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12 **UNITED STATES BANKRUPTCY COURT**
13 **EASTERN DISTRICT OF CALIFORNIA**
14 **FRESNO DIVISION**

15 In re:
16 **MADERA COMMUNITY HOSPITAL,**
17
18 Debtor in Possession.
19
20 Tax ID#: 23-7429117
21 Address: 1270 E. Almond Avenue
22 Madera, CA 93637

Case No. 23-10457

Chapter 11

DCN: HRR-1

**DECLARATION OF KAREN
PAOLINELLI IN OPPOSITION TO
MOTION TO COMPEL PRODUCTION OF
CERTAIN DOCUMENTS PURSUANT TO
FEDERAL RULE OF BANKRUPTCY
PROCEDURE 2004**

Hearing:

Date: September 12, 2023

Time: 9:30 a.m.

Place: 2500 Tulare Street

Courtroom 13

Fresno, CA 93721

Judge: Honorable René Lastreto II

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26 I, Karen Paolinelli, hereby declare and represent as follows:

- 27 1. I am over the age of eighteen years and have personal knowledge of the facts
28 contained herein. If called as a witness, I could and would testify competently to the same.

1 2. I am the Chief Executive Officer of Madera Community Hospital (“Debtor”) and
2 am primarily responsible for the overall management of the Debtor, along with its Board of Trustees. I
3 am generally familiar with the day-to-day continuing operations, assets, and financial affairs of the
4 Debtor.

5 3. The Debtor is a California non-profit corporation located in Madera. Prior to
6 January 10, 2023, the Debtor operated a 106-bed acute care hospital in Madera. The Debtor no longer
7 operates the hospital and all patient care has ceased. This case was filed as a Chapter 11 case on March
8 10, 2023 (“Petition Date”).

9 4. Since December 2022, the Debtor has engaged in negotiations with various third
10 parties, including (but not limited to) American Advanced Management, Inc. (“AAMI”), to find
11 operating funds and/or to sell the assets of the Debtor’s estate. All of the entities with which the Debtor
12 has had discussions, including AAMI, have entered into Non-Disclosure Agreements (“NDA’s”) which
13 provide that documentation provided, discussions, proposals, letters of intent (“LOI’s), and term sheets
14 are strictly confidential and not to be disclosed to any third parties.

15 5. Debtor is in the process of creating a plan for reorganization that complies with
16 11 U.S.C. § 1123 and § 363.

17 6. On July 28, 2023, the Debtor and Adventist Health, a third party, entered into a
18 non-binding Letter of Intent. With the permission of Adventist Health, the Debtor informed the Court
19 in its Third Status Conference Statement filed August 21, 2023 that the Debtor and Adventist Health
20 had entered into said Letter of Intent.

21 7. On May 30, 2023, I met with Matthew Beeler, AAMI’s Chief Strategy Officer,
22 and Dr. Gupreet Singh, AAMI’s President, to discuss AAMI’s interest in buying and/or managing the
23 hospital. During that meeting, Dr. Singh made an unsolicited, written offer of employment to me (a true
24 and correct copy of which is attached hereto as Exhibit “A”) and gave me an envelope. Inside that
25 envelope was a check payable to me personally for \$150,000.00, a true and correct copy of which is
26 attached hereto as Exhibit “B”. I informed Dr. Singh, with Mr. Beeler present, that I would not accept
27 the employment offer and would notify the attorney for the Debtor and the Board of Trustees Chair,
28 Deidre da Silva of the employment offer. I notified Ms. da Silva of this conversation shortly thereafter.

1 I further sent a certified letter to Dr. Singh, returning the check, reiterating that I was declining the
2 unsolicited offer of employment, and informing Dr. Singh that no decision had been made with respect
3 to the sale of assets and any decision to be made is left to the Debtor's Board subject to approval by the
4 Creditors' Committee, Saint Agnes Medical Center, and the Court. (See Exhibit "C" hereto.") The
5 entire interaction made me feel very uncomfortable.

6 8. The Debtor has kept the Board of Trustees, the Creditors' Committee, and St.
7 Agnes Medical Center informed of all proposals made on behalf of AAMI – and all other suitors.

8 9. Dr. Singh continued to offer me employment throughout the § 363 process both
9 over the phone and in person, with the last time being August 21, 2023.

10 10. On Monday, August 21, 2023 at approximately 7 p.m., I received a phone call
11 from Dr. Singh. Dr. Singh invited me to meet him for lunch. I informed Dr. Singh I was unable to meet
12 with him for lunch. He replied that AAMI was still interested in the Debtor and reiterated AAMI's
13 ongoing allegations that Debtor's proposed agreement with Adventist Health would not be approved by
14 the Court. Dr. Singh also told methat Adventist Health would "not keep you" alluding to the fact that
15 Adventist Health would not keep me employed once any transaction closed. In response, I informed Dr.
16 Singh I would not discuss Adventist Health any further. I then texted Deirdre da Silva, the chair of the
17 Hospital Board of Trustees, to inform her about the call, Dr. Singh's assertions and my responses.

18 11. On August 30, 2023, The Fresno Bee published an article entitled "'Jilted lover'
19 or likely suitor? New firm wants to take over bankrupt California hospital[.]" The article publishes
20 quotes from AAMI's executives indicating they believe AAMI's proposal is preferable to Adventist
21 Health's proposal to the Debtor. A true and correct copy of the article is attached hereto as Exhibit "D".

22 12. The Debtor has yet to finally determine the identity of a stalking horse bidder for
23 the purchase of the Debtor's assets. Should the Debtor determine the best interests of the Debtor and its
24 creditors are best served by a sale of the Debtor's assets to a third party – whether that party be Adventist
25 Health, AAMI, or someone else - the Debtor will identify the proposed buyer as the stalking horse bidder
26 and provide the Court and all parties with notice of the proposed sale and its terms. AAMI, as well as
27 any interested party, will have the opportunity to support (or oppose) the sale and, if the sale is approved
28 by the Court, to submit an overbid at the time of sale.

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I declare under penalty of perjury that the foregoing facts are true and correct under the laws of the United States of America. Executed on September 8, 2023, at Madera, California.



/s/ Karen Paolinelli

Karen Paolinelli
Chief Executive Officer
Madera Community Hospital