



July 28, 2023,

Board of Trustees
Madera Community Hospital
1250 E. Almond
Madera, CA 93637
Attn: Karen Paolinelli, CEO

Re: Terms upon which Adventist Health would consider proposed
Management Services Arrangement / Affiliation with Madera Community Hospital

Dear Trustees:

In connection with the closure of the acute care hospital facility (“Hospital”) operated by Madera Community Hospital, a California nonprofit public benefit corporation (“MCH”) and MCH’s filing of a Chapter 11 Petition with the United States Bankruptcy Court in Fresno, California (“Bankruptcy Proceeding”), this letter of intent (this “LOI”) is intended to confirm the preliminary, non-binding terms under which Adventist Health System/West and its affiliates (collectively, “Adventist Health”) would consider entering into certain transactions (“Proposed Transactions”) relating to the re-start and re-opening of the Hospital under a proposed management services arrangement with Adventist Health, the Hospital’s continued operation and potential affiliation with Adventist Health. For purposes of this LOI, “Hospital” shall also include, without limitation, MCH’s rural health clinics.

This LOI sets forth some, but not all, of the material terms and conditions upon which Adventist Health and MCH (each a “Party” and collectively, the “Parties”) propose to pursue the Proposed Transactions and to establish a basis upon which the Parties will enter into negotiations with respect thereto. Except for the provisions of Sections 6 [Notices], 7 [No Violation], 8 [Public Communication], 9 [Expenses], 10 [Termination], 11 [Governing Law], and 12 [Entire Agreement] hereof (the “Binding Provisions”), this LOI is not intended to create a binding agreement with respect to the Proposed Transactions on the terms expressed herein or on any other terms, or to create any other legal obligation or rights for any Party hereto.

Adventist Health is comprised of nonprofit corporations that constitute an integrated health system serving communities in California, Hawaii, Oregon and Washington.

Adventist Health would be willing to consider assisting in re-establishing and stabilizing the healthcare delivery services that have operated to support the greater Madera County community, including the Hospital, on the following conditions:

1. MCH would obtain funding under California AB 112 Distressed Hospital Loan Program, and/or such other grant, loan, or funding sources as acceptable to Adventist Health, in the amounts, for the purposes and subject to the timing requirements outlined below, with the disbursement of such funds subject to the review and oversight by the MCH Board of Trustees, the Madera County Supervisors, and the Bankruptcy Court, as applicable.
 - a. Sufficient funds to satisfy all administrative obligations in the Bankruptcy Proceeding and provide a distribution to prepetition creditors;

- b. \$55,000,000 in funds immediately available to Adventist Health, to fund services, supplies, equipment, software, systems, staffing, training, maintenance, and other costs that are necessary and essential for the reopening and continuing Hospital operations (“Necessary & Essential Material and Services”) for the 1st year post-reopening (“Year 1”), including Adventist Health’s work to obtain licensing necessary to reopen the Hospital. Adventist Health believes that it will take approximately six to nine months to reopen the Hospital.
 - c. \$30,000,000 irrevocable commitment from one or more credible financing sources to MCH for use by Adventist Health (exclusive of government payments for services, disproportionate share, and hospital quality assurance) to fund Necessary & Essential Material and Services required to sustain Hospital operations during the second year of operations.
2. Subject to satisfaction of the foregoing conditions in a manner acceptable to Adventist Health in the exercise of its sole discretion, Adventist Health would agree to provide management and personnel to support the operations of the Hospital during Year 1, pursuant to a mutually acceptable “Management Services Agreement” (“MSA”), to include the following terms:
 - a. Adventist Health would be paid by MCH a fair market value management fee, including its costs (“Management Fee”) as determined by a third-party appraiser mutually acceptable to the Parties. Adventist Health would assume no downside risk or obligation relating to the Management Fee and MSA. The Management Fee would reflect an amount necessary to compensate Adventist Health for its duties under the MSA, as well as any other duties Adventist Health performs, together with a reasonable overhead charge equivalent to what Adventist Health calculates for its other hospitals and facilities.
 - b. Renewal of the MSA following Year 1 would be conditioned upon Hospital operations and funding trending in a positive direction, to Adventist Health’s reasonable satisfaction. Without limiting the foregoing, Adventist Health would have the right to terminate the MSA:
 - i. Upon 180-days’ notice if the Hospital’s days of cash on hand falls below 90 days;
 - ii. Upon 180-days’ notice if no later than 90 days before the start of each of MCH’s fiscal years, Adventist Health and MCH have not agreed on a budget for the following year that includes confirmed commitments for external funding (exclusive of government payments for services, disproportionate share, and hospital quality assurance) sufficient to maintain at least 120 days of cash during the following fiscal year; or
 - iii. Upon 10 days’ notice if the parties are unable to obtain reinstatement of all Hospital licensing (including the rural health clinics) within a period to be agreed by MCH and Adventist Health.
 - c. Adventist Health would have the option to purchase the assets comprising the Hospital, after 3 years of Hospital operations post-reopening through the end of the fifth year of Hospital operations post-reopening, pursuant to an Asset Purchase Agreement with MCH including fair market and commercially reasonable terms (confirmed by a third-party appraiser mutually acceptable to the Parties); provided that Adventist Health determines, in the exercise of its sole discretion, that the Hospital is financially sound.
 - d. Adventist Health would be willing to assist MCH under the MSA with respect to the Bankruptcy Proceeding, including discussions with creditors and developing a business plan, provided that

Adventist Health is reimbursed for its expenses and fees incurred as part of that work from the MCH bankruptcy estate.

3. Further Conditions. As is customary of transactions of this type, our conditions to completing the Proposed Transactions also would include, without limitation: (a) negotiation, execution and delivery of definitive agreements as may be necessary or appropriate to document the Proposed Transactions (including the accompanying exhibits and schedules and related ancillary agreements thereto) (the "Definitive Agreements") in a form acceptable to the Parties, which would include, among other things, representations, warranties, covenants, conditions, insurance, compliance provisions and indemnities that recognize the structure of the Proposed Transactions, which are normal and customary for transactions of this type; (b) satisfactory completion of customary due diligence review by Adventist Health, concurrently with the negotiation of the Definitive Agreements; (c) the receipt of all material approvals under the Bankruptcy Proceeding and of governmental agencies; (d) the receipt of all required and material third party consents and approvals, including those with respect to any applicable licenses or permits, and (e) such other conditions precedent to closing as mutually agreed upon by the Parties and set forth in the Definitive Agreements. No Party will have any obligation to undertake any transaction with the other Party or to execute the Definitive Agreements unless and until the terms thereof are acceptable to that Party, as determined in that Party's sole discretion. The Definitive Agreements and the Proposed Transactions are subject to approval of the Party's respective governing boards.
4. Partially Non-Binding Letter of Intent. Except for the obligations of the Parties under the Binding Provisions, this Letter of Intent only represents an expression of intent. Accordingly, no Party shall be bound by the terms of this Letter of Intent (other than those terms set forth in the Binding Provisions) and, unless and until the Definitive Agreements are executed and all other conditions to closing have been satisfied or waived, no Party shall be obligated to go forward with the Proposed Transactions. The Parties agree to be bound by the Binding Provisions.
5. Counterparts. This Letter of Intent may be executed in one or more counterparts, each of which will be deemed an original and all of which taken together will be deemed to constitute one and the same instrument. The facsimile or electronic signatures will be deemed to have the same legal effect as the original signature.
6. Notices. All notices required or permitted under this Agreement shall be in writing and shall be delivered either: (a) by overnight delivery using a nationally recognized overnight courier (e.g., Federal Express, United Parcel Service, or any other similar service), in which case notice shall be deemed delivered one business day after deposit with such courier; (b) by personal delivery, in which case notice shall be deemed delivered upon receipt; or (c) by email or electronic transmission, in which case notice shall be deemed delivered upon confirmation of transmission. In each case, notice shall be delivered or sent to the address or email provided in this Section 5, or such other address or email as provided by a Party, from time to time, pursuant to this Section 5.

If to MCS:

Madera Community Hospital
1250 E. Almond
Madera, CA 93637
Attn: Karen Paolinelli, CEO
Email: kpaolinelli@maderahospital.org

With a copy to:

Riley C. Walter
Wanger Jones Helsley PC
265 E. River Park Circle, Suite 310
Fresno, California 93720
Email: rwalter@wjhattorneys.com

If to Adventist Health: Adventist Health System/West
1 Adventist Health Way
Roseville, CA 95661
Attn: Chief Executive Officer
Email: Heinrik@ah.org

With a copy to: Adventist Health System/West
1 Adventist Health Way
Roseville, CA 95661
Attn: Chief Legal Officer
Email: JobeMS@ah.org

7. No Violation. Each Party represents and warrants to the other Party during the term of this Letter of Intent that (a) the Party is not currently bound under any binding or enforceable contract or agreement with any third party that would materially interfere with the Proposed Transactions; (b) this Letter of Intent and the Proposed Transactions will not violate any contract, agreement or commitment currently binding the Party; and (c) the Party is fully authorized to enter into this Letter of Intent. Adventist Health has prepared and delivered this Letter of Intent and Term Sheet in reliance on such representations and warranties.
8. Public Communication. Except as otherwise required by law, all press releases or other communications of any sort relating to the Proposed Transactions, and the method of the release for publication thereof, will be subject to prior approval of both Parties. The Parties will, prior to the execution of the Definitive Agreements, develop a mutually agreed-upon communications plan for informing all relevant constituents, including employees, medical staff members, donors and other community members, of the Proposed Transactions. The Parties acknowledge their desire and intent to publicly announce the Proposed Transactions in connection with the execution and delivery of the Definitive Agreements by the Parties. Adventist Health agrees that MCH may share this nonbinding LOI with the Madera County Board of Supervisors with the understanding that, except as otherwise required by law, the Board of Supervisors agrees to maintain the confidentiality of this LOI.
9. Expenses. Each Party shall bear its respective legal, accounting, broker, financial advising and other expenses and costs in connection with the Proposed Transactions, in each case whether or not the Proposed Transactions contemplated by this Letter of Intent are consummated.
10. Termination. This Letter of Intent may be terminated by mutual written agreement of the Parties at any time. In addition, this Letter of Intent may be terminated by any Party at any time, with or without cause, upon written notice provided to the other Party. Upon termination of this Letter of Intent for any reason, the Parties shall have no further obligations except the confidentiality and other commitments contained in the Confidentiality Agreement, and the Binding Provisions of this Letter of Intent, which will survive termination.
11. Governing Law. This Letter of Intent shall be governed by and construed and enforced in accordance with the laws of the State of California, without regard to conflict of laws principles.
12. Entire Agreement. This Letter of Intent, together with any attachments hereto, the Confidentiality Agreement, and the Term Sheet attached hereto contain the entire understanding between the Parties with respect to the subject matter of this Letter of Intent, and supersedes all prior or contemporaneous oral or written understandings, negotiations, letters of intent or agreements between the Parties. This Section 16 shall be deemed a "merger" clause, and this Letter of Intent (together with the Term Sheet,

attachments and the Confidentiality Agreement) is intended as a complete integration of the Parties' agreement. This Letter of Intent may be amended only by a written instrument executed by each Party. This Letter of Intent cannot be assigned by either Party without the prior written consent of the other Party.

MADERA COMMUNITY HOSPITAL


By:  Karen Paolinelli

Name: Karen Paolinelli

Title: CEO

Date: 07/28/2023

ADVENTIST HEALTH SYSTEM/WEST

By:  Kerry L. Heinrich

Name: Kerry Heinrich

Title: Chief Executive Officer

Date: 07/28/2023