

STATEMENT TO THE PRESS, THURSDAY, FEBRUARY 19, 2026, 10 AM
OFFICES OF LEE & HAYES, PC, 1400 BANK OF AMERICA FINANCIAL CENTER

INTRODUCTION AND BACKGROUND

Thank you everyone for attending today's press conference. My name is Todd Nida. I'm the Superintendent and Chief Executive Officer of Adams County Public Hospital District No. 2 doing business as East Adams Rural Healthcare in Ritzville, Washington. I'll be referring to East Adams Rural Healthcare as the Hospital or the Ritzville Hospital during my remarks. I'm joined today by the Hospital's Chief Financial Officer, Viola Babcock, and our corporate reorganization legal counsel, Shaun Cross of the law firm, Lee & Hayes, which is hosting our gathering today.

PURPOSE FOR TODAY'S CONFERENCE

The purpose for today's press conference is to update you on the Hospital's operations, its financial situation, the progress we have made and the challenges we still face. We believe that from a messaging standpoint, it made more sense to have this press conference in Spokane. Since last Fall, the headlines about the Hospital have veered from "we're closing" to "everything is going to be fine". The reality is that we're somewhere in between.

HOW DID WE GET HERE?

Over the past several months the independent accounting firm of DZA in Spokane Valley completed EARH's audits for 2022 and 2023. The 2024 audit was completed this past week and delivered to the board on Friday. The audits for 2022-2024 show that the Hospital lost \$10,512,533 between 2022 and 2024.

We now know that individuals in the prior administration misrepresented the financial performance of the Hospital to the Hospital's Board and the Ritzville Community starting in

July 2023 and continuing through June 2025, apparently concealing the \$10.5 million loss. In addition, it appears that individuals in the Hospital's prior administration falsified documents on a federal grant for \$342,000, falsely billed Medicare for \$512,000, falsely billed Medicaid for \$249,000, and failed to disclose \$930,000 of accounts payable in the financials. Individuals in the administration also approved \$1.9 million in contracts without seeking Board approval in violation of the hospital's internal controls and policies.

In June 2025, when the former CFO resigned, when the full extent of the financial fraud was discovered, the Hospital was within two to three weeks of closure.

ACTIONS TAKEN SINCE FRAUD WAS DISCOVERED

1. Cash Infusion. The Hospital was able to keep its doors open because of a couple infusions of cash. Thanks to the Washington[SH1.1] State Hospital Association and Health Care Authority, we received \$2 million of distressed hospital funding. In addition, our accounting firm, DZA, accelerated the preparation of our audits for 2022, 2023 and 2024, which allowed for the filing of Medicare Cost Reports that will provide an additional \$2 million of funding for 2025 and 2026. These two infusions of cash in 2025, some of which will come in during 2026, have kept the Hospital's doors open while a longer-term plan was formulated.
2. Board Hires New Management to administer the Hospital. I started with the Hospital in 2021 and was appointed by the Board to be CEO in August 2025. Viola Babcock, who discovered the fraud, was hired as CFO in June 2025. Here is a short list of accomplishments by our entire team since then.
 - a. The Independent Outside Audits for 2022, 2023 and 2024 Were Completed on a Fast Track by DZA.
 - b. New Management Self-Reports Internal Findings of Fraud and Cooperates with Fourteen (14) on-going State, Federal and local governmental entities and their investigations.
 - c. Two Rounds of Layoffs Took Place in July and September 2025 to Cut Expenses
 - d. Contracted and retained a contracted entity "Docs Who Care" for staffing the 24/7 Emergency Room at significantly lower cost
 - e. We Filed an Application with CMS and the Department of Health to Operate as the State's first Rural Emergency Hospital (REH)

- f. We worked with our legislators to Introduce Legislation in January 2026 (SB 6103) to allow REH hospitals to be paid the same Medicaid rates as critical access hospitals
- g. We Scheduled February 10th Vote to Increase our funding through recovering our Levy funding for EMS and Operations
- h. As of yesterday, Proposition No. 1, which was for the increased EMS funding had passed by a 57%-43% margin. We thank our citizens of the District for that support. Proposition No. 2 for increased Operating Funding is still too close to call, but as of yesterday, has been rejected by 1 vote.
- i. We have Cancelled Unnecessary Contracts/Cut Purchasing Costs/Reduced Inventories
- j. We have moved to Optimize EMS Services via Intra-Facility Transfer Program
- k. This Week We Fine Tuned our REH operating structure putting in place a sustainable model that will provide community supported critical services into the future. Our REH model will be reduced to an Emergency Department, Laboratory, Radiology, 911, Transfers, and a Walk-in Clinic
- l. EARH employed 83 staff before the first round of layoffs in July 2025 and another round in September 2025. EARH currently employs 69 staff. With the latest model, EARH will employ between 55 and 60 people. I'll now turn this over to the attorney who has been working with us to craft our Reorganization Plan, Shaun Cross.
- m. The challenge is that EARH had to find a way to deal with \$5.3M of Unsecured Debt. Because of its financial status, EARH as a municipality under Washington law is eligible to file under Chapter 9 of the Bankruptcy Code, but given its size and financial situation, our goal has been to create a Plan of Adjustment outside Chapter 9---(Shaun to cover points (q) through (y))
- n. How will the Plan of Adjustment work? Explain Details about the Trust and the 3 sources of payment. Issue: will the 175 creditors that total \$5.3M agree to the Plan of Adjustment? The 2 largest creditors have agreed to the Plan of Adjustment.
- o. Reached Agreement last week with MultiCare on its \$3.2 million Claim/Terms. Assuming EARH performs under our agreement with MultiCare, MultiCare has agreed to participate in EARH's Plan of Adjustment.
- p. Reached Agreement this week with Health Carousel on its \$.7 million Claim/Terms
- q. Have Resolved Claims totaling \$3.9 million as of today
- r. Have Begun to work with the Hospital's remaining Creditors--\$1.4 million
- s. Desire to avoid Chapter 9

- t. Goal to Pay Back as Much as Possible w/o Stressing Future Financial Viability
- u. Of the 175 creditors, 50 are owed \$1,000 or less. It is anticipated that those creditors will be paid in full later this Spring. In addition, creditors owed more than \$1,000 will have the opportunity to either participate in the Distribution Trust or accept \$1,000 in full payment.
- v. Key vendors and suppliers will continue to be paid.
- w. With a few exceptions, existing leases will continue to be honored and paid in the ordinary course
- x. The Plan of Adjustment will not Impact any Bondholders in any way. Current bondholders are owed roughly \$8 million.

WHAT IF REMAINING CREDITORS INSIST ON PAYMENT OR COMMENCE LITIGATION?

(a) It is possible that EARH would have to file Chapter 9 bankruptcy. A municipal debtor has significant rights, much greater than in Chapter 11. Only EARH can propose a plan. No one can force the Hospital to close or be liquidated.

(b) EARH's Plan of Adjustment would become its Plan of Adjustment in Chapter 9. The only difference is that the Net available from the Trust would be much less due to higher attorney fees and Chapter 9-related costs and additional pressure from suppliers and vendors.

(c) In other words, creditors who, like MultiCare and Health Carousel, accept EARH's Plan of Adjustment outside Chapter 9 will receive more over the next 5 years.

CONCLUSION (Todd)

I'm proud of the progress we have made. We were at great risk of closing this past year. We still have a long way to go though. There is no certainty in the healthcare industry today. That is especially true in rural healthcare. It is incredibly unfortunate that individuals in the prior management deceived our Board, our suppliers and vendors, and our community. We are fully cooperating with the authorities regarding the financial discrepancies that were discovered last Summer.

East Adams Rural Healthcare injected \$20 million into the local Ritzville economy in 2025 with an \$8 million payroll. While the Hospital's payroll will be roughly half what it once was, that stills means a \$10 million on-going economic impact for the Ritzville area. We believe the new REH model is sustainable and that it will provide critical access and emergency care for the Ritzville Community and those who travel along the I-90 and 395 corridors.

There are several organizations I want to thank who have gotten us to this point today. I'd like to thank the following:

****MultiCare

****Health Carousel

****Washington State Department of Health

****Washington State Hospital Association

****DZA

****AWPHD

****The Rural Collaborative

****Senator Mark Schoesler

****Representative Joe Schmick

****Congressman Mike Baumgartner

****Our Board and Staff

****The Community of Ritzville, and citizens of our hospital district and Adams County for attending our public forums, supporting our hospital and making the journey with us.