

Terms of PDHCD Agreement for Lease/Sale of the PDHCD Hospital and Property

The Health Care District has been in negotiations with AAMG, since November 2018. The primary negotiating team for the District has included varying Board members but the final negotiation team was Dennis Colthurst and Richard Power with back up staff. The following terms are based on keeping health care services in West County. The Board did discuss the sale of the property for commercial uses but decided their higher priority for the community was to maintain a broad spectrum of health services.

LEASE OF THE HOSPITAL

1. Rent - \$275,000 of preventive maintenance annually.
2. Term – Two years with options to renew twice every 2 years. Total possible years 6.
3. Use- acute care hospital, urgent care center and other medical services.
4. Construction – can be done to the building at the lessee's expense.
5. Insurance – Lessee must carry at their expense against all claims of liability, worker's compensation.
6. Hospital License will be transferred to the Lessee.
7. Option to Purchase can be exercised anytime during the lease.

OPTION TO PURCHASE

1. Purchase price - \$5,200,000.
2. \$4,000,000 in cash at the time of purchase.
3. \$1,200,000 will be carried through a ten year period. If AAMG sells the hospital or converts it to a non-health care entity the \$1,200,000 will be due immediately. If AAMG operates the hospital as a long-term or short-term acute care hospital with an urgent care center for ten years, the promissory note will be forgiven in entirety.
4. Promissory note is secured by a Deed of Trust.
5. Lessee has exclusive right and option to purchase the PDHCD buildings and property.

FAIR MARKET VALUE

The **Fair Market Value** of the hospital was determined in the following ways.

1. A deferred maintenance study on the hospital building and land was done December 2018. It was done by Wright Construction. Wright Construction has a long history of expertise in managing hospital construction projects. They were recommended by the Board as the company with the knowledge and experience to determine the projects that need to be done if the building and property were to be used for commercial or health care services. The list of deferred maintenance projects to be costed was determined by Board members and advisors to the District with an informed history of the hospital's maintenance needs and history.

The Deferred Maintenance Cost for Health Care Use - \$27,976,140

The Deferred Maintenance Cost for Commercial Use - \$9,219,315

2. An appraisal was done October 17, 2018, and then revised January 2019 based on the above deferred maintenance study:
 - a. The original appraisal value was \$6.5 million for the land and \$3.7 million for the building.
 - b. After the deferred maintenance study was submitted to the appraiser, he assigned no value to the building and added on \$1,327,000 in demolition costs.
 - c. The lease rent determined by the appraiser was \$265,000 to \$290,000/year.
 - d. The purchase price determined through the appraisal is \$5,200,000
 - e. The Appraiser: Health Care Appraisers, Inc.
1201 NW Corporate Blvd.
Boca Raton, FL. 33431
www.healthcareappraisers.com
 - f. The appraising company was selected by the Board after a bidding process.
 - g. Chief Appraiser was Jeffrey A. Piehl, MAI. License number #3002277. He is also a CA Certified General Appraiser.
 - h. Valuation processes used were: 1) Land value – comparative values, 2) Cost Approach – cost to replace the building, 3) Sales Comparison Approach, 4) Income Capitalization Approach.

SERVICES THAT WILL BE AVAILABLE AT SONOMA WEST MEDICAL CENTER

Long Term Acute Care Services	Surgery
Urgent Care	Radiology
Laboratory	3D Mammography
Other Outpatient Services – like sleep studies, GI studies	Disaster Readiness and Response

AMERICAN ADVANCED MANAGEMENT GROUP – Information Provided by the Purchasers

"American Advanced Management Group (AAMG) originated in 2013 with the opening of its pilot hospital; Central Valley Specialty Hospital, an LTCH in Modesto, California. In the 5 years since we have experienced growth and expansion into both acute and post-acute facilities and services. We were the first company in California to revive a rural hospital following closure which led to the development of an innovative service model for Rural and Critical Access that offers small community hospitals an opportunity to thrive in an increasingly centralized and competitive healthcare market. Our ability to offer multiple medical specialties to these small communities through our rural clinics is just one example of our success at delivering quality, patient centered care to communities of every size. In 2018 we are opening our first college dedicated exclusively to the allied health professions most impacted by shortages."

Hospitals Owned, Leased or Managed by AAMG. SEE handout for further information.

- ❖ CENTRAL VALLEY SPECIALTY HOSPITAL, MODESTO – ACUTE (LTCH) – 100 BEDS
- ❖ PACIFIC GARDENS MEDICAL CENTER – ACUTE – 147 BEDS
- ❖ COLUSA MEDICAL CENTER – ACUTE (RURAL) – 48 ACUTE/6 DP SKILLED
- ❖ GLENN MEDICAL CENTER – ACUTE (CRITICAL ACCESS) – 25 ACUTE/22 DP SKILLED
- ❖ SONOMA SPECIALTY HOSPITAL – ACUTE (LTCH) – 37 BEDS
- ❖ COALINGA MEDICAL CENTER – ACUTE (RURAL) – 24 ACUTE/99 DP SKILLED
- ❖ CENTRAL VALLEY POST-ACUTE – SKILLED – 99 BEDS
- ❖ VALLEY SUBACUTE & REHABILITATION CENTER – SKILLED – 70 BEDS