



## Brown & Toland Shareholders Meet

*For immediate release*

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February 6, 2008, SAN FRANCISCO, CALIF...At a meeting held January 30 at the Cathedral Hill Hotel in San Francisco, Brown & Toland physician shareholders met to discuss the role of a Board of Directors during a financial transaction, including a transaction that may involve a change of ownership.

Brown & Toland's Board of Directors for the past year have been investigating funding alternatives, including the possible sale of Brown & Toland, to accelerate the rollout of its successful clinical integration program.

### **Background**

In late 2006, Brown & Toland executives were approached by outside entities interested in investing in the medical group's unique business model.

Brown & Toland's strategy for clinical integration has attracted extensive positive national attention. The integration of independent physicians offices and ancillary providers has not been executed extensively anywhere in the country outside of large organized hospital systems. Brown & Toland has integrated the physicians and ancillary services, throughout the network, and has also maintained the integrity of an independent physician network.

Brown & Toland, with about 1,500 physicians caring for more than 185,000 HMO patients, and close to 100,000 PPO patients, is one of the more financially successful independent practice associations (IPAs) in California.

Consistent with its fiduciary duties, the Brown & Toland Board engaged independent third party assistance from a number of entities, including Cain Brothers, a consulting/financial firm focused on healthcare. Cain Brothers, along with outside legal counsel Boise, Schiller & Flexner LLP, Hooper, Lundy & Bookman, Inc., Kessenick, Phillips, & Gamma, LLP, and tax advisors KPMG, have helped the Board identify the respective options for funding: fund internally, where the doctors pay for the system directly, seek a loan, or seek outside investors. In this process, Cain solicited offers from potential outside parties to partner with Brown & Toland.

Since the beginning of 2007, Brown & Toland's Board of Directors and the Executive Team have been reviewing proposals from a number of entities. Currently, the board and Executive Team are reviewing proposals from three possible outside investors.

Additionally, to ensure that the physician network is kept up to date on the latest developments, the Board of Directors have distributed written updates to the network, held Town Hall meetings, and the have been meeting with physicians in small group settings.

### **Executive Compensation**

The topic of the compensation level of key Brown & Toland executives also was discussed at the meeting. Brown & Toland's Board's has an Executive Compensation Committee. As part of their job, these committee members review and approve compensation for all Brown & Toland executives.

The role of the committee is to ensure that the company pays market rates for comparable \$200 million organizations, while also ensuring that the compensation plan both motivates and serves as a retention tool. The committee receives assistance from experts in the field of compensation to ensure that employee compensation is fair and competitive. Additionally, the Board also reviewed senior managements' compensation, bonus opportunities, and severance packages in the event of a sale. These are consistent with industry standards and are unremarkable.

Sarbanes-Oxley also was discussed at the meeting. Sarbanes-Oxley, signed into law in 2002, establishes new or enhanced standards for all U.S. public company boards, management, and public accounting firms. It does not apply to privately held companies; however, Brown & Toland has adopted many of the best practices of Sarbanes-Oxley.