Petaluma Health Care District ("PHCD") is a leading provider of healthcare services in southern Sonoma County, California. Accredited by the Joint Commission, Petaluma Valley Hospital ("PVH") is an 80-bed acute primary care hospital, and its services include a 24-hour emergency department, intensive/coronary care unit, family birth center, inpatient medical/surgical unit, day surgery, imaging, laboratory, and respiratory, physical and occupational therapies.

PVH's principal campus is located in Petaluma Valley, California, approximately 40 miles north of San Francisco, in Sonoma County. It serves a district of approximately 100,000 individuals. The Hospital's medical staff consists of 262 full-time equivalent ("FTEs") physicians and its administrative and clinical staff consists of 276.9 total FTEs.

The PHCD is a community owned and operated public agency. For more than 65 years, they have been dedicated to improving the health and well-being of Southern Sonoma County through leadership, advocacy, support, partnerships and education. Their vision is to foster a healthier community, a thriving hospital and local access to comprehensive health and wellness services. They navigate and identify the health needs and priorities of local residents, and provide or support services and programs in response to these needs. In addition to ensuring local access to quality emergency and acute care services at PVH, they bring local partners together to take action to foster policy, system and environmental change to improve the overall health of their community.
After careful thought and deliberation, the Board of Directors of PHCD (the “Board”) has determined that it is appropriate to seek options regarding a potential lease or sale. The hospital has been leased to a comprehensive health care system and is nearing the end of a 20 year lease. The Board has determined that it is appropriate to seek options on a new long-term lease or a sale of the hospital. The Board is committed to finding the right lease partner or buyer to ensure that exceptional local healthcare continues to be delivered in the southern Sonoma County and the surrounding area.

The purpose of this Request for Proposal (“RFP”) is to provide a structure which allows the Board to differentiate between potential leasers or buyers and to give each responding organization an opportunity to articulate what makes them an attractive option for the community. In considering proposals, the Board is interested in identifying a partner having the following characteristics:

- A commitment to the continued provision of quality healthcare services to the residents of the Sonoma County and the surrounding area
- A shared strategic vision for the future of PVH
- A demonstrated culture of quality and accountability
- A proven track record of operational success to ensure the ongoing vitality of PVH, as a stable and professionally rewarding organization for its employees and medical staff
- Sufficient capital to allow PVH to maintain high-quality care for its patients and improve its physical facilities
- A system reputation that will add value to PVH’s existing brand and reputation within our community and among physicians, consumers, and insurance plans
- Capabilities, facilities, clinical integration, leadership, and strategies necessary to be well positioned for success in an era of healthcare reform
- A commitment to transparency in dealing with all its constituencies
- A demonstrated history of following through on its promises and commitments

Information concerning PVH is available in the attached Confidential Information Memorandum (“CIM”) which provides sufficient strategic, financial, and operational information to enable you to respond to this request. As a condition to your receiving the CIM, you will have previously executed a Nondisclosure Agreement with PHCD. PHCD reserves the right to amend any written
material furnished, or information orally or electronically transmitted to any of the recipients. Additionally, representatives of The Camden Group will be available for questions or to provide additional information whenever necessary.

Please be assured that all organizations submitting a response will be accorded fair and equal treatment in the review of their respective proposals. At the same time, PHCD intends to accomplish its stated objectives in a manner that will minimize disruption to the patients, medical staff professionals, employees, and the ongoing business at PVH.

To be considered responsive to this RFP, and to allow for appropriate analysis, preliminary proposals should address the elements outlined below and in the following pages. Not all transaction elements will be relevant to all participants.

Background Information on Your Organization

- Business and Hospital Operational Experience
  - Describe your current business or business in which you or your affiliates are currently engaged and indicate the number of years of hospital operational experience you can bring to PVH through your operations, governance, and management.

- Organizational Structure and Current Scope of Services
  - Describe the organizational structure or structures under which your business or businesses are conducted (including joint ventures and partnerships) and the current scope of services you provide.

- Please provide the following information regarding your organization:
  - Organizational chart
  - Description of your management, including key management personnel
  - Description of your relevant experience with the type of transaction proposed
  - Tax status
  - Governing Board Members
  - Locations of facilities and businesses operated
    - Description of the nature and extent of medical school affiliations, if any
  - Audited financial statements for the most recent three (3) fiscal years and for the current fiscal year (unaudited), if in progress
Description of the basis on which you believe that you have sufficient current and future financial resources to support the payments due under the terms of the proposed transaction and to operate PVH on a basis which is consistent with the commitments set forth in this RFP

Identification and contact information for your team members, including legal and financial advisors, if any

Description of programs you have implemented that have changed healthcare in the communities in which you operate

Strategic Planning

- Describe your strategic focus, plan, direction, and goals, as well as the challenges you face in achieving these objectives, and how you plan to address these challenges.
- Describe how you see PVH helping your system accomplish these goals and how you plan to integrate PVH into your system.

Legal Actions/Inquiries

- Describe any prior or current/pending state or federal legal actions/inquiries involving your organization, your management, or Board of Directors.

Ethical and Religious Directives

- Describe any ethical or religious directives of your organization that would impact the future operations of PVH.

Structure of the Proposed Transaction

In order to achieve the objectives described above, the Board will consider sale or long-term lease of PVH.

- Describe the specific amount, terms, timing, and form of capital Commitment you are prepared to make in a relationship with PHCD
- Describe your commitment to assume all pre-transaction and post-transaction liabilities of PVH and provide indemnification of PVH against such liabilities, along with evidence of appropriate financial resources to support such indemnification.
- Legal Entity for Agreement with PHCD
Describe the legal entity that will enter into an agreement with PHCD regarding the transaction that will own, operate, or hold any required licenses for the delivery of healthcare services at PHCD.

- **Board of Trustees**
  - Describe the proposed governance structure and the ongoing role of PVH’s current Board.

**Commitments/Objectives**

As to each of the Commitments set forth below, you are asked to agree to the Commitment, describe how you are handling similar commitments within your existing organization, and how you intend to ensure meeting the Commitment if you are chosen as the successful party to negotiate with PHCD.

- **Operational Commitments**
  - Describe your commitment to operate PVH as a full service acute care hospital for the foreseeable future.
  - Describe the proposed management organization structure for PVH following the closing of a transaction.

- **Rights of Reversion**
  - Describe your commitment to provide PHCD, or a surviving organization, with rights of reversion of the operations and assets of PVH in the event you fail to meet your commitments or if there is a bond default or sale, insolvency, or bankruptcy of your organization.

- **Maintaining Charitable Purposes and Meeting Community Healthcare needs**
  - Describe your commitment to maintain the mission of PVH, and collaborate with the District to meet the current and future healthcare needs of the community. ■ PVH Staffing
  - Retention of current PVH staff, who are currently under the employment of the current lessee of the Hospital.
    - □ Describe your commitment to retain PVH employees following the closing of a transaction
    - □ Describe any anticipated employee benefit changes
    - □ Demonstrate any staffing or other plans to achieve economies of scale

- **Clinical Services and Physician Recruiting**
Describe your commitment to take steps to ensure that, subject to patient choice, all medical services for which there exists capability at PVH will be performed locally rather than at outlying, tertiary care facilities, whether or not owned or controlled by your organization.

- Describe your commitment to maintaining existing clinical services at PVH and indicate the minimum timing that you are prepared to make for maintaining such services.
- Describe any new services you anticipate implementing during the next five years.
- Describe commitment to expend significant financial resources to recruit new physicians to the community and grow PVH's current complement of clinical services, and specify what level of capital commitment you are making to do so.
- Describe which, if any, clinical services may not be maintained at PVH.

Clinical Quality Improvement ▶ Quality Measurement

- Describe your commitment to develop and implement a proven plan for clinical quality measurement utilizing national and regional benchmarks and accountability.

Staff Development

- Describe your commitment to develop and implement a proven plan for improvement of the medical staff, nursing staff and non-physician practitioners with corresponding education and training programs, including development and implementation of centers for excellence in specific clinical areas.

Capital Improvements

- Describe your commitment to needed capital improvements, including funding of growth initiatives intended to maintain facilities, equipment, and other capital items at a state-of-the-art level for comparable community hospitals.

Competition and Right of First Refusal

- Describe your commitment (a) not to own or operate any other entity which competes with PHCD in its service area and (b) to afford PHCD or a surviving organization with the right of first refusal in the event you should seek to sell the assets or operations of PVH following the closing.

Strategic Vision

Describe the strategic vision you have for your presence and role in Sonoma County. How does PVH fit into and allow you to achieve that vision? Describe the strategies that are currently beyond the reach of PVH and that are possible with your involvement to deal with evolving payment
systems, including a well-designed strategy for Accountable Care and population health management readiness.

- Information Technology
  
  - Describe your commitment to provide PVH with information technology that will support clinical excellence, integrate PVH with other system facilities, meet all federal and state requirements for funding, and promote participation and success in evolving payment structures.

After receipt of Preliminary Proposals, PHCD may, based at its sole discretion, select organizations with which to continue affiliation discussions. PHCD requests that the Preliminary Proposal be as specific and detailed as possible. Site visits at PVH facilities and management presentations will not be conducted prior to the first Preliminary Proposal submission deadline. **Furthermore, please do not contact directly any of the PVH employees, members of PVH’s Board or Board Committees, management or medical staff of PVH without the prior consent of The Camden Group.**