



**BOARD OF DIRECTORS
SPECIAL MEETING
December 28, 2011**

**Health District Office Building
120 Bristlecone Drive, Fort Collins**

MINUTES

BOARD MEMBERS PRESENT: Celeste Holder Kling, President
Bernard J. Birnbaum, MD, Vice President
Timothy S. O'Neill, Secretary
Steven J. Thorson, MD, Treasurer
Joe D. Hendrickson, Liaison to PVHS Board

STAFF PRESENT: Carol Plock, Executive Director
Bruce Cooper, M.D., Medical Director

OTHERS PRESENT: Robin Foster, Attorney (via phone)
Winn Halverhout, Attorney (via phone)
Open session:
Rulon Stacey, Pres/CEO, PVHS
Todd Whitsitt, MD, Pres. Of Board of Mgrs, PVMG

CALL TO ORDER; APPROVAL OF AGENDA

President Celeste Kling called the meeting to order at 5:53 p.m.

MOTION: To approve the agenda as presented/amended.
Motion/Seconded/Carried Unanimously

EXECUTIVE SESSION

A motion was made to go into Executive Session.

MOTION: To go into Executive Session for the purpose of discussion pertaining to negotiations pursuant to §24-6-402(4)(e) of the C.R.S., and for the purpose of discussion with an attorney for the district for the purpose of receiving legal advice on specific legal questions per §24-6-402(4)(b) of the C.R.S., related to PVHS.
Motion/Seconded/Carried Unanimously

The Board retired to Executive Session at 5:56 p.m.

The Board came out of Executive Session at 7:02 p.m.

OPEN SESSION

DISCUSSION

The Proposed PVHS and UCH Joint Operating Company and Agreement

Guests Rulon Stacey, President/CEO of Poudre Valley Health System (PVHS), and Todd Whitsitt, M.D., President of the Board of Managers, Poudre Valley Medical Group, joined the board meeting.

Mr. Stacey made a presentation to the Board. First, in discussing the need for PVHS to join with another player in order to survive the upcoming changes in the health care environment, he noted that without changes, PVHS could cease to exist in the future. He pointed out that UCH was an excellent partner, and that other potential partners are far less inclined to provide indigent care.

Mr. Stacey noted that he recognized the Health District's fiduciary responsibility, which include assuring obtaining fair value for community assets; an assurance that the assets are returned in good condition, with reasonable debt, if any; maintenance of community facilities and services; and quality care in the future. He also discussed some of PVHS's key intentions and needs related to the Health District: to fulfill the lease requirements (operating lease between the Health District and PVHS) in light of health reform; to maintain financial and clinical viability; to achieve the transaction in the available timeframe to allow potential of also developing an arrangement with Memorial Hospital in Colorado Springs; and to assure quality care in the future.

Mr. Stacey discussed the various phases of the operating lease, which began in 1994 and is currently set to expire in 2044. He noted that PVHS is requesting a lease extension until 2064, and that it is his belief that if PVHS enters into the proposed Joint Operating Agreement with UCH, there will be decreased financial risk to the Health District. Although it is his perception that an argument could be made for the Health District not to increase the lease at all from 2044 through 2064, he noted that the current lease sets the lease rate until 2044, and their request would be that if any increases were made, they be for the time period from 2044 on. He noted, however, that the value of the total lease expense could be structured in whatever way makes the most sense, including a calculation for present value, and payments made accordingly. He presented an offer of \$17 million, which is a total net present value that PVHS believes is fair, and suggested that in order to move quickly, a fairness option rather than a valuation might be an option for the Board to consider in deliberating the lease amount. He noted that PVHS made a commitment in 1994 to provide \$70 million in charity care, and has made constant improvements to PVHS facilities. He also requested that the Board make a statement that would indicate to UCH that the Health District is generally in support of the PVHS/UCH deal, even if the details haven't all been worked out.

Dr. Whitsitt then made comments to the Board. He noted that it is rare that you have two like-minded, quality organizations that want to work together, and that the time is right for this deal. Dr. Whitsitt commented that the joint agreement will enable PVHS to achieve even more of the best medical practice available, and will allow for expanded sub-specialty medical care, along with participation in more drug and device studies. He noted that as the President of the Board of the Poudre Valley Medical group, which includes 150 physicians and 40 allied health professionals, he has not heard any of those providers make a negative comment. He also

mentioned that PVHS had carefully looked at all other options, and for various reasons, UCH came out far on top.

Mr. Stacey noted that it is impossible in the current environment to have a totally risk-free plan for the future, but that the agreement with UCH represents less risk than any other alternative available to PVHS. UCH is in good shape, has a similar mission, and has a great reputation.

The Board then held a discussion with the guests, discussing generally such topics as how a fairness opinion might work should the Board choose that option (the Board would make a decision, then ask for a fairness opinion rather than waiting for information from a financial advisor), whether progress had been made on negotiations for a consent agreement that is being developed to clarify changes to the operating lease and to indicate what consent the Health District would be giving regarding the deal (some; attorney talks are ongoing), the Health District's need to specify what assets return to the Health District if the lease should ever terminate (and the fact that work is still being done on that issue), potential options for lease payments (laddered payments, annual payments, escrow, lump sum) and the need for inflation protection, whether or not there would be some loss of local control, the need for continuing commitment to charity care and assurances of adequate and quality care, the fact that the Board had not yet considered Mr. Stacey's proposal (and was seeking further information) and could not comment on it at this point, and the Board's intent to gather public comment before making a final decision.

The Board took a break at 8:20 p.m.; the meeting resumed at 8:40 p.m.

EXECUTIVE SESSION

A motion was made to go into Executive Session.

MOTION: To go into Executive Session for the purpose of discussion pertaining to negotiations pursuant to §24-6-402(4)(e) of the C.R.S., and for the purpose of discussion with an attorney for the district for the purpose of receiving legal advice on specific legal questions per §24-6-402(4)(b) of the C.R.S., related to PVHS.

Motion/Seconded/Carried Unanimously

The Board retired to Executive Session at 8:42 p.m.

The Board came out of Executive Session at 10:40 p.m.

OPEN SESSION

Potential Further Discussion and Possible Decision Items on the Proposed PVHS and UCH Joint Operating Company and Agreement

The Board noted that PVHS, through Rulon Stacey, had requested that the Health District express its general support for the PVHS/UCH joint deal, and though there has not been time yet to develop a full Board position on all of the relevant issues, the Board has discussed the issue conceptually and the time has come to see whether they are ready to pass a Resolution indicating their support for the deal in concept.

MOTION: To approve Resolution 2011-9, regarding the Health District's support for the proposal by PVHS to enter into a JOA with University of Colorado Hospital, with appropriate contractual accommodations.
Motion/Seconded/Carried Unanimously

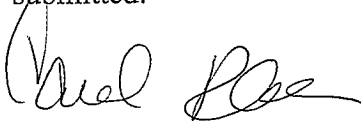
The Board asked that the Resolution be shared with Mr. Stacey, along with the Board's enthusiastic hope that it will be of assistance to PVHS in their conversations with UCH.

ADJOURN

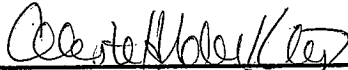
MOTION: To adjourn the meeting.
Moved/Seconded/Carried Unanimously

The meeting was adjourned at 10:45 p.m.

Respectfully submitted:



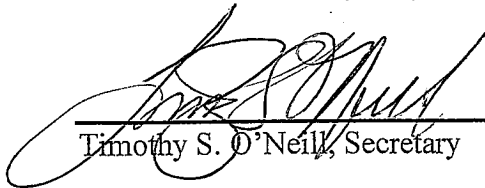
Carol Plock, Executive Director



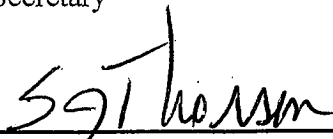
Celeste Holder Kling, President



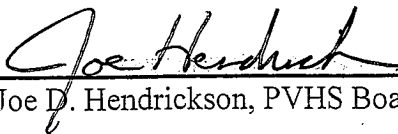
Bernard J. Birnbaum, MD, Vice President



Timothy S. O'Neill, Secretary



Steven J. Thorson, MD, Treasurer



Joe D. Hendrickson, PVHS Board Liaison