



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."