



Mind OC was formed as a public benefit nonprofit in 2017 to serve as the County's contracted partner in developing, constructing, and managing healthcare facilities on behalf of the County. Soon thereafter, the County engaged with Mind OC to work towards the implementation of a countywide behavioral health system to provide a broad range of County provided health care services to address the critical mental health care needs of Orange County residents. The services were a component of a joint plan to establish regional wellness hubs for mental health crisis and substance use disorder treatment services to be provided by County service providers at County owned health care campuses, which the County leased to Mind OC for the County's implementation of its behavioral health services mission. These facilities are located on property the County purchased for the specific purpose of providing behavioral health services to the public and were largely constructed with taxpayer funds.

However, in mid-2024, the County learned that Mind OC was failing to adequately perform. For example, an audit of Mind OC's performance under a Master Services Agreement, which broadly required Mind OC to manage the delivery of services at the Orange Campus under the direction of HCA, revealed 38 performance deficiencies that presented substantial risk to the County's mandate and plan to provide these critical services, fiscal management, and compliance with State and federal regulations.

In addition, while investigating corruption under former Orange County Supervisor Andrew Do, the County discovered irregularities between Do's office and Mind OC. In 2021, Mind OC hired Josie Batres, the wife of Supervisor Do's Chief of Staff, to perform consulting services for \$275,000 under a mental health contract funded by the County. While MOC accepted the \$ 275,000 payment for this contract from the County and disbursed those funds to Ms. Batres, Mind OC could not produce evidence that Ms. Batres performed any of the services. These revelations lead to a broader review of the County's dealings with Mind OC, including Mind OC's compliance with the terms of its Ground Lease of the Orange Campus.

As part of the joint plan, Mind OC was required to sublease space at the Orange Campus to taxpayer-funded behavioral health service providers. The subleases were subject to County pre-approval requirements, which were intended to assure delivery of cost-effective, affordable services subject to County oversight. Nevertheless, the County learned that Mind OC had disregarded these pre-approval requirements, resulting in a windfall of excess profits. While Mind OC, as a non-profit, was paying just \$1 in annual rent to the County as part of the joint plan, Mind OC collected millions of dollars in profits due to excessive rents it charged on unapproved subleases to County service providers. Mind OC charged County service providers over \$2 million annually, over its property management costs, to sublease space at the Orange Campus, and these costs were ultimately passed on to the County.

Mind OC refused the County's multiple requests to cure its defaults under the Ground Lease, and the County terminated this lease. Mind OC also filed a lawsuit against the County seeking over \$10 million in damages in relation to the termination despite only paying \$1 dollar in annual rent.

Mind OC's complaint centers on Mind OC's assertion that it is entitled to charge the County service providers rates significantly above its costs to maximize its own financial returns. The County firmly disputes this claim and maintains that it must ensure that taxpayer dollars are spent efficiently, transparently and in a cost-effective manner consistent with the joint plan, applicable laws, contractual terms and responsible fiscal management.



Today, because Mind OC filed suit against the County, the County filed its compulsory cross-complaint against Mind OC in the action. Notwithstanding the tens of millions in public funds Mind OC received from the County, and its repeated allegations that it was partnered with the County to enhance the County's behavioral health care system for all Orange County residents, Mind OC, a non-profit, took positions designed to maximize its profits at the expense of County taxpayers and residents in dire need of affordable mental health services. The County seeks through its Cross-Complaint to promote accountability and equitable stewardship of taxpayer resources. It also seeks to ensure that County health care facilities and public funds are used to provide critical, affordable and cost-effective behavioral health care services to County residents, rather than to enrich Mind OC, a private party.

Because litigation remains ongoing, the County will not comment on the specific legal claims but remains resolute in its position and adherence to all governing requirements.

For further information, please contact:

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