Date: September 26, 2014

Member
The Hospital Committee For The Livermore-Pleasanton Areas (ValleyCare Health System)
RE: Proposed Affiliation with Stanford Health Care – Member Ballot Enclosed

Dear Member:

More than 50 years ago, a group of Tri-Valley residents provided the leadership and vision necessary to bring health care to our region by forming The Hospital Committee For The Livermore-Pleasanton Areas. The Committee raised money and built Valley Memorial Hospital in Livermore. Many of those original members remain involved in the oversight and direction of today’s ValleyCare Health System.

The changes in health care today are as significant as any that have occurred in the last 50 years. To maintain our local health care system, the board of directors executed a strategic plan that has culminated in a proposed affiliation with Stanford Health Care. The affiliation agreement was unanimously approved by the Board this week. This affiliation promises to provide access to needed capital, leadership and services that will be essential for ValleyCare to continue its mission.

**The affiliation requires approval of the ValleyCare members.** As you consider this important decision, it is crucial to understand that with the affiliation, Stanford agrees to cover ValleyCare’s obligated debt and will provide a capital infusion that will allow ValleyCare to meet all of its bond covenants. Without this assistance, ValleyCare’s ability to survive as an independent hospital will be in serious jeopardy.

Please review the enclosed material carefully. Most importantly, cast your ballot and return it by November 14th per the instructions enclosed. We need your vote to **approve** the proposed changes and secure the future of ValleyCare.

Materials Enclosed:
• Ballot (complete and return)
• Membership enrollment form for ValleyCare Charitable Foundation (complete and return)
• Ballot instructions (on green paper)
• Proposed amendments to Article II and Article IX of the Articles of Incorporation (on green paper - Attachment A)
• Proposed Amended and Restated Bylaws of the Corporation (on green paper - Attachment B)
• Summary of the proposed affiliation (on green paper - Attachment C)
• Resolution adopted by the Board of Directors (on green paper - Attachment D)
• Informational Sessions (on green paper - Attachment E)
If you have any questions, please call Denise Bouillerce, Director of Marketing/Public Relations at 925-373-4563, email the board of directors at boardadmin@valleycare.com, or attend one of our community forums (please see attachment E). If you have Internet access, you may also go to www.valleycare.com/corporatemembernews for more information.

ValleyCare belongs to our community, but ultimately it is the Members who must make the important decisions to fulfill the organization’s mission. The time has come again for the Members to provide leadership and vision in order to perpetuate and enhance the medical services provided to the Tri-Valley.

John Sensiba, Chair          Dale Kaye          Tom Vargas
Janet Cristiano, Secretary  John Louie, MD      Tim Weaver
Joseph Grant, MD             David Mertes        Alcina Wegrzynowski, Vice Chair
Martin Inderbitzen           Jim Summers         John Yee, MD
MEMBER BALLOT

STANFORD AFFILIATION

AMENDMENTS TO ARTICLES OF INCORPORATION AND BYLAWS

The undersigned member of ValleyCare Health System (whose formal legal name is The Hospital Committee For The Livermore-Pleasanton Areas) (the “Corporation”), having received herewith copies of proposed amendments to Articles II and IX of the Articles of Incorporation of the Corporation (the “Proposed Amendments to the Articles of Incorporation”) and proposed Amended and Restated Bylaws of the Corporation (the “Proposed Amended and Restated Bylaws”), to be adopted in connection with the proposed affiliation between the Corporation and Stanford Hospital and Clinics (the “Proposed Affiliation”), hereby casts his/her ballot as set forth below on the following proposal:

1. That Article II and Article IX of the Articles of Incorporation of the Corporation shall be amended as set forth in the Proposed Amendments to the Articles of Incorporation presented to the undersigned;

2. That the Bylaws of the Corporation shall be amended and restated in full as set forth in the Proposed Amended and Restated Bylaws presented to the undersigned;

3. That the foregoing amendments shall be conditioned upon the consummation of the Proposed Affiliation with Stanford Hospital and Clinics.

The undersigned casts his/her vote on the foregoing proposal as follows:

☐ Approve

☐ Disapprove

Please sign and date your ballot, and print your name:

__________________________________________  ______________________________________
Signature  Member’s Name (please print)

Date: ______________________________________

If you are voting for an institutional member, please write your own name and your office here:

Name: ____________________________  Office (e.g., President): ____________________________

Your vote will be cast in accordance with your choice as indicated above. If you do not indicate a choice, your vote will be treated as withheld. Please don’t forget to sign and write your name.

BALLOTS MUST BE RECEIVED BY VALLEYCARE NO LATER THAN 5:00 P.M. ON NOVEMBER 14, 2014
MEMBERSHIP ENROLLMENT FORM
VALLEYCARE CHARITABLE FOUNDATION

The undersigned, a member of ValleyCare Health System (whose formal legal name is The Hospital Committee For The Livermore-Pleasanton Areas) (the “Corporation”), in connection with the proposed affiliation with Stanford Health Care wishes to enroll as a member of ValleyCare Charitable Foundation, Inc. (“Charitable Foundation”):

Enrollment as a member in the Charitable Foundation will only occur if the proposed affiliation between the Corporation and Stanford Hospital and Clinics is completed. The Charitable Foundation has approved amendments to its articles and bylaws that would enable current members of the Corporation to be admitted as members of the Charitable Foundation. However, these amendments are contingent upon the successful completion of the proposed affiliation with Stanford and are not yet in effect. If the affiliation with Stanford does not take effect, members will retain their membership in the Corporation.

Initial membership of the Charitable Foundation will be for a period of five years, and there will be no membership fees or dues for the initial membership.

Please sign and date this form, and print your name:

___________________________________  ____________________________________
Signature                      Member’s Name (please print)

Date:                                                                                     

If you are enrolling for an institutional member, please write your own name and your office here:

Name:                                    Office (e.g., President):      

Please don’t forget to sign and write your name.

ENROLLMENT FORMS MUST BE RECEIVED BY VALLEYCARE NO LATER THAN 5:00 P.M. ON NOVEMBER 14, 2014
NOTICE OF MEMBER BALLOT AND MEMBER BALLOT INSTRUCTIONS
STANFORD AFFILIATION
AMENDMENTS TO ARTICLES OF INCORPORATION AND BYLAWS
BALLOTS MUST BE RECEIVED BY VALLEYCARE NO LATER THAN 5:00 P.M. ON NOVEMBER 14, 2014

ValleyCare Health System (whose formal legal name is The Hospital Committee For The Livermore-Pleasanton Areas) is asking you, as a member of the ValleyCare corporation, to vote to approve amendments to the Corporation’s Articles of Incorporation and Bylaws. These amendments are part of a proposed affiliation between the Corporation and Stanford Hospital and Clinics, dba Stanford Health Care (“Stanford”). The terms of the proposed affiliation are set forth in a proposed Affiliation Agreement, which is available by request.

You are not being asked to vote on the proposed Affiliation Agreement – just on the amendments to the Articles and Bylaws contemplated by the Affiliation Agreement. The Affiliation Agreement itself does not require membership approval. However, the affiliation will not proceed if the members do not approve the necessary amendments to the Articles and Bylaws. If the amendments are approved, they will be conditioned on completion of the affiliation with Stanford, as contemplated by the Affiliation Agreement. If the affiliation is not completed, the amendments will not become effective. The proposed Affiliation Agreement and amendments to the Articles of Incorporation and the Bylaws have been approved unanimously by the Board of Directors of the Corporation, which recommends your approval.

If approved, and if the affiliation is completed, these amendments will eliminate your membership in the Corporation and establish Stanford as the Corporation’s sole member.

Members of the Corporation are being offered membership in ValleyCare Charitable Foundation, Inc. (the “Charitable Foundation”), if the affiliation is completed. The Charitable Foundation will be entrusted with the oversight responsibility to protect the community’s interests by monitoring Stanford’s performance under the Affiliation Agreement.

Please read the enclosed materials, complete the enclosed ballot, write your name and sign in the places indicated, and return the materials in the enclosed business reply envelope so that it is received no later than 5:00 p.m. on November 14, 2014.

Enclosed is a form by which you may enroll as a member in the Charitable Foundation. If you accept the membership, it will be effective only if the proposed transaction with Stanford is completed and the necessary amendments to the articles of incorporation and bylaws of the Corporation are adopted. If you wish to become a member of the Charitable Foundation, please also complete and return the enclosed membership enrollment form with your ballot no later than 5:00 p.m. on November 14, 2014.
INSTRUCTIONS:

• Enclosed for your review are the following:

  1. A written Member Ballot for you to sign and return. If you wish to vote, you must return your ballot by mail and it must be received by ValleyCare Health System no later than 5:00 p.m. on November 14, 2014.

  2. A Member Enrollment form for you to sign and return if you wish to become a member of the ValleyCare Charitable Foundation. Enrollment Form must be received by ValleyCare no later than 5:00 p.m. on November 14, 2014.

  3. Proposed amendments to Article II and Article IX of the Articles of Incorporation of the Corporation, for your approval. (Attachment A)

  4. Proposed Amended and Restated Bylaws of the Corporation, for your approval. (Attachment B)

  5. An Informational Summary, which summarizes the proposed amendments and the terms of the proposed affiliation with Stanford. (Attachment C)

  6. Resolution adopted by the Board of Directors, for your information. (Attachment D)

  7. Notice of a series of informational meetings to be hosted by the Corporation. (Attachment E)

• If you wish to review the full Affiliation Agreement or the proposed Bylaws of the Charitable Foundation, the Corporation will make hard copies available for your review on site in Livermore and in Pleasanton at the hospital campus. To schedule an appointment to review these documents contact Denise Bouillerce, Director, Marketing/Public Relations at 925-373-4563.

• Voting for the proposed amendments to the Corporation’s Articles of Incorporation and Bylaws will be by written ballot. A ballot is enclosed, with a business reply envelope. Please indicate your vote in the space provided, write your name and sign the ballot in the place indicated, and return the ballot by 5:00 p.m. on November 14, 2014. Please mail the completed ballot to ValleyCare Health System using the enclosed business reply envelope. The ballot must be received by the Corporation by the deadline in order to be counted. Once your ballot is received by the Corporation it cannot be revoked.

• Please indicate whether you approve or disapprove of the adoption of the proposed amendments to the Corporation’s Articles of Incorporation and Bylaws. Check “Approve” if you approve, “Disapprove” if you do not approve.

• In order to achieve a quorum, 114 members must cast ballot votes. If a quorum is achieved, the proposal will be adopted if it is approved by more than 50% of the votes cast.

• Questions? If you have any questions, please call Denise Bouillerce, Director, Marketing/Public Relations at 925-373-4563 or e-mail the board of directors at boardadmin@valleycare.com.
To be counted, ballots must be received by ValleyCare Health System no later than 5:00 p.m. on November 14, 2014.

Ballots must be mailed to ValleyCare at the following address. You may use the enclosed business reply envelope.

ValleyCare Health System
PO Box 71
Livermore, CA 94551-9920

Please remember to also include the completed member enrollment form if you would like to become a member of the Charitable Foundation after the completion of the Stanford affiliation.
CERTIFICATE OF AMENDMENT OF
ARTICLES OF INCORPORATION
OF
THE HOSPITAL COMMITTEE FOR THE LIVERMORE-PLEASANTON AREAS

The undersigned certify that:

1. They are the [President and the Secretary], respectively, of The Hospital Committee for the Livermore-Pleasanton Areas, a California Nonprofit Public Benefit Corporation (the “Corporation”).

2. Article II of the Articles of Incorporation of the Corporation shall be amended and restated to read, set forth in full, as follows:

   “II

   The specific and primary purposes for which this Corporation is formed are:

   To uphold the Constitution of the United States of America and the State of California.

   To support the development and operation of an organized system of health care providers and facilities in collaboration with Stanford Hospital and Clinics and the Leland Stanford Junior University (the “University”) and its School of Medicine and the affiliates of such organizations (referred to as the “Stanford Health Care System”); to further the charitable, scientific and educational purposes of the University; and to develop, sponsor and advance services and programs that address the physical and mental needs of the community at large, directly and through support of the affiliates of this corporation that are exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

   To plan, design, construct, build, maintain, operate and conduct in the Livermore-Pleasanton areas, County of Alameda, State of California, one or more hospitals for sick, injured and disabled persons and to afford medical and surgical care and treatment to sick, injured and disabled persons either within or without such hospitals.

   To do all acts and all things necessary to provide adequate and proper hospital facilities to be available in the Livermore-Pleasanton areas.

   To provide proper surgical and clinical facilities, hospital beds, and all other facilities in connection with all of the necessary purposes of this Corporation, together with having the necessary accommodations for Corporation business meetings and to conduct all of the business necessary for the operation and maintenance of said hospital.

   To devote its capital and income to fulfilling the purposes of this Corporation according to the best needs of the welfare of the Livermore-Pleasanton areas and the areas served by the Stanford Health Care System.
To do and perform all legal acts and things necessary, proper or convenient to carry out the above purposes.”

3. Article IX of the Articles of Incorporation of the Corporation shall be amended and restated to read, set forth in full, as follows:

“IX

This Corporation shall have no corporate stock. The sole member of this corporation shall be Stanford Hospital and Clinics (the “Member”). The Member shall be entitled to vote for the election of a class of Directors, on changes to the by-laws and on such other matters as may be designated in the by-laws of the Corporation, and shall have all the rights and privileges of a member of a California Nonprofit Public Benefit Corporation under the Nonprofit Public Benefit Corporation Law, these articles and the by-laws of the Corporation in effect from time to time. As of the effective date of the Certificate of Amendment incorporating this Article IX, all prior memberships and rights and privileges of such memberships are hereby cancelled. No dues or assessments shall be imposed upon the Member of this Corporation.”

4. The foregoing amendment of Articles of Incorporation has been duly approved by the Board of Directors.

5. The foregoing amendment of Articles of Incorporation has been duly approved by the required vote of the members.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Date: __, 2015.

__________________________, President

__________________________, Secretary
BYLAWS

OF

THE HOSPITAL COMMITTEE FOR THE LIVERMORE-PLEASANTON AREAS

As of _______, 20__

ARTICLE I: EFFECTIVE DATE, NAME, OFFICES, AND PURPOSE

Section 1.01 Effective Date

These Bylaws shall be effective as of ___________ (the "Effective Date").

Section 1.02 Name

This corporation shall be known as The Hospital Committee for the Livermore-Pleasanton Areas (hereinafter referred to as the "Corporation").

Section 1.03 Principal Office

The principal office for the transaction of business of the Corporation shall be located at 5555 W. Las Positas Boulevard, City of Pleasanton, County of Alameda, State of California.

Section 1.04 Other Offices

Branch or subordinate offices may at any time be established by the Board of Directors at any place or places.

Section 1.05 Purposes

The purpose of the Corporation shall be as set forth in the Articles of Incorporation.

ARTICLE II: CORPORATION MEMBERSHIP

Section 2.01 Member

The sole member of the Corporation shall be Stanford Health Care, a California public benefit corporation (the "Member").

Section 2.02 Action by the Sole Member

The Member may, in writing, authorize one (1) or more natural persons to vote on its behalf on any or all matters that may require or be submitted for a vote of the Member. Any such written authorization shall be filed with the Secretary of the Corporation.

Section 2.03 Dues and Assessments

No dues or assessments shall be imposed upon the Member of the Corporation.
Section 2.04  Regular or Special Meetings

Regular or special meetings of the Member for any purposes whatsoever, including but not limited to election of the Corporation’s directors, may be called by the Member, the Chair of the Board of the Member, or the President of the Member. There shall be at least one (1) such meeting during each calendar year.

Section 2.05  Place of Meetings

Meetings (whether regular, special or adjourned) of the Member of the Corporation shall be held at the meeting place of the Board of Directors of the Member, or at such other place within the State of California as the Directors or the Chair of the Corporation may specify.

Section 2.06  Notice

(a) Written notice of each meeting of the Member shall be given not less than ten (10) nor more than ninety (90) days before the date of the meeting to the Member; provided, however, that if notice is given by mail, and the notice is not mailed by first-class mail, that notice shall be given not less than twenty (20) days before the meeting. Each notice shall state the place, date and time of the meeting, and, in the case of a special meeting, the nature of the general business to be transacted at such special meeting at which no other business may be transacted. In the case of a regular meeting, such notice shall state those matters which the Board, at the time the notice is given, intends to present for action by the Member; provided, however, that any proper matter may be presented at such regular meeting for action by the Member. The notice of any meeting at which Directors are to be elected shall include the names of all those who are nominees at the time the notice is given. Upon request in writing to the Chair, the Senior Executive Officer or Secretary of the Corporation by any person (other than the members of the Board) entitled to call a special meeting of the Member, it shall be the duty of such officer forthwith to cause notice to be given to the Member that a meeting will be held at a time fixed by the Corporation’s Board, such time to be not less than thirty-five (35) nor more than ninety (90) days after the receipt of such request, and such notice to be given within twenty (20) days of receipt of such request.

(b) The notice of any meeting of the Member at which the following actions are to be taken shall specify the general nature of the proposed action:

   (i) the removal of a Class B Director,

   (ii) the filling of any vacancy among the Class B Directors,

   (iii) adoption of an amendment to the Articles of Incorporation, or

   (iv) the voluntary dissolution of the Corporation.

(c) Due notice of any special meeting shall be given to the Member by mail, personal delivery or facsimile. The recital in the minutes that due notice was given shall be sufficient evidence of the fact. Attendance of the Member, duly represented, at a meeting shall constitute a waiver of notice of and presence at such meeting, except
when the Member by its representative objects at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or convened, or except when the Member by its representative expressly objects during the meeting to the consideration of those matters required by Section 2.07(b) to be specified in the notice of meeting in those instances in which the notice failed to so specify such matters.

Section 2.07 Action By Written Consent

Any action required or permitted to be taken by the Member may be taken without a meeting if the Member shall consent in writing to the action. The written consent shall be filed with the minutes of the proceedings of the Member.

Section 2.08 Powers of the Member

The Member shall have all power and authority conferred upon it by the Articles of Incorporation of the Corporation and these Bylaws and upon members by law. The following powers shall be reserved to the Member:

(a) Appointment and removal of all senior leadership and engagement of Stanford University to provide legal and internal audit services to the Corporation;

(b) Selection of the auditors of the Corporation;

(c) Amendment of these Bylaws, except as provided in Article X;

(d) Approval of the incurrence of debt by the Corporation other than debt provided for in an approved capital budget approved by the Member;

(e) Approval of operating and capital budgets of the Corporation; and

(f) Approval of strategic plans that have been developed by management and submitted for approval to the Board of Directors.

ARTICLE III: CORPORATION’S BOARD OF DIRECTORS

Section 3.01 Board of Directors

The overall responsibility for the operation and management of all affairs of the Corporation shall be in the Board of Directors, as hereinafter specified, who shall have and may exercise all the powers of the Corporation, except as reserved to the Member by law, the Articles of Incorporation, these Bylaws or specific action of the Member set forth in a resolution of the Member. No assignment, referral or delegation of authority by the Board of Directors shall preclude the Board from exercising the authority required to meet its responsibility for the conduct of the Corporation.

Without limiting the generality of the foregoing, the powers and duties of the Board of Directors shall include the following:

(a) To provide coordination and integration among the Corporation’s leaders to maintain quality patient care, promote performance improvement and perform risk management.
(b) To maintain, operate and control the facilities and equipment of the Corporation, including determinations of the appropriate use of the facilities by medical staff members and affiliated physicians.

(c) To recommend the operating and capital budgets of the Corporation to the Member for its approval, and to review and approve, within any written guidelines set by the Member, the accounting, financial and business affairs of the Corporation.

(d) To enter into all contracts for services to be performed, work to be done and materials or supplies to be furnished, sold or leased to, for or by the Corporation subject to such limiting resolutions as are from time to time adopted by the Member. The Board of Directors shall adopt and implement a written conflict-of-interest policy that includes guidelines for the resolution of conflicts of interest. Said conflict-of-interest policy shall be approved by the Board of Directors following consultation with the Member.

(e) To engage in long-range strategic, operational and financial planning for the Corporation's growth and development, to recommend strategic plans to the Member for its approval and to provide periodic financial and strategic planning reports to the Member.

(f) To provide annual audited financial statements and quarterly financial reports to the Member in a form and with such content as agreed upon by the Member.

(g) To provide for the development of sound and effective community relations.

(h) To provide, if so desired, for the establishment of auxiliary organizations and be entitled to receive copies of the articles of incorporation and bylaws of each auxiliary organization as in effect from time to time. If an auxiliary organization amends either its articles of incorporation or bylaws, it shall provide the Board of Directors with copies of such amendments upon adoption.

(i) To establish such additional rules, regulations, policies and procedures as the Board of Directors deems reasonable and necessary to carry out the purposes of the Corporation.

(j) To evaluate its own performance regularly.

(k) To provide leadership oversight and direction for the quality of services provided and for the periodic review and revision of policies and procedures.
Section 3.02 Standard of Care

(a) A Director shall perform the duties of a Director, including duties on any committee on which the Director may serve, in good faith, in a manner such Director believes to be in the best interests of the Corporation and with such care, including responsible inquiry, as an ordinarily prudent person in a like situation would use under similar circumstances.

(b) In performing the duties of a Director, a Director shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by:

(i) One (1) or more officers or employees of the Corporation whom the Director believes to be reliable and competent in the matters presented;

(ii) Attorneys, independent accountants, or other persons, as to matters which the Director believes to be within such persons' professional or expert competence; or

(iii) A Committee of the Corporation upon which the Director does not serve, as to matters within its designated authority, which committee the Director believes to merit confidence, so long as, in any such case, the Director acts in good faith, after reasonable inquiry when the need therefor is indicated by the circumstances, and without knowledge that would cause such reliance to be unwarranted.

Section 3.03 Composition and Election of the Board of Directors.

(a) The Board of Directors shall be composed of eleven (11) directors and divided into two (2) classes: Class A and Class B. There shall be three (3) Class A Directors and eight (8) Class B Directors.

(b) Class A Directors. The initial three (3) Class A Directors shall be selected by and from members of the Board of Directors of this Corporation in office immediately prior to the Effective Date of these Bylaws. Thereafter, as vacancies occur among the Class A Directors, the remaining Class A Directors shall elect successor Class A Directors from among nominees who shall be subject to approval by the Member.

(c) Class B Directors. The initial eight (8) Class B Directors shall be selected by the Member. Thereafter, as vacancies occur among the Class B Directors, the Member shall elect successor Class B Directors from nominees submitted pursuant to Section 3.06.

(d) Interested Persons as Directors: Not more than forty-nine percent (49%) of the persons serving on the Corporation’s Board of Directors may be interested persons. For this purpose, an "interested person" is one who, at the time the determination is made, is being compensated by the Corporation for services rendered to it within the previous twelve months, whether as a full-time or part-time employee, independent contractor, or otherwise, and/or any brother, sister, ancestor, descendent, spouse,
Section 3.04 Votes

Each Director shall have one (1) vote. Class A Directors and Class B Directors shall vote as a single class of Directors on all matters except with respect to the election, removal and declaration of vacancies in the number of Directors of a class, as to which the Class A Directors shall have the sole right to vote as provided in these Bylaws.

Section 3.05 Fees and Compensation and Expenses

Directors shall not receive any stated salary for their services as Directors. Directors may be reimbursed in such amounts as may be determined from time to time by the Board of Directors for expenses paid while acting on behalf of the Corporation and/or expenses incurred in attending meetings of the Board of Directors. Nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation therefore.

Section 3.06 Nominating Committee

Nominees for election as Class B Directors shall be selected by a Nominating Committee, which shall consist of no fewer than three (3) members of the Board of Directors selected by the Member, at least one (1) of whom shall be a resident of the cities of Pleasanton, Livermore or Dublin, California. The Nominating Committee shall submit recommendations for Class B Directors to the Member for its consideration. Further, the Chair of the Board and the President of the Member may submit joint recommendations for Class B Directors for consideration by the Nominating Committee. Nominees for Class B Directors shall be qualified by knowledge and experience.

Section 3.07 Term of Office

(a) Each Director elected to take office on or after the Effective Date and before the third (3rd) anniversary thereof shall serve for a term commencing on the Effective Date and terminating at the end of the third (3rd) full year after the term commences, unless such Director sooner dies, resigns or is removed, or until his or her successor is duly elected and qualified. At the expiration of such three (3) year term, by a vote of the Member, the Directors excluding the “Exempt Directors” (as defined in subsection (b) below) shall be divided into three (3) classes; the term of office of those of the first (1st) class to expire at the first (1st) anniversary after such classification becomes effective; of the second (2nd) class at the second (2nd) anniversary thereof; of the third (3rd) class at the third (3rd) anniversary thereof; and at each annual election held after such classification becomes effective, Directors shall be chosen for a full term, as the case may be, to succeed those whose terms expire.

(b) Any person who has served as a Director for three (3) consecutive full terms shall be ineligible for reelection, unless at least one (1) year has elapsed from the date on which the third (3rd) consecutive full term ended; provided, however, the term as a Director of a sitting Chair of the Board may be extended for one (1) additional year (up
to a maximum of ten (10) years) to allow the Chair to serve an additional year as the Chair of the Board if needed for optimal board operation; and provided, further, that employees of the Member or any of the Member’s affiliated entities who serve as Class B Directors (“Exempt Directors”) shall not be subject to such term limits. Any term of a Director that is less than three (3) years will not be counted toward the three (3) consecutive term maximum for service on the Board of Directors.

Section 3.08 Resignation

Any Director may resign at any time by giving written notice of such resignation to the Chair of the Board or to the Corporation’s Board of Directors. Such resignation shall take effect at the time specified in the notice; provided, however, that if the resignation is not to be effective upon receipt of the notice by the Corporation, the Corporation must accept the effective date specified. Except upon notice to the Attorney General, no Director may resign if the Corporation would then be left without a duly elected Director or Directors in charge of its affairs. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Section 3.09 Removal

(a) A Class A Director may be removed at any time with or without cause by vote of the remaining Class A Directors. A Class B Director may be removed at any time with or without cause by the Member.

(b) No reduction of the authorized number of Directors shall have the effect of removing any Director prior to the expiration of such Director’s term of office.

Section 3.10 Vacancies

(a) A vacancy in the Board of Directors shall be deemed to exist in case of the death, resignation or removal of any Director, or if the authorized number of Directors is increased, if the Member declares vacant the position of any Class B Director whose term has expired or if the Class A Directors declare vacant the position of any Class A Director whose term has expired.

(b) Any vacancy occurring among the Directors shall be filled in accordance with Sections 3.03(b) and (c) and 3.06, as applicable, and the person elected to fill such vacancy shall serve for the unexpired term of his or her predecessor.

Section 3.11 Inspection Rights

Every Director shall have the absolute right at any time to inspect, copy and make extracts of, in person or by agent or attorney, all books, records and documents of every kind and to inspect the physical properties of the Corporation.

ARTICLE IV: MEETINGS OF THE BOARD OF DIRECTORS

Section 4.01 Regular Meetings
The Board of Directors may provide by resolution the time and place for the holding of regular meetings of the Board of Directors; provided, however, that such meetings shall be held not less frequently than quarterly and, provided further, that if the date so designated falls upon a legal holiday, then the meeting shall be held at the same time and place on the next succeeding business day which is not a legal holiday. No notice of such regular meetings of the Board of Directors need be given.

Section 4.02 Special Meetings

Special meetings of the Board of Directors may be called at any time by the Chair, the Senior Executive Officer or by any two (2) or more Directors. Due notice of any special meeting shall be given to the Directors by mail at least four (4) days before the meeting or, if by personal delivery, facsimile, or telephone at least forty-eight (48) hours before the meeting. The recital by the Secretary in the minutes that due notice was given shall be sufficient evidence of the fact.

Section 4.03 Place of Meetings

Meetings (whether regular, special or adjourned) of the Board of Directors shall be held at the principal office for the transaction of business of the Corporation or at such other place as may be designated from time to time by the Board of Directors.

Section 4.04 Attendance at Meetings; Telephonic Meetings

(a) The Board of Directors may establish attendance requirements of Directors at meetings of the Board and may recommend to the Member (in the case of Class B Directors) or to the Class A Directors (in the case of Class A Directors) the removal and replacement of Directors who fail to satisfy such requirements.

(b) Members of the Board of Directors may participate in regular or special meetings through use of a conference telephone or similar communications equipment, so long as all Directors participating in such meeting can hear one another. Participation in a meeting pursuant to this Section 4.04(b) constitutes presence in person at such meeting.

Section 4.05 Quorum

One half (1/2) of the Directors then holding office shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be the act of the Board of Directors, unless the Articles of Incorporation, these Bylaws or the California Nonprofit Corporation Law specifically requires a greater number or provides otherwise. In the absence of a quorum at any meeting of the Board of Directors, a majority of the Directors present may adjourn the meeting as provided in Section 4.09 of these Bylaws. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of enough Directors to leave less than a quorum, if any action taken is approved by at least a majority of the required quorum for such meeting.
Section 4.06  Matters Requiring Action Between Board Meetings – Committee of the Chair

If a matter normally requiring action by the Board of Directors arises between meetings of the Board and is a matter that, in the opinion of any two (2) out of four (4) of the Chair of the Board, the Senior Executive Officer of the Corporation, the Chair of the Finance Committee and the Chair of the Audit and Compliance Committee, requires action by the Board before the next regular meeting of the Board, then any two (2) or more of those four (4) Directors, acting as a committee of the Board of Directors, are authorized jointly to take whatever action is necessary to resolve the matter, and such action will constitute authorized action of the Board to the same extent as if it has been adopted at a meeting of the Board; provided, however, that at least one (1) of the Directors appointed to a committee of the Board pursuant to this Section 4.06 shall be a Class A Director (and in the event that neither of the two (2) individuals specified above is a Class A Director, a Class A Director in addition to such two (2) individuals shall be required for action by a committee of the Board pursuant to this Section 4.06); and provided, further, that the Directors acting as a committee of the Board shall not in any case be authorized by this Section to exercise those powers which by law, the Articles of Incorporation, these Bylaws or specific action by the Member set forth in a resolution of the Member, may be exercised only by the Member or by the Class A Directors or may not be delegated to a committee of the Board.

Section 4.07  Action Without Meeting

Any action required or permitted to be taken by the Board of Directors or by the Class A Directors may be taken without a meeting, if all members of the Board or all Class A Directors (or such lesser portion as shall satisfy the applicable provisions of the California Nonprofit Corporation Law with respect to “interested directors” and “common directors”) shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of such Directors.

Section 4.08  Waiver of Notice

Notice of a meeting need not be given to any Director who signs a waiver of notice, or a written consent to holding the meeting or an approval of the minutes of the meeting, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such Director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Directors, or of a committee of Directors, need be specified in any such waiver, consent or approval.

Section 4.09  Adjournment

Any meeting of the Board of Directors, whether or not a quorum is present, may be adjourned to another time and place by the vote of a majority of the Directors present. Notice of the time and place are fixed at the meeting adjourned; provided, however, that if the meeting is adjourned for more than twenty-four (24) hours, notice of any
adjournment to another time or place shall be given prior to the time of the adjourned meeting to the Directors who were not present at the time of the adjournment.

Section 4.10 Proceedings of Meetings

Determinations concerning the procedures for the conduct of meetings of the Board shall be made by the Chair, consistent with the provisions of these Bylaws and applicable law.

ARTICLE V: COMMITTEES

Section 5.01 Establishment of Committees

The Board of Directors may, by resolution adopted by a majority of the Directors then in office, and at a meeting at which a quorum exists, create one (1) or more committees to serve at the pleasure of the Board and to have and exercise such powers of the Directors as the Board of Directors may delegate (except those powers which by law, the Articles of Incorporation, these Bylaws or specific action of the Member set forth in a resolution of the Member, the Directors are prohibited from delegating). No delegation of authority by the Board to a committee of Directors, Management, the Medical Staff or anyone else shall preclude the Board from exercising the authority required to meet its responsibility for the conduct of the business and affairs of the Corporation.

Section 5.02 Powers and Duties of Committees

The Board of Directors shall approve charges for each Committee. The Board may amend Committee charges from time to time. The duties and powers of all Committees shall be subject to the limitations contained in the Nonprofit Corporation Law, or imposed by the Articles of Incorporation or otherwise imposed by these Bylaws.

Section 5.03 Committee Appointments, Composition

(a) Except as otherwise set forth in these Bylaws, the Chair and members of all committees shall be appointed annually by the Chair of the Board subject to the approval of a majority vote of the Directors then in office, as provided in Section 5212 of the Nonprofit Corporation Law. The Chair of the Board shall consult with the current committee chair, any incoming committee chair and the Senior Executive Officer of the Corporation concerning committee member appointments.

(b) Each committee member shall serve at the pleasure of the Board of Directors.

(c) One (1) or more Directors may be designated as alternate members of any committee, who may replace any absent member at any meeting of the committee.

(d) One (1) or more Directors who are also Medical Staff Members shall be appointed to any committee that deliberates issues affecting the discharge of Medical Staff responsibilities.

(e) Persons who are not voting Members of the Board of Directors may be appointed as Members of Committees established under this Section 5.03 upon such terms and conditions as the Board of Directors may determine, provided such persons shall not sit
on committees that have been delegated power to act on behalf of the Board of Directors.

Section 5.04 Votes, Compensation of Committee Members

Unless otherwise provided by rules or by resolution of the Board of Directors or in Board-approved committee charges, voting by Committee members and compensation of Committee members shall be governed by Article III of these Bylaws.

Section 5.05 Meetings

Except as otherwise provided in these Bylaws or by resolution of the Board of Directors, or Board approved Committee charges, each Committee shall adopt its own rules governing the time and place of holding and the method of calling its meetings and the conduct of its proceedings and shall meet as provided by such rules, and it shall also meet at the call of the Chair of the Committee or any two (2) members of the Committee. Unless otherwise provided by such rules or by resolution of the Board of Directors, committee meetings shall be governed by Sections 4.04, 4.07 and 4.08 of these Bylaws.

Section 5.06 Quorum

Unless provided otherwise in a Committee Charge, a quorum shall exist if a majority of the Committee members attends in person or by teleconference or other electronic transmission by means of which all members participating can simultaneously hear the proceedings.

Section 5.07 Minutes and Reporting

(a) Each committee shall keep regular minutes of its proceedings, which shall be filed with the Secretary.

(b) All action by any Committee shall be reported to the Board of Directors at the next meeting thereof.

ARTICLE VI: OFFICERS OF THE CORPORATION

Section 6.01 Officers

(a) The officers of the Corporation shall be a Chair of the Board, a Senior Executive Officer, a Senior Financial Officer, a Secretary and such other officers as may be appointed by the President of the Member.

(b) One (1) person may hold two (2) or more offices; provided, however, that neither the Secretary nor the Senior Financial Officer may serve concurrently as the Senior Executive Officer or Chair of the Board.

Section 6.02 Election/Appointment and Term
(a) The Chair shall be appointed by the Member and shall hold office for one (1) year terms, commencing on January 1 of each year or until the appointment and qualification of his/her successor.

(b) The Senior Executive Officer, Senior Financial Officer, Secretary and other officers shall be appointed in the manner prescribed in this Article.

Section 6.03 Chair of the Board

The Chair of the Board shall preside at all meetings of the Board of Directors, and shall appoint the Chair of each Committee of the Board of Directors and shall, subject to the approval of a majority of the Directors then in office, appoint all members of such Committees. The Chair of the Board shall be an *ex officio* voting member of all standing Committees. The Chair of the Board shall, subject to the powers of the Board of Directors, exercise general direction and control of the Board of Directors and the officers of the Corporation and shall have such other powers and duties as may be prescribed by the Board of Directors, the Bylaws or by law.

Section 6.04 Senior Executive Officer of the Corporation

(a) The Senior Executive Officer of the Corporation shall be appointed by the president of the Member after consultation by the president of the Member with the Board of Directors.

(b) The Senior Executive Officer shall be qualified by education and relevant experience and shall meet such other criteria as may be specified by the president of the Member.

(c) The Senior Executive Officer shall report to the president of the Member and to the Board of Directors.

(d) The Senior Executive Officer shall be responsible for compliance with applicable law and regulations. Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chair of the Board, the Senior Executive Officer of the Corporation shall serve as Senior Executive Officer of the Corporation and shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business and affairs of the Corporation including patient care, long range planning, fund raising and other means of financing the Corporation, business operations and outside relations. The Senior Executive Officer shall have the general powers and duties of management usually vested in the office of chief executive officer of a corporation, may sign and execute in the name of the Corporation, deeds, mortgages, contracts or other instruments as authorized by the Board of Directors, and shall have such other powers and duties as may be prescribed by the Board of Directors, the Bylaws or by law.

(e) There may be designated by the president of the Member an Acting Senior Executive Officer to serve in the absence of the Senior Executive Officer, provided that nothing herein shall prevent the Senior Executive Officer from authorizing a delegate to act on his or her behalf during periods of temporary absence.

(f) The Senior Executive Officer shall be subject to removal with or without cause by the
president of the Member.

Section 6.05 Senior Financial Officer

The Senior Financial Officer of the Corporation shall be appointed by the president of the Member or his/her designee after consultation by the president of the Member or his/her designee with the Board of Directors. The Senior Financial Officer shall report to the president of the Member or his/her designee and shall be subject to removal with or without cause by the president of the Member or his/her designee. The Senior Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of account in written form or any other form capable of being converted into written form. The Senior Financial Officer shall have such other powers and perform such other duties as may be prescribed by the Board of Directors, the Bylaws, or by law.

Section 6.06 Secretary

(a) The Secretary and Assistant Secretary, if any, shall be appointed by the president of the Member and shall report to the Chair of the Corporation. The Assistant Secretary, if any, shall act in the absence of the Secretary and perform such other duties as the Secretary or the Chair of the Corporation may prescribe. The Secretary and Assistant Secretary, if any, shall be subject to removal with or without cause by the president of the Member.

(b) The Secretary shall keep, or cause to be kept, a book of minutes in written form of the proceedings of the Board of Directors and committees of the Board of Directors. Such minutes shall include all waivers of notice, consent to the holdings of meetings, or approvals of the minutes of meetings executed pursuant to these Bylaws or the Nonprofit Corporation Law.

(c) The Secretary shall give or cause to be given, notice of all meetings of the Board of Directors required by these Bylaws or by law to be given, and shall cause the seal of the Corporation to be kept in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors, the Bylaws, or by law.

Section 6.07 Other Officers

To assist in the performance of the Senior Executive Officer’s duties, the president of the Member may appoint and prescribe the powers and duties of additional officers as he or she may deem proper. The creation of new officer positions shall be approved by the Board of Directors, but may thereafter be filled by the president of the Member without Board approval. Any officers appointed pursuant to this section may be removed with or without cause by the president of the Member.

Section 6.08 Resignation

Any officer may resign at any time by giving written notice to the Corporation, subject to the rights, if any, of the Corporation under any contract to which the officer is a party. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.
Section 6.09 Vacancies

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to such office.

Section 6.10 Compensation

The compensation, if any, of the officers shall be fixed from time to time by the Board of Directors, and no officer shall be prevented from receiving compensation by reason of the fact that the officer may also be a Director of the Corporation.

ARTICLE VII: INDEMNIFICATION BY THE CORPORATION

Section 7.01 Definitions

For the purposes of this section, "agent" means any person who is or was a member, director, officer, employee, committee member or other agent of the Corporation, or is or was a trustee, officer, employee, committee member or other agent of the Member with respect to any matter, act or omission concerning the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee, committee member or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, or was a Director, officer, employee, committee member or agent of a foreign or domestic corporation which was a predecessor corporation of the Corporation or of another enterprise at the request of such predecessor corporation; the terms "proceeding" and "expenses" shall have the meanings as set forth in Section 5238 of the Nonprofit Corporation Law or any successor provision.

Section 7.02 Indemnification of Persons

The Corporation shall, to the fullest extent permitted by law and in a manner consistent with Section 5238 of the Nonprofit Corporation Law or any successor provision, indemnify any person who was or is a party or is threatened to be made a party, to any proceeding by reason of the fact that such person is or was an agent of the Corporation, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with the proceeding.

Section 7.03 Insurance
The Corporation shall have the power to purchase and maintain insurance on behalf of any agent of the Corporation against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such whether or not the Corporation would have the power to indemnify the agent against such liability under the provisions of this Article; provided, however, that the Corporation shall have no power to purchase and maintain such insurance to indemnify any agent of the Corporation for a violation of Section 5233 of the Nonprofit Corporation Law (relating to self-dealing transactions).

ARTICLE VIII: MEDICAL STAFF

Section 8.01 Organization

The physicians and other persons granted clinical privileges in the Corporation shall be organized into a single Medical Staff, which shall be responsible to the Board of Directors for the adequacy and quality of medical care rendered to patients at the Corporation. Membership on the Medical Staff and the clinical privileges of each member shall be granted by the Board of Directors in accordance with the Bylaws of the Corporation and the Bylaws, Rules and Regulations, and Policies (herein collectively called "Medical Staff Bylaws") of the Medical Staff.

Section 8.02 Chief of Staff

The Chief of Staff shall be the physician elected by the Medical Staff to serve as the liaison between the Board of Directors and the Medical Staff, responsible for administration of Medical Staff Bylaws, and the performance of other duties as are outlined in the Medical Staff Bylaws or as may be assigned by the Medical Executive Committee.

Section 8.03 Medical Executive Committee

(a) The Medical Executive Committee of the Medical Staff (the "Medical Executive Committee") shall serve as the executive committee of the Medical Staff. The Chief of Staff shall serve as Chair of the Medical Executive Committee. The other Members shall be selected as provided in the Medical Staff Bylaws.

(b) The Medical Executive Committee shall make recommendations directly to the Board of Directors on all matters affecting the Medical Staff or to a committee to which the Board may have delegated this function, including but not limited to the following:

   (i) The structure of the Medical Staff;

   (ii) The mechanism used to review credentials and delineate individual clinical privileges;

   (iii) Individual Medical Staff Membership;

   (iv) Specific clinical privileges for each eligible individual;
(v) The organization of the quality assurance/performance improvement activities of the Medical Staff as well as the mechanisms used to conduct, evaluate and revise such activities;

(vi) The mechanism by which membership on the Medical Staff may be terminated; and

(vii) The mechanisms for fair hearing procedures.

Section 8.04 Medical Staff Bylaws

(a) The Medical Staff shall be responsible, under the direction of the Chief of Staff, for the development, adoption and periodic review of the Medical Staff Bylaws.

(b) The Medical Staff Bylaws and amendments thereto shall not be effective until adopted by the Medical Staff and approved by the Board of Directors or a Committee to which the Board may have delegated this function.

(c) The Medical Staff Bylaws shall include but shall not be limited to provisions for the following:

(i) Appointment and reappointment of members of the Medical Staff;

(ii) Appointment and reappointment of one (1) or more dentists, podiatrists and/or clinical psychologists to the Medical Staff, respectively, when dental, podiatric and/or clinical psychology services are provided;

(iii) Formal organization of the Medical Staff with appropriate officers and bylaws;

(iv) A requirement that membership on the Medical Staff shall be restricted to physicians, dentists, podiatrists and clinical psychologists, competent in their respective fields, worthy in character and in professional ethics;

(v) Self-government by the Medical Staff with respect to the professional work performed at the Corporation, periodic meetings of the Medical Staff to review and analyze at regular meetings their clinical experience and a requirement that the medical records of the patients shall be the basis for such review and analysis;

(vi) Preparation and maintenance of a complete and accurate medical record for each patient;

(vii) That the Medical Executive Committee is responsible for making recommendations directly to the Board of Directors or a Committee to which the Board may have delegated this function for its approval;

(viii) That only a member of the Medical Staff with admitting privileges may admit a patient to the Corporation, and that each patient's general medical condition is the responsibility of a qualified physician member of the Medical Staff;
(ix) A process and or processes designed to assure that any individual who provides patient care services but who is not subject to the medical staff privilege delineation process is competent to provide such services and is reviewed as part of the quality assurance/performance improvement program set forth in the Medical Staff Bylaws;

(x) A process or processes designed to assure that all individuals responsible for the assessment, treatment or care of patients are competent in their ability to obtain information and interpret information in terms of the patient's needs, in their knowledge or growth and development, and in an understanding of the range of treatment needed by such patients;

(xi) Mechanisms to assure the provision of one level of patient care at the Corporation;

(xii) Controls that are designed to ensure the achievement and maintenance of high standards of professional, ethical practices, including provision that all Members of the Medical Staff be required to demonstrate their ability to perform surgical and/or other procedures competently and to the satisfaction of an appropriate committee or committees of the staff, at the time of original application for appointment to the staff and at least every two (2) years thereafter; and

(xiii) A requirement that the Medical Staff and the staffs of the services shall implement the activities and mechanisms established in the Medical Staff Bylaws for monitoring and evaluating the quality of patient care, for identifying and resolving problems, and for identifying opportunities to improve patient care, and for reporting to the Board of Directors or a committee to which the Board may have delegated this function on such matters through the Chief of Staff, and if requested, to the Board of Directors.

Section 8.05 Medical Care

The Medical Staff, under the direction of the Chief of Staff, shall be responsible to the Board of Directors for:

(i) The quality of all medical care provided at the Corporation;

(ii) Quality assurance/performance improvement programs;

(iii) Credentials review and privilege delineation; and,

(iv) Reporting through the Chief of Staff from time to time on all such matters, when and as requested by the Board of Directors.

ARTICLE IX: NON-DISCRIMINATION POLICY

It is the policy of the Corporation not to discriminate against any person within the meaning of any applicable law, regulation, rule or order.
ARTICLE X: AMENDMENTS

Any provision of these Bylaws may be amended at any time by vote of the Member, without the vote of the Class B Directors. The affirmative vote of a majority of the Class A Directors then in office shall also be required (i) to increase or decrease the number of Class A Directors if the resulting ratio of Class A Directors to Class B Directors is less than 3 Class A Directors to 8 Class B Directors, (ii) to amend Section 3.03(b) or 3.03(c), and (iii) to amend any provision that pertains to Class A Directors in Sections 3.04, 3.07, 3.09(a), 3.10(a), 4.04(a) and 4.06.
SUMMARY OF TERMS OF PROPOSED AFFILIATION WITH STANFORD HOSPITAL AND CLINICS

The following summary highlights some of the principal terms of the proposed affiliation between ValleyCare Health System and Stanford Hospital and Clinics. It is not a complete summary of the affiliation documents. Members are encouraged to read the affiliation documents in their entirety. Copies of documents not included in this mailing are available in person at ValleyCare. If you have any questions, please call Denise Bouillerce, Director, Marketing/Public Relations at 925-373-4563 or email the board of directors at boardadmin@valleycare.com.

ValleyCare Health System (“VCHS”) is a non-profit, public benefit corporation with approximately 2,200 members. VCHS and Stanford Hospital and Clinics (“Stanford”) have entered into an Affiliation Agreement (the “Affiliation Agreement”) by which Stanford will become the sole member of VCHS (the “Affiliation”). As the sole corporate member, Stanford will have the power to appoint a controlling majority of the VCHS board of directors as described in the new VCHS Bylaws (see 3. Summary of Amended and Restated Bylaws, below). VCHS will remain in existence as a nonprofit, public benefit corporation with a separate board of directors, but will be a subsidiary of Stanford.

VCHS and Stanford plan to enter into the Affiliation to create the preeminent East Bay and regional health system and to further the clinical, research and educational mission of Stanford, the practice of high-quality community medicine by VCHS, and the delivery of outstanding service to the Tri-Valley Region.

The Affiliation Agreement gives ValleyCare Charitable Foundation, Inc. (the “Charitable Foundation”) an important fundraising role and a limited oversight responsibility to protect the community’s interests by monitoring Stanford’s satisfaction of certain commitments under the Affiliation Agreement. Current members of VCHS are being offered enrollment in the Charitable Foundation.

The Affiliation will be accomplished by—

1. The execution of the Affiliation Agreement;

2. The amendment of the Articles of Incorporation of VCHS modifying the purposes clause (Article II) and membership description (Article IX);

3. The amendment and restatement of the Bylaws of VCHS;

4. The amendment and restatement of the Bylaws of the Charitable Foundation.
1. The Affiliation Agreement

The Affiliation Agreement sets forth the broad terms of the Affiliation, including the corporate structure of the Affiliation, Stanford’s obligations to the VCHS community after the Affiliation, and the role of the ValleyCare Charitable Foundation in overseeing these commitments.

Structure of the Affiliation and Control of VCHS.

• The Affiliation will result in a restructuring of the membership and governance of VCHS.

• Stanford will become the sole member of VCHS, with all the other rights of membership, subject to the provisions of the Affiliation Agreement.

• The current VCHS community membership will be eliminated, and the membership of all the members will be terminated. The current VCHS members will be offered membership in the ValleyCare Charitable Foundation.

• The new board of VCHS will have eleven directors, consisting of three Class A directors and eight Class B directors.

• The initial Class A directors will be selected by the existing board of VCHS from among its current members. As vacancies occur, the Class A directors will select replacement directors, whose appointment will be subject to approval by Stanford.

• The Class B directors will be selected by Stanford from a slate of candidates submitted by a Nominating Committee appointed by Stanford.

Commitments to the Local Community.

• Stanford will maintain ValleyCare as an acute care hospital with an intensive care unit, obstetric services and an emergency department for at least five years following the Affiliation. Stanford will continue to maintain licensed facilities in both Livermore and Pleasanton.

• Stanford will provide a capital commitment of $50,000,000 during the first three years of the Affiliation.

• Stanford will be co-obligated on, or guarantee, VCHS’s $85,000,000 revenue bonds in order to resolve the current bond covenant compliance issues.
ValleyCare Charitable Foundation.

- The Affiliation Agreement will give the Charitable Foundation an oversight responsibility to protect the community’s interests by monitoring Stanford’s satisfaction of certain commitments under the Affiliation Agreement for a period of five years.

- The amended governing documents of the Charitable Foundation will give the current members of VCHS the opportunity to become the members of the Charitable Foundation with the power to elect the Charitable Foundation’s Board of Directors from among nominees approved by the VCHS Board.

- Stanford will provide fundraising expertise and a charitable contribution of $3,000,000 to the Charitable Foundation.

- VCHS will continue to provide the meeting space necessary for the Charitable Foundation to carry on its fundraising functions. The sole purpose of the Charitable Foundation will be to support VCHS and further the charitable purposes served by VCHS.

ValleyCare Medical Foundation.

ValleyCare Medical Foundation is a separate nonprofit corporation of which VCHS is the sole member. The Medical Foundation contracts with ValleyCare Physician Associates, PC to provide medical services in the Foundation’s clinics. The Affiliation will not initially affect this structure, though over time the ValleyCare Medical Foundation operations may be combined into Stanford’s Bay Area physician network.

Medical Staff and Employees.

The Affiliation will not affect the medical staff membership or privileges for members of the medical staff of VCHS. VCHS will also retain substantially all its employees following the Affiliation.

Quality Assurance.

Stanford leadership will assist and provide support to VCHS quality leadership and VCHS medical staff in their oversight of clinical care at the VCHS entities.
2. Amendments to the VCHS Articles of Incorporation

In connection with the Affiliation, Article II of VCHS’s Articles of Incorporation will be amended to expand the charitable purposes of the corporation to include support for the development and operation of a broad geographic network of health care providers and facilities in collaboration with Stanford Health Care and the Stanford University and its School of Medicine, to further the charitable, scientific and educational purposes of the University, and to develop, sponsor and advance services and programs that address the physical and mental needs of the community at large. In addition, Article IX will be amended to establish Stanford as the sole corporate member of VCHS and to dissolve the current community membership of the corporation. A copy of Article II and Article IX showing the proposed changes in context is enclosed as Attachment A.

3. Summary Amended and Restated Bylaws of VCHS

The VCHS Bylaws will be amended and restated in order to implement some of the structural changes to the Corporation’s governance required by the commitments made in the Affiliation Agreement. A complete copy of the proposed Amended and Restated Bylaws is attached to this summary (Attachment B) for your review and consideration. Below is a summary of several of the key provisions:

Corporate Membership

• All of the existing memberships in VCHS will be eliminated.

• Stanford will become the sole member in the VCHS Corporation.

Board of Directors

• The Board of Directors will be composed of eleven directors and divided into two classes: Class A and Class B. There will be three Class A Directors and eight Class B Directors.

• The initial three Class A Directors will be selected by and from the current members of the VCHS Board of Directors.

• The initial eight Class B Directors will be selected by Stanford.

• The Chair will be appointed by Stanford.

• As vacancies occur among the Class A Directors, the remaining Class A Directors will elect successor Class A Directors from among nominees who will be subject to approval by Stanford.

• As vacancies occur among the Class B Directors, successors will be selected by Stanford from candidates nominated by a nominating committee appointed by Stanford.
**Stanford Reserve Powers**

Stanford will retain ultimate approval of the following corporate actions:

- Appointment and removal of all senior leadership and engagement of Stanford University to provide legal and internal audit services to the Corporation;
- Selection of the auditors of the Corporation;
- Amendment of the bylaws, except that Class A Directors must approve changes affecting their rights;
- Approval of the incurrence of debt by the Corporation other than debt provided for in a capital budget approved by Stanford;
- Approval of operating and capital budgets of the Corporation; and
- Approval of strategic plans that have been developed by management and submitted for approval to the Board of Directors.

**Future Amendments to VCHS Bylaws**

Stanford will be able to amend the VCHS Bylaws at any time without the vote of the Board of Directors – except that Class A Directors must approve changes:

- to increase or decrease the number of Class A Directors if the resulting ratio of Class A Directors to Class B Directors is less than three Class A Directors to eight Class B Directors, or
- to amend any section of the Bylaws that specifically pertains to rights of Class A Directors (Sections 3.03(b), 3.03(c), 3.04, 3.07, 3.09(a), 3.10(a), 4.04(a) and 4.06.)

4. **Amended and Restated Bylaws of the Charitable Foundation**

Currently VCHS is the sole member of the Charitable Foundation; however, the Bylaws of the Charitable Foundation will be amended to permit all current members of VCHS to become members of the Charitable Foundation.

The Affiliation Agreement includes provisions giving the Charitable Foundation limited oversight responsibility to protect the community’s interests by monitoring Stanford’s performance under the Affiliation Agreement. By becoming members in the Charitable Foundation, the current VCHS membership will retain an important role in the future of VCHS.

The central purpose of the Charitable Foundation will remain the support of the operations of VCHS through fundraising activities. The day-to-day operation of the Charitable Foundation will continue to be conducted by the Board of Trustees, which shall consist of between eleven and twenty-one trustees.
RESOLUTIONS OF THE BOARD OF DIRECTORS OF
THE HOSPITAL COMMITTEE FOR THE
LIVERMORE-PLEASANTON AREAS DBA
VALLEYCARE HEALTH SYSTEM (“CORPORATION”)

WHEREAS, in October 2013 this Board of Directors (the “Board”), with the assistance of Kaufman Hall, began an in depth consideration of the future strategic options for the Corporation’s health care business (the “Hospital”) following an unsolicited approach from an outside entity regarding a potential affiliation.

WHEREAS, in January 2014 the Board determined that it was in the best interest of the Corporation and the communities served by the Corporation to pursue the possibility of an affiliation with another health care entity. The Board directed the commencement of a Request for Proposal (“RFP”) process, and engaged Kaufman Hall to assist and coordinate the initiative.

WHEREAS, the Board, with the assistance of Kaufman Hall, identified five additional organizations to receive the RFP materials. The potential partners were selected because of their strategic presence in the Bay Area, their demonstrated success with integrating their hospitals and local physicians and their financial strength.

WHEREAS, the Board established a special committee, composed of Board members and supported by corporate officers (the “Affiliation Committee”), to manage and oversee the RFP process, and directed the Corporation’s legal counsel and financial advisors to continue to assist in determining the viability of the various strategic options and review proposals from potential partners.

WHEREAS, following the ongoing discussions with Kaufman Hall and its own review of strategic options, the Board determined that any decision regarding the future of the Hospital should be made in consideration of the following factors:

- The mission, vision and values of the potential partner;
- The strategic fit between the Corporation and the potential partner;
- The proposed governance structure for the Hospital and the ability to propose an affiliation structure under which the Board and the Corporation’s current membership would have some continuing input into the ongoing operations of the Hospital;
- The ability to protect the Corporation’s employees and the capability to maintain and continually strive to enhance the workplace environment to foster employee satisfaction;
- Commitments to maintain services currently offered at the Hospital and vision for strategic development in the future;
• Commitments to the Hospital’s Medical Staff and plans for the ValleyCare Medical Foundation; and

• Willingness to commit the capital and other resources necessary to meet the healthcare needs of the communities served by the Hospital.

WHEREAS, the Corporation received formal responses to the RFP from all five entities that were provided RFP materials.

WHEREAS, after submission of the proposals from each potential partner, the Board, with the assistance of the Affiliation Committee and Kaufman Hall, reviewed the proposals and scheduled a series of on-site interviews with teams from each respondent between February and April 2014.

WHEREAS, following the completion of the initial reviews and on-site interviews, the Board made the decision to terminate discussions with three of the six potential partners and move forward with the development of letters of intent with the remaining three potential partners.

WHEREAS, on May 28, 2014, the Board authorized the execution of a letter of intent ("Letter of Intent") with Stanford Hospital and Clinics, dba Stanford Health Care ("Stanford") describing the key elements of the proposed transaction with Stanford (the "Affiliation") and instructed the Corporation’s officers, legal counsel and Kaufman Hall, under the oversight of the Affiliation Committee, to proceed with the negotiation of a definitive agreement (the "Affiliation Agreement").

WHEREAS, a proposed form of the Affiliation Agreement has been presented to the Board, and is attached to these Resolutions as Attachment A.

WHEREAS, the Board believes that executing the Affiliation Agreement with Stanford would be in the best interest of the Hospital, its members, and the communities it serves.

WHEREAS, the Board believes that the proposed transaction with Stanford is consistent with the Letter of Intent previously approved by the Board and would satisfy the central objectives the Corporation identified when initially engaging in the RFP process as evidenced by the following material terms contained within the Affiliation Agreement:

(1) Commitments to preserve the Hospital’s core services, including an acute care hospital with an intensive care unit, obstetric services and an emergency department, for a minimum of five years following the completion of the affiliation;

(2) Commitments to continue to maintain licensed facilities in both Livermore and Pleasanton;
(3) Commitments by Stanford to make material capital investments in the Hospital of not less than $50 million during the first three years of the affiliation;

(4) Commitments by Stanford to be co-obligated on the Corporation’s bonds in order to reduce the Corporation’s debt service and to resolve bond covenant compliance issues;

(5) A continued role for the current Board on the Corporation’s Board of Directors following the completion of the Affiliation and the ability of the ValleyCare Charitable Foundation (“Charitable Foundation”) to enforce certain provisions of the Affiliation Agreement;

(6) Commitments by Stanford to maintain the employment status of substantially all the employees currently employed by the Corporation;

(7) Commitments by Stanford to use best efforts to maintain contracts with the physicians currently affiliated with the ValleyCare Medical Foundation; and

(8) Commitments by Stanford to provide fundraising expertise and a charitable contribution of $3 million to the Charitable Foundation.

WHEREAS, based upon its review of the Affiliation Agreement and the terms and conditions contained therein, the presentations made to the Board and the Affiliation Committee regarding the Affiliation, and consideration of and deliberation on the benefits and risks to the Corporation associated with the Affiliation, the Board believes the Affiliation is in the best interest of the Corporation, in furtherance of its nonprofit and charitable purposes and for the benefit of its members and the communities served by the Hospital, and desires to approve the Affiliation Agreement and the documents and transactions contemplated thereby.

WHEREAS, in connection with the finalization of the Affiliation Agreement, the Board has worked with Stanford to develop proposed Amended and Restated Bylaws of the Corporation (the “Proposed Amended and Restated Bylaws”), and an Amendment to Articles II and IX of the Articles of Incorporation of the Corporation (the “Proposed Amendment to the Articles of Incorporation”), which would effectuate key provisions of the Affiliation Agreement, including aligning the purposes of the Corporation with those of Stanford, making modifications to the composition and selection of the Board of Directors and substituting Stanford as the sole member of the Corporation. The Proposed Amended and Restated Bylaws and Proposed Amendment to the Articles of Incorporation would become effective only if the Affiliation is successfully completed.
and the closing conditions contained in the Affiliation Agreement are all satisfied or waived.

**WHEREAS**, the Proposed Amended and Restated Bylaws and Proposed Amendment to the Articles of Incorporation have been presented to the Board, and are attached to these Resolutions as Attachment B and Attachment C, respectively.

**WHEREAS**, acting on behalf of the Corporation, which is the sole member of the Charitable Foundation, and in order to implement certain enforcement mechanisms contemplated by the Affiliation Agreement and ensure a continued voice for the Corporation’s current membership, the Board has worked with Stanford to develop proposed Amended and Restated Bylaws for the Charitable Foundation, which would become effective only if the Affiliation is successfully completed and the closing conditions contained in the Affiliation Agreement are all satisfied or waived (the “Proposed Charitable Foundation Amended and Restated Bylaws”).

**WHEREAS**, the Proposed Charitable Foundation Amended and Restated Bylaws have been presented to the Board, and are attached to these Resolutions as Attachment D.

**NOW, THEREFORE, BE IT RESOLVED.** that it is in the best interest of the Corporation and its members, in furtherance of its nonprofit corporate and charitable purposes and for the benefit of the communities served by the Hospital for the Corporation to enter into the Affiliation Agreement with Stanford, upon the material terms and conditions set forth in the Affiliation Agreement as presented to this Board.

**IT IS RESOLVED FURTHER,** that Affiliation and the form, material terms, and provisions of the Affiliation Agreement presented to this Board are hereby approved.

**IT IS RESOLVED FURTHER,** that the Proposed Amended and Restated Bylaws and Proposed Amendment to the Articles of Incorporation as well as the Proposed Charitable Foundation Amended and Restated Bylaws presented to this Board are hereby approved, subject to the successful completion of the Affiliation and the satisfaction or waiver of all required closing conditions contained in the Affiliation Agreement.

**IT IS RESOLVED FURTHER,** that the Board recommends approval by the members of the Proposed Amended and Restated Bylaws and Proposed Amendment to the Articles of Incorporation and authorizes the distribution of written ballots to the membership requesting such approval.

**IT IS RESOLVED FURTHER,** that the Chair of the Board of the Directors and Chief Executive Officer of the Corporation, acting individually or together, or with the Secretary or any Assistant Secretary of the Corporation, are authorized, in the name and on behalf of the Corporation, to execute and deliver the Affiliation Agreement substantially in the form approved by this Board, with such changes, not affecting the material provisions thereof, as may be approved in accordance with these Resolutions, their execution and delivery of the same to be conclusive evidence of the due approval of
such changes and of the final form of such documents; and to execute, deliver, and where appropriate file or record, in the name and on behalf of the Corporation or the Charitable Foundation, any other documents, certificates or instruments either of them deems necessary or desirable to be executed by the Corporation in order to give effect to these Resolutions and the Affiliation Agreement, including, without limitation, the documents and instruments listed as schedules and exhibits to the Affiliation Agreement (collectively, the “Related Documents”); and to do any and all other acts they deem necessary or desirable to consummate the transactions contemplated by the Affiliation Agreement and the Related Documents, and to complete the Affiliation and all matters related thereto.

**IT IS RESOLVED FURTHER,** that the Chair of the Board and the Chief Executive Officer of the Corporation, acting together or either of them, are hereby authorized to approve on behalf of the Corporation, modifications or amendments to the form of the Affiliation Agreement presented to this Board that do not alter the material terms thereof, and the forms and content of all Related Documents, their approval of such changes or documents to be conclusively evidenced by the execution and delivery of such documents in accordance with these Resolutions.

**IT IS RESOLVED FURTHER,** that all actions heretofore taken by the officers, agents, attorneys and employees of the Corporation in connection with the Affiliation Agreement are hereby ratified and confirmed.

**IT IS RESOLVED FURTHER,** that the Board authorizes and directs all proper committees, officers, agents, attorneys and employees of the Corporation (a) to carry out, or cause to be carried out, all obligations of the Corporation under the Affiliation Agreement and the Related Documents, including without limitation the execution and delivery of the agreements, certificates and opinions required by the Affiliation Agreement and the payment of the expenses incurred or to be incurred by the Corporation in connection with the Affiliation; and (b) to perform, or cause to be performed, such other acts as they shall consider necessary or advisable in connection with the Affiliation.
NOTICE OF INFORMATIONAL MEETINGS

ValleyCare Health System (whose formal legal name is The Hospital Committee For The Livermore-Pleasanton Areas) will be holding the following informational meetings for the Members to discuss the proposed affiliation with Stanford Hospital and Clinics and the proposed amendments to the Corporation’s Bylaws and Articles of Incorporation:

Voting is by ballot only. No formal action will be taken at the meetings, and you do not need to attend a meeting in order to vote.

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<th>Date</th>
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| Wednesday, October 8, 2014  | 5:00 pm to 6:00 pm | LifeStyleRx
1119 E. Stanley Blvd.
Livermore, CA 94550     |
| Tuesday, October 14, 2014   | 5:00 pm to 6:00 pm | ValleyCare Medical Center Cafeteria
5575 W. Las Positas Blvd.
Pleasanton, CA 94588   |
| Monday, October 20, 2014    | 6:30 pm to 7:30 pm | LifeStyleRx
1119 E. Stanley Blvd.
Livermore, CA 94550     |
| Tuesday, October 21, 2014   | 6:30 pm to 7:30 pm | ValleyCare Medical Center Cafeteria
5575 W. Las Positas Blvd.
Pleasanton, CA 94588   |

If you have any questions, please call Denise Bouillerce, Director, Marketing/Public Relations at 925-373-4563 or e-mail the board of directors at boardadmin@valleycare.com.