

**In Re: Affiliation among Huggins Hospital, Monadnock Community Hospital, and  
Catholic Medical Center**

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

This Joint Notice is submitted to the New Hampshire Attorney General, Director of Charitable Trusts, pursuant to New Hampshire RSA ("NHRSA") 7:19-b(III) by **Huggins Hospital**, a New Hampshire voluntary corporation ("*Huggins*"), and **Monadnock Community Hospital**, a New Hampshire voluntary corporation ("*MCH*"), in connection with the proposed affiliation (the "*Affiliation*") among Huggins, MCH and **Catholic Medical Center**, a New Hampshire voluntary corporation ("*CMC*"). (Huggins, MCH and CMC sometimes are referred to singularly as a "*Party*" and collectively as the "*Parties*"). **CMC Healthcare System**, a New Hampshire voluntary corporation and the current sole corporate member of CMC ("*CMCHS*"), also is a signatory to the Affiliation Agreement described below for the purpose of indicating its approval of the Affiliation.

As more fully described below, the Parties intend to develop a New Hampshire-based integrated health care delivery system (the "*System*"). The proposed Affiliation contemplates that Huggins and MCH will form a nonprofit supporting organization, **GraniteOne Health** (the "*System Parent*"), that will become the sole corporate member of Huggins and MCH, and a corporate member of CMC together with CMCHS, with reserved powers to ratify certain activities of Huggins, MCH, CMC and their respective subsidiaries, and to appoint representatives to each Party's Board of Trustees/Directors.

**A. PARTIES TO THE AFFILIATION**

**1. Huggins Hospital.**

Huggins is a charitable organization established by statute in 1907 and operates a licensed acute care, twenty-five (25) bed, Critical Access Hospital located in Wolfeboro, New Hampshire and providing inpatient, outpatient, emergency care,

ambulatory care and some specialty care. Huggins also manages various family and internal medicine offices. Huggins serves the region's year-round population of approximately thirty thousand (30,000) residents and approximately one hundred twenty thousand (120,000) seasonal residents in the communities of Alton, Brookfield, Effingham, Freedom, Madison, Moultonborough, New Durham, Ossipee, Sanbornville, Sandwich, Tamworth, Tuftonboro and Wolfeboro. Huggins also operates an assisted living facility through a wholly-owned subsidiary: Huggins Senior Housing, Inc. Huggins is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "*Code*"), and is a public charity under Section 509(a) of the Code.

The statute incorporating Huggins, and its current Bylaws and annual consolidated financial statements for the year ended September 30, 2015 are attached as **Appendices A-1, A-2 and A-3**, respectively.

2. Monadnock Community Hospital.

MCH is a New Hampshire voluntary corporation, formed in 1919 as The Peterborough Hospital and is exempt from federal income taxation under section 501(c)(3), and a public charity under section 509(a), of the Code. It is currently governed by a Board of Trustees composed of five (5) ex officio trustees with voting rights and up to sixteen (16) elected trustees elected by all of the sitting trustees acting as the corporation's Members under NHRSA 292. Its purpose is "to organize and conduct a general hospital or other kindred charitable institutions ... as may be found desirable." Articles of Agreement, Article 2. MCH currently owns and operates a twenty-five (25) bed, acute care Critical Access Hospital in Peterborough, New Hampshire providing inpatient, outpatient, emergency, ambulatory and certain specialty care to people in the Peterborough area. Its Medical Staff includes over one hundred twenty-five (125) primary and specialty care physicians, fifteen (15) dentists and twenty-three (23) other health professionals. All members of the Medical Staff are Board Certified in their specialties. MCH also owns and operates a network of professional offices in Peterborough, Jaffrey, Antrim, Rindge and New Ipswich where

physicians and other healthcare professionals provide a wide range of primary and behavioral health care services for people in the area. In addition to the towns where it has offices, MCH's primary service area also includes the towns of Bennington, Dublin, Frankestown, Greenfield, Greenville, Hancock, Sharon and Temple. The MCH service area has a total population of approximately forty thousand (40,000) people.

The current MCH Articles of Agreement, Bylaws and annual financial statements for the year ended September 30, 2015 are attached as **Appendices B-1, B-2, and B-3**, respectively.

3. Catholic Medical Center.

CMC is a licensed acute care, three hundred thirty (330) bed full-service healthcare facility dedicated to providing health, healing and hope to its community. CMC employs approximately two thousand (2,000) people. CMC provides full medical-surgical care with extensive subspecialties<sup>1</sup>, inpatient and outpatient rehabilitation services, a 24-hour emergency department, outpatient behavioral health services, and diagnostic imaging. CMC also serves as a patient transfer center for other hospitals throughout the State. CMC serves the residents from the towns and cities of Auburn, Bedford, Candia, Deerfield, Goffstown, Hooksett, Londonderry, Manchester and New Boston.

CMC is a charitable organization exempt from taxation pursuant to Section 501(c)(3) of the Code and a public charity pursuant to Section 509(a) of the Code. CMC has been recognized as a statewide leader in the provision of charity care, with an analysis by the New Hampshire Hospital Association finding that CMC's provision of charity care was ranked highest in New Hampshire at approximately nineteen percent (19%) of its total expenses, and well above the New Hampshire average of ten and six-

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<sup>1</sup> Subspecialties include allergy, ambulatory medicine, anesthesiology, bariatrics, breast health, cardiology, cardiovascular surgery, dental, dermatology, emergency medicine including a 24/7 Trauma Center, endocrinology, ENT (Otolaryngology), gastroenterology, general surgery, hematology/oncology, 24/7 hospitalist medicine, infectious diseases, neurology, neurosurgery, newborn care, ob/gyn, obesity treatment center/bariatric surgery, ophthalmology, orthopedic surgery, pain management, pathology, plastic surgery, podiatry, primary care, psychiatry, pulmonary disease, radiology, sleep center, stroke, surgical center, urgent care, urology and vascular.

tenths percent (10.6%). See: <https://www.catholicmedicalcenter.org/news-detail/cmc-commended-for-commitment-to-charity-care/46.aspx>.

Being a Catholic affiliated healthcare system, CMC (and its ten (10) subsidiaries) are subsidiaries of CMCHS. CMCHS was established to be the public juridic person of diocesan right of the Roman Catholic Bishop of the Diocese of Manchester (the "*Bishop*"), meaning CMCHS is the corporate mechanism by which the Bishop oversees CMC to ensure its implementation of, and compliance with, the Ethical and Religious Directives for Catholic Health Care Services of the United States Conference of Catholic Bishops (the "*ERDs*").

The current CMC Articles of Agreement, Bylaws and annual consolidated financial statements for the year ended June 30, 2015 are attached as **Appendices C-1, C-2 and C-3**, respectively. The CMCHS Articles of Agreement and Bylaws are attached as **Appendices C-4 and C-5**.

## **B. DEVELOPMENT OF THE AFFILIATION; DUE DILIGENCE**

The following outlines how each Party to the Affiliation determined that participation in an integrated health care system would further its charitable mission and be in its best interests, and how Huggins and MCH chose to affiliate with CMC as the party controlling the System Parent upon completion of the Affiliation. The process also is outlined in the Recitals to the signed Affiliation Agreement among the Parties, dated June 29, 2016 and attached as **Appendix D** (the "*Affiliation Agreement*"), and the vision and objectives of the Parties are set forth in Section 1 of the Affiliation Agreement.

### **1. Huggins Hospital.**

As part of its long-term planning activities, and in response to the paradigm shift in health care delivery and reimbursement and its resulting financial, specialty care and physician recruitment and retention challenges for a Critical Access Hospital, the Huggins Board of Trustees (the "*Huggins Board*") established an Affiliation Committee in 2009. The Affiliation Committee's directive was to: (1) determine the hospital's needs

for, and objectives of, a potential affiliation; (2) review the various affiliation structures and their respective advantages and disadvantages; and (3) identify potential affiliation partners. Huggins engaged two national health care consultants, Stroudwater Associates ("*Stroudwater*") and Quorum Health Resources, which worked with senior management and the Affiliation Committee to review Huggins' strengths, weaknesses and strategic objectives, and trends in the New Hampshire and northern New England health care marketplaces. In June 2013, Huggins engaged another health care consultant, Helms & Company ("*Helms*"), to conduct a strategic retreat of the Huggins Board and Medical Executive Committee, the result of which was an Affiliation Position Statement attached as **Appendix E**. Huggins identified five (5) potential entities with whom it would consider affiliating and conducted preliminary discussions with Helms' assistance. As a result of these efforts, including negotiations with a potential partner which revealed that Huggins' affiliation objectives would not be met, Huggins identified CMC as the health care organization most likely to fulfill the objectives of the Huggins Affiliation Position Statement.

In February 2015, CMC and Huggins jointly engaged the national health care consulting firm of Kaufman Hall & Associates ("*Kaufman Hall*") to conduct preliminary due diligence, assess potential risks and synergies and the likely structure of an affiliation, and help the parties make a "go/no go" decision. As a result of this expert advice, its own due diligence and the advice of Stroudwater and legal counsel experienced in health care transactions, Hinckley Allen, Huggins entered into a Letter of Intent with CMC effective as of November 19, 2015 (the "*Huggins-CMC LOI*"), a copy of which is attached as **Appendix F**. Following the execution of a letter of intent between CMC and MCH dated January 20, 2016, Huggins and MCH jointly engaged Pershing Yoakley & Associates, P.C. ("*PYA*") to conduct financial due diligence on CMC, and counsel to Huggins and MCH jointly conducted legal due diligence on CMC. Copies of the due diligence request lists are attached as **Appendix G**. The terms of the Affiliation Agreement were negotiated by members of the Affiliation Committee, the Huggins Interim Chief Executive Officer, and legal counsel. Numerous deliberative

sessions were held with the full Huggins Board to review and assess the Affiliation goals, structure, and terms. On June 24, 2016, the Huggins Board voted to approve the Affiliation Agreement and related documents. A copy of the Huggins Board resolutions is attached as **Appendix H**.

2. Monadnock Community Hospital.

In a proactive approach to the ever-evolving health care delivery and reimbursement environment, the MCH Board of Trustees (the "*MCH Board*") undertook a number of strategic steps to help the organization successfully navigate the rapidly changing industry dynamics. As part of this process, in 2013 MCH engaged a national health care consultant, BKD, LLP, which worked with senior management and the MCH Board to conduct a Strategic Readiness Assessment, which included an analysis of the health care market, MCH's market share, organization, operations and strategic goals to provide an understanding of various potential courses of action available.

After further discussion, the MCH Board decided to continue investigating strategic affiliations. In early 2014, MCH engaged BKD Corporate Finance to assist in the development of strategic affiliation goals, assist with the preparation of a request for proposal ("*RFP*") and prepare a list of potential strategic affiliation partners. In the fall of 2014, MCH engaged BKD, LLP and BKD Corporate Finance to conduct a strategic planning retreat of the MCH Board, physicians and senior management, the result of which was a wide range of goals, including goals focused on financial stability and care delivery. One of the strategies to address some of the goals from the strategic planning retreat was to explore a strategic affiliation. The MCH Board voted to move ahead with a formal strategic affiliation process and engaged BKD Corporate Finance to advise MCH in its pursuit of a strategic affiliation with a like-minded organization. To ensure that MCH was able to consider all potential strategic affiliation options available to the organization, a formal RFP was developed and the MCH Board identified a broad list of thirty-eight (38) health care organizations with whom it would consider some level of strategic affiliation. A letter seeking expressions of interest in affiliation with a New Hampshire Critical Access Hospital was mailed to the identified list of thirty-eight (38)

health care organizations. Twenty (20) asked for further information and signed Confidentiality - Non Disclosure Agreements. MCH conducted phone interviews with nine (9) hospitals which received the RFP document. Three (3) ultimately responded to the RFP and made a formal presentation to the MCH Planning Committee. As a result of an extensive strategic affiliation process, including proposal review and prospective partner presentations, the MCH Board identified CMC as the health care organization most likely to fulfill the objectives of a strategic affiliation outlined in MCH's RFP document.

In January of 2016, MCH entered into a Letter of Intent with CMC effective as of January 20, 2016 (the "*MCH-CMC LOI*"), a copy of which is attached as **Appendix I**. Following the execution of the MCH-CMC LOI, MCH and Huggins jointly engaged PYA to conduct financial due diligence on CMC. Additionally, Orr & Reno and Hinckley Allen, legal counsel to MCH and Huggins, respectively, jointly conducted legal due diligence on CMC. See Copies of the due diligence request lists attached as **Appendix G**. The terms of the Affiliation Agreement were negotiated by members of the MCH Board and senior management, advised by Orr & Reno and BKD Corporate Finance. Numerous informational and review sessions were held with the MCH Board. On June 29, 2016, the MCH Board voted to approve the Affiliation Agreement and related documents. A copy of the MCH Board resolutions is attached as **Appendix J**.

3. Catholic Medical Center.

The CMC Board of Directors (the "*CMC Board*") adopted a strategic plan in 2013 with the desire for CMC to remain an independently governed system that continues to fulfill its Catholic mission and identity with outstanding programs and maintains and builds strong partnerships that contribute to its ability to improve the health of the Manchester community and surrounding areas throughout the entire continuum of care. The strategic plan includes CMC's focus to ensure that the right care is provided locally. To carry out that plan, CMC is focused on developing close relationships with community hospitals like Huggins and MCH with the goal of providing high quality services to rural areas and enable higher acuity patient needs to be met in the most cost-

effective environment. These efforts have led to the development of extensive population health management initiatives, a Patient Centered Medical Home model and telehealth capabilities. In the case of Huggins and MCH, CMC has had long-standing contractual relationships at some level for many years in cardiology, vascular, and hospitalists services. CMC has served as a patient transfer center for both Huggins and MCH and currently CMC performs laboratory work for MCH. These relationships have provided years of positive experiences between the medical and administrative staff as well as members of the Wolfeboro and Peterborough communities.

In mid to late 2014, CMC was approached by Huggins to discuss opportunities to further collaborate, including a more integrated affiliation. In February 2015, CMC and Huggins jointly engaged the national health care consulting firm of Kaufman Hall to conduct preliminary due diligence, assess potential risks and synergies and the likely structure of an affiliation, and help the parties make a "go/no go" decision. As a result of this expert advice, its own due diligence and the advice of legal counsel experienced in health care transactions, Devine, Millimet & Branch, Professional Association, CMC entered the Huggins-CMC LOI. *See Appendix F.*

In early March 2015 - after a number of informal conversations - CMC was provided a Request for Proposal and Confidential Memorandum from MCH offering CMC the opportunity to provide a proposal on how CMC and MCH could further integrate. With the assistance of Kaufman Hall, CMC provided a Proposal to MCH on May 29, 2015 and was informed in October 2015 that it had been chosen by the MCH Board of Trustees as an affiliation partner. CMC and MCH negotiated a letter of intent which was executed on January 20, 2016. *See Appendix I.*

In early February 2016, representatives of the Boards and members of senior management along with legal counsel for CMC, Huggins and MCH began to meet regularly. This committee was later known as the "System Leadership Council". By late February, CMC engaged PYA to conduct financial due diligence on Huggins and MCH, Devine Millimet conducted legal due diligence on Huggins and MCH, and Sibson Consulting conducted some additional due diligence review. The terms of the



Affiliation Agreement were negotiated by the then Chair and Vice Chair of the CMC Board, now Chair and Immediate Past Chair, members of CMC senior management and legal counsel. There were informational and review sessions held with the full CMC Board at various stages in the process.

On June 22, 2016, the Bishop approved CMC's participation in the proposed Affiliation and the terms of the Affiliation Agreement. *See Appendix P-2.* On June 23, 2016, the CMC Board voted to approve the Affiliation Agreement and related documents. A copy of the CMC Board resolutions is attached as **Appendix K**. Also on June 23, 2016, the CMCHS Board of Governors approved the CMC Board's actions pursuant to the CMCHS reserved powers. A copy of the CMCHS Board of Governor's Unanimous Written Consent Resolutions is attached as **Appendix L**.

#### **C. PUBLIC NOTICE AND COMMUNITY INPUT**

As required by NHRSA 7:19-b(II)(g), each of the Parties has made numerous presentations to the public regarding the proposed Affiliation and its terms, as follows:

1. Huggins Hospital.

Following the execution of the Huggins-CMC LOI, the Huggins CEO and members of the Huggins Board engaged in numerous informational sessions with Huggins employees, the Huggins Medical Staff, local legislators and the communities served by the hospital. A list of these sessions is attached as **Appendix M-1**. In addition, Huggins published a notice in The Granite State News and posted it on Facebook, and held a more formal community informational session at the hospital on June 16, 2016. A copy of the notice and the presentation materials is attached as **Appendix M-2**. In addition, Huggins and CMC issued a joint press release and the proposed Affiliation was the subject of newspaper articles, copies of which are attached as **Appendix M-3**. Lastly, Huggins solicited comments from the community through its web site and Facebook postings.

2. Monadnock Community Hospital.

Following the execution of the MCH-CMC LOI, the MCH CEO, other members of the senior management team, physicians on the Medical Staff and MCH trustees engaged in the following public forums and meetings to discuss the Affiliation.

There were meetings in each of four (4) towns in the MCH service area for the general public. These were advertised on thirty (30) posters placed in the hospital and public places in the service area and in print advertisements in the Monadnock Ledger Transcript, seven times, every Tuesday and Thursday from May 24 to June 14, 2016, and in the Keene Sentinel in the three Saturday editions from May 28 to June 11, 2016. A sample of the poster and advertisement, together with a copy of the presentation materials, are attached as **Appendix N**. A copy of the poster was sent in a blast email to six hundred thirty-nine (639) patients, hospital employees and members of the Bond Wellness Center. The four (4) general public meetings were held in:

- Antrim on June 1, 2016
- Peterborough on June 8, 2016
- New Ipswich on June 13, 2016
- Jaffrey on June 14.

In addition, presentations were made and questions and comments taken in meetings for the following organizations and groups:

Legislative Breakfast	2/19/16	Monadnock region legislators
Jaffrey Chamber Business After-Hours	3/23/16	Chamber of Commerce
Peterborough Chamber of Commerce After-Hours	4/21/16	Chamber of Commerce
Professional Advisors Meeting	5/6/16	Monadnock region, professional advisors
RiverMead presentation	5/17/16	Local Retirement community
EMS Dinner	5/23/16	Monadnock region, emergency medical personnel
Jaffrey Rotary Club Presentation	6/16/16	Local Rotary Club

Peterborough Rotary Club Presentation	6/20/16	Local Rotary Club
Volunteer Luncheon	6/22/16	MCH Volunteers

Material about the Affiliation has been posted on a website MCH established for information about MCH's affiliation with CMC. See <http://www.mchcmcaffiliation.com>. The site includes a portal for submitting comments or questions. Following the approval of the Affiliation Agreement by all Parties, the website has been updated to reflect the System name, GraniteOne Health, and information about Huggins.

3. Catholic Medical Center.

Significant efforts were made by CMC to engage its stakeholders throughout the negotiation phase. Beginning after the execution of the Huggins-CMC LOI and with follow-up contacts after the execution of the MCH-CMC LOI, CMC made personal contacts to community, political and religious leaders, supporters of CMC, and CMC issued joint press releases and met with members of the media. Before the letters of intent were presented, CMC began consulting with The National Catholic Bioethics Center to ensure that the proposed structure and terms protected CMC's Catholic identity and ensured its compliance with the ERDs. Dr. John Haas, President of The National Catholic Bioethics Center ("NCBC") and a nationally recognized Catholic ethicist, was retained to advise the Bishop on any moral questions related to the Affiliation. CMC made informal efforts to get feedback from members of the Catholic community and its leadership during the negotiation process. There were communications to employees and medical staff, including three (3) employee forums held on May 19, 2016. A public information session was noticed to the public and published in the Union Leader on June 6, 2016 and the information session was held on June 14, 2016. Copies of the public notice of the CMC information session and the presentation materials are attached at **Appendix O**. Material about the Affiliation has been posted on the CMC website at: <https://www.catholicmedicalcenter.org/about-us/Partners/affiliations.aspx>.

The public response to the proposed Affiliation in the communities served by the respective Parties has been uniformly positive, and each of the Boards of Trustees/Directors of the Parties considered this public input in negotiating and deliberating the terms of the Affiliation.

#### **D. MATERIAL TERMS OF AFFILIATION**

The terms of the Affiliation are detailed in the Affiliation Agreement attached as **Appendix D**. The following is a summary of the Affiliation's material terms (*Section references are to sections of the Affiliation Agreement*):

1. **Affiliation Structure.**

Under the Affiliation Agreement, Huggins and MCH will incorporate the System Parent as a non-profit supporting organization. On the Affiliation Date, each of Huggins, MCH and CMC will file amendments to its governance documents identifying the System Parent as its corporate member. The System Parent will be the sole member of Huggins and MCH, and will be a member of CMC together with CMCHS, which holds certain reserved powers over CMC and is subject to certain reserved powers held by the Bishop. The System Parent will possess certain Reserved Powers (discussed below) and will oversee and manage the development and operation of the System, the goals and vision of which are described in Section 1 of the Affiliation Agreement. Each Party will maintain its separate corporate existence, separate ownership of assets and separate responsibility for debt and other obligations. See Section 3.8.

2. **Governance.**

(a) *System Parent Board.* The System Parent will be governed by a Board of Trustees initially comprised of thirteen (13) members. CMC will appoint seven (7) trustees, each of Huggins and MCH will appoint one (1) trustee, and the Chief Executive Officers of each of the three Parties and of the System Parent will sit on the System Parent Board *ex officio* with full voting rights. At the outset, the CMC CEO will be the System Parent CEO. The Affiliation Agreement describes the criteria for System

Parent Board candidates and certain restrictions on future changes to the System Parent Board resulting from new System affiliates. The System Parent Board will be responsible for overseeing the charitable mission of the System Parent; the performance of its CEO and the implementation of performance metrics; developing and implementing the System strategic plan; collaborating with the Parties and other stakeholders to achieve strategic objectives; assessing opportunities and risks facing the System; and exercising the Reserved Powers described below.

(b) *Hospital Boards.* The System Parent will appoint one-quarter (1/4) of the elected Trustees of each of Huggins and MCH, and the Boards of Huggins and MCH will appoint the remaining three-quarters (3/4) of the elected Trustees, although the System Parent may object to any appointee who does not meet the criteria set forth in Section 3.9.3.5 of the Affiliation Agreement. The Board of Trustees/Directors of each of the Parties will remain responsible for governing its respective hospital consistent with the System strategic plan, although certain actions are subject to approval by the System Parent as described below. See Section 3.8.

3. System Parent Reserved Powers.

The System Parent will retain Reserved Powers (subject to certain qualifications specified in Section 3.9.1.1 of the Affiliation Agreement) to approve the following actions initiated by either the Huggins or MCH Boards:

- i. Adoption of annual capital and operating budgets;
- ii. Approval of strategic plans or nonclinical programming and marketing plans;
- iii. Authorization of indebtedness in excess of \$500,000;
- iv. Authorization of any material acquisition, formation, or investment in another entity or joint venture;
- v. Authorization of the sale, disposition or encumbrance of assets in excess of \$500,000;
- vi. Authorization to enter into a merger, consolidation or joint venture, or the sale of substantially all of its assets;

- vii. Authorization of the institution of bankruptcy or insolvency proceedings;
- viii. Authorization of a capital investment in excess of \$500,000;
- ix. Authorization to develop, implement or terminate clinical programs and procedures;
- x. The amendment of the Huggins or MCH Articles of Agreement or Bylaws, in a manner that would impact the Reserved Powers or the System; and
- xi. The appointment or reappointment of the Huggins CEO and the MCH CEO and the determination of their compensation.

The Reserved Powers expressly are limited to ratification of actions initiated by the Huggins and MCH Boards, respectively, and cannot be used by the System Parent to initiate or require actions by Huggins or MCH. *See* Section 3.9.1. The System Parent also holds certain reserved powers over actions initiated by the CMC Board of Trustees, and any conflict arising from the exercise of reserved powers over CMC by both the System Parent and CMCHS will be resolved in favor of CMCHS. *See* Section 3.9.1.3.

4. Ethical and Religious Directives/Preservation of the Parties' Identities.

Although CMC is a Catholic organization that adheres to the ERDs, Huggins and MCH will retain their identity as non-Catholic organizations and will not be bound by the ERDs. The System Parent will not be a Catholic organization and will not have the power to authorize or implement any decision by Huggins or MCH -- or to take any action itself -- which is contrary to the teachings of the Catholic Church or in violation of the ERDs. The System Parent cannot demand compliance with the ERDs in the exercise of the Reserved Powers over Huggins or MCH; however, out of respect for CMC's core values, Huggins and MCH will agree to continue their current practices of not performing direct abortion, in-vitro fertilization, embryonic stem-cell research or physician-assisted suicide. *See* Section 3.7. *See also*, Section E of this Notice regarding CMC's preservation of its Catholic identity.

5. Population Health, Clinical Services and Integration Planning.

CMC, directly or through the System Parent, will invite Huggins and MCH to participate fully in the various ACO or risk-based shared savings programs or joint ventures to which CMC is a party, to the extent possible and permitted. *See* Section 6. The Parties will assess the needs of each of their service areas and determine the most effective way to deliver Core Services (defined in the Affiliation Agreement) and specialty services while enhancing quality of, and access to, care. No Core Service can be terminated solely because it is not profitable or without the approval of the Huggins or MCH Board of Trustees/Directors, as applicable. *See* Section 9.1. The Parties also will continue their efforts to determine the administrative, operational and clinical integration of their operations and will develop an integration plan by October 31, 2016 which will include the extent, if any, of certain support of Huggins and MCH's clinical activities as described in Section 9 of the Affiliation Agreement.

6. Conditions.

The consummation of the Affiliation is subject to certain conditions described in Section 14 of the Affiliation Agreement. The conditions described in Section 14, items (i) (due diligence), (ii) and (vii) (approval and execution of the Affiliation Agreement by the Parties' governing bodies), and (ix) (approvals under Canon Law and by the Bishop of Manchester), already have been satisfied. *See* Appendices P-1 (Letter to the Diocese from Rev. George de Laire, J.C.L. dated June 22, 2016) and P-2 (Letter from the Roman Catholic Bishop of Manchester, Most Reverend Peter A. Libasci, D.D. dated June 22, 2016).

7. Withdrawal.

Any Party may withdraw from the System without cause during a six-month period following the first two (2) years of Affiliation, but it must repay the System for any funding or other support provided to the withdrawing Party by or through the System Parent. Any Party may withdraw from the System for cause at any time without penalty or repayment upon the occurrence of any of the following:

- i. A change of control of the System Parent resulting in it being controlled, directly or indirectly, by a for-profit entity;
- ii. Any action, circumstance or change in law which would: (a) jeopardize the tax-exempt status of the System Parent or withdrawing Party; (b) jeopardize the Critical Access Hospital status of Huggins or MCH if it is the withdrawing Party; or (iii) be inconsistent with the ERDs if CMC is the withdrawing Party;
- iii. A decision by the System Parent to sell or close the hospital owned or operated by the withdrawing Party;
- iv. The withdrawal of CMC from the System; and
- v. A final decision of the System Parent to admit a new hospital to the System over the prior written objection of the withdrawing Party.

#### **E. PRESERVATION OF CMC's CATHOLIC IDENTITY**

As noted in Section D(4) of this Notice, the Affiliation is structured to preserve the identities of each Party<sup>2</sup>. With the religious aspect being a part of CMC's charitable mission, preservation of CMC's Catholic identity is an important question for which the Bishop is responsible. Preservation of CMC's Catholic identity includes ensuring that the proposed Affiliation provides for CMC's compliance with the ERDs, ensuring CMC's continued compliance with the norms of Canon Law and ensuring that its operations remain consistent with the teachings of the Roman Catholic Church. To help advise the Bishop whether the proposed Affiliation satisfies the foregoing requirements, the Bishop connected CMC with NCBC. Beginning at the time of initial discussions with Huggins, CMC has been consulting with the NCBC's President, nationally recognized bioethicist, Dr. John Haas, and his colleague Dr. John Di Camillo. Dr. Haas and Dr. Di Camillo assessed the Affiliation Agreement and concluded that the terms are

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<sup>2</sup> Preserving the Parties' commitment to their respective charitable missions, identities and values (inclusive of CMC's Catholicity) is a threshold and fundamental requirement of the Affiliation. *See, e.g., Appendix D* (Sections 2.1, 2.4.3, 3.7, 3.9.2, 13.2.2 and Schedules 3.3(a)(8) and 3.9.1.2(10)).



consistent with the necessary tenets of the Catholic teachings and will enable CMC to remain consistent with its religious mission.

The Vicar for Canonical Affairs for the Diocese of Manchester also was asked by the Bishop to review the proposed Affiliation structure, its terms and governing documents. On June 22, 2016, the Vicar for Canonical Affairs advised the Bishop that the Affiliation will not impair CMC's ability to continue to comply with the norms of the 1983 Code of Canon Law of the Roman Catholic Church, as promulgated by the Supreme Roman Pontiff. *See Appendix P-1.* The Vicar for Canonical Affairs' conclusion is based on an assessment that CMC's Catholic identity is adequately preserved and that the proposed Affiliation will not result in the alienation of ecclesiastical goods due to the continued role that CMCHS will have in the oversight of CMC. The Bishop also has been kept informed of Affiliation discussions and the proposed structure of the Affiliation by the Bishop's Delegate for Health Care and CMC President and CEO, Dr. Joseph Pepe.

The Bishop approved the proposed Affiliation and its proposed terms on June 22, 2016. *See Appendix P-2.* By the Bishop's approval – having been made as the result of working with the NCBC and attaining independent assessments as well as his consideration of his own experiences and understandings of the Catholic teachings related to healthcare services - CMC's Catholicity and its ability to continue to operate within the norms of Canon Law and within the teachings of the Catholic Church are preserved.

The Bishop's approval is consistent with other collaborations of Catholic and non-Catholic healthcare institutions that are occurring across the country with greater frequency and prominence. In response, the Catholic Church has provided clarification that these collaborations are permissible and consistent with preserving an organization's Catholic identity if structured correctly. The proposed Affiliation has been structured to ensure that both the religious identity of CMC and the secular identities of MCH and Huggins are preserved, as follows.

First, there are a few procedures that would prohibit a Catholic organization from directly collaborating if performed by a non-Catholic member of the Affiliation – in vitro fertilization services, direct abortions, human embryonic stem cell research and physician-assisted suicide – all of which are not an issue here. Huggins and MCH do not provide and have not provided in vitro fertilization services, direct abortions or human embryonic stem cell research and physician-assisted suicide. Out of respect for CMC's core values, MCH and Huggins have agreed to continue their current practice of not providing these services. See Appendix D, Section 3.7.

Second, the structure of the Affiliation preserves the Catholic identity because of a careful separation of structure and authority in sensitive areas. This separation begins with formation of the System itself by the secular organizations (Huggins and MCH) and not the Catholic organization (CMC). When a Catholic organization is seeking to join a healthcare system, its administrators and employees may not be involved directly in procedures undertaken by other institutions within the system that are contrary to the ERDs. Similarly, on an ongoing basis, the Catholic organization's facilities and other resources may not be utilized in such procedures and no administrator or employee may make, or be obliged to make, referrals for procedures that are contrary to the ERDs. The Affiliation addresses these principles by the manner in which the System Parent's powers are defined: there is no authority or decision-making power of the System Parent with respect to any practices that conflict with the ERDs which occur at the non-Catholic affiliates and the System Parent cannot act contrary to the ERDs:

*The Hospitals acknowledge that CMC is a Catholic organization that adheres to the ERDs. The System Parent can never require CMC to engage in any action contrary to the ERDs. Having been created by a non-Catholic organization with the Reserved Powers defined prior to becoming a co-member of CMC, and because CMC appoints the majority of its Board of Trustees, the System Parent shall not have the power to authorize or make and implement any decision with regard to, or itself engage in any actions, policies or practices of its member organizations that are against the teachings of the Catholic Church or in violation of the ERDs.*

See **Appendix D**, Section 3.7.

Consequently, neither the System Parent nor CMC will be involved in, or possess any governance, management, or financial control or influence over, any practices at MCH or Huggins that are inconsistent with the ERDs.

With respect to the identities of MCH and Huggins, the ERDs have no binding effect on MCH or Huggins, and the System Parent cannot demand that MCH or Huggins comply with the ERDs in any exercise of its reserved powers. Any activities of MCH or Huggins that are not consistent with the ERDs (and which are not one of the services listed above which MCH and Huggins have agreed to continue to forbear) will remain within the exclusive authority of the MCH and Huggins Boards and not be part of the Affiliation. See **Appendix D**, Sections 3.7 and 3.8.

Third, the Affiliation terms preserve the Catholic identity of CMC because the Catholic representatives at the System Parent Board of Trustee level are isolated from actions by the non-Catholic affiliates which may be inconsistent with the ERDs. On the Affiliation Date, CMC will gain control of the System Parent by directly appointing a majority of the Board of Trustees. Thus, when CMC joins the System Parent, a Catholic organization will control the secular System Parent. When this occurs, the Catholic organization must ensure that the Catholic representatives are isolated from any policy decisions proximately connected with procedures contrary to the ERDs. The fact that the System Parent has no legal authority to make any decisions regarding practices at non-Catholic affiliates that are not consistent with the ERDs satisfies this principle. The System Parent's lack of power to make such decisions not only isolates the Catholic institution's representatives from such decisions but also ensures that the System Parent itself is isolated from such decisions, which consequently remain at the level of the individual non-Catholic hospital boards. See **Appendix D**, Section 3.8.

F. REMAINING STATUTORY REQUIREMENTS FOR NOTICE UNDER RSA 7:19-B(III)

1. The Affiliation is Permitted by Law.

Upon advice of counsel, the Parties have determined that the Affiliation is permitted by applicable law, including Canon Law as confirmed by the opinion attached as Appendix P-2.

2. Conflicts of Interest.

No member of the Board of Trustees/Directors of any Party has engaged in any "pecuniary benefit transaction" as defined in New Hampshire RSA Chapter 7, and no conflict of interest was disclosed or affected the decision of the applicable Party to engage in the Affiliation.

3. Transaction Proceeds; No Out of State Entity.

The proposed Affiliation does not involve the payment of any purchase price or exchange of consideration among the Parties, and the party controlling the System Parent upon consummation of the Affiliation, CMC, is a New Hampshire health care charitable trust.

4. Ownership of Assets; Devotion of Assets to Charitable Purpose.

The Affiliation does not involve any merger or consolidation of the Parties' assets, properties, investments, revenues or liabilities. Each of Huggins and MCH will maintain separate legal identities without liability for each other's or CMC's obligations except as required by law, and each will be responsible for its respective operations and assets. See Appendix D, Section 3.8. Specifically the restricted funds and the pre-Affiliation unrestricted assets of each of Huggins and MCH will remain under the control of Huggins and MCH and continue to be dedicated to each hospital's service area, and the restricted assets will remain subject to donor restrictions and requirements. See Appendix D, Section 2.5.

5. Changes in Management Structure.

The proposed Affiliation does not contemplate any change in the personnel of any Party, either at the Board level (except for the addition of the System Parent-

designated trustee(s)), the management level or the employee level, although the hiring and compensation of the chief executive of each Party will be subject to the approval of the System Parent. The CEOs of each Party also will be accountable to the System Parent Board through the System CEO for System-related issues and the execution of System initiatives. The proposed Affiliation also will not affect the Party's Medical Staff, the credentialing and privileging of which remains the sole responsibility of each Party. See **Appendix D**, Sections 3.6 and 3.8.14.

6. Community Needs Assessments.

Attached as **Appendices Q-1, Q-2 and Q-3** are the most recent community needs assessments conducted by each of the Parties.

7. Statement of CMC for System Parent.

As required by New Hampshire RSA 7:19-b(III), attached as **Appendix R** is a statement of CMC specifying the manner in which it proposes to ensure that the System Parent will continue to fulfill the charitable objects of the Parties.

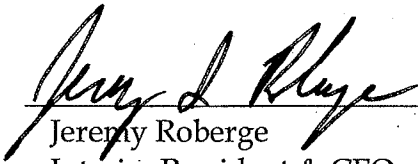
8. Trustee Certifications.

Attached as **Appendices S-1 and S-2** are the certifications of the Trustees of Huggins and MCH affirming that the standards set forth in New Hampshire RSA 7:19-b(II) have been met. For the reasons set forth in **Appendix T**, the participation of CMC in the Affiliation does not constitute a "change of control" of CMC as contemplated by RSA 7:19-b.

*[The Remainder of this Page Intentionally is Left Blank]*

Respectfully submitted by the duly-authorized representatives of the undersigned this  
6<sup>th</sup> day of July, 2016.

HUGGINS HOSPITAL

By:   
Jeremy Roberge  
Interim President & CEO

MONADNOCK COMMUNITY HOSPITAL

By: \_\_\_\_\_  
Cynthia McGuire  
President & CEO

CATHOLIC MEDICAL CENTER

By: \_\_\_\_\_  
Joseph Pepe, M.D.  
President & CEO

CMC HEALTHCARE SYSTEM

By: \_\_\_\_\_  
Joseph Pepe, M.D.  
President & CEO

Respectfully submitted by the duly-authorized representatives of the undersigned this  
6<sup>th</sup> day of July, 2016.

HUGGINS HOSPITAL

By: \_\_\_\_\_  
Jeremy Roberge  
Interim President & CEO

MONADNOCK COMMUNITY HOSPITAL

By: Cynthia K. McGuire  
Cynthia McGuire  
President & CEO

CATHOLIC MEDICAL CENTER

By: \_\_\_\_\_  
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President & CEO

Respectfully submitted by the duly-authorized representatives of the undersigned this  
6<sup>th</sup> day of July, 2016.

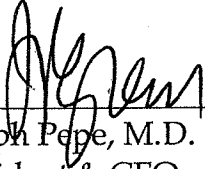
HUGGINS HOSPITAL

By: \_\_\_\_\_  
Jeremy Roberge  
Interim President & CEO

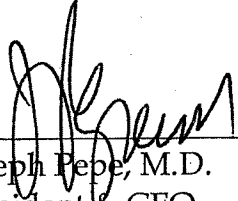
MONADNOCK COMMUNITY HOSPITAL

By: \_\_\_\_\_  
Cynthia McGuire  
President & CEO

CATHOLIC MEDICAL CENTER

By: \_\_\_\_\_  
  
Joseph Pepe, M.D.  
President & CEO

CMC HEALTHCARE SYSTEM

By: \_\_\_\_\_  
  
Joseph Pepe, M.D.  
President & CEO



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