

Resolution No. 2024-08

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN BENITO HEALTH CARE DISTRICT ORDERING AN ELECTION ON A BALLOT MEASURE PROPOSING THE TRANSFER OF FIFTY PERCENT OR MORE OF THE DISTRICT ASSETS, FOR THE ELECTION OF CERTAIN OFFICERS, REQUESTING COUNTY ELECTIONS TO CONDUCT THE ELECTION, AND REQUESTING CONSOLIDATION OF THE ELECTION

WHEREAS, the San Benito Health Care District, a California Local Health Care District (“SBHCD” or “District”), is governed by the Health Care District Law (Health & Safety Code sections 32000 et seq.);

WHEREAS, the District owns and operates certain health care facilities and real property in the County of San Benito, California (“County”), including Hazel Hawkins Memorial Hospital (“Hazel Hawkins”), two skilled nursing facilities, five rural health clinics, two community health clinics, and two satellite lab/draw stations;

WHEREAS, the District desires to enter into a transaction with Insight Foundation of America (“Insight”) to provide the greatest assurance to the residents of the District of continued local emergency and hospital services;

WHEREAS, Insight formed Insight Health Foundation of California, Inc., a California non-profit public benefit corporation;

WHEREAS, the District approved an Amended Term Sheet pursuant to Resolution 2024-07, on this same date, August 8, 2024, which is attached hereto as **Exhibit A**;

WHEREAS, pursuant to the Amended Term Sheet, the District would transfer substantially all of the District’s assets, for fair market value as determined by independent appraisal, to a nonprofit formed by Insight;

WHEREAS, pursuant to the requirements of Health & Safety Code section 32121(p)(1), the District is satisfied in that the District will receive fair, reasonable, and adequate consideration for its facilities and assets based upon the April 2024 Valuation Report (“Valuation Report”) by HealthCare Appraisers, an independent consultant with expertise in methods of appraisal and valuation of such facilities and assets and in accordance with applicable governmental and industry standards for appraisal and valuation;

WHEREAS, pursuant to California Health and Safety Code Section 32121(p), before the District transfers fifty percent (50%) or more of the District’s assets, in sum or in increments, the Board shall, by resolution, submit to the voters of the District a measure proposing the transfer, which must be approved by a majority of the voters;

WHEREAS, the District also requests the election for three seats of the District Board of Directors be placed on the November 5, 2024 ballot;

WHEREAS, pursuant to Elections Code Section 10002, the governing body of any city or district may by resolution request the Board of Supervisors of the county to permit the county elections official to render specified services to the city or district relating to the conduct of an election;

WHEREAS, the resolution of the governing body of the city or district shall specify the services requested;

WHEREAS, pursuant to Elections Code Section 10002, the city or district shall reimburse the county in full for the services performed upon presentation of a bill to the city or district;

WHEREAS, pursuant to Elections Code Section 10400, whenever two or more elections, including bond elections, of any legislative or congressional district, public district, city, county, or other political subdivision are called to be held on the same day, in the same territory, or in territory that is in part the same, they may be consolidated upon the order of the governing body or bodies or officer or officers calling the elections;

WHEREAS, pursuant to Elections Code Section 10400, such election for cities and special districts may be either completely or partially consolidated;

WHEREAS, pursuant to Elections Code Section 10403, whenever an election called by a district, city or other political subdivision for the submission of any question, proposition, or office to be filled is to be consolidated with a statewide election, and the question, proposition, or office to be filled is to appear upon the same ballot as that provided for that statewide election, the district, city or other political subdivision shall, at least 88 days prior to the date of the election, file with the board of supervisors, and a copy with the elections official, a resolution of its governing board requesting the consolidation, and setting forth the exact form of any question, proposition, or office to be voted upon at the election, as it is to appear on the ballot, acknowledging that the consolidation election will be held and conducted in the manner prescribed in Section 10418;

WHEREAS, pursuant to Elections Code Section 10418, if consolidated, the consolidated election shall be held and conducted, election boards appointed, voting precincts designated, candidates nominated, ballots printed, polls opened and closed, voter challenges determined, ballots counted and returned, returns canvassed, results declared, certificates of election issued, recounts conducted, election contests presented, and all other proceedings incidental to and connected with the election shall be regulated and done in accordance with the other provisions of law regulating the statewide or special election, or the election held pursuant to Section 1302 or 1303, as applicable;

WHEREAS, the resolution requesting the consolidation shall be adopted and filed at the same time as the adoption of the ordinance, resolution, or order calling the election;

WHEREAS, various district, county, state and other political subdivision elections may be or have been called to be held on November 5, 2024; and

NOW THEREFORE, BE IT RESOLVED AND ORDERED by the San Benito Health Care District Board of Directors as follows:

SECTION 1. The District Board of Directors hereby finds and determines that the foregoing recitals are true and correct.

SECTION 2. The Board requests the San Benito County Elections Department conduct the election for the following offices on the November 5, 2024 ballot:

Office	Term	District/Division
Director, San Benito Health Care District	1	1
Director, San Benito Health Care District	1	3
Director, San Benito Health Care District	1	5

SECTION 3. The Board requests that the candidate’s statement of qualifications be limited to 200 words, and that candidates are responsible for paying the cost of printing their candidate’s statement of qualifications in the County Voter Registration Guide or posting online at the time of filing their statement.

SECTION 4. The Board requests that if any two or more persons receive an equal and the highest number of votes for an office to be voted for within the District, tie votes shall be resolved in accord with Uniform District Election Law and Health Care District Law.

SECTION 5. Pursuant to the authority contained in Health & Safety Code 32121(p), the District calls for an election in which a proposal is submitted to the voters of the District on November 5, 2024, to approve a measure, by a majority of the voters voting on said measure, to transfer substantially all of the assets of the District. The ballot measure shall read and appear on the ballot as follows:

Measure __

“Without increasing taxes and to continue providing local access to emergency medical care, surgery, radiology, long-term care, mother/baby care, clinic and physician services at Hazel Hawkins Memorial Hospital, shall San Benito Health Care District’s measure be adopted, leasing (with lessee option to purchase) certain District real property assets, and selling substantially all other District assets, to nonprofit Insight Health Foundation of California, Inc. (or another qualified buyer) for fair market value, determined by independent appraisal, providing local oversight and continued hospital services in San Benito County?”

Yes _____ No _____

SECTION 6. The Board requests the San Benito County Elections Department print the measure text exactly as filed or indicated on the filed document in the County Voter Information Guide for the November 5, 2024 election. The cost of printing and distribution of the measure text will be paid for by the District.

SECTION 7. The District desires to authorize any Board member to submit an argument for or rebuttal by the District in the Voter Guide.

SECTION 8. In accordance with California Elections Code sections 9313 and 9280, County Counsel is hereby directed to prepare an impartial analysis of this measure.

SECTION 9. The District hereby orders an election be called and consolidated with any and all elections also called to be held on November 5, 2024 insofar as said elections are to be held in the same territory, or in territory that is in part the same and requests to the Board of Supervisors of the County of San Benito to order such consolidation under Elections Code Sections 10401, 10403 and 10418.

SECTION 10. The District requests the Board of Supervisors to permit the San Benito County Elections Department to provide all services necessary for conducting the election and agrees to reimburse in full the Election Department to provide any and all services for conducting the election.

SECTION 11. The Board President and the Chief Executive Officer or designee(s) are authorized to execute any other document and to perform all acts necessary to place the measure on the ballot including signing a services agreement with the County and to comply with the requirements of law and elections officials.

SECTION 12. The District Secretary is hereby authorized and directed to file a copy of this Resolution with the Board of Supervisors and the County Clerk upon its adoption by the Board of Directors.

SECTION 13. The District's Chief Executive Officer, legal counsel and the Clerk of the San Benito County Department of Elections, if they each agree, are authorized to make any clerical revisions to any documents pertaining to the election.


PASSED AND ADOPTED this 8th day of August, 2024 by the following vote:

AYES: Hernandez, Johnson, Shelton, Pack

NOES: 0

ABSTENTIONS: 0

ABSENT: Sanchez



Jeri Hernandez, President

Attested: 

Josie Sanchez, Secretary

EXHIBIT A TO RESOLUTION 2024-08

Resolution 2024-07 and Exhibit 1

Resolution No. 2024-07

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN BENITO HEALTH CARE DISTRICT TO APPROVE AN AMENDED TERM SHEET WITH INSIGHT FOUNDATION OF AMERICA

WHEREAS, the San Benito Health Care District, a California Local Health Care District (“District”) is governed by the Health Care District Law (Health & Safety Code sections 32000 et seq.);

WHEREAS, the District owns and operates certain health care facilities and real estate in the County of San Benito, California (“County”), including Hazel Hawkins Memorial Hospital (“Hazel Hawkins”), two skilled nursing facilities, five rural health clinics, two community health clinics, and two satellite lab/draw stations;

WHEREAS, the District is the sole provider of certain health care services in the County, including the emergency and related hospital services provided at Hazel Hawkins;

WHEREAS, due to multiple factors affecting hospitals and other health care providers for many years, the District declared a fiscal emergency on November 4, 2022, and filed for Chapter 9 bankruptcy on May 23, 2023;

WHEREAS, despite the efforts over the past several years of the District’s management and Board of Directors (“Board”) to reduce expenses, uncontrollable increases in expenses and decreases in revenues have created an operating gap and cash flow deficit that threatens the District’s long-term fiscal viability and, if allowed to continue, could threaten patient care and patient safety;

WHEREAS, since November 2022, the District engaged consultants to conduct a comprehensive marketing process to solicit and identify potential transaction partners;

WHEREAS, in March 2023, the District Board established certain criteria to assess the viability and quality of offers submitted by potential transaction partners: 1) Demonstrate a longstanding history and experience of hospital administration; 2) A proven track record of maintaining quality of care; 3) Able to mitigate risks and liabilities, while furthering the development the District’s assets and expansion of care; 4) Proven record for turning around distressed rural hospitals; 5) No track record of rapid asset liquidations; 6) Understand the terms and conditions of the general obligation and revenue bonds, including their payoff; and 7) Provide a proof of funds and/or sufficient financing to meet a buyer’s proposed transaction;

WHEREAS, in March 2023, the District also appointed a Temporary Advisory Committee (“TAC”) to identify potential affiliation and strategic partner models and make full recommendations to the Board;

WHEREAS, the District TAC and Board have engaged in discussions and negotiations with several potential transaction partners, including American Advanced Management, the San Benito Healthcare Alliance, the County of San Benito (“County”), and considered a range of

operational models and affiliations, none of which met established criteria or produced a viable transaction;

WHEREAS, Insight Foundation of America (“Insight”) submitted a proposal to the District on January 10, 2024 regarding a potential transaction involving the transfer of District assets;

WHEREAS, the District entered into negotiations with Insight, and has engaged in an extensive due diligence process, and considered public testimony at multiple community forums and public meetings since January 2024;

WHEREAS, in May 2024, the District ultimately determined that a lease, with option to purchase, would provide the optimal choice for continued long-term sustainability of health care services and for meeting the Board’s described objectives;

WHEREAS, pursuant to Board direction on June 5, 2024, the District and Insight negotiated a Term Sheet, which was approved by the Board by Resolution 2024-02 at its regular public meeting on July 25, 2024;;

WHEREAS, Insight formed Insight Health Foundation of California, Inc., a California non-profit public benefit corporation;

WHEREAS, the Board determined, following multiple public meetings and public comment, it is advisable to lease, with the option to purchase, substantially all of the assets of the District to Insight Health Foundation of California, Inc. or another qualified buyer for the purposes of providing healthcare to the community for fair market value and in accordance with the Term Sheet to be more fully set forth in agreements to be presented for approval to the Board;

WHEREAS, pursuant to California Health and Safety Code Section 32121(p), before the District transfers fifty percent (50%) or more of the District’s assets, in sum or in increments, the Board shall, by resolution, submit to the voters of the District a measure proposing the transfer;

WHEREAS, the District obtained an opinion (“Valuation Report”) dated April 2024 from HealthCare Appraisers, Inc., an independent consultant with expertise in methods of appraisal and valuation and in accordance with the applicable government and industry standards for appraisal and valuation, that such transfer of assets for such consideration as set forth in the Term Sheet will constitute fair and reasonable consideration to be received by the District for the transferred assets, and such determination will constitute fair market value in accordance with the requirements of section 32121(p)(1) of the Health Care District Law;

WHEREAS, pursuant to further negotiations, Insight has prepared an amended Term Sheet, which contains clarifying language, and is attached hereto as **Exhibit 1** (“Amended Term Sheet”);

WHEREAS, the Board desires to approve the Amended Term Sheet to clarify the terms of the definitive agreements that will be presented to the Board for consideration following voter approval of a ballot measure by a simple majority;

WHEREAS, the Board determines it is appropriate to request the Elections Official to place a measure on the ballot for the upcoming November 5, 2024 election to submit to the District's voters a proposal for the transfer of the District's assets in accordance with the Amended Term Sheet;

WHEREAS, the measure setting forth the proposal with Insight Health Foundation of California, Inc. or other qualified buyer may be approved by the electorate by a simple majority of qualified voters;

WHEREAS, based upon the District's discussions and negotiations with Insight the Board of Directors of the District continues to find that the transfer of assets to Insight or another qualified buyer, pursuant to the provisions of the Amended Term Sheet, and for the purpose of providing health care to the community, is necessary to provide the greatest assurance to the residents of the District of continued local emergency and hospital services;

WHEREAS, the District Board continues to find that the transaction contemplated by the Amended Term Sheet is the best alternative to other proposals it considered;

WHEREAS, the District has determined it is in the best interests of the District and the communities served by the District, and in furtherance of the District's mission, that the District consummate the transactions contemplated by the Amended Term Sheet, subject to voter approval;

NOW THEREFORE, BE IT RESOLVED AND ORDERED by the San Benito Health Care District Board of Directors as follows:

SECTION 1. The District Board of Directors hereby finds and determines that the foregoing recitals are severally ratified, confirmed, approved and adopted in all respects.

SECTION 2. The District Board approves the form, terms and provisions of the Amended Term Sheet in all respects.

SECTION 3: The District shall submit to the voters of the District a measure proposing to approve the transfer of assets to Insight Health Foundation of California, Inc. or another qualified buyer as contemplated by the Amended Term Sheet.

SECTION 4: The District finds the requirements of Health & Safety Code section 32121(p)(1) are satisfied in that the District will receive fair, reasonable, and adequate consideration for its facilities and assets based upon the April 2024 Valuation Report by HealthCare Appraisers, an independent consultant with expertise in methods of appraisal and valuation of such facilities and assets and in accordance with applicable governmental and industry standards for appraisal and valuation.

SECTION 5: The Board authorizes the President or Vice President of the Board and/or Chief Executive Office to negotiate and prepare or cause to be prepared further amendments to the Amended Term Sheet, if necessary, and the definitive agreements in the form to be submitted to the Board after review and advice of legal counsel and other consultants to the District, and to proceed with the preparation of the terms of the definitive agreements together with such other and reasonable terms and conditions, schedules and exhibits appropriate thereto, provided that such terms, conditions, schedules and exhibits do not materially alter the substantive economic terms of the proposed transfer.

SECTION 6. Contingent upon voter approval and following the negotiation and drafting of the definitive agreements to effectuate the transfer of the District's assets, these definitive documents shall be presented at a duly noticed public meeting of the Board for consideration, approval, and execution.

PASSED AND ADOPTED this 8th day of August, 2024 by the following vote:

AYES: Hernandez, Johnson, Shelton, Pack

NOES: 0

ABSTENTIONS: 0

ABSENT: Sanchez



Jeri Hernandez, President


Attested: 
Josie Sanchez, Secretary

EXHIBIT 1 TO RESOLUTION 2024-07

Amended Term Sheet



August 7, 2024

Hazel Hawkins Memorial Hospital
911 Sunset Drive
Hollister, CA 95023
Attention: President and Chief Executive Officer

Re: Non-Binding Proposal to Purchase the Assets of Hazel Hawkins Memorial Hospital.

Ladies and Gentlemen:

This letter (this "Term Sheet") summarizes the principal terms of a proposed transaction (the "Transaction") between (i) a yet-to-be-formed California nonprofit public benefit corporation that would have Insight Foundation of America, a Michigan nonprofit corporation, as its sole member ("Purchaser") and (ii) Hazel Hawkins Memorial Hospital, a California health care district ("Hospital" or "Seller"), pursuant to which Purchaser would acquire certain of the assets of Hospital and continue to operate the Hospital's acute-care hospital and other facilities (collectively, the "Facilities"). For purposes of this Term Sheet, Purchaser and Hospital, as the parties to the Transaction, shall be collectively referred to as the "Parties" and individually referred to as a "Party".

1. Proposed Principal Terms and Conditions of the Transaction.

Parties to Transaction:

Purchaser shall be the purchaser and Hospital shall be the seller under one or more definitive agreements with respect to the Transaction, including without limitation an Asset Purchase Agreement (the "Purchase Agreement").

Purchaser shall provide customary parent guarantees with respect to the obligations of Purchaser in connection with the Transaction, including, but not limited to, the obligations of Purchaser to provide indemnification pursuant to the terms of the Purchase Agreement.

Purchaser will be a California nonprofit public benefit corporation duly incorporated and operated in compliance with state and federal law. Purchaser will provide in writing copies of its conflict of interest policy(ies) and all formation and governing documents.

Acquired Assets:

Subject to compliance with all applicable laws, rules and regulations, Purchaser shall purchase all right, title and interest, free and clear of any liens or liabilities, in and to all

of Hospital's properties and assets set forth on Exhibit A, which shall include substantially all of the personal property used in the Hospital's operation of the Facilities (the "Acquired Assets").

Real Estate:

The Parties would separately enter into a lease agreement which would (i) include the Hospital's real property associated with the operation of the Facilities (the "Real Estate") in the Acquired Assets and (ii) enter into a Lease (the "Lease") under which Purchaser would lease the Real Estate from Seller for five (5) years at a lease rate in the range that an independent third party assesses as a fair market value lease rate and on arms'-length terms and conditions, taking into account that the Lease would grant Purchaser the option to purchase the Real Estate and Ground at the expiration of the lease term if Purchaser has performed and continues to perform its obligations under the definitive agreements, including without limitation performance of the operating covenants set forth in Exhibit B.

Assumed Liabilities:

Purchaser shall only assume (a) liabilities arising out of the acquisition or operation of the Acquired Assets for periods following the Closing Date and (b) the assumption, purchase or other satisfaction of other liabilities of Hospital as determined by Purchaser in its sole and absolute discretion, including designated trade creditor claims, designated vendor arrangements and Designated Contracts (collectively, the "Assumed Liabilities"). For purposes of this Term Sheet, the closing of the Transaction shall be the "Closing" and the date on which the Closing occurs and takes effect shall be the "Closing Date".

Excluded Assets:

Purchaser shall not acquire, and Hospital shall retain all asset of Hospital that are not included on Exhibit A, including without limitation the Real Estate (collectively, the "Excluded Assets").

Excluded Liabilities:

Other than the Assumed Liabilities, Purchaser shall not assume or otherwise be responsible or liable for or obligated with respect to any debt, liability, taxes, undertaking, expense or other obligation of Hospital or any of its subsidiaries or related to any of the Acquired Assets of any kind, character or description (collectively, the "Excluded Liabilities").

Purchase Price:

The purchase price for the Acquired Assets shall be comprised of a cash amount in the range that an independent

third party assesses as a fair market value as of the Closing Date, with the fair market value taking into account the seismic retrofit and the covenants agreed to in the Purchase Agreement. The purchase price for the Acquired Assets shall be paid in cash at the Closing; provided, that in all events the cash at the Closing received by Hospital would be sufficient for Hospital to fund all obligations and liabilities that would become due at the Closing, including without limitation any bond obligations that would be in default if not paid in full at the Closing.

Designated Contracts:

Prior to execution of the Definitive Agreements, Purchaser shall designate material executory contracts and unexpired leases of Hospital that Purchaser desires to be assumed and assigned to Purchaser at the Closing; provided, that the Parties anticipate that Purchaser shall assume all such contracts and leases unless the Parties mutually agree to terminate them prior to the Closing (the “Designated Contracts”). To the extent requested by Purchaser, Hospital will use commercially reasonable efforts to obtain the written consent of the non-Hospital counterparty to the Designated Contracts containing restrictions on assignment if the failure to obtain such written consent would result in a breach of the applicable Designated Contract as a result of the consummation of the Transaction.

Regulatory Approvals:

The Parties shall use commercially reasonable efforts to obtain all regulatory and governmental approvals and clearances necessary or advisable to consummate the Transaction and for Purchaser to operate the Facilities following the Closing, which approvals and clearances will be set forth in a schedule to the Purchase Agreement and will include all approvals required under the Local Health Care District Law set forth at California Health and Safety Code Section 32000 *et seq.* (the “Required Approvals”).

Closing Conditions:

The Transaction shall be subject to the satisfaction or waiver of the conditions set forth below.

- 1) The Parties shall have obtained all Required Approvals.
- 2) No Material Adverse Effect shall have occurred (as defined below).

The Closing shall not be conditioned on conditions of any

other kind, including obtaining financing of any kind or due diligence.

**Material Casualty Loss
or Condemnation:**

“Material Adverse Effect” means, with respect to the Acquired Assets, any event, occurrence, fact, condition or change that is materially adverse to (a) the business, results of operations, financial condition or assets of the Hospital, or (b) the ability of Seller to consummate the Transaction; *provided, however,* that “Material Adverse Effect” shall not include any event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to: (i) general economic or political conditions; (ii) conditions generally affecting the industries in which the Hospital operates; (iii) any changes in financial, banking or securities markets in general, including any disruption thereof and any decline in the price of any security or any market index or any change in prevailing interest rates; (iv) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof; (v) any action required or permitted by the Definitive Agreements or any action taken (or omitted to be taken) with the written consent of or at the written request of Purchaser; (vi) any matter of which Purchaser is aware on the date of execution of the Definitive Agreements; (vii) any changes in applicable laws, rules or regulations or the enforcement, implementation or interpretation thereof; (viii) the announcement, pendency or completion of the Transactions, including losses or threatened losses of employees, customers, suppliers, distributors or others having relationships with the Hospital; (ix) any natural or man-made disaster or acts of God; (x) any epidemics, pandemics, disease outbreaks, or other public health emergencies; or (xi) any failure by the Hospital to meet any internal or published projections, forecasts or revenue or earnings predictions (provided that the underlying causes of such failures (subject to the other provisions of this definition) shall not be excluded).

If there is a Material Adverse Effect prior to the Closing, then Purchaser shall have the right to terminate the Purchase Agreement upon prior written notice to Hospital.

**Representations,
Warranties and
Covenants Generally:**

The Purchase Agreement will include appropriate representations, warranties and covenants with respect to the Acquired Assets, all of which will survive the Closing for one (1) year.

Indemnification:

Hospital will indemnify and hold harmless Purchaser, its affiliates and their respective representatives from all losses incurred by them relating to or arising from any Excluded Liabilities, (b) any breaches of or inaccuracies in the representations and warranties of Hospital, and (c) any breaches of any covenants of Hospital.

Purchaser will indemnify and hold harmless Hospital and their affiliates and their respective representatives from all losses incurred by them relating to or arising from (a) any Assumed Liabilities and the operation of the Acquired Assets after the Closing Date, (b) any breaches of or inaccuracies in the representations and warranties of Purchaser, and (c) any breaches of any covenants of Purchaser.

Definitive Agreements

The Parties shall enter into, at minimum, the Purchase Agreement and Lease. Each definitive agreement would include operating covenants, including without limitation those set forth in Exhibit B, that would be enforceable by Hospital to provide local oversight.

2. GOVERNING LAW. THIS TERM SHEET 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 (WHETHER OF THE STATE OF ILLINOIS, MICHIGAN OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE APPLICATION OF LAWS OF ANY JURISDICTION OTHER THAN THOSE OF THE STATE OF CALIFORNIA.

3. Expenses. Purchaser and Hospital will each pay their own transaction expenses incurred in connection with the Transaction, including the fees and expenses of investment bankers, legal counsel and other advisors.

4. Miscellaneous. This Term Sheet may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement. The headings of the various sections of this Term Sheet have been inserted for reference only and shall not be deemed to be a part of this Term Sheet.

5. Binding Effect. Notwithstanding anything to the contrary contained herein, except for the provisions of Section 2, Section 3, Section 4 and this Section 5, which are intended to be legally binding, this Term Sheet shall represent a non-binding term sheet between Purchaser and Hospital. No contract or agreement providing for any transaction, including any transaction involving the Acquired Assets or Hospital, shall be deemed to exist between Purchaser and Hospital or any of their respective affiliates unless and until final definitive agreements have been executed and delivered.

[Remainder of page left intentionally blank. Signature pages follow.]

If you are in agreement with the terms set forth above and desire to proceed with the Transaction on that basis, please sign this Term Sheet in the space provided below and return an executed copy to the undersigned at your earliest convenience.

Sincerely,

PURCHASER

By: 
Name: **Atif Bawahab**
Title: **Chief Strategy Officer**

Acknowledged and agreed:

**HAZEL HAWKINS MEMORIAL
HOSPITAL**

By: 
Name: **Mary Casillas, CEO**
Title: **President and Chief Executive Officer**

Exhibit A

- a) all of the leasehold interests of Seller in all real property that is owned by an unrelated third party and leased to Seller as lessee or tenant;
- b) all bank accounts; provided, that Hospital shall retain all current and non-current cash and cash equivalents, securities, investments, endorsements, bond funds and other funds created by bond indentures, financial assurances, and certificates of deposits;
- c) all accounts receivable for services rendered prior to the Closing Date;
- d) all of the tangible personal property owned or, to the extent assignable or transferrable by Seller, leased, subleased, or licensed, by Seller and used in connection with the operation of the Facilities, including, without limitation, equipment, furniture, furnishings, fixtures, machinery, tools, supplies, telephones, office equipment, and real property improvements;
- e) all of the interests of Seller as lessee in and to each lease, sublease, license, or other contractual obligation under which the personal property is used by Seller with respect to the operation of the Facilities;
- f) all inventory used in connection with the operation of the Facilities (other than the portions of inventory disposed of, or expended, as the case may be, by Seller in the ordinary course of business);
- g) all prepaid expenses;
- h) all intangible personal property owned by Seller and solely used in connection with the operation of the Facilities, together with (i) all registrations and applications to register, and all rights to register, any of the foregoing, together with all renewals, extensions, and foreign counterparts of, and other registrations or applications claiming priority to, any of the foregoing, (ii) all royalties, income, and payments now owing or in the future due to the owner of any of the foregoing with respect to any of the foregoing, (iii) all damages and rights to sue and enforce any of the foregoing, including any damages and rights to sue for any past, present, or future infringement, dilution, misappropriation, or violation of any of the foregoing, (iv) all other proprietary rights and interests in any of the foregoing, (v) all data relating to any of the foregoing in any form or medium, and (vi) all copies and tangible embodiments of any of the foregoing, in any form or medium;
- i) computer software, programs and hardware or data processing equipment, data processing system manuals and licensed software materials that are used in connection with the operation of one or more of the Facilities;
- j) all financial and operational records of the Facilities (including all equipment records, construction plans and specifications, medical and administrative libraries, documents, catalogs, books, records, files, and operating manuals);

- k) all medical staff and personnel records relating to medical staff members and employees providing services at or with respect to the Facilities or who accept employment with Purchaser (including, without limitation, peer review materials);
- l) all active patient and medical records used in connection with the operation of the Facilities;
- m) all insurance proceeds relating to the physical condition of the Purchased Assets, to the extent not expended on the repair or restoration of the Purchased Assets prior to the Closing;
- n) the Designated Contracts;
- o) to the extent transferable, all permits held by Seller required for the ownership, development, or operation of the Facilities, including the Medicare and Medi-Cal provider agreements for the Facilities;
- p) all telephone and facsimile numbers, post office boxes and directory listings used in connection with the Facilities;
- q) to the extent transferable, Seller's National Provider Identifiers relating to the Acquired Seller Facilities; and
- r) all other rights, properties and assets of Seller that are solely used in connection with the operation of the Facilities

Exhibit B

- a) maintain in good standing Purchaser's status as a nonprofit public benefit corporation under the laws of the State of California as in effect from time to time;
- b) ensure continuous operation of the Facilities;
- c) maintain a board that shall include a majority of its members as individuals who are independent of Purchaser's organization;
- d) maintain a compliance with all applicable laws, rules and regulations in all material respects, including without limitation all requirements of any CMS provider agreements;
- e) operate the Hospital so as not to illegally discriminate and in accordance with mutually agreeable quality standards and metrics;
- f) maintain charity care/financial assistance policies at or above the level as such policies were in effect at the time that the Hospital was operated by San Benito Health District and that that meet or exceed Public Act 094-0885, the Fair Patient Billing Act, effective on January 1, 2007; provided, further, that the Hospital shall administer its financial assistance policy as if it were subject to Section 501(r) of the Internal Revenue Code by: (i) establishing and maintaining a written financial assistance policy ("FAP"), (ii) setting charge limits for FAP-eligible patients and (iii) making reasonable efforts to determine FAP eligibility;
- g) maintain in good standing all licenses and permits associated with the Facilities;
- h) continue to provide services to Medicare and Medi-Cal patients;
- i) develop and approve an annual capital expenditure budget contemplating investment in operations and capital in the sum of Fifty Million Dollars over the course of the ten- (10-) year period after the Closing;
- j) maintain all existing services during the term of the lease, and for the subsequent five year term after Purchaser has acquired the Real Estate;
- k) Hospital will receive a right of first refusal to repurchase the Acquired Assets and Real Estate if Purchaser chooses to sell;
- l) extend employment offers to a minimum of 90% of the existing workforce; and
- m) the hospital will retain branding as Hazel Hawkins Memorial Hospital or some reasonable derivative such as "Insight Hazel Hawkins Memorial Hospital."