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November 17, 2017

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**VIA E-MAIL and OVERNIGHT FEDEX**

Scott Chan, Esq.  
California Department of Justice  
Office of the Attorney General  
Deputy Attorney General  
Charitable Trusts Section  
455 Golden Gate Ave., Suite 11000  
San Francisco, CA 94102

Re: Follow-Up Questions Regarding Notice Submitted by Rideout Regional  
Medical Center

Dear Mr. Chan:

Thank you for your November 10, 2017 letter requesting additional information and documents related to the written notice submitted by The Fremont-Rideout Health Group ("FRHG") on October 9, 2017 (the "Written Notice"). FRHG hereby submits its initial answers to your questions including relevant supporting documentation.

For purposes of clarity, we have listed the questions from your November 10<sup>th</sup> letter below with our response to each question underneath. The numbers correspond to the original numbering contained in your letter. Where our response includes an attachment, we have included a coversheet identifying the question number it corresponds to. If you have additional follow-up questions related to our responses, please do not hesitate to contact me.

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1. *Organizational chart for The Fremont-Rideout Health Group, Rideout Memorial Hospital, United Com-Serve, Stone Point Health, Adventist Health System/West, and The Fremont-Rideout Foundation.*

**Response:**

Organizational charts for FRHG (including its affiliates) and Adventist Health System/West are attached. An organizational chart for Stone Point Health will be provided in a separate correspondence next week.

2. *Redline versions of the of bylaws and articles The Fremont-Rideout Health Group, Rideout Memorial Hospital, United Com-Serve, Stone Point Health, Adventist Health System/West, and The Fremont-Rideout Foundation.*

**Response:**

The bylaws and articles for The Fremont-Rideout Health Group, Rideout Memorial Hospital, United Com-Serve are being replaced using entirely different form documents and therefore a redline would provide little assistance in evaluating the changes to be implemented at the closing of the affiliation contemplated by the Affiliation Agreement. Both the current bylaws and articles and the proposed bylaws and articles for each of the entities were included with FRHG's Written Notice. Please let us know if you would like us to provide them separately to your office.

The bylaws and articles for Stone Point Health and Adventist Health System/West are not being modified in connection with the proposed affiliation contemplated by the Affiliation Agreement. The articles and bylaws for Stone Point Health were included with FRHG's Written Notice. Please let us know if you would like us to provide them separately to your office. The articles and bylaws for Adventist Health System/West are included in our response to Question 3 below.

A redline version of the bylaws for The Fremont-Rideout Foundation are attached. The articles for The Fremont-Rideout Foundation will not be changed in connection with the closing of the affiliation contemplated by the Affiliation Agreement.

3. *The Articles of Incorporation and Bylaws and all amendments and restatements for Adventist Health System/West.*

**Response:**

Copies of the articles and bylaws for Adventist Health System/West are attached.

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4. *Is there an affiliation agreement between Stone Point Health and Adventist Health System/West? If so, please provide that agreement;*

**Response:**

No, there is not currently any affiliation agreement between Stone Point Health and Adventist Health System/West.

5. *The Fremont-Rideout Foundation Bylaws, attached as Attachment 2.3(a) of the notice, at Section 2.02 [Future Membership], references an Affiliation Agreement dated September 25, 2017. Is that Affiliation Agreement that was submitted to the Attorney General's office but is now dated October 6, 2017?*

**Response:**

The date included in the reference to the Affiliation Agreement should read October 6, 2017 and is intended to reference the same Affiliation Agreement submitted to the Attorney General's office.

6. *How many Directors are currently sitting on the Board of The Fremont-Rideout Foundation? If more than eight, what is the process of resignation to make room for the three Stone Point Health appointed members?*

**Response:**

The Board of The Fremont-Rideout Foundation currently includes 10 directors (including the ex-officio members). The existing Board is in the process of evaluating the best approach to use to identify those directors best suited to serve on the Board following the formal affiliation with Stone Point. The Board is very supportive of the proposed affiliation and committed to taking the steps necessary to incorporate the new Stone Point Health members.

7. *What is the status of the appointments referenced by the Affiliation Agreement at Article 3.7(c) and Attachment 3.7(c)?*

**Response:**

The parties are in the process of identifying the specific individuals referenced by the Affiliation Agreement at Article 3.7(c) and Attachment 3.7(c). Final decisions will be made prior to the closing of the affiliation contemplated in Affiliation Agreement.

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8. *The Bylaws of Stone Point Health, Article 3.3(b), included in the notice at (d)(4)(B) (page FRHG 0497), is unclear as to whether the remaining directors must be nominated by Adventist Health System/West. Do the remaining directors have the authority to nominate and elect the remaining directors or do all nominations have to be from Adventist Health System/West?*

**Response:**

The Stone Point Health directors designated by Adventist Health System/West pursuant to Section 3.3(a) of the Stone Point Health bylaws have the authority to both nominate and elect the remaining Stone Point Health Board members. The primary reason for allowing for non-Adventist Health System/West designated Stone Point Health directors is to help facilitate the nomination of potential Stone Point Health directors.

9. *The name and contact information for the bond counsel for the following bonds:*

- *City of Marysville, California Insured Revenue Bonds (The Fremont Rideout Health Group) Series 2003A;*
- *California Statewide Communities Development Authority Insured Revenue Bonds (The Fremont-Rideout Health Group) Series 2006A; and*
- *City of Marysville, California Revenue Bonds (The Fremont-Rideout Health Group) Series 2011*

**Response:**

FRHG is currently represented by Samuel Dibble at Baker Botts LLP in connection with the bonds listed above. His e-mail address is sam.dibble@bakerbotts.com.

10. *Is any of The Fremont-Rideout Health Group's, Rideout Memorial Hospital's, United Coin-Serve's long-term debt guaranteed by Cal-Mortgage of the Office of Statewide Health Planning and Develop? If so, how much?*

**Response:**

None of FRHG's, Rideout Memorial Hospital's, United Coin-Serve's long-term debt is guaranteed by Cal-Mortgage of the Office of Statewide Health Planning and Development.

11. *Attachment 2.2(a), RMH Governing Board Bylaws, (page FRHG 0111). lists Stone Point Health as Rideout Memorial Hospital's sole corporate member in the introductory paragraph but the Articles of Incorporation of Rideout Memorial Hospital at Article IV (page*

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*FRHG 0096) and the Bylaws of Rideout Memorial Hospital at Article 2.1 (page FRHG 0098) lists The Fremont-Rideout Health Group as Rideout Memorial Hospital's sole corporate member. Please explain the seeming inconsistency.*

**Response:**

FRHG is and will remain the sole corporate member of Rideout Memorial Hospital before and after the completion of the affiliation with Stone Point Health. The reference to Stone Point Health in Attachment 2.2(a) is an error and will be corrected before the bylaws are formally adopted.

*12. What is the vacancy rate since January 2014 of The Fountains skilled nursing facility located in Yuba City? And does the facility have a locked unit or any special unit for memory loss patients? If so, how many beds are available in the locked unit?*

**Response:**

Attached is a spreadsheet describing the occupancy rates for The Fountains since January 2014. The facility does not have any locked units.

*13. Statements of deficiencies and/or penalties assessed at The Fountains since January 2014.*

**Response:**

Copies of the statements of deficiencies for The Fountains since January 2014 are attached. The Fountains was not assessed any penalties during that period.

*14. Statements of deficiencies and/or assessed penalties against Fremont Memorial Hospital since January 2014.*

**Response:**

Copies of the statements of deficiencies for Fremont Medical Center since January 2014 are attached. Fremont Medical Center was not assessed any penalties during that period.

*15. Is The Fremont-Rideout Health Group, Fremont Memorial Hospital, or United Com-Serve, a party to any collective bargaining agreements with any of its employees including nurses?*

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**Response:**

FRHG is a party to two collective bargaining agreements with the California Nurses' Association, which are the only collective bargaining agreements covering any employees of FRHG, Fremont Memorial Hospital or United Com-Serve.

16. *What is the status of the negotiations with the California Nurses Association and The Fremont-Rideout Health Group as discussed at Schedule 5.14(b) (page FRHG 0240)?*

**Response:**

The parties have been actively negotiating for a successor collective bargaining agreement since August 11, 2017. The parties have made significant progress and as of November 16, 2017 the parties have reached a tentative agreement for a three year term successor collective bargaining agreement. The California Nurses' Association has represented that it expects to have the new contract ratified by its members on November 30, 2017.

17. *Were any labor organizations, including the California Nurses' Association, or Service Employees International Union specifically notified of the proposed Affiliation Agreement? If so, how were they notified and provide our office with a copy of the method and actual notice that was provided to either or both organizations.*

**Response:**

All FRHG employees, including representatives from the California Nurses' Association, were notified of the proposed Affiliation Agreement between the parties. Such notifications were in the form of Hospital-wide memorandums as well as town hall meetings. In addition, the proposed Affiliation Agreement has been discussed verbally with the California Nurses' Association during the course of labor negotiations in connection with the agreements you reference in Question 16 above.

18. *Are any of the employees at hospitals owned, operated, or controlled by Adventist Health System/West covered by a collective bargaining agreement? If so, which hospitals?*

**Response:**

None of the employees at hospitals owned, operated, or controlled by Adventist Health System/West are covered by a collective bargaining agreement.

19. *California Code of Regulations section 999.5(e)(3)(A) requires the Attorney General to conduct a public meeting and that notice of the public meeting be published in a "newspaper of general circulation" in the affected community. A "newspaper of general*

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*circulation" is defined in Government Code sections 6000 and 6008. Please identify the newspaper(s) of general circulation for Sutter County, and Yuba County, and the community affected by this proposed transaction.*

**Response:**

The newspaper of general circulation for Sutter County and Yuba County is the Appeal Democrat and its business address is 1530 Ellis Lake Drive, Marysville, California.

20. *Does Stone Point Health or Adventist Health System/West, at any of the hospitals controlled, owned or operated by either entity, have any protocols, guidelines, instructions, or directives that would limit the reproductive health care services currently provided by The Fremont-Rideout Health Group, or Rideout Memorial Hospital including, contraceptive services, obstetrics and management of pregnancy services, permanent contraceptive services, such as vasectomy and tubal ligation, labor and delivery services, and surgical procedures and clinical care associated with fetal demise, threatened or incomplete abortions and spontaneous abortions?*

**Response:**

Neither Stone Point Health nor Adventist Health System/West, at any of the hospitals controlled, owned or operated by either entity have any protocols, guidelines, instructions, or directives that would limit the reproductive health care services currently provided by FRHG, or Rideout Memorial Hospital.

21. *Licenses and any addendums from the California Department of Public Health for Rideout Memorial Hospital and The Fountains skilled nursing facility, and the Department of Social Services license and any addendums for The Courtyard and The Gardens residential care facilities for the elderly.*

**Response:**

Copies of the licenses are attached.

22. *Under Article 3.19, of the proposed Affiliation Agreement, how will the current employees' pensions and benefits plans be handled? Will the employees' current plans be transfer, changed, or merged into a plan being offered by Stone Point Health and/or Adventist Health System/West?*

**Response:**

Adventist Health System/West currently provides employee retirement benefits through a church plan, which would not permit the addition of current FRHG employees. FRHG

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employees will remain in their current retirement plan following the completion of the transaction contemplated by the Affiliation Agreement.

With respect to employee health benefits, following the completion of the transaction contemplated by the Affiliation Agreement employees will be transferred from their existing plans to a self-insured trust under Stone Point Health and administered by Adventist Health. The level of benefits offered to the employees will be the same or better than what they are currently offered under the existing plans.

23. *What are the obligations and deadlines for the Forbearance Agreement dated March 1, 2017? And are there any other time-sensitive debt repayment or forbearance deadlines that the Attorney General should be made aware of?*

**Response:**

Pursuant to the terms of the Forbearance Agreement, dated March 1, 2017, as amended (the "Forbearance Agreement"), Rideout must complete its affiliation with Adventist Health on or before March 31, 2018. Any failure to consummate the Affiliation Agreement on or before that date will result in an "Immediate Termination Event" under the Forbearance Agreement. Rideout is obligated to comply with certain financial covenants as of December 31, 2017, which include maintaining a certain: (a) Long Term Debt Service Coverage Ratio; (b) minimum amount of Days Cash on Hand; and (c) a maximum amount of Days of Trade Accounts Payable; in each case as set forth in the Forbearance Agreement. Other reporting covenants described in the Forbearance Agreement must be satisfied between now and the closing of the Affiliation Agreement.

24. *Please provide a listing of the current assets, including endowments, of The Fremont-Rideout Foundation and indicate the assets' restrictions, if any.*

**Response:**

A list of physical assets for The Fremont-Rideout Foundation was included as Attachment 2.4 to the Affiliation Agreement. A list of The Fremont-Rideout Foundation's financial assets, including restricted funds, is attached to this letter.

25. *Does The Fremont-Rideout Health Group, Rideout Memorial Hospital, or United Com-Serve have a local governing board that has community representatives and/or healthcare advocacy group members?*

**Response:**

The board of directors for each of the entities have community representatives.



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26. *With regard to The Fremont-Rideout Health Group's efforts to inform local government, professional staff and employees of the health facility, and the general public, as to the proposed transaction, were the articles listed as being published in the Appeal-Democrat only online or were they in a physical newspaper?*

**Response:**

The articles listed in our response contained in the Written Notice were published both online and in the physical newspaper.

27. *What are the fiscal years for The Fremont-Rideout Health Group, Rideout Memorial Hospital, United Com-Serve, Stone Point Health, Adventist Health System/West, and The Fremont-Rideout Foundation? Will the fiscal years change for any of the entities, if so, how will they change?*

**Response:**

The fiscal year for FRHG, Rideout Memorial Hospital, United Com-Serve, and the Fremont-Rideout Foundation ends on June 30. The calendar year for Stone Point Health and Adventist Health System/West ends on December 31. The current plan is for FRHG, Rideout Memorial Hospital, United Com-Serve, and the Fremont-Rideout Foundation to change to a calendar year ending on December 31 once the affiliation transaction is finalized.

28. *What are the primary languages spoken Sutter County, Yuba County, and the affected community?*

According to the US Census Bureau, in 2015 the primary languages spoken in Sutter County were English (62.8% of residents are native speakers), Spanish (19.6% of residents are native speakers) and various Indic dialects (10.1% of residents are native speakers).

According to the US Census Bureau, in 2015 the primary languages spoken in Yuba County were English (75.9% of residents are native speakers), Spanish (15.7% of residents are native speakers) and Hmong (2.47% of residents are native speakers).

29. *What is Stone Point Health's and/or Adventist Health System/West's capital expenditure definition and authorization policy as stated in the Affiliation Agreement at Article 3.3(a)?*

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**Response:**

We have attached Adventist Health System/West's capital expenditure definition and authorization policy.

30. *What entities are in the Obligated Group referenced in Article 3.6 of the Affiliation Agreement?*

**Response:**

The members of the Obligated Group referenced in Article 3.6 of the Affiliation Agreement include: Adventist Medical Center – Hanford, Adventist Medical Center – Reedley, Adventist Medical Center Portland Castle Medical Center, Feather River Hospital, Frank R. Howard Memorial Hospital, Glendale Adventist Medical Center, Lodi Memorial Hospital Association, San Joaquin Community Hospital, Simi Valley Hospital, Sonora Regional Medical Center, St. Helena Hospital Napa Valley, Tillamook Regional Medical Center, Ukiah Valley Medical Center, and White Memorial Medical Center.

31. *Does the term "Stone Point and its Affiliates" include Adventist Health System/West? Similarly, "Stone Point or its Affiliates"?*

**Response:**

The terms "Stone Point and its Affiliates" and "Stone Point or its Affiliations" both include Adventist Health System/West.

32. *Does the term "Stone Point or Adventist Health" include Affiliates?*

**Response:**

The "Stone Point or Adventist Health" does not include Affiliates.

33. *Are The Fremont-Rideout Health Group or Rideout Memorial Hospital or United Com-Serve party to any Medi-Cal Managed care contracts? If so, which ones?*

**Response:**

Rideout Memorial Hospital is a party to a Medi-Cal Managed Care agreements with Blue Cross of California and Celtic Insurance Company.

34. *The Affiliation Agreement at Section 8.1(b) refers to 5914 etc seq. Please confirm that this transaction is being submitted under 5920 et seq.*

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**Response:**

The Written Notice is being submitted under 5920 et seq.

35. *What will be the employment status of current CEO of FRHG Gino Patrizio at the closing date?*

**Response:**

No final decision has been made regarding the status of Gino Patrizio at the closing date.

36. *How many days cash on hand does The Fremont-Rideout Health Group, Rideout Memorial Hospital, or United Com-Serve, have?*

**Response:**

As of September 30, 2017, the combined days cash on hand for FRHG, Rideout Memorial Hospital, and United Com-Serve was 96 days.

37. *Does The Fremont-Rideout Health Group, Rideout Memorial Hospital, or United Corn-Serve expect any funds receivable from the Hospital Quality Assurance Fee Program? If so, how much and when is that expected?*

**Response:**

Through September 30, 2017, Rideout Memorial Hospital is currently expecting a net amount of \$26 million for HQAF 4 and HQAF 5. The current estimate is for the funds to be paid to hospitals during the first half of 2018.

38. *With specificity, why were the other three entities that received RFP material rejected?*

**Response:**

After a careful and thorough review process the FRHG Board identified several factors, in the aggregate, that supported their decision to move forward with Adventist Health rather than the other entities who responded to the RFP including: (1) Adventist Health's recent experience with the type of transaction contemplated by the Affiliation Agreement; (2) the particular governance structure to be implemented at FRHG and its affiliates following the affiliation and the level of responsibility vested in local governing boards; (3) Adventist Health's demonstrated commitment to serving populations with needs similar to the needs of the communities currently served by FRHG, including high concentrations of Medi-Cal patients; (4) Adventist Health's experience with population

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health and vision for integrating FRHG and Rideout Memorial Hospital; and (5) strategic fit and the complementary cultures between the two organizations.

39. *Other than what is contained in the notice, have any of the parties to the Affiliation Agreement received comments either in favor of or not in favor of the transaction, from members of the public, government officials or entities, labor organizations, advocacy groups, employees, etc.? If so, please provide those comments to our office.*

**Response:**

We have attached copies of newspaper articles that appeared in the local press following the submission of the Written Notice.

40. *The following two question relate to compliance with Health & Safety Code 1260.1:*

- *Has any person who was a member of management of The Fremont-Rideout Health Group, Rideout Memorial Hospital, United Corn-Serve, or The Fremont-Rideout Foundation and who presented information or opinions to the board regarding the transfer of assets as described in Health & Safety 1260.1, subdivision (a) that was relied upon, or considered by, any of the board members in making decisions regarding the transfer, made a written affirmative declaration that he or she will not work for, or receive any form of remuneration from, Stone Point Health or Adventist Health System/West or any of its affiliated entities in the future?*

**Response:**

No member of management presented information or opinions to the Board regarding the transfer of assets described in Health and Safety Code 1260.1.

- *Did either The Fremont-Rideout Health Group, Rideout Memorial Hospital, United Com-Serve, or The Fremont-Rideout Foundation Board substantially rely on any information presented by any person to whom Health & Safety 1260.1, subdivision (c) applies who has not made a written affirmative declaration pursuant to Health & Safety 1260.1 subdivision (c)?*

**Response:**

None of the Boards you referenced in your question substantially relied on any information presented by any person to whom Health & Safety Code 1260.1(c) applies. The Affiliation Agreement was negotiated by outside professionals with input from the Board.

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41. *Are there any pending Medicare, Medi-Cal, or Medicaid investigations as to The Fremont-Rideout Health Group, Rideout Memorial Hospital, or United Com-Serve? If so, please explain.*

**Response:**

There are none.

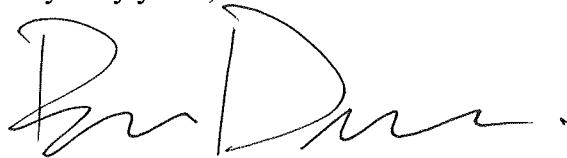
42. *Other than what is provided in the Notice, are there any other contracts and/or agreements between either The Fremont-Rideout Health Group, Rideout Memorial Hospital, United Coin-Serve, or any other affiliate of the foregoing and any city, county, other local governmental entity, and any entity associated with them? If so, please provide such contracts and/or agreements for both Yuba County and Sutter County.*

**Response:**

We have attached one additional agreement between FRHG and Sutter-Yuba Behavioral Health. This agreement was not in final form when FRHG submitted its Written Notice.

\*\*\*                      \*\*\*                      \*\*\*                      \*\*\*                      \*\*\*

Very truly yours,



Ben A. Durie

BAD  
Enclosures

cc: Phil Dalton  
Eric Themm  
Cheryl Wagonhurst