

Ref.	Question	Response
1.	Is the medical spa component an essential component of any business model you envision for Sonoma Valley?	<p>The Medical Spa will function as a unique resource to the hospital. The Medical Spa can provide additional patients and testing services from physicians and patients accessed from a wider area than the current hospital's service area. The additional revenue generated by the Medical Spa's patients will help the hospital be more sustainable and in doing so, partially subsidize uninsured patient costs associated with its operation. The Medical Spa will also attract physicians and new medical intellect to the community. This is an important ingredient of the plan. While the Medical Spa may not be essential, it is expected to be a major contributor to the medical and economic vitality of the hospital and the community.</p>
2.	Are you willing to consider operating the medical spa?	<p>Cirrus intends to work with Dr. Grause's investors on the development of the Spa. We anticipate that a professional management team will carry out the Medical Spa's day-to-day operations.</p>
3.	<p>Dr. Grause has represented that he has an option to purchase the approximately 22-acre parcel at the NWC of 8th Street East and Napa Road. With respect to that document:</p> <ol style="list-style-type: none"> Have you seen the purchase option? Do the terms of the option provide you with the time you believe that you will need to become sufficiently comfortable with your commitment to proceed? If not, how much time do you believe that you would need to be comfortable? 	<p>Cirrus Group has a copy of the option and all relevant documents with regard to the land acquisition and is comfortable with its terms and the timing of the option.</p>
4.	<p>3. Questions for Dr. Grause with respect to the purchase option.</p> <ol style="list-style-type: none"> When does it expire? Are there any renewal options? Is it transferable? Are you willing to provide us a copy of the option? If not, why not? 	<p>The option expires 2007, and there are no renewal options. The option is assignable. Cirrus Group has a copy of the documents and is comfortable that the land is under our control. However, if the coalition requires the documents to substantiate its terms, we are willing to show the documentation to Peter Haywood who would confirm the above answers without making the document public.</p>

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5.	Are you willing to consider a proposal for a location other than the 8th Street East location?	We are not willing at this time to consider other sites. We have done a due diligence review on other potential sites and are comfortable with the 8th Street site. Considering the constraints of the Coalition's due diligence time frame, we are not inclined to pursue other site options.
6.	What is the minimum size site that you would require, assuming a reasonable site configuration?	See answer to #5 above.
7.	Have you researched the full entitlement process that would be required at the 8th Street East property and, if you have, can you outline the steps and approximate timeline required and identify potentially significant hurdles, if any, that you have identified?	Yes, we have identified the steps and approximate timeline for the project. If accepted, considering the project's importance to the community we request the Coalition recommend to the governing bodies to expedite the entitlement process substantially if at all possible.
8.	Based on your current understanding of the Coalition's requirements, including operating a full-service hospital to meet the needs of the community as they are now being met, acceptance of all current payers and providing acceptable contractual assurances of maintenance of those commitments into the future, what do you see as the kinds of things that could cause you to decide not to make a proposal?	The Sonoma Valley Hospital will be operated as a full service community hospital offering all the services the current hospital provides plus new services. Cirrus will not commit to this project if physician participation in the project is limited. We are making remarkable progress meeting with local and regional physicians and physician groups to ascertain their participation in the project.
9.	Who are the parties at interest (economic interest) in your possible venture at 8th Street East, what are there current roles and what do you anticipate their roles will be during development and operations?	We are in the process of physician investor recruitment. There is remarkable interest in the project on the part of physicians. When we have completed our due diligence period we will be prepared to discuss the participant's economic interest. Please be aware that the Cirrus Group and Cirrus Health are financially capable of building this project without physician investors, but recognize partnering with physicians is an important element in the clinical and financial success of the hospital for the Sonoma community.

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10.	<p>During your presentation to the Options Committee on August 24 you indicated that you believe that you would like to build and operate a cardiology cath lab at the new facility. It is our understanding that, in a 2001 publication on "Percutaneous Coronary Intervention", ACC and AHA both strongly discouraged the development of free-standing cath labs, both because of the absence of rapid access to an appropriately staffed and experienced surgery suite as well as the low volume of patients that the cardiologists often do in these centers. The same organizations seem to indicate that volume is inversely related to complications. Can you comment?</p>	<p>We are having discussions with Cardiologists that provide services in surrounding communities. They all have full and busy practices. They have found that a viable percentage of their current patients come from or near the Sonoma Valley. We are discussing the potential of providing on-site physician coverage for the Sonoma community and hospital. Evaluation to determine appropriate cardiac services will occur with the potential of a Cardiac Cath Lab in the new hospital. In 2005 the American College of Cardiology (ACC) updated the 2001 guidelines specifically addressing the provision of cardiology services in a hospital cardiac cath lab without surgical back-up to allow this with specific quality guidelines. A number of facilities, including the Mayo Clinic, have successfully demonstrated effectiveness of providing cardiac services appropriately when surgical back-up is not available.</p>
11.	<p>Why would a patient choose to have even an elective procedure at a facility without backup surgery capability if a facility with backup surgery was less than an hour's drive away?</p>	<p>In an acute cardiac situation it has been documented that the more quickly appropriate care is provided, the better the outcome with fewer complications resulting for the patient.</p>
12.	<p>At the August 24th meeting, you indicated that you would be adding services to generate required significant additional revenue. You mentioned a cath lab and oncology center as two possible additions to services. What other new services are you considering?</p>	<p>Any new medical services provided through the hospital to the community would be a result of identifying specific need and having the physician support to provide the appropriate service to assure quality.</p>
13	<p>How would you see the Sonoma Valley Health Care Center fitting into your business plan?</p>	<p>We believe that in order to provide the community with a truly comprehensive medical plan the private hospital facility and Medical Spa should explore providing financial support to the Community Clinic. We are prepared to work with the clinic to examine means of doing so. We understand that the clinic needs for its accreditation and operation to maintain independence and operate as an entirely separate organization.</p>
14.	<p>One of the suggested health care system models was some type of distributed medical clinic system, perhaps in three or four quadrants of the Valley. Is this concept compatible with your current vision?</p>	<p>We believe that a comprehensive medical plan for all Sonoma's residents is necessary. We intend to work with the Community Clinic to discuss means to enable this vision to become a reality.</p>

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15.	<p>How would you plan to incorporate alternative or complimentary medicine? I am thinking of everything from chiropractic to aromatic therapy to acupuncture to herbals remedies and homeopathic remedies.</p>	<p>We are currently exploring service options for the Medical Spa. We have not ruled out any procedures at this time. Acupuncture may be a part of the medical facility services.</p>
16.	<p>The question of how many beds are the right number of beds for our community hospital has received a lot of attention over the years that the District developed concepts for a new hospital. Can you tell us how you would go about making that determination? Although I would like to know how many beds you are planning, I suspect you are not quite at that point in your analysis, so I will be satisfied knowing what criteria you would employ in making that decision.</p>	<p>The number of beds will be determined by a careful demographic and epidemiology study of the expanded Sonoma Valley Hospital service area. Physician and community participation/input in this study will be essential.</p>
17.	<p>We have heard a lot about alternative construction methods. Do you anticipate utilizing modular, tilt-up or similar construction systems?</p>	<p>There are constraints placed on the procurement of construction services that a publicly funded district hospital is required to follow. The private sector can enjoy substantially lower construction costs than experienced by public hospitals. Recognizing that, it is questionable that untested alternative construction methods will help us save money and as compared to our current methods. That said we are always interested in improving our efficiency and are constantly looking at these types of alternatives.</p>
18.	<p>What is the status of the Loma Linda project? Is it under construction, out to bid or?</p>	<p>The Loma Linda project to build a cardiac and surgical hospital is on time and on budget. If there were to be a problem with delays or changes in a Cirrus project, that would be the responsibility of Cirrus to address and manage.</p>
19.	<p>Specifically what kind of cath lab/cardiology facility do you envision here?</p>	<p>The types of cardiology services provided by the Sonoma hospital will be dependent on the needs of the community and the cardiology support of services which is yet to be determined. Typically scheduled diagnostic cath procedures and acute interventions would be provided in a community like Sonoma.</p>
20.	<p>What kind of minimum volume would be required to support a stand alone cath lab?</p>	<p>The cost to provide this service and the reimbursement along with cardiology support is needed to fully determine this. We are not yet to this level of analysis. This is just one potential opportunity to explore in bringing more needed services to the community that will improve the quality of health care in Sonoma.</p>

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21.	You give us a sense of the operating hours/days for a cath lab in the Valley?	According to ACC guidelines, a cath lab that provides acute intervention services must be available 24/7 which would mean there would be cardiologists and staff on-call to provide appropriate patient care.
22.	Will I be able to invest in your new Sonoma Hospital or any other aspect of the medical facility here? If so, can you tell us a little about how that would work?	We are only accepting physician partners who will be active medical staff at the hospital as investors.
23.	Please describe the type of obstetrical service that you would provide. Would the "Center" be part of the hospital? Would there be a designated c-section room? Would there be enough rooms to provide antipartal and postpartal services? Would the patients have access to anesthesia services for pain control? (24 hours a day?)	It is the intent of Cirrus to continue providing all the current hospital based medical services to the community and enhance those services in all appropriate areas with physician support. It is also the intent to provide a higher level of patient centric care than is currently available in the community, so OB services would provide all that is questioned.
24.	Why should we believe that you will not commit to do whatever we ask and then proceed to do whatever is profitable?	Cirrus will develop a business plan and hospital operational model that focuses on meeting local community needs. Like the current hospital, the profitability of the operation will be contingent on the skill of the hospital administration, number of participating physicians and ability to capture market share. Our model greatly increases the number of participating physicians and therefore expands its quality and profitability potential.
25.	Talk to us a little more about local governance. We understand that the local board of directors would consist of some investor does, Cirrus execs and Valley citizens. About what percentage of each do you expect, what is the role of the local board and what decisions/actions will be reserved for the Cirrus board or some other higher authority?	It is anticipated that the Hospital Board would be comprised of 50% physicians and 50% Cirrus/Sonoma community representation. As a community hospital, the community input is valued and desired. Cirrus will welcome at least two (2) community board members.
26.	What role, if any, do volunteers play in your hospitals?	Cirrus looks forward to partnering with the Foundation and the community on this issue. We welcome the participation of volunteers that will facilitate the hospital being a patient/family friendly environment.

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27.	Can you give us examples of how the communities you serve assume “ownership” of your hospitals? By this I mean what evidence do you have that these communities look upon your hospitals as THEIR hospital?	Cirrus recently announced a similar Community Hospital project to be developed in Forney, Texas, a community East of Dallas that does not have a community hospital today. Community leaders have welcomed the project and we expect it will be open for at least a year before the Sonoma Hospital will open (the time difference being the long regulatory approval process required in California).
28.	Will you agree to accept, at a minimum, all payers currently accepted by the hospital for both inpatient and outpatient?	Yes
29.	If you plan to provide cardiac catheterization services, what is the patient population that you expect to serve? What will be your plans for transfer to an acute care facility that has heart surgery capacity? What patients have you served at your other facilities? (DRGs please) If you anticipate to attract cath lab patients from outside of our market area (Sonoma Valley which is equivalent to the Sonoma Valley Health Care District), on what basis do you anticipate attracting such patients away from facilities that offer immediate 24/7 cardiac surgery?	As stated in an answer to a previous question, the cardiology services provided by the new Sonoma community hospital is dependent on physician support. Currently residents of the Sonoma community must travel to another community to receive cardiology services. It is hoped that at a minimum the hospital would be able to provide all appropriate cardiology services, capturing a market that now goes to surrounding communities. Each Cirrus facility has been developed to meeting specific needs of the individual community so it is difficult to draw comparisons. Seldom is an OR with staff and physician immediately available even in a facility with 24/7 surgical back-up. Transfer agreements would be in place between the Sonoma hospital and a hospital(s) with surgical back-up in the event this is needed and by the time patient can be transferred, hopefully the OR with physician and staff would be available. Again, this type of care and transfer has been successfully done by other facilities in the US, including Mayo Clinic.
30.	What is the percentage of the medical population that you have served at your other facilities? (i.e., pneumonia, heart failure, sepsis, etc. DRGs please)	The Cirrus facilities are built to meet the identified need in the community and all currently operating hospitals are surgical hospitals. The Denton, TX hospital is the only facility that currently has a small ER. The Forney community hospital project will have an ER.
31.	Do any of your facilities provide cardiac rehabilitation programs or wound care and would you expect to provide these services in Sonoma?	None of the current facilities provide cardiac rehab, but as a community hospital, it is anticipated cardiac rehab and wound care would be a part of what Sonoma would offer, especially if these services are currently being provided. Our North Texas Hospital is developing wound care programs, as are several of our other facilities.

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32.	What are the types of physical and occupational rehabilitation services that you would expect to offer? (inpatient? outpatient?)	This has not been determined yet. Again if these services are currently offered, they will be available in the new facility.
33.	Would you expect to provide home care services?	Not determined yet.
34.	What would be your relationship with Hospice services?	The hospital relationship with Hospice is not yet defined.
35.	At the August 24 meeting of the Options Committee, you agreed to provide support for your statement to the effect that for-profit hospitals have better quality than no-for-profit hospitals. The information you provided seem to look at for-profit specialty hospitals. While this information is interesting, the data do not examine for-profit full-service hospitals taking all comers. Can you provide such data?	Our statement referenced “physician owned hospitals” and the CMS, Lewin, and RTI studies, among others, support our statement and conclusion. We don’t believe hospital quality is dependent upon for-profit or non-profit status, but we are very confident physician owned hospitals do, and are better positioned to provide, safer, higher-quality care, and that long term studies of the physician owned hospital will further document this fact.
36.	Based on the work you have completed to date, approximately how much do you anticipate you will contribute to city, county and state tax collections? Although it may be too early for you to do so, it would be helpful to have an understanding of your projection of taxes on you and additional taxes, if any, paid by others as a result of your operations in the Valley.	We are not able to specifically answer this question until we have completed our due diligence process.
37.	How many of your facilities have acquired JCAHO accreditation? If they haven't, why not? Would you expect to maintain this accreditation at your Sonoma facility?	All facilities are JCAHO accredited or in the process. Some are too new to have accreditation completed. We expect to apply for, obtain and maintain JCAHO accreditation for the Sonoma hospital.
38.	I know that you indicated at the August 24th meeting of the Options Committee that you would need 60-90 days to complete your due diligence. I believe that members of the Coalition have been in touch with you and have advised you that need to find a way to complete your work and make a proposal, if you are going to do so, by mid-October. Are you getting full cooperation from hospital staff and are they providing the information that you need and can you commit that you will meet this important deadline?	We are on schedule to meet the Coalition schedule. We have received the full cooperation from the Hospital Administration and have had a terrific response from the physician community both in Sonoma and in the area, including the Marin IPA.
39.	I understand that you were appraised that many members of the public currently believe that Cirrus and Dr. Grause have proposed a free hospital at the 8th Street East location and that you agreed that such a misunderstanding is not in your interest or our community's interest. Have you done anything to attempt to correct that misunderstanding?	We have notified both local newspapers in writing about the fact that we are in a due diligence period which we anticipate will be completed by October 31, 2006. We have moved quickly and have been encouraged by the response of the medical community.

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40.	What percentage of the physicians at your facilities is board-certified in their specialty?	All physicians are either Board Eligible or Board Certified. It generally takes a physician 3-5 years to attain Board Certification after residency.
41.	Would you consider building a specialty hospital or surgery center in Sonoma Valley if you determine it is not economically feasible to build and operate a full-service, for-profit hospital here?	We are focused on completing the due diligence necessary to provide a full service community Hospital in the Sonoma Valley. We are not considering other options at this time.
42.	If you decide to make a proposal to the build a full-service, private hospital here in conformance with the minimum criteria outlined by the Coalition and the Coalition recommended an alternative plan to the District Board, are you willing to commit that you will accept the decision of the Coalition and agree to withdraw your proposal and refrain from any contacts regarding any type of facility in the Valley until not earlier than the day after an election on whatever proposal is approved by the Board?	We are focused on doing the due diligence to provide a full service community Hospital in the Sonoma Valley. We are not considering other options at this time. We are providing the Coalition with a good faith proposal and expect that it will be received in good faith. After the Coalition makes its determination we will assess our appropriate options.
43.	What specialist coverage beyond General Surgery and Orthopedics do you plan to provide in the 24x7 ED?	It is anticipated that the appropriate physician specialty coverage will be in place for the ER.
44.	We understand that you will commit to build and operate a “Basic ER”, which, under California law requires an Intensive Care Unit. Can you describe your company’s experience and comfort in running this type of department? Would you consider outsourcing the ED?	The current hospital outsources its professional ER services. We anticipate doing the same. Both the VP and SVP of Operations for Cirrus Health in California have come from facilities which operated ICUs taking care of very complex, ill patients and will be able to implement and oversee the Sonoma ICU.
45.	We recognize that you would not invest 10s of millions of dollars in a project that you believed might fail, but our community needs to understand what is the unlikely and unthinkable should occur. What contractual provisions would you envision to offer our community to provide for the preservation of a hospital in the event of a failed project? Do you see any potential material issues with secured lenders in connection with any such plan?	Cirrus proposes the following: <ul style="list-style-type: none"> • Early and often SVHCC and SVHCD coordination meetings during the conceptual planning phase (following Coalition approval). • SVHCD provides a full time project coordinator to monitor progress of Cirrus hospital development plans and conformance with approved hospital program • Cirrus and Physicians Organize SVHC, SVH, Physician and Community hospital programming meetings. <ul style="list-style-type: none"> - These meetings identify/verify the optimum level and type of healthcare services to be provided as well as the projected workload, staffing, space and functional requirements of the new Sonoma Valley Hospital. The outcome of this effort will be a mutually approved hospital space and service program.

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		<ul style="list-style-type: none"> • Approved Community /Cirrus hospital program becomes basis of design • Cirrus enters into design agreements with its Hospital architects and begins design of hospital following amendment of UGB. The design process includes coordination with Healthcare District stakeholder representative. • Ongoing Coordination/Transition Meetings throughout the design process • Following granting of all local entitlements, Cirrus enters into a Community Agreement with the Health Care District agreeing to construct, deliver and operate the hospital • The Community Agreement identifies the level of service Cirrus will provide including but not limited to:: <ul style="list-style-type: none"> - Identifies and establishes a governance board with local representation - Establishes Quality Care Committee to monitor quality care is provided from the facility - Provision of and ongoing operation of 24/7 Basic ER - Regular monitoring of hospital fee and utilization rates by Hospital Governance Board - Monitoring Reports made public - Cirrus requires the contractor to post a standard performance bond guaranteeing the construction and completion of the hospital. This guarantees the construction of the hospital facility will be completed. - Cirrus grants right of first refusal to purchase SVH to the District should it sell, or decide to not operate the hospital <p>We would expect that the District would continue in existence and function as it has without the direct oversight of the Hospital but would continue to support necessary community health programs and monitor the quality of care provided by all local health care service providers. We would anticipate the continuation of the Foundation and other traditional SVH programs as well.</p>
46.	Do you envision that the Sonoma Valley Health Care District would continue in existence and, if so, what role would you expect or want them to play?	