



Hazel Hawkins  
MEMORIAL HOSPITAL

**SPECIAL MEETING OF THE BOARD OF DIRECTORS  
SAN BENITO HEALTH CARE DISTRICT  
911 SUNSET DRIVE, HOLLISTER, CALIFORNIA  
MONDAY, AUGUST 7, 2023  
5 P.M.**

**WOMEN'S CENTER, 2<sup>ND</sup>-FLOOR, HORIZON ROOM**

**Mission Statement** - The San Benito Health Care District is a public agency that serves as a responsive, comprehensive health care resource for its patients, physicians, and the health care consumers of the community.

**Vision Statement** - San Benito Health Care District is committed to meeting community health care needs with quality care in a safe and compassionate environment.

*San Benito Health Care District is a public agency that serves as a responsive, comprehensive health care resource for its patients, physicians and the community.*

**AGENDA**

**Presented By:**

**1. Call to Order / Roll Call**

(Hernandez)

**2. Action Items**

- A. Consider Temporary Advisory Committee's Recommendations Regarding American Advanced Management's Letter of Intent for a Proposed Business Transaction with the District and Provide Authority to Negotiate

(R. Miller - Hooper, Lundy, Bookman)

- Report
- Board Questions
- Public Comment
- Motion/Second
- Action/Board Vote-Roll Call

- B. Consider Dissolution of Temporary Advisory Committee – Potential Affiliation/Strategic Partnership, and Formation of a Temporary Advisory Committee to Negotiate Potential Terms (President Hernandez and Director Johnson)

(Hernandez)

- Report
- Board Questions
- Public Comment
- Motion/Second
- Action/Board Vote-Roll Call

- C. General Discussion of Additional Board Meeting Dates and Direction to Staff

(Hernandez)

- Report
- Board Questions
- Public Comment

**3. Adjournment**

(Hernandez)



Effective Date: August 3, 2023

VIA EMAIL ONLY TO [mcasillas@hazelhawkins.com](mailto:mcasillas@hazelhawkins.com)

Mary Casillas, MHA  
Interim, Chief Executive Officer  
Hazel Hawkins Memorial Hospital  
911 Sunset Dr.  
Hollister, CA 95023

Re: Potential Business Combination between (i) San Benito Health Care District d/b/a Hazel Hawkins Memorial Hospital (“**HHMH**”) and (ii) American Advanced Management Group, Inc. or its affiliate (“**AAMG**”)

Dear Ms. Casillas:

This letter (this “**Letter**”) is intended to summarize the principal terms of the proposed transaction by which HHMH and AAMG, through one or more steps, would enter into a business combination transaction by which AAMG would operate and assume financial responsibility for certain assets of HHMH, including without limitation a licensed inpatient acute care hospital, outpatient surgery center, skilled nursing facility, various clinics and other properties included on the hospital campus (the “**Proposed Transaction**”). HHMH and AAMG are referred to herein collectively as the “**Parties**.” Except as expressly set forth herein, this Letter constitutes a nonbinding expression of the mutual intention of the Parties to pursue the Proposed Transaction on the terms and subject to the conditions described herein.

1. Proposed Transaction. Subject to the satisfaction of the conditions described in this Letter, the structure of the Proposed Transaction is expected to be as described in Exhibit A. Notwithstanding anything to the contrary, the Parties recognize that all of the terms and structure of the Proposed Transaction are subject to the Parties’ continuing review and analysis and that it may be necessary or appropriate to restructure the form and the terms of the Proposed Transaction as a result of due diligence investigation or licensing, regulatory, compliance, tax, accounting or other considerations.

2. Definitive Agreements. As soon as reasonably practicable after the execution of this Letter, HHMH shall instruct its legal counsel to draft, and the Parties shall commence to negotiate, one or more definitive agreements relating to the Proposed Transaction (the “**Definitive Agreements**”). The Definitive Agreements would include the terms summarized in this Letter and such other representations, warranties, conditions, covenants, indemnities and other terms that are customary for transactions of this kind.

3. Conditions. The Parties' obligation to proceed with the Proposed Transaction will be subject to: (i) approval of the United States Bankruptcy Court for the Northern District of California (the "**Court**"), under §§ 363, 365, 943, and/or 1123 of title 11 of the United States Code (the "**Bankruptcy Code**"), without limitation and as applicable, in the voluntary bankruptcy case filed by HHMH under chapter 9 of the Bankruptcy Code, captioned *In re San Benito Health Care District dba Hazel Hawkins Memorial Hospital*, Case No. 23-50544-SLJ; (ii) all approvals and actions required under applicable laws, rules and regulations, including without limitation the Local Health Care District Law codified at California Health and Safety Code § 32000 *et seq.* (the "**District Law**"); and (iii) customary conditions, including without limitation the following: (A) the governing bodies of the Parties approving the Proposed Transaction; (B) the Parties' execution of the Definitive Agreements; (C) the receipt of any regulatory approvals and third-party consents, on terms satisfactory to the Parties; and (D) satisfaction of conditions and covenants at the closing as are customary in similar transactions and agreements.

4. Access to Information. During the period from the signing of this Letter through the termination of this Letter pursuant to paragraph 5, the Parties will provide each other and their respective designated officers and employees, and their respective accountants, lawyers, manager, and other representatives, reasonable access during normal business hours, to all information relating to such Party's operations for the purpose of due diligence review. The due diligence investigation may include, but is not limited to, a review of the legal, tax, intellectual property and labor records and agreements relating to a Party, and any other matters as such Party's accountants, tax and legal counsel, and other advisors deem relevant in connection with the Proposed Transaction.

5. Termination. This Letter will automatically terminate and be of no further force and effect upon the earlier of (i) execution of the Definitive Agreements by the Parties; (ii) a Party's delivery of written notice to the other Party that such Party has determined not to proceed with the Proposed Transaction or (ii) mutual agreement of the Parties. Notwithstanding anything in the previous sentence, the preamble and paragraphs 5–10 shall survive the termination of this Letter and the termination of this Letter shall not affect any rights any Party has with respect to the breach of this Letter by another Party prior to such termination.

6. GOVERNING LAW. **THIS LETTER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH INTERNAL LAWS OF THE STATE OF CALIFORNIA WITHOUT GIVING EFFECT TO ANY CHOICE OR CONFLICT OF LAW PROVISION OR RULE THAT WOULD CAUSE THE APPLICATION OF LAWS OF ANY JURISDICTION OTHER THAN THOSE OF THE AFOREMENTIONED STATE.** Each Party irrevocably and unconditionally agrees that it will not commence any action, litigation, or proceeding of any kind whatsoever against any other Party in any way arising from or relating to this Letter, the Proposed Transaction and all transactions contemplated thereby in any forum other than the Court; provided, that, if the Court does not exercise discretion over such dispute, the Parties irrevocably and unconditionally agree that such dispute shall be exclusively brought before the U.S. District Court for the Northern District of California or the courts of the State of California sitting in the County of San Benito, and any appellate court from any thereof. Each party irrevocably and unconditionally submits to the exclusive jurisdiction of such courts and agrees to bring any such action, litigation, or proceeding only in such courts. Each party agrees

that a final judgment in any such action, litigation, or proceeding is conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

7. No Third-Party Beneficiaries. Except as specifically set forth or referred to herein, nothing herein is intended or shall be construed to confer upon any person or entity other than the Parties and their successors or assigns, any rights or remedies under or by reason of this Letter.

8. Expenses. The Parties will each pay their own transaction expenses, including the fees and expenses of legal counsel and other advisors, incurred in connection with the Proposed Transaction. Notwithstanding the foregoing or anything else to the contrary, if any dispute arises between the Parties concerning the enforcement or declaration of any right under this Letter, then the prevailing party shall be entitled to receive from the non-prevailing party any and all of the costs, expenses, and fees incurred by the prevailing party in connection therewith, including, without limitation, reasonable attorneys' fees and all costs and expenses associated with such dispute.

9. No Binding Agreement. Each Party agrees to negotiate the terms and conditions of the Definitive Agreement in good faith, it being understood and agreed that (i) this Letter does not purport to set forth all of the terms and conditions of the Proposed Transaction, (ii) with respect to those terms and conditions of the Proposed Transaction addressed in this Letter, this Letter does not purport to set forth all matters with respect to such terms and conditions, and (iii) the terms and conditions of the Proposed Transaction set forth in this Letter may change as a result of, among other things, the Parties' due diligence review and desire to obtain all licensing and regulatory approvals in an efficient and expeditious manner. This Letter reflects the intention of the Parties, but for the avoidance of doubt neither this Letter nor its acceptance shall give rise to any legally binding or enforceable obligation on any Party, except with regard to the preamble and paragraphs 5–10 hereof.

10. Miscellaneous. This Letter may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement. Signature pages transmitted by facsimile or email shall be deemed original signatures for all purposes. The headings of the various paragraphs of this Letter have been inserted for reference only and shall not be deemed to be a part of this Letter.

[End of Text; Signature Page Follows]

This Letter will be void and the terms contained herein revoked unless accepted and returned by 5:00 p.m. (Pacific Standard Time) on August 11, 2023. If you agree with the terms set forth in this Letter and desire to proceed with the Proposed Transaction on that basis, please sign this Letter in the space provided below and return an executed copy to me at the address indicated on the letterhead.

Very truly yours,

AMERICAN ADVANCED MANAGEMENT  
GROUP, INC.

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By:

Title:

Agreed to and accepted:

SAN BENITO HEALTH DISTRICT d/b/a HAZEL HAWKINS  
MEMORIAL HOSPITAL

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Mary Casillas, MHA  
Interim, Chief Executive Officer

Exhibit A

**Proposed Transaction**

<b>Transaction Structure</b>	Unless impractical based on the results of the Parties' due diligence investigation and desire to obtain all licensing and regulatory approvals in an efficient and expeditious manner, the Parties intend to enter into a lease of certain assets of HHMH to AAMG (the " <b>Lease</b> "), including without limitation a licensed inpatient acute care hospital, outpatient surgery center, skilled nursing facility, various clinics and other properties included on the hospital campus (the " <b>Facilities</b> ").
<b>Fair Market Value</b>	The Parties jointly shall retain an independent third-party valuation consultant (an " <b>Appraiser</b> ") to determine the fair market value of the Proposed Transaction, including without limitation the Lease and the Purchase Option (as defined below). The Parties each shall pay one-half of the fees of such consultant.
<b>Lease</b>	<p>The Lease would contemplate that HHMH would lease to AAMG, and AAMG would operate and assume financial responsibility for, the Assets, which would include: (i) the Facilities; (ii) all accounts receivable of HHMH; (iii) all current liabilities of HHMH, including without limitation all accounts payable; (iv) all assumed contracts; (v) all prepaid expenses; (vi) all inventory; (vii) all claims; (viii) all tangible and intangible property used exclusively in the operation of the Facilities, including without limitation books and records, medical records, phone numbers, advertising and promotional materials; (ix) to the extent transferable, all governmental authorizations used exclusively in the operation of the Facilities and (x) all intellectual property used exclusively in the operation of the Facilities, in each case subject to the consent or approval of any governmental authority or other person necessary to lease such assets to AAMG (collectively, the "<b>Assets</b>").</p> <p>The Lease term would be between five and ten years as agreed by the Parties and would include quarterly rent payments from AAMG to HHMH in an amount commensurate with fair market value as determined by the Appraiser.</p>
<b>Installment Sale Purchase Option</b>	The Lease would include an option of AAMG to purchase the Assets upon expiration of the term of the Lease (the " <b>Purchase Option</b> "). The Purchase Option would provide that, upon AAMG's exercise of the Purchase Option, the

	<p>Parties would characterize the rent payments paid by AAMG to HHMH during the term of the Lease as payments under an installment sale contract.</p> <p>The purchase price under the Purchase Option would be an amount commensurate with fair market value as determined by the Appraiser. In the event that the fair market value of the Purchase Option exceeds the amount of rent payments paid from AAMG to HHMH during the term of the Lease, then AAMG would pay the remainder of the purchase price in cash at the closing of the Purchase Option (the “Closing”).</p> <p>At the Closing, AAMG would assume and own all Assets and all liabilities of HHMH in connection with the Assets except as otherwise agreed by the Parties; provided, that AAMG would not assume HHMH’s unfunded pension liabilities.</p>
<p><b>Conditions and Covenants</b></p>	<p>The Purchase Option would be exercisable only if all bonds and other indebtedness of HHMH has been paid in full.</p> <p>The Lease would include a requirement that at all times during the term of the Lease and for a reasonable period thereafter AAMG shall cause the Facilities to continue to (i) provide all services required to maintain licensure for the Facilities, as well as those other services as agreed by the Parties and (ii) meet reasonable staffing commitments necessary to continue to provide high quality services.</p> <p>The Proposed Transaction would be subject to the approval of (i) the Board of Directors of HHMH and (ii) voters of HHMH, in each case to the extent required under the District Law.</p> <p>The Lease would include a requirement that AAMG fund and complete certain capital improvements as agreed by the Parties.</p>
<p><b>Staffing and Personnel</b></p>	<p>The Lease would contemplate that all HHMH employees providing services exclusively in the operation of the Facilities would become employees of AAMG upon commencement of the Lease.</p>



<b>Community Communications</b>	The Parties will cooperate to develop a comprehensive community communications plan regarding the Proposed Transaction; provided, that nothing herein shall restrict or limit HHMH's ability to make public announcements concerning HHMH's operations. AAMG will not make any public announcements regarding the Proposed Transaction until both Parties have agreed to the substance and timing of the communications plan.
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***NOTE: The terms and conditions set forth in this Exhibit A are not binding and remain subject to due diligence and negotiation of the Definitive Agreements, which may contain different terms and conditions.***