTSE 3-Month US T Bill Index Series is intended to track the daily performance of 3-month US Treasury bills. The indexes are designed to operate as a reference rate for a series of funds. The FTSE 3-Month US T Bill Index Series does not take account of ESG factors in its index design.

Bloomberg US Aggregate: The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, fixed rate agency MBS, ABS and CMBS (agency and non-agency). Provided the necessary inclusion rules are met, US Aggregate-eligible securities also contribute to the multi-currency Global Aggregate Index and the US Universal Index.

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This material is not a financial plan. A financial plan generally seeks to address a wide spectrum of your long-term financial needs, and can include recommendations about insurance, savings, tax and estate planning, and investments, taking into consideration your goals and situation, including anticipated retirement or other employee benefits. Morgan Stanley will only prepare a financial plan at your specific request using Morgan Stanley approved financial planning software. If you would like to have a financial plan prepared for you, please consult with a Morgan Stanley Financial Advisor.

The sole purpose of this material is to inform, and it in no way is intended to be an offer or solicitation to purchase or sell any security, other investment or service, or to attract any funds or deposits. Investments mentioned may not be appropriate for all clients. Any product discussed herein may be purchased only after a client has carefully reviewed the appropriate materials. Morgan Stanley Wealth Management has not considered the actual or desired investment objectives, goals, strategies, guidelines, or factual circumstances of any investor in any fund(s). Before making any investment, each investor should carefully consider the risks associated with the investment, as discussed in the applicable offering memorandum, and make a determination based upon their own particular circumstances, that the investment is consistent with their investment objectives and risk tolerance.

All expressions of opinion are subject to change without notice and are not intended to be a forecast of future events or results. Further, opinions expressed herein may differ from the opinions expressed by Morgan Stanley Wealth Management and/or other businesses/affiliates of Morgan Stanley Wealth Management.

Past performance is no guarantee of future results. Actual results may vary. Diversification does not assure a profit or protect against loss in a declining market.

Differences between a brokerage and an investment advisory relationship:

You should understand the differences between a brokerage and advisory relationship. When providing you brokerage services, our legal obligations to you are governed by the Securities Act of 1933, the Securities Exchange Act of 1934, the rules of self-regulatory organizations such as the Financial Industry Regulatory Authority (FINRA), and state securities laws, where applicable. When providing you advisory services, our legal obligations to you are governed by the Investment Advisers Act, Federal statutes and regulations relating to retirement accounts, and applicable state securities laws. These latter advisory obligations govern our conduct and disclosure requirements, creating a legal standard which is referred to as a “fiduciary” duty to you. We also may have a fiduciary duty to you, with respect to brokerage retirement accounts. Please reach out to your Financial Advisor if you have questions about your rights and our obligations to you, including the extent of our obligations to disclose conflicts of interest and to act in your best interest. For additional answers to questions about the differences between our advisory and brokerage services, please consult with your Financial Advisor or review our Understanding Your Brokerage and Investment Advisory Relationships brochure available at <https://www.morganstanley.com/wealth-relationshipwithms/pdfs/understandingyourrelationship.pdf>.

Investment Advisory Programs:

Morgan Stanley offers investment program services through a variety of investment programs, which are opened pursuant to written client agreements. Each program offers investment managers, funds and features that are not available in other programs; conversely, some investment managers, funds or investment strategies may be available in more than one program. Morgan Stanley's investment advisory programs may require a minimum asset level and, depending on a client's specific investment objectives and financial position, may not be appropriate for the client. Please see the applicable program disclosure document for more information, available at www.morganstanley.com/ADV or from your Financial Advisor. Transitioning from a brokerage to an advisory relationship may not be appropriate for some clients.

The investment management services of Morgan Stanley Smith Barney LLC and investment vehicles managed by Morgan Stanley SmithBarney LLC or its affiliates are not guaranteed and could result in the loss of value to your account. You should note that investing in financial instruments carries with it the possibility of losses and that a focus on above-market returns exposes the portfolio to above-average risk. Performance aspirations are not guaranteed and are subject to market conditions. High volatility investments may be subject to sudden and large falls in value, and there could be a large loss on realization which could be equal to the amount invested.

The Global Investment Manager Analysis (GIMA) services Only Apply to Certain Investment Advisory Programs. GIMA evaluates certain investment products for the purposes of some – but not all – of Morgan Stanley Smith Barney LLC's investment advisory programs (as described in more detail in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management). If you do not invest through one of these investment advisory programs, Morgan Stanley Wealth Management is not obligated to provide you notice of any GIMA status changes even though it may give notice to clients in other programs.

General Risks of Investing:

You should note that investing in financial instruments carries with it the possibility of losses and that a focus on above-market returns exposes the portfolio to above-average risk. Performance aspirations are not guaranteed and are subject to market conditions. High volatility investments may be subject to sudden and large falls in value, and there could be a large loss on realization which could be equal to the amount invested.

Asset allocation, diversification and rebalancing do not assure a profit or protect against loss. There may be a potential tax implication with a rebalancing strategy. Please consult your tax advisor before implementing such a strategy.

Non diversification is attributed to a portfolio that holds a concentrated or limited number of securities; a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. Portfolios that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors.

Value and growth investing also carry risks. Value investing involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

Investors should carefully consider the investment objectives, risks, charges and expenses of a mutual fund/exchange traded fund before investing. The prospectus contains this and other information about the fund. To obtain a prospectus, contact your Institutional Consultant or visit the fund company's website. Please read the prospectus carefully before investing.

Key Asset Class and Security Type Risk Considerations:

Alternative Investments

The asset allocation recommendations provided to you in this report may include allocations to alternative asset classes. It is important to note that Alternatives may be either traditional alternative investment vehicles or non-traditional alternative strategy products. Traditional alternative investment vehicles may include hedge funds, fund of hedge funds (both registered and unregistered), private equity, and private real estate or managed futures funds. Non-traditional alternative strategy products may include open-end mutual funds and ETFs. These non-traditional products also seek alternative-like exposure but have significant differences from traditional alternative investments.

The risks of traditional alternative investments may include: high liquidity, speculative and not appropriate for all investors, loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized, absence of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than open-end mutual funds, and risks associated with the operations, personnel and processes of the manager. Non-traditional alternative strategy products may employ various investment strategies and techniques for both hedging and more speculative purposes such as short-selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss.

Fixed Income

Investing in fixed income securities involves interest rate risk, credit risk, and inflation risk. Interest rate risk is the possibility that bond prices will decrease because of an interest rate increase. When interest rates rise, bond prices, and the values of fixed income securities generally fall. Credit risk is the risk that a company will not be able to pay its debts, including the interest on its bonds. Inflation risk is the possibility that the interest paid on an investment in bonds will be lower than the inflation rate, decreasing purchasing power.

Ultra-Short Fixed Income

Ultra-short bond funds are mutual funds and exchange-traded funds that generally invest in fixed income securities with very short maturities, typically less than one year. They are not money market funds. While money market funds attempt to maintain a stable net asset value, an ultra-short bond fund's net asset value will fluctuate, which may result in the loss of the principal amount invested. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk.

Non-US Fixed Income

Foreign fixed income securities may involve greater risks than those issued by U.S. companies or the U.S. government. Economic, political and other events unique to a country or region will affect those markets and their issues, but may not affect the U.S. market or similar U.S. issuers.

Inflation-Linked Securities

These securities adjust periodically against a benchmark rate, such as the Consumer Price Index (CPI). They pay a coupon equal to the benchmark rate, plus a fixed 'spread' and reset on a periodic basis. The initial interest rate on an inflation linked or floating security may be lower than that of a fixed-rate security of the same maturity because investors expect to receive additional income due to future increases in CPI, or the linked reference interest rate. However, there can be no assurance that these increases will occur.

High Yield Fixed Income

High yield fixed income securities, also known as "junk bonds", are considered speculative, involve greater risk of default and tend to be more volatile than investment grade fixed income securities.

Municipal Fixed Income

Income generated from an investment in a municipal bond is generally exempt from federal income taxes. Some income may be subject to state and local taxes and to the federal alternative minimum tax. Capital gains, if any, are subject to tax.

Equity

Investing in stock securities involves volatility risk, market risk, business risk, and industry risk. The prices of stocks fluctuate. Companies paying dividends can reduce or cut payouts at any time. Volatility risk is the chance that the value of a stock will fall. Market risk is the chance that the prices of all stocks will fall due to conditions in the economic environment. Business risk is the chance that a specific company's stock will fall because of issues affecting it such as the way the company is managed. Industry risk is the chance that a set of factors particular to an industry group will adversely affect stock prices within the industry.

Small/Mid Cap Equity

Stocks of small and medium-sized companies entail special risks, such as limited product lines, markets, and financial resources, and greater market volatility than securities of larger, more established companies.

International/Emerging Markets Equities

Foreign investing involves certain risks not typically associated with investments in domestic corporations and obligations issued by the U.S. government, such as currency fluctuations and controls, restrictions on foreign investments, less governmental supervision and regulation, less liquidity and the potential for market volatility and political instability. In addition, the securities markets of many of the emerging markets are substantially smaller, less developed, less liquid and more volatile than the securities of the U.S. and other more developed countries.

Structured Investments

An investment in structured investments involves risks. These risks can include but are not limited to: fluctuations in the price, level or yield of underlying asset(s), interest rates, currency values and credit quality, substantial loss of principal, limits on participation in appreciation of underlying asset(s), limited liquidity, credit risk, and/or conflicts of interest. Many structured investments do not pay interest or guarantee a return above principal at maturity. Investors should read the security's offering documentation prior to making an investment decision.

GIMA's goal is to provide professional, objective evaluations in support of the Morgan Stanley Wealth Management investment advisory programs. We have policies and procedures to help us meet this goal. However, our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by GIMA come from a variety of sources, including our Morgan Stanley Wealth Management Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Wealth Management or its affiliates. Such persons may have an ongoing business relationship with certain investment managers or mutual fund companies whereby they, Morgan Stanley Wealth Management or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds. For example, a Financial Advisor may suggest that GIMA evaluates an investment manager or fund in which a portion of his or her clients' assets are already invested. While such a recommendation is permissible, GIMA is responsible for the opinions expressed by GIMA. See the conflicts of interest section in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management for a discussion of other types of conflicts that may be relevant to GIMA's evaluation of managers and funds. In addition, Morgan Stanley Wealth Management, Morgan Stanley & Co LLC., managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs. Morgan Stanley Wealth Management, managers, Morgan Stanley & Co LLC and their affiliates receive compensation and fees in connection with these services. Morgan Stanley Wealth Management believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account.

Global Investment Manager Analysis (GIMA) defines Adverse Active Alpha (AAA) as follows:

Adverse refers to the demonstrated ability to outperform in a variety of market environments and when conditions were difficult for active manager relative performance. "Difficult" periods were times when active management did not perform well relative to the index, as opposed to down market periods. At various times, active management has experienced difficult relative performance periods in up, down, and flat markets. We developed a set of factors to help discern which periods were more difficult for active managers that we utilize to identify managers that were able to overcome these headwinds and outperformed in the face of adversity.

Active refers to managers with high active share – i.e., managers whose portfolios looked different from the index – and had moderate to low tracking error. In this way, the ranking seeks to find managers that were active, but not taking outsized factor bets, such as large sector or industry bets and that had some degree of style consistency. The combination of high active share and low tracking error is fairly uncommon among active managers, but we believe these traits may point toward managers with strong stock picking skills.

Alpha refers to the demonstrated ability to add value relative to an index and/or peers. Back tests indicate that highly ranked managers as a group outperformed the index and style peer group over subsequent periods and relative to active share alone. By combining the "adverse" component with the "active" component, we believe we increase the odds of finding some of the most proficient stock pickers.

Important Considerations Regarding the Adverse Active Alpha ranking process:

Global Investment Manager Analysis, formerly Consulting Group Investment Advisor Research (CG IAR), provides comprehensive manager analysis for Morgan Stanley's investment advisory platforms on a wide range of investment products, including separately managed accounts, mutual funds and exchange-traded funds in the equity, fixed income and alternative investment categories.

In our view, the Adverse Active Alpha manager ranking model is an important part of evaluating managers for consideration. However, we do recognize that AAA cannot, in and of itself, tell us which managers' strategies to invest in or when to buy or sell the strategies. While highly ranked managers historically performed well as a group in our analysis, past performance is not a guarantee of future results for any manager or strategy. Index returns assume reinvestment of dividends and, unlike fund or strategy returns, do not reflect any fees or expenses. Indices are unmanaged and not available for direct investment.

It is also important to keep in mind that just because a manager has high active share, a portfolio that looks different than the index (benchmark) doesn't necessarily mean the portfolio had or will have better performance than the index. Being different than the index does not consider factors such as: the timeliness of data provided by the manager, the appropriateness of the benchmark used for comparison to the portfolio, the relevancy of the period(s) being analyzed between the portfolio and the benchmark, knowing the difference between the securities and their concentration in a manager's portfolio vs. the benchmark and the potential that the data provided by the manager looked significantly different in periods before and after the performance snapshot(s) used for analysis. While the preceding considerations are not part of the AAA ranking model, GIMA's strives to evaluate other material and forward looking factors as part of the overall manager evaluation process. Factors such as but not limited to manager turnover and changes to investment process can partially or fully negate a positive Adverse Active Alpha ranking. Additionally, highly ranked managers can have differing risk profiles that might not be appropriate for all investors. For more information on AAA, please see the Adverse Active Alpha Ranking Model and Selecting Managers with Adverse Active Alpha whitepapers. The whitepaper are available from your Financial Advisor or Private Wealth Advisor.

ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its affiliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

Morgan Stanley Wealth Management Global Investment Committee:

Morgan Stanley Wealth Management Global Investment Committee provides guidance on asset allocation recommendations through the creation and maintenance of the model portfolios called the GIC Asset Allocation Models. The GIC Asset Allocation Models have both strategic allocations (seeking to maximize returns in the long run) and tactical allocations (seeking to maximize returns over a shorter period). The asset allocation recommendations in the GIC Asset Allocation Models can then be implemented by us in either a brokerage account or an investment advisory account, tailored to your specific financial needs and situation, your risk tolerance and subject to any reasonable investment restrictions imposed by you.

The GIC was formed in August 2009 and is currently made up of senior professionals from Morgan Stanley and its affiliates, Morgan Stanley & Co. LLC and Morgan Stanley Investment Management Inc. The GIC Asset Allocation Models are not available to be directly implemented as part of an investment advisory service and should not be regarded as a recommendation of any Morgan Stanley investment advisory service. The GIC Asset Allocation Models do not represent actual trading or any type of account or any type of investment strategies and none of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, advisory fees, fund expenses) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models which, when compounded over a period of years, would decrease returns.

Investment advisory accounts are subject to an annual asset-based fee which is payable monthly in advance (some account types may be billed differently), (the “Fee”). In general, the Fee covers Morgan Stanley investment advisory services, custody of securities with Morgan Stanley, trade execution with or through Morgan Stanley or its affiliates, as well as compensation to any Morgan Stanley Institutional Consultant. In addition, each account that is invested in a program that is eligible to purchase certain investment products, such as mutual funds, will also pay a Platform Fee (which is subject to a Platform Fee offset) as described in the applicable ADV brochure. Accounts invested in the Select UMA program will also pay a separate Morgan Stanley Overlay Manager Fee and any applicable Sub-Manager fees. The Morgan Stanley Smith Barney LLC Select UMA program is described in the applicable Morgan Stanley Smith Barney LLC ADV Brochure, available at www.morganstanley.com/ADV.

Overlay Managers or Executing Sub-Managers (“managers”) in some of Morgan Stanley’s Separately Managed Account (“SMA”) programs may affect transactions through broker-dealers other than Morgan Stanley or our affiliates. If your manager trades with another firm, you may be assessed costs by the other firm in addition to Morgan Stanley’s fees. Those costs will be included in the net price of the security, not separately reported on trade confirmations or account statements. Certain managers have historically directed most, if not all, of their trades to outside firms. Information provided by managers concerning trade execution away from Morgan Stanley is summarized at: www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf. For more information on trading and costs, please refer to the ADV Brochure for your program(s), available at www.morganstanley.com/ADV, or contact your Institutional Consultant.

If your portfolio is invested in mutual funds or exchange traded funds (ETFs), you will pay the fees and expenses of any funds in which your account is invested. Fees and expenses are charged directly to the pool of assets the fund invests in and are reflected in each fund’s share price. You understand that these fees and expenses are an additional cost to you and would not be included in the Fee amount in your account statements.

Graystone Consultants and Morgan Stanley Financial Advisors can conduct their business in several ways: individually, as a member of a team of Financial Advisors, or through the formation of a Strategic Partnership with another Financial Advisor or team of Financial Advisors. A Strategic Partnership is an arrangement between a Financial Advisor or a team of Financial Advisors with another Financial Advisor or team of Financial Advisors that has a unique focus or knowledge regarding a specific business concentration, product area and/or client type. If your account is with an individual Financial Advisor, that Financial Advisor services all facets of your account. If your account is with a Financial Advisor who is a member of a team, any Financial Advisor on the team can service your account. If your Financial Advisor is part of a Strategic Partnership, his or her role in that Strategic Partnership may be limited to a specific business and/or product area and may not cover all facets of your account. The use of the terms “Partner” or “Strategic Partner” and/or “Partnership” or “Strategic Partnership” are used as terms of art and not used to imply or connote any legal relationship.

Environmental, Social and Governance (“ESG”) investments in a portfolio may experience performance that is lower or higher than a portfolio not employing such practices. Portfolios with ESG restrictions and strategies as well as ESG investments may not be able to take advantage of the same opportunities or market trends as portfolios where ESG criteria is not applied. There are inconsistent ESG definitions and criteria within the industry, as well as multiple ESG ratings providers that provide ESG ratings of the same subject companies and/or securities that vary among the providers. Certain issuers of investments may have differing and inconsistent views concerning ESG criteria where the ESG claims made in offering documents or other literature may overstate ESG impact. ESG designations are as of the date of this material, and no assurance is provided that the underlying assets have maintained or will maintain and such designation or any stated ESG compliance. As a result, it is difficult to compare ESG investment products or to evaluate an ESG investment product in comparison to one that does not focus on ESG. Investors should also independently consider whether the ESG investment product meets their own ESG objectives or criteria.

There is no assurance that an ESG investing strategy or techniques employed will be successful. Past performance is not a guarantee or a dependable measure of future results.

The investments listed may not be appropriate for all investors. Morgan Stanley Smith Barney LLC recommends that investors independently evaluate particular investments and encourages investors to seek the advice of a Financial Advisor. The appropriateness of a particular investment will depend upon an investor's individual circumstances and objectives.

Morgan Stanley Wealth Management’s Outsourced Chief Investment Officer (OCIO) program, provides a discretionary investment management solution for accounts generally in excess of \$50 million in assets. The program’s robust investment process includes investment policy statement development and review, customized asset allocation, investment product selection, risk management, disciplined rebalancing and ongoing portfolio monitoring. To learn more about the OCIO program, read the applicable Morgan Stanley Smith Barney LLC ADV brochure and/or brochure supplement, available at www.morganstanley.com/ADV. In the OCIO program, accounts are subject to an annual asset-based fee which is payable quarterly in advance (some account types may be billed differently). In general, the Fee covers all fees or charges of Morgan Stanley (including investment advisory services, brokerage commissions, compensation to Morgan Stanley Financial Advisors and Morgan Stanley custodial charges) except certain costs or charges associated with the account such as any applicable Sub-Manager fees or certain securities transactions, including dealer mark-ups or mark-downs, auction fees, certain odd-lot differentials, exchange fees, transfer taxes, electronic fund and wire transfer fees; charges imposed by custodians other than Morgan Stanley.

Insurance products are offered in conjunction with Morgan Stanley Smith Barney LLC’s licensed insurance agency affiliates.

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