
Petaluma
HEALTH CARE
DISTRICT

Board of Directors Discussion

October 21, 2020

Historical Context



- Five years since the search for a new long-term hospital operator began
- Three years since the original lease ended
- Multiple unsuccessful transactions
 - SRM
 - Paladin
 - Adventist JV
- Discussions with multiple parties
- Ten months since beginning of the latest round of discussions
 - Culminated with the Definitive Agreements to be discussed tonight

Asset Purchase Agreement Review



- Recitals
- Article 1: Description of the Transaction
 - \$52.6M purchase price
 - December 31 closing
- Articles 2 and 3: Buyer and Seller Representations
- Articles 4 and 5: Pre-closing Covenants
- Articles 6 and 7: Closing Conditions
- Article 8: Termination prior to Closing
- Article 9: Title Matters

Asset Purchase Agreement Review



- Article 10: District's Post-Closing Covenants
 - Five-year noncompete
- Article 11: PSJH Post-Closing Covenants
 - Consistent with terms sheet
 - Two new provisions
 - \$35M capital commitment over 10 years
 - Ten-year commitment to maintain freestanding emergency department in the event the hospital is closed as acute care hospital after 20 years
- Article 12: Employees
- Article 13: Tax Matters
- Article 14: Indemnification

Asset Purchase Agreement Review



- Article 15: Defaults and Remedies
 - Covenants and all other obligations guaranteed by Western Health Connect, a member of the Obligated Group of Providence St. Joseph Health
 - Deed restriction limiting use of property to acute care hospital for 20 years
 - Specific performance
 - Monetary damages
 - No reversionary right of hospital to District
 - NorCal unable to provide due to bond covenants
- Article 16: Miscellaneous

Next Steps



- District Board to complete review of APA and other documents and consider any public comments
- Follow-up Board meeting scheduled for October 28 to approve the Asset Purchase Agreement and related documents
- November 3rd Election
- If all closing conditions satisfied or waived, closing to occur December 31.