

In Re: Affiliation Between
CMC Healthcare System and Dartmouth-Hitchcock Health

**NOTICE TO THE NEW HAMPSHIRE DIRECTOR OF CHARITABLE
TRUSTS PURSUANT TO NEW HAMPSHIRE RSA 7:19-b**

CMC Healthcare System (“CMCHS”), for itself and on behalf of its affiliates, Catholic Medical Center (“CMC”) and Alliance Health Services (“AHS”), and Dartmouth-Hitchcock Health (“DHH”) jointly provide this Notice pursuant to RSA 7:19-b, III in connection with the proposed affiliation between the parties (the “Affiliation”). In support of this Notice, the parties respectfully provide the following information:

1. Summary of the Proposed Affiliation:

CMCHS, the coordinating organization for Catholic Medical Center and its affiliates, and DHH, created to be the coordinating organization for Mary Hitchcock Memorial Hospital (“MHMH”) and Dartmouth-Hitchcock Clinic (“DHC”) and their affiliates, entered into an Affiliation Agreement on July 22, 2009 (the “Affiliation Agreement”). The Affiliation will allow CMCHS and DHH to coordinate their resources in Greater Manchester and to integrate the two organizations and their affiliates into a regional healthcare delivery system. The proposed Affiliation will involve two components: (i) the integration of the DHC Manchester-based physician practice group services with the services of CMC under its parent company, CMCHS, and (ii) the integration of CMCHS into a regional system with DHH.

Specifically, CMCHS will continue to serve as the sole member of CMC and AHS with certain reserved powers to enable it to coordinate the delivery of their integrated services in the Manchester area (the “Manchester System”). The Manchester System will include an expanded professional services agreement and facilities lease with the current Dartmouth-Hitchcock Clinic Manchester physicians through AHS. The Articles of Agreement and Bylaws of AHS also will be amended to provide DHC with a more

significant role in AHS' governance, but the charitable mission and purpose of AHS will not change.

The leased multi-specialty physician services in the Manchester System will be subject to the *Ethical and Religious Directives for Catholic Health Care Services* issued by the United States Conference of Catholic Bishops (the "ERDs"). Any DHC programs or services currently offered in Manchester but inconsistent with the ERDs will not be leased, and therefore they will not be governed, managed by, or fiscally related to, the proposed Manchester System. In this way, both CMCHS and DHC will operate in a manner consistent with their respective charitable missions. Neither organization will be required to take any action which may impair or jeopardize its tax-exempt or public charity status under federal income tax or charitable trust laws.

CMCHS will integrate into a regional system with DHH (the "Regional System"). DHH will become the sole member of CMCHS, exercising certain enumerated reserved powers, most concurrently with the reserved powers exercised by the Bishop of Manchester (the "Bishop") over CMCHS. As a result, the proposed Affiliation will allow CMC to retain its Catholic identity and mission under Church law while collaborating directly with the approximately 120 Manchester-based DHC physicians and enabling the Manchester System to coordinate and enhance its healthcare delivery within a larger regional network.

2. Parties to the Transaction:

(a) CMC Healthcare System, a New Hampshire voluntary, non-profit corporation with a principal place of business at 100 McGregor Street, Manchester, New Hampshire, is exempt from federal income tax as a charitable organization described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). CMCHS also is a public juridic person of diocesan right under canon law of the Roman Catholic Church, subject to certain reserved powers held by the Bishop. CMCHS is the sole member of CMC and AHS, each a voluntary corporation and tax-exempt charitable organization. CMC operates an acute care hospital facility in Manchester, New

Hampshire, and AHS provides health care services primarily through a professional services agreement with DHC.

(b) Dartmouth-Hitchcock Health, a New Hampshire voluntary, non-profit corporation with a principal place of business at One Medical Center Drive, Lebanon, New Hampshire, has applied to the Internal Revenue Service for recognition of its exemption from federal income tax as a charitable organization described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”).

Simultaneously with the consummation of the proposed Affiliation following the receipt of all necessary approvals, DHH will become the sole member of MHMH and DHC, each a voluntary corporation and tax-exempt charitable organization, and will serve as the integrator and coordinator of the Regional System.

3. Material Terms of the Affiliation:

(a) Creation of the Manchester System.

(i) *Integration of DHC Manchester-Based Physician Services through AHS.*

The Articles of Agreement and Bylaws of AHS will be amended and restated to reflect that AHS will be a multi-specialty group practice-oriented organization and to provide DHC with a more significant role in its governance, but the charitable mission and purpose of AHS will not change. The AHS Board of Trustees will be reconstituted as described in Section 3.1.1 of the Affiliation Agreement, the majority of whom will be chosen directly or indirectly by Dartmouth-Hitchcock. AHS will replace its existing contracts with DHC with a broader professional services agreement and facilities lease covering almost all of the DHC physician services and facilities in the Manchester area, as described in Sections 3.1.2 and 4.3 of the Affiliation Agreement.

(ii) *Reserved Powers of CMCHS.* The Articles of Agreement and Bylaws of each of CMC and AHS will be amended and restated to provide CMCHS with certain reserved powers and approval rights over activities of those entities, as described in Sections 3.3 and 3.4 of the Affiliation Agreement (the “CMCHS Reserved Powers”).

These CMCHS Reserved Powers will allow CMCHS to act as the coordinator and steward of the Manchester System. CMCHS will remain the sole member of CMC and AHS.

(iii) *Compliance with ERDs and Bishop's Reserved Powers.* CMCHS will remain a public juridic person of diocesan right under canon law of the Roman Catholic Church, and it will be subject to the powers reserved to the Bishop as described in Sections 3.5 and Exhibit 3.5 of the Affiliation Agreement (the "Bishop's Reserved Powers"). The activities of each of the Manchester System entities – CMCHS, CMC and AHS – at all times must comply with the ERDs. To the extent that any activities or services of DHC in the Manchester area do not comply with the ERDs, they will not be included in the professional services agreement and facilities lease, and thus will not be part of the Manchester System nor subject to the ERDs.

(b) Integration with Regional System. To integrate the Manchester System into the Regional System, the Articles of Agreement and Bylaws of CMCHS will be amended and restated -- but the charitable mission and purpose of CMCHS will not change -- to provide DHH with certain express reserved powers over the activities of CMCHS and in certain instances its affiliates, as described in Section 3.9 of the Affiliation Agreement (the "DHH Reserved Powers"). Many of the DHH Reserved Powers will be exercised concurrently with the Bishop's Reserved Powers. The Regional System expects that most clinical and strategic and planning initiatives and decisions in the Manchester area will originate at the CMCHS level (see, e.g. Sections 1.5 and 3.9.6 of the Affiliation Agreement) because it has the most direct interaction with patients and community members in order to identify community health care needs and propose clinical and other programmatic initiatives to address them. Based on this local decision-making model, DHH will create a long-term strategic plan for the Regional System, and then CMCHS will be responsible for creating and implementing a strategic plan for the Manchester System compatible with the Regional System's strategic plan, financial guidelines and quality goals. Material initiatives proposed by

CMCHS will require DHH approval to ensure compatibility with the goals and plans of the Regional System, but DHH will present any material expansion or reduction in program services that may impact the Manchester System to the CMCHS board for discussion, approval and implementation. DHH also agrees to respect CMCHS' need to assure its authenticity as a Catholic healthcare system in the exercise of the DHH Reserved Powers.

(c) No Monetary Consideration: There is no payment or other financial consideration being exchanged in connection with the Affiliation.

(d) Charitable Missions; Capital Structure; Trustees and Executive Management; Compensation:

(i) *Charitable Missions*. There will be no change to the charitable missions of the parties or their affiliates, which missions the boards of each party have determined are compatible and furthered by the proposed Affiliation.

(ii) *Capital Structure*. There will be no change in the capital structure of any of the parties.

(iii) *Boards of Trustees*. The CMCHS Board of Trustees will be comprised as described in Section 3.6 of the Affiliation Agreement. Sixty percent (60%) of the CMCHS Board members will be chosen by CMC and subject to the Bishop's Reserved Powers, and the remaining forty percent (40%) by AHS. The parties agree that at all times the majority of the CMCHS Board will be comprised of CMC-affiliated trustees. The CMC Board of Directors will remain unaffected, except that the appointment and removal of its directors is subject to the CMCHS Reserved Powers and the Bishop's Reserved Powers. The AHS Board of Trustees will be comprised as described in Section 3.1.1 of the Affiliation Agreement, and subject to the CMCHS Reserved Powers. Except for the reimbursement of reasonable expenses, it is not contemplated that any trustees of the parties or their affiliates will be compensated for their trustee duties.

(iv) *Executive Management and Compensation.* The management and executive compensation of CMC will remain unchanged except that it will be subject to the CMCHS Reserved Powers, and CMCHS will contract for the services of the CMC Chief Executive Officer and Chief Financial Officer, the compensation for whom will remain unchanged but will be shared equitably among the Manchester System members. AHS will appoint a Chief Physician Executive (“CPE”), who also will serve as the CPE of CMCHS, as described in Section 3.7.4 of the Affiliation Agreement. Each of the CMC and AHS Boards of Trustees will be responsible for evaluating, compensating and replacing the executive management of CMC and AHS, respectively, subject to the CMCHS Reserved Powers.

(e) Approvals Required for Closing. The implementation of the Affiliation is subject to the prior satisfaction of the following conditions:

(i) *Regulatory Approvals.* The proposed Affiliation must be approved by the New Hampshire Director of Charitable Trusts under RSA 7:19-b, the Anti-Trust Division of the New Hampshire Attorney General under state anti-trust laws, the Federal Trade Commission and the U.S. Department of Justice pursuant to the Hart-Scott-Rodino Antitrust Improvements Act, and the Internal Revenue Service pursuant to a request for a private letter ruling and a determination of the tax-exempt status of DHH.

(ii) *Due Diligence and Consideration of Public Comment.* The parties must complete standard due diligence and consider any modifications to the Affiliation Agreement resulting from the public comment process described above.

(iii) *Final Approval of the Parties’ Boards and the Bishop.* Although the Boards of each of the parties and the Bishop have conditionally approved the Affiliation, each of them must consider any modifications resulting from the regulatory process, due diligence and public commentary and provide their final approval to the Affiliation Agreement.

(f) Effective Date. Subject to the prior receipt of all necessary approvals and unless the parties mutually agree otherwise, the Affiliation is expected to become effective on December 31, 2009 at 11:59 p.m.

4. Copy of the Affiliation Agreement: *See Attachment 1.*

5. Minutes and Other Documents Evidencing the Decision of the Governing Bodies of the Parties; Process and Procedure for Complying with RSA 7:19-b(II)(g):

(a) Minutes of Board Meetings Conditionally Approving Affiliation. The unanimous consent resolutions of the Board of Governors of CMCHS, and minutes of the meetings of the Board of Trustees of DHH, and the Boards of Trustees of DHC and MHMH ratifying the votes of the DHH Board, respectively, are attached as *Attachment 2, Attachment 3, Attachment 4 and Attachment 5.*

(b) Public Comments and Deliberation Process. Each of the Boards of CMCHS and DHH have conducted careful deliberations regarding the Affiliation Agreement and its furtherance of their charitable missions, and have relied on the recommendations of a joint trustee committee, senior management and legal and other provisional advisors in conditionally approving the Affiliation Agreement. The parties also have consulted with the Bishop, who has relied on the opinion of two ethicists, and they have consulted with select members of the Manchester and Lebanon communities. Now that the proposed terms of the Affiliation Agreement have been established, the parties are filing this Notice and seeking input from the communities served by CMCHS and DHH, respectively. The parties have established a web site, www.AHealthierTomorrow.org, on which the public may view the Affiliation Agreement and related documents and provide commentary regarding the Affiliation. Three public hearings also will be conducted by the parties to receive additional input from the public. It is anticipated that the meetings will be held in September, October

and November, 2009, with the first and last being in the Manchester area and the second meeting being held in Lebanon. The parties will coordinate with the Director of Charitable Trusts to schedule such other public meetings as he may require.

6. Financial Statements of all Parties: The consolidated financial statements of CMCHS and affiliates are attached as *Attachment 6*. DHH is a new entity which has not yet begun operations. On or prior to the effective date of the Affiliation, DHH will become the sole member of DHC and MHMH. The consolidated financial statements of Dartmouth-Hitchcock and its subsidiaries are attached as *Attachment 7*.

7. Certification Signed By Members Of The Governing Body Approving The Affiliation Agreement Pursuant To The Standards Set Forth In RSA 7:19-B, II.

The Board of Governors of CMCHS and the Board of Trustees of each of DHH, DHC and MHMH has determined conditionally that the Affiliation is in the best interests of such charitable trusts. Upon the satisfaction of the conditions described in Paragraph 3(e) above, such Boards will certify that the standards stated in RSA 7:19-b(II) have been met, which certification will be filed with the Director of Charitable Trusts as a supplement to this Notice in the form in *Attachment 8*.

8. Statement From DHH and CMCHS Specifying The Manner In Which They Proposes To Fulfill The Charitable Objects Of The Healthcare Charitable Trusts:

DHH is bound by its corporate purpose and mission, as set forth in *Attachment 9*, to further the charitable purposes of DHC, MHMH and future provider organizations in the Regional System, such as CMCHS, through the exercise of the DHH Reserved Powers. Similarly, CMCHS as the supporting organization of CMC and its affiliates is bound to further the charitable mission and purposes of these organizations.

Respectfully submitted,

CMC HEALTHCARE SYSTEM

By: /s/ Alyson Pitman Giles
Alyson Pitman Giles, President and CEO
July 22, 2009

DARTMOUTH-HITCHCOCK HEALTH

By: /s/ Thomas A. Colacchio
Thomas A. Colacchio, M.D., President *pro tem*
July 22, 2009

Attachments:

1. [*Affiliation Agreement.*](#)
2. *CMCHS Board of Governor Written Consent Votes.*
3. *DHH Board of Trustee Meeting Minutes.*
4. *MHMH Board of Trustee Meeting Minutes.*
5. *DHC Board of Trustee Meeting Minutes.*
6. *Financial Statements of CMCHS (Consolidated).*
7. *Financial Statements of Dartmouth-Hitchcock and Subsidiaries (Consolidated).*
8. *Form of Certification of RSA 7:19-b(II) Standards.*
9. *DHH Mission and Corporate Purposes.*