

From: Renner, Jamie <Jamie.Renner@vermont.gov>
Sent: Monday, April 17, 2023 12:02 PM
To: [REDACTED]
Cc: Mishaan, Jessica <Jessica.Mishaan@vermont.gov>
Subject: FW: AGO Inquiry

Mr. Keelan:
In response to your request of last Thursday, please see attached.
Regards,
Jamie Renner

**AFFILIATION AND INTEGRATION
AGREEMENT**

Among

**SOUTHWESTERN VERMONT HEALTH CARE
CORPORATION**

SOUTHWESTERN VERMONT MEDICAL CENTER

And

DARTMOUTH-HITCHCOCK HEALTH

**DARTMOUTH-HITCHCOCK HEALTH
SOUTHWESTERN VERMONT HEALTH CARE CORPORATION
SOUTHWESTERN VERMONT MEDICAL CENTER**

AFFILIATION AND INTEGRATION AGREEMENT

This AFFILIATION AND INTEGRATION AGREEMENT (the "Agreement") is made effective as of December 5, 2022 (the "Effective Date") between **Dartmouth-Hitchcock Health**, a New Hampshire non-profit, voluntary corporation with a principal place of business at One Medical Center Drive, Lebanon, New Hampshire ("D-HH"), **Southwestern Vermont Health Care Corporation**, a Vermont non-profit corporation with a principal place of business at 100 Hospital Drive, Bennington, Vermont ("SVHC"), and **Southwestern Vermont Medical Center**, a Vermont non-profit corporation with a principal place of business at 100 Hospital Drive, Bennington, Vermont ("SVMC"). Each of D-HH, SVHC and SVMC is referred to as a "Party" and collectively are referred to as the "Parties." The transaction itself is referred to herein as the "Integration."

Preamble:

This Agreement is based on the following circumstances and mutual understandings of the Parties:

A. D-HH has established an integrated, academic health care delivery system throughout Northern New England (the "D-HH System"). The D-HH System is comprised of non-profit health care providers delivering coordinated, quality, innovative and cost-effective health care services to the general public of Northern New England, supported by a strong academic program. D-HH is the sole corporate member of Mary Hitchcock Memorial Hospital and Dartmouth-Hitchcock Clinic, operating jointly as "Dartmouth-Hitchcock" ("Dartmouth-Hitchcock" or "D-H"), and of four community hospitals and other health care entities. The members of the D-HH System are listed in Exhibit A.

B. SVHC operates an integrated health care system in Vermont and is the parent company of SVMC, a 99-bed community hospital in Bennington, Vermont, SVHC Foundation, the fundraising and development organization operating in support of SVHC (the "Foundation") and other entities (the "SVHC Affiliates"). The SVHC Affiliates are listed in Exhibit B.

C. The Parties share a history of successful clinical collaborations, including an affiliation between SVMC and the Dartmouth Cancer Center and the formation by SVMC and Dartmouth-Hitchcock of Dartmouth-Hitchcock Putnam

Physicians, a multi-specialty physician group practice based at SVMC in Bennington, Vermont ("D-HPP").

D. As demonstrated by the success of their clinical collaborations, the Parties acknowledge the compatibility of their charitable missions to enhance the health status of individuals in the communities they serve and to advance health care through education, research, and the improvement of clinical practice. The Parties also acknowledge the benefits and efficiencies of providing physician, skilled nursing and community hospital resources and services through a more fully-integrated health care delivery system in southwestern Vermont and contiguous areas served by SVHC (the "Service Area"). Lastly, the Parties acknowledge that integrating SVHC and the SVHC Affiliates into the D-HH System will provide additional specialty services and support to the Service Area, and allow SVHC and its providers to benefit from a strong academic program to help achieve excellence in clinical innovations and outcomes and to integrate research, training, information technology and academic medicine among SVHC, D-H and the other providers in the D-HH System.

E. The Parties jointly commissioned a study by The Chartis Group to identify clinical opportunities and synergies resulting from the Integration. The Chartis Group identified key initiatives and upgrades, new programs, and capital projects that would make and enhance SVHC's role as a regional center for health services as further detailed in Section 3.8. The Parties view implementation of the Chartis Group recommendations as key to the Integration.

F. Representatives of the Parties worked collaboratively to analyze and negotiate the myriad issues involved in creating a more integrated health care delivery system which could further their mutual interests and respective charitable missions and better address the health care needs of the Service Area. As a result of such analysis and negotiation, the Parties entered into a non-binding Letter of Intent, dated June 8, 2015, as subsequently amended (the "Letter of Intent"). The Parties began negotiation of a definitive agreement, but they elected to suspend negotiations in late 2018. The Parties now desire to enter into a binding agreement to integrate SVHC and the SVHC Affiliates into the D-HH System by making D-HH the sole member of SVHC, and granting D-HH certain reserved powers as described below.

G. The Parties wish to describe the various steps which need to be taken to accomplish the purposes described above and to integrate SVHC into the D-HH System, and the nature of their relationship following Integration. The Parties also wish to demonstrate their commitment to integrating SVHC into the D-HH System, subject to: 1) review by appropriate regulatory bodies as applicable; and 2) satisfactory completion of supplemental due diligence.

Terms of Affiliation and Integration:

IN CONSIDERATION of the mutual promises described below, and for other valuable consideration received, the Parties agree as follows:

1. STATEMENT OF PURPOSE AND MUTUAL VISION.

The Parties declare the following purposes for the Integration described in this Agreement and the shared vision of its results.

1.1. Furtherance of Compatible Missions. D-HH and SVHC seek to further their respective charitable missions and those of their respective subsidiaries, to enhance the health status of individuals in the communities they serve and to advance health care through education, research, and the improvement of clinical practice. Based on the Parties' successful experiences with the collaboration of physician, community hospital and comprehensive cancer care resources and services, they believe that their respective missions will be furthered by creating a more fully integrated health care delivery system in the Service Area to avoid the duplication of services, to promote population health, to provide efficiencies which may improve access to care, and to maximize the benefits of the health care delivery decisions they make to serve better the health care needs of the residents in the Service Area.

1.2. Integration and Collaboration. The Parties envision the gradual integration of clinical services and quality improvement efforts throughout the Service Area by supporting local care when available and appropriate, aligning and promoting collaboration among their respective physicians and other health care providers, coordinating care and the allocation of resources, expanding the availability of tertiary services as appropriate, and fully integrating the Parties' electronic medical records systems. To facilitate this clinical integration, the Parties will integrate their governance structures, coordinate their financial activities, and consolidate administrative functions over time to the extent efficiencies can be achieved.

1.3. Enhancement of Services in the Service Area; Sustainability. By participating in the D-HH System, SVHC and the SVHC Affiliates will benefit from innovative and best practices in quality improvement, clinical services, research, information technology, financial planning and administrative services; the addition of new services; and the expansion of existing services. SVHC and the SVHC Affiliates will be a regional center within the D-HH System, continuing to be the provider of choice in the Service Area offering the highest quality,

compassionate care. By joining the D-HH System, SVHC and the SVHC Affiliates will expand the scope of services offered locally and treat more complex patients, while creating linkages to Dartmouth-Hitchcock for care that can be provided in an academic setting. To enhance its sustainability as a charitable organization, SVHC also anticipates that it will have the opportunity at an appropriate time after the Closing Date to participate in the Dartmouth-Hitchcock Obligated Group if it meets the qualifying criteria and all other conditions to entry are met, and to obtain financial support from D-HH as described below.

2. GUIDING PRINCIPLES.

The Parties understand that their relationship will not be static, but instead will evolve with changing patient needs, innovations in health care delivery and reimbursement models, and improvements in medical care and hospital and provider administration. The Parties also acknowledge that the many circumstances and decisions that they will have to address cannot be fully anticipated or addressed in a written agreement. The following principles will help guide the evolution of the Parties' relationship and the operation of the D-HH System as it applies to SVHC and the SVHC Affiliates so that the spirit of this Agreement and the purpose and mutual benefits of the relationship can be achieved.

2.1. Commitment to Health Care Needs of the Community. The health care needs of the communities served by SVHC and the SVHC Affiliates and the D-HH System are paramount, and the integration of SVHC and the SVHC Affiliates into the D-HH System will be designed and operated to best address the needs of the residents of the communities throughout the Service Area by, among other things, leveraging the strength of D-HH and SVHC and the SVHC Affiliates as a regional center for health services, including those identified by The Chartis Group and agreed upon by the Parties.

2.2. Commitment to Quality, Effective and Efficient Services through Integration. Through the integration of SVHC and the SVHC Affiliates into the D-HH System, the Parties seek to provide the highest quality and most effective health care services in an efficient manner by integrating more fully the services provided by, and the governance and administration of, the Parties and their subsidiaries. To achieve such integration, and consistent with the terms of this Agreement, SVHC agrees to align its activities and those of the SVHC Affiliates with the strategic plans established for the D-HH System.

2.3. Furtherance of Charitable Mission. The Parties have acknowledged the compatibility of their charitable missions, and those of their subsidiaries, and

The Parties agree to take, or cause to be taken, the following actions to create the Integration of SVHC and the SVHC Affiliates into the D-HH System.

3.1. D-HH as Sole Member of SVHC; Reserved Powers. On or prior to the Closing Date, SVHC will amend its Articles of Incorporation and Bylaws to identify D-HH as its sole member. To achieve the integration contemplated by the Parties, D-HH will serve as the coordinator and steward of the D-HH System, and retain the following reserved powers over SVHC, which powers will be set forth in the Articles of Incorporation and/or Bylaws of SVHC:

3.1.1. *D-HH Approval Rights Over Certain Actions of SVHC Board of Trustees.* Prior to becoming effective, each of the following actions by SVHC must be approved by the D-HH Board of Trustees (the "D-HH Board") or its designee as stated below:

a) Nominees to the SVHC Board of Trustees; Size of Board. The nomination by SVHC of individuals to serve on its Board of Trustees (the "SVHC Board"), as described in Section 3.2 below, and the establishment by the SVHC Board of the total number of Trustees to serve on its Board for any upcoming period of time;

b) Consolidated Operating and Capital Budgets of SVHC, SVMC and the SVHC Affiliates. The final adoption (and any subsequent revision) by the SVHC Board of the annual consolidated operating and capital budget of SVHC and the SVHC Affiliates, and any vote by the SVHC Board to propose an action (other than those addressed by Sections 3.1.1.(a) and 3.1.1.(d) below) which may result in an unbudgeted expense equal to or in excess of Five Hundred Thousand Dollars (\$500,000.00), adjusted annually by the Consumer Price Index for medical services;

c) Indebtedness. The vote of the SVHC Board to incur any unbudgeted indebtedness or other borrowings (such as capital leases) in excess of Five Hundred Thousand Dollars (\$500,000.00), adjusted annually by the Consumer Price Index for medical services;

d) Disposition of Assets. Unless contemplated by an approved budget, a vote of the SVHC Board to sell, convey, assign, or lease, or grant a mortgage or other lien or encumbrance on, assets of SVHC in excess of Five Hundred Thousand Dollars (\$500,000.00), as measured by net book value and adjusted annually by the Consumer Price Index for medical services;

e) Auditing Firm. The appointment by the SVHC Board of a firm of independent public accountants to conduct an independent audit of the consolidated financial statements of SVHC and the SVHC Affiliates;

f) Research Policies. The SVHC Board's adoption or material revision of any policies of SVHC or the SVHC Affiliates or SVMC relating to academic and research programs or integrations;

g) Strategic Plans. The SVHC Board's adoption or material revision of all strategic initiatives or plans of SVHC and the SVHC Affiliates;

h) Clinical Service or Programs. The decision of the SVHC Board to eliminate or add any health care service or program, change any licenses, or otherwise make a change to the operating character of SVHC or the SVHC Affiliates but only to the extent that such actions could have a material adverse impact on the finances of, or the delivery of care by, any SVHC Affiliate or the D-HH System;

i) Exercise or Waiver of, or Material Modification to, Reserved Powers. The proposed exercise or waiver by the SVHC Board of, or any proposed modification to or termination of, the reserved powers that SVHC will hold over each of the SVHC Affiliates;

j) Material Strategic Relationships. A vote of the SVHC Board to establish (whether by contract, joint venture or subsidiary entity) a "Material Strategic Relationship," defined as the ownership of, or contractual participation in, a network, system, integration, joint venture, alliance, proprietary health plan product (e.g., a so-called "narrow network") or similar arrangement entered into with an organization that is not a member of the D-HH System;

k) Merger/Change of Control; Acquisition. A vote of SVHC Board to: (a) merge or consolidate SVHC into another entity or other change of control transaction; (b) acquire substantially all of the assets of another entity which may reasonably be expected to have a material effect on the D-HH System; or (c) sell or lease substantially all of the assets of SVHC and the SVHC Affiliates or any of its affiliates to any person or entity;

l) Closure; Dissolution; Designation. Any decision by the SVHC Board to close, liquidate and dissolve SVHC or any SVHC Affiliate, or any decision by the SVHC Board to close, sell, lease or significantly change the operating character or designation of SVMC (e.g., by conversion to a critical access hospital); and

m) Amendments of Articles of Incorporation and Bylaws. The approval by the SVHC Board of any amendment or repeal of the SVHC Articles of Incorporation or Bylaws.

SVHC agrees to notify, and confer with, D-HH prior to taking any of the foregoing actions subject to D-HH approval and listed in this Section 3.1.1. For the avoidance of doubt, D-HH shall have final approval power over all actions described in this Section and taken by the SVHC Board concerning itself or an SVHC Affiliate, or by any such Affiliate itself. For example, but not limited, any action by SVMC to merge, dissolve, or amend its Articles of Incorporation must be approved by SVHC and D-HH.

3.1.2. *Rights of D-HH to Initiate Actions by SVHC and/or the SVHC Affiliates.* In addition to the approval rights described in Section 3.1.1 above, D-HH will have the right to initiate the following actions to be taken or directed by SVHC or its Affiliates:

a) Removal of SVHC or SVHC Affiliate Trustee. Following consultation with the Chair of the SVHC Board, D-HH may remove any Trustee of SVHC or of an SVHC Affiliate elected after the Closing Date if D-HH determines, reasonably and in its good faith discretion, that such removal is in the best interests of the D-HH System of which SVHC and the SVHC Affiliate will be a part. In making the foregoing determination, D-HH will consider the impact of such removal on SVHC, the SVHC Affiliate, and the communities in the Service Area.

b) Participation in System Programs and Initiatives. SVHC and its Affiliates will participate in, and fulfill the requirements of, D-HH System-wide programs and initiatives designed to benefit members such as SVHC and the SVHC Affiliates, including but not limited to group purchasing, IT system integration, quality improvement measures, and shared corporate services. D-HH will determine the locations from which such services are provided based on assessments of cost and service quality. D-HH may assess all participating D-HH System members a fee or other reasonable charge for such programs or initiatives

provided that such fee or other charge is assessed proportionately against all D-HH System members to whom such programs or initiatives are available in accordance with Section 3.5.5(b).

c) Participation in System Strategies. To the extent applicable and determined by D-HH to be in the best interest of the D-HH System, SVHC, for itself and on behalf of the SVHC Affiliates, will participate in D-HH System-wide strategies, delivery networks, products (including risk-based reimbursement arrangements) and other similar initiatives consistent with the D-HH System strategic plan(s) and designed to further the establishment of a sustainable health care delivery system that is value-based and promotes population health.

d) SVMC Chief Executive. D-HH will have the power to appoint, evaluate, determine the compensation of (at a level consistent with fair market value and D-HH executive compensation policies), and terminate the Chief Executive Officer of SVHC and SVMC in accordance with Section 3.3.2 below.

3.2. SVHC Board of Trustees: Composition and Election. The operations of SVHC and SVHC Affiliates will be overseen by their respective Boards of Trustees, as applicable, subject to the powers reserved to D-HH as described in Section 3.1 above. To ensure the stability of SVHC and SVHC Affiliates while they are being integrated into the D-HH System, but also to promote communication between the Parties and to balance the varying needs of the communities in the Service Area with those of the D-HH System, the composition of the SVHC and SVHC Affiliate Boards of Trustees will be determined as follows:

3.2.1. *Mirror Boards.* The SVHC and SVMC Boards shall have the same Trustees and board officers.

3.2.2. *Ex-Officio Member.* The CEO of SVMC will serve on the Board of Trustees of SVMC (the "SVMC Board") *ex-officio*, with full voting rights. The CEO of SVHC will serve on the SVHC Board, *ex-officio*, with full voting rights.

3.2.3. *Trustees Holding Office on the Closing Date.* All Trustees of SVHC and each SVHC Affiliate as of the Closing Date will remain in office on and after the Closing Date, and their terms will be renewed if and as provided for under the applicable bylaws (subject to the D-HH removal rights described in Section 3.1.2.(a) above).

3.2.4. *Trustees Elected to Boards after the Closing Date.* As vacancies arise on the SVHC and SVMC Boards after the Closing Date due to expiration of terms, resignation or removal, the SVHC and SVMC Boards will present to D-HH a list of nominees. Unless it reasonably withholds its approval of any nominee under Section 3.1.1(a) above, D-HH will elect the approved nominees to the SVHC and SVMC Boards.

3.2.5. *Trustees Appointed by D-HH.* From the Closing Date, D-HH will have the right, but not the obligation, to appoint up to one-third (1/3) of the Trustees serving on the SVHC and SVMC Boards, following consultation with and input from the SVHC and SVMC Board Chairs and select Trustees but not requiring nomination by such Boards.

3.2.6. *Indemnification and Insurance.* SVHC and the SVHC Affiliates shall maintain directors' and officers' liability insurance coverage and include in their bylaws provisions requiring indemnification of directors and officers to the maximum extent from time to time allowed by law.

3.3. Management and Reporting.

3.3.1. *Existing SVHC CEO.* D-HH, SVHC and SVMC agree that the current Chief Executive Officer (CEO) of SVHC and SVMC ("Current CEO") will be employed by SVHC and SVMC as their CEO subject to the terms of his existing SVHC employment contract from the Closing Date through a date to be determined by the Parties and the Current CEO. As of the Closing Date, D-HH will have the authority to enforce the Current CEO's employment contract with SVHC and SVMC, and the D-HH CEO or designee must approve in advance any material change in job responsibilities. Furthermore, any termination of such contract will be governed by the terms of the contract and will require consultation and agreement between the D-HH CEO (or designee) and the SVHC and SVMC Board Chair. It is further agreed that prior to exercising any of its rights under the Current CEO's employment contract, the SVHC and SVMC Boards will consult with the D-HH CEO (or designee) and provide reasonable time and opportunity for the D-HH CEO (or designee) to provide meaningful input and recommendations which the SVHC and SVMC Boards will consider in good faith.

3.3.2. *SVHC and SVMC Chief Executive Officer.* Subject to the provisions of Section 3.3.1 with respect to the Current CEO, the SVHC and SVMC CEO, will report jointly to the D-HH Chief Executive Officer (or his/her designee) and the SVHC and SVMC Boards after the Closing Date. Candidates for the position of SVHC and SVMC CEO will be nominated by

a committee of the SVHC and SVMC Boards chaired by the SVHC Board Chair and including representatives of the D-HH System. The nomination process will include an opportunity for the D-HH CEO or designee to interview and recommend any candidate for this position. Any candidate nominated by this committee must be approved by the SVHC, SVMC and D-HH Boards. The evaluation of the SVHC and SVMC CEO will be conducted jointly by the SVHC and SVMC Boards, through their Chair, and the D-HH Board, acting through the D-HH CEO, or his/her designee. The compensation (and adjustments) for the SVHC and SVMC CEO will be proposed by the Executive Committee (or Compensation Committee) of the SVHC and SVMC Boards (for the purpose of meeting the IRC rebuttable presumption of reasonableness, among other purposes) which will include, for such purposes, representatives of the D-HH System, including the D-HH CEO or designee. The compensation of the SVHC and SVMC CEO will be determined and approved by the D-HH Board.

3.3.3. *SVHC and SVMC Senior Executives.* To promote efficiencies and quality within the D-HH System, and as the Parties integrate their administrative functions, SVHC and SVMC senior executives will report jointly to the SVHC and SVMC CEO and to the responsible D-HH System leaders ("D-HH Shared Services Leaders"). By way of example but not limitation, after the Closing Date the SVMC Chief Financial Officer will report jointly to the SVMC CEO and the D-HH Chief Financial Officer, and the SVMC Chief Medical Officer will report jointly to the SVMC CEO and the D-HH Chief Medical Officer, etc.

3.4. SVHC Participation in D-HH System Senior Executive Meetings. To ensure that the operations of D-HH and the D-HH System members are aligned to achieve their respective missions, D-HH shall regularly convene meetings of the System senior executives and separate meetings of the board chairs of the D-HH System members, to which the SVHC and SVMC CEO, CFO and Board Chair, as appropriate, will be invited and expected to attend.

3.5. Integration of SVHC and the SVHC Affiliates into D-HH System.

3.5.1. *Clinical Operations.* SVHC, for itself and on behalf of the SVHC Affiliates, will be primarily responsible for regularly preparing, in collaboration with D-HH, a community needs assessment to serve as a guide for the development and expansion of services that are responsive to the health needs in the Service Area. Most of the significant clinical and other programmatic initiatives and development in the Service Area will be identified by SVHC management and the SVHC Board, which initiatives will require the approval of D-HH to ensure compatibility with the goals

and plans of the D-HH System. SVHC, for itself and on behalf of each SVHC Affiliate that provides health services, will be accountable to D-HH for adherence to the overall quality goals established for the D-HH System.

3.5.2. *Financial Management.* SVHC, for itself and on behalf of the SVHC Affiliates, will become fully integrated with the D-HH revenue cycle, financial planning, supply chain, cost-accounting and similar finance functions. The financial management of SVHC and the SVHC Affiliates will be conducted substantially in accordance with the D-HH financial principles described in the attached *Exhibit 3.5.2*. D-HH will monitor the ongoing financial performance of SVHC and the SVHC Affiliates, and SVHC agrees to provide such financial information as may be requested by D-HH. If SVHC or an SVHC Affiliate is unable to meet the D-HH System financial principles or has a material deviation from its approved operating budget, then D-HH may require SVHC or the SVHC Affiliate to meet with the D-HH Chief Financial Officer (the "System CFO") to discuss the financial performance of SVHC and/or the SVHC Affiliate and to develop a mutually-agreeable plan to improve its financial performance. The improvement plan may require the regular oversight of the System CFO or his/her designee or one or more consultants.

3.5.3. *Consolidation of Administrative Functions.* Although there are no immediate plans to do so, certain administrative functions of SVHC and one or more of the SVHC Affiliates may be consolidated in the future with those of the D-HH System or D-HH System members to achieve efficiencies while maintaining effectiveness. The SVHC CEO will be consulted before any such consolidation.

3.5.4. *Strategic Planning and Initiatives.* D-HH will develop and maintain a long-term strategic plan for achieving the D-HH System goals based, in part, on input from D-HH System members regarding their community needs. SVHC, for itself and on behalf of the SVHC Affiliates, then will develop a strategic plan which is compatible with the D-HH System plan and which addresses those portions of the D-HH System plan for which SVHC is responsible. Except as described in Section 3.6 and Section 3.7 below, SVHC acknowledges that it will be expected to fund strategic plan implementation by SVHC and the SVHC Affiliates primarily from the consolidated operations and investment earnings of SVHC and the SVHC Affiliates.

3.5.5. *Reallocation of D-HH System Resources; System Expenses.*

a) Reallocation of D-HH Resources. As described in Section 1 above, participation by SVHC and the SVHC Affiliates in the D-HH System will be mutually beneficial to the Parties and the D-HH System members. The D-HH System is operated as a fully-integrated health care delivery system to further the missions of the D-HH System members in a coordinated and equitable manner. One of the primary responsibilities of D-HH is to ensure that the collective resources of the D-HH System are used to address as effectively as possible the health care needs of all of the communities served by the D-HH System. Therefore, acting with the oversight of the D-HH Board, D-HH will have the responsibility and power to propose in any consolidated annual budget or five-year capital plan of SVHC and the SVHC Affiliates an allocation of operating margin for use within the D-HH System, provided that such allocation will further the D-HH System plan, is the most appropriate way to fund the System need, will not materially impair the ability of SVHC and the SVHC Affiliates to continue to serve the needs of the communities in the Service Area, will not jeopardize the viability/sustainability of SVHC/SVMC or its donor-restricted gifts, and is consistent with the financial principles attached as Exhibit 3.5.2. Such proposal will be part of the SVHC consolidated budget process, thus requiring prior consultation with and approval by the SVHC Board and approval by D-HH as described in Section 3.1.1 (b) above.

b) D-HH System Expenses. The cost of the services which D-HH will perform on behalf of the D-HH System members and the D-HH System will be allocated annually among the D-HH System members on a reasonable basis. To effect such allocation of expenses, D-HH will have the authority and responsibility to propose in each annual consolidated operating budget of SVHC and the SVHC Affiliates an assessment to cover each entity's share of the operating expenses of D-HH and reasonable contingency amounts for its activities. Such proposed assessment will be part of the annual SVHC consolidated operating budget process and subject to the approvals described above.

3.6. Capital and Financial Investments.

3.6.1. *Capital Deployment; Selection and Prioritization of Capital Projects.* SVHC will follow the D-HH System guidelines for capital deployment. In collaboration with D-HH and as part of the D-HH System's ongoing strategic planning process, SVHC will: (i) identify and prioritize

the capital projects it proposes to undertake in the Service Area and will develop a plan for each project (each a "Capital Project Plan"); and (ii) review and modify, as necessary, any outstanding Capital Project Plan. Each Capital Project Plan will include the following key elements:

- a) Identification of the population based community need to be met by each project, including but not limited to, improving care access in the Service Area, improving the health status of the community, and improving the value (quality and cost) of care provided;
- b) Expected service enhancements;
- c) Regulatory approvals required;
- d) Construction and implementation timelines; and
- e) Construction and capital costs, sources of funding (including anticipated amounts, terms and interest rates) and a cash flow analysis demonstrating the anticipated capital recovery and the extent to which project revenues will exceed project operating costs, with an accompanying business plan for each project.

3.6.2. *Capital Project Plans.* Subject to the limitations in Section 3.6.3 below, D-HH and SVHC agree to work jointly to evaluate, refine, and finalize financially feasible SVHC Capital Project Plans, including clinical opportunities like growing primary care practices, creating specialty clinical centers, expanding foundational clinical programs, and exploring local partnerships identified by The Chartis Group and the Parties.

3.6.3. *Implementation and Funding of Capital Project Plan.* Each Capital Project Plan must be approved by the SVHC Board and the D-HH Board, in their reasonable discretion. Except as provided in Section 3.7, D-HH is not making any funding commitments to SVHC, but acknowledges the key initiatives and upgrades as outlined in this Agreement. Except as provided in Section 3.7, each SVHC Capital Project Plan is expected to be funded by a combination of financing and SVHC operating revenues and philanthropy/fund-raising, and achieve an internal rate of return of five percent (5%) or higher. Non-revenue producing infrastructure projects (e.g., roof repair, boiler or sewer repair) will not be required to produce an internal rate of return.

3.6.4. *SVHC Investments.* SVHC investments as of the Closing Date and all future earnings related to those investments will remain the property of SVHC and shall be utilized as approved by the SVHC Board and subject to the terms of this Agreement. Further, D-HH expects that

SVHC will become a participant in The Dartmouth-Hitchcock Alliance Master Investment Program of Pooled Investment Accounts, which participation will be one of the considerations for entry to the Dartmouth-Hitchcock Obligated Group ("DHOG").

3.6.5. *Philanthropy.* All unrestricted gifts made to SVHC and the SVHC Affiliates, whether prior to or after Closing, will be used for the benefit of the Service Area. SVHC recognizes that, as a D-HH System member, it will be expected to participate in System-wide fundraising activities on agreed upon strategic initiatives as described above. D-HH will advise SVHC of its proposed fundraising activities in the Service Area in advance and fully coordinate such activities with SVHC and the SVHC Foundation. SVHC fundraising staff will be asked to assist in these activities. The proceeds from the D-HH System wide activities will be D-HH System assets for the benefit of the designated D-HH System activity.

All donor-restricted gifts received by SVHC and investment earnings related to the donor-restricted gifts, if any, will be used exclusively as designated by the donor.

3.6.6. *D-H Obligated Group.* Following the Closing Date, when the Parties determine that it is advantageous, and SVHC and any SVHC Affiliate meet the qualifying criteria and all other conditions to entry have been met, each of SVHC and any other qualifying SVHC Affiliate will be offered an opportunity to join the DHOG and become subject to its covenants and obligations. Such joinder must be approved by the DHOG and the Boards of SVHC and any qualifying SVHC Affiliate, and the joining organization may be required to execute an agreement which may impose operational requirements in recognition of the joint and several liability incurred by members of the DHOG.

At such time that SVHC and any qualifying SVHC Affiliate become members of the DHOG, D-HH will work with SVHC and any qualifying SVHC Affiliate to ensure they meet and maintain the prevailing DHOG benchmarks and minimum requirements. It is the intent for D-HH System members and the DHOG to exceed these benchmarks and minimum requirements. Any days cash on hand calculation will not include permanently restricted cash and investments.

3.7. Information Technology (IT). D-HH and SVHC will develop a comprehensive plan to implement a shared EPIC platform to be available to SVHC and the SVHC Affiliates (the "EPIC Plan and Conversion"). D-HH acknowledges that the EPIC Plan and Conversion is a high strategic priority for SVHC.

D-HH will pay one hundred percent (100%) of the cost of the transition for the physicians at SVHC and, for SVHC itself, seventy-five percent (75%) of the capital costs of the transition to Dartmouth Health's Enterprise Information Systems and SVHC will pay twenty-five percent (25%) of those costs. The Enterprise Systems include EPIC's suite of applications, Philip's PACs and VNA, PeopleSoft's ERP and a host of other smaller systems. SVHC will be expected to pay for the local hardware and connectivity expenses such as the construction or modification to existing physical space to accommodate network hardware necessary for implementing the shared IT system. D-HH will acquire the required software licenses and provide management and support for the shared IT platform for which it will charge SVHC a reasonable monthly or annual service fee.

The EPIC Plan and Conversion will include detailed action steps, timelines, success measures and resource requirements. It will be incorporated into the D-HH System budgeting and financial process. The Parties acknowledge that the approved D-HH Five-Year capital plan assumes D-HH's expenditure of \$22,500,000 through FY 2026 for the EPIC Plan and Conversion at SVHC, which, like all D-HH capital plans, is subject to D-HH capital availability. The Parties agree that D-HH will begin work on infrastructure alignment in CY 2023, and will make reasonable and best efforts to complete the EPIC Plan and Conversion within the following three to four years, or as soon as practicable. SVHC acknowledges that bandwidth and staffing limitations of D-HH IT services may cause delay.

3.8. Key Initiatives and Upgrades. Critical to making SVMC a regional center for health services and offering expanded community access to high quality care are the initiatives and upgrades set forth below to which the Parties will commit their strategic and organizational support. D-HH does not hereby make any financial commitment or guarantee with respect to these initiatives, whose funding will be subject to the capital deployment provisions of Sections 3.6.1, 3.6.2, and 3.6.3 of the Agreement.

3.8.1. *Primary Care Network.* Growing the primary care network to serve a larger population involves focused efforts to increase the number of primary care providers and primary care sites in the Service Area. SVHC currently has five (5) primary care sites intentionally positioned in critical communities across the region. Additional primary care sites are warranted to meet the patient needs in the Service Area. The Parties anticipate that Cheshire Medical Center will coordinate with SVHC in the operation of Cheshire's Family Medicine Program through, among other things, residency rotations at SVMC and its primary care sites.

3.8.2. *Oncology Clinical Center.* SVMC's Regional Cancer Center serves an area where the incidence of cancer is statistically higher than any other region in Vermont and considerably higher than the U.S. average. A more collaborative relationship between Dartmouth-Hitchcock's Norris Cotton Cancer Center and SVMC's Regional Cancer Center, building a new cancer center facility, recruiting providers, and enhancing technology offerings, providing advance personalized oncology care, and creating tumor specific capabilities including surgical upgrades, are essential to meet patient demand in the Service Area.

3.8.3. *Orthopedics Clinical Center.* The population of the Service Area, one of the oldest in the nation, has a higher than average per capita demand for orthopedic services. Strategic support to recruit providers, upgrade operating suites, enhance imaging capabilities, and advance technology offerings, in particular enhancing physical medicine and rehabilitation services and adding minimally invasive spine services, are essential to meet demand in the Service Area.

3.8.4. *Cardiovascular Clinical Center.* Patients in need of cardiovascular care currently leave the region to receive care. To encourage patients to seek care locally, SVHC and D-HH will explore development of cardiovascular care in Bennington, including adding a cardiac CT scanner, recruiting providers, and modernizing cardiac practice facilities.

3.8.5. *Foundational and Supportive Clinical Programs.* The clinical centers described above will be supported by bolstering foundational clinical programs in general surgery, gastroenterology, pulmonology, and neurology.

3.8.6. *Upgrades.* For SVHC to develop into a regional center, SVHC and D-HH commit to make a reasonable and good faith effort to implement the following upgrades:

- a) Provider recruitment particularly in primary care, oncology, orthopedic, and cardiovascular services
- b) Facility modernization, including:
 - Primary Care Sites
 - Emergency Medicine
 - Regional Cancer Center
 - Operating Suites, including robotic capabilities
 - Inpatient Units, including ICU
 - Medical Office Building, including foundational practices

- c) Imaging Upgrades, including:
 - Magnetic Resonance Imaging
 - Cardiac CT Imaging
- d) Electronic Medical Record and IT Infrastructure
- e) Medical Transport Options
- f) Telemedicine Expansion

4. IMPLEMENTATION OF INTEGRATION.

4.1. Amendments to SVHC Organizational Documents. Following the satisfaction of the conditions described in Section 4.2 below and on or prior to the Closing Date, SVHC will file with the Vermont Secretary of State the amendments to its Articles of Incorporation and Bylaws described in *Exhibits 4.1-A* and *4.1-B*, respectively, in order to establish D-HH as the sole member of SVHC with the reserved powers described in Section 3.1 above, and to make any further amendments necessary to conform to this Agreement.

4.2. Conditions to Closing and Closing Deliverables. The obligation of the Parties to effect the Integration as described above is expressly conditioned upon the prior satisfaction of the following conditions and the production of certain deliverables as noted:

4.2.1. *Receipt of Regulatory Approvals.* All required regulatory approvals and the delivery of evidence thereof.

4.2.2. *Antitrust Approval.* Any required approval, no objection or notification of no enforcement action and the delivery of evidence thereof respecting the Integration by the appropriate reviewing authorities under applicable state antitrust laws and federal antitrust laws (pursuant to any required notice filings under Hart-Scott-Rodino) ("HSR"), in which case early termination or expiration of the initial thirty (30) day HSR waiting period without a second request shall constitute notification of no enforcement action.

4.2.3. *Remaining Due Diligence Matters.* The completion by each Party, and receipt of satisfactory results, of due diligence into various operational, legal, financial, tax, administrative, political and other issues and matters which may impact the successful consummation of the Integration. The Parties agree to conduct such diligence as promptly as possible, to substantially complete such due diligence prior to the Effective Date, and to satisfactorily complete all due diligence prior to the Closing Date.

4.2.4. *Board Votes.* Resolutions, and the delivery thereof, of the respective boards of SVHC and D-HH approving the Integration and authorizing the execution of this Agreement, and to the extent that any material modifications are required to this Agreement or any of the documents attached as exhibits as a result of any regulatory or due diligence review, approval of such modification and by the respective boards of D-HH and SVHC.

4.2.5. *Third Party Consents.* The receipt of any required third-party consent under any material agreement or commitment, including but not limited to financing arrangements.

4.2.6. *Approval of Articles and Bylaws.* Approval of, and the evidence of such approval, by the Parties, and their respective boards and affiliate boards, of all necessary amendments to their respective Articles and Bylaws.

4.2.7. *Officers Certificates.* The duly authorized officer of each Party has submitted a certificate confirming that the Party's representations and warranties are true and correct in all material respects on and as of the date of Closing; all conditions have been satisfied by the officer's respective Party, and that no injunction or any other legal action has been commenced that would prohibit or delay the Closing or the implementation of the Agreement.

4.3. Closing Date. The Integration and the actions described above to implement such Integration will become effective within thirty (30) days of the satisfaction of the last condition in this Section 4, provided that such conditions are satisfied on or before April 1, 2023, but not later than July 1, 2023 (the "Outside Date").

4.4. Termination. Each of D-HH and SVHC and their subsidiaries has expended considerable resources to effect this Integration and each is making a long-term commitment to the D-HH System. Therefore, the Parties' relationship under this Agreement and related documents will continue in perpetuity unless it is terminated upon the occurrence of one or more of the following events (each a "Termination Event"). The following Termination Events shall apply prior to the Closing Date:

4.4.1. *Mutual Consent of Parties' Boards.* The written consent of the Parties upon a determination by their respective Boards of Trustees that the mutual vision and purpose of their Integration, as described in Section 1 above, are unlikely to be furthered or achieved;

4.4.2. *Failure to Satisfy Conditions.* The Parties are unable to satisfy one or more of the conditions to Closing described in Section 4.2 above by the Outside Date, and the Parties have not mutually agreed to extend the Outside Date in order to satisfy the conditions;

4.4.3. *Material and Uncured Breach.* A Party has committed a material breach of this Agreement which has prevented or is likely to prevent the Parties from achieving any one or more of the purposes of the Agreement set forth in Section 1 and remains uncured or for which a cure has not been commenced to the reasonable satisfaction of the non-breaching Party within a period of ninety (90) days after the breaching Party's receipt of written notice describing such breach;

4.4.4. *Material Change in Law, Regulation, or Circumstances.* There has been a subsequent and material change in applicable laws, regulations, or circumstances that has or, with the passage of time, is expected to have, a material adverse effect on the financial condition, business prospects, or operations of the Parties and which prohibit, or substantially and materially impair the Parties' ability to effect the Integration contemplated by this Agreement ("Material Adverse Event").

The following Termination Events shall apply after the Closing Date:

4.4.5. *Mutual Consent of Parties' Boards for Failure To Achieve Integration Goals.* The written consent of the Parties upon a determination by their respective Boards of Trustees that the mutual vision and purpose of their Integration, as described in Section 1 above, is unlikely to be furthered or achieved;

4.4.6. *Bankruptcy.* Either Party may terminate this Agreement immediately or upon such notice as it may select following the bankruptcy of the other Party; provided that notice of termination must be given no later than thirty (30) days after the date the terminating Party acquires reasonably reliable knowledge of the bankruptcy. For the purpose of this section, "bankruptcy" shall mean (i) the filing of a voluntary or involuntary petition for bankruptcy or similar relief from creditors, (ii) insolvency, (iii) the appointment of a trustee or receiver, or (iv) any similar occurrence reasonably indicating an imminent inability to perform substantially all of such Party's duties under this Agreement.

4.4.7. *Material and Uncured Breach.* A material breach of this Agreement which has prevented or is likely to prevent the Parties from

achieving any of the purposes of the Agreement set forth in Section 1 and remains uncured or for which a cure has not been commenced to the reasonable satisfaction of the non-breaching Party within a period of ninety (90) days after the breaching Party's receipt of written notice describing such breach; and

4.4.8. *Change of Control.* SVHC may terminate this Agreement in the event of a change in control of D-HH such that a majority of the D-HH Board of Trustees is appointed and controlled by a for-profit entity or D-HH is merged or consolidated into a for-profit entity with the for-profit entity being the surviving entity.

5. MANAGING THE PARTIES' RELATIONSHIP.

5.1. Representations and Warranties. Each Party represents to the other, which representations will be deemed re-affirmed as of the Closing Date, as follows:

5.1.1. *Organization and Standing.* The Party has been duly organized under the laws of the State of its incorporation as a nonprofit corporation and is in good standing under those laws.

5.1.2. *Corporate Action.* The Party has taken all necessary corporate action and has obtained, or by the Closing Date will have obtained, all necessary licenses, permits and approvals in order to execute the terms of this Agreement and perform or satisfy any undertaking herein contained.

5.1.3. *Authorization.* The Party has full and complete right, power and authority to execute the terms of this Agreement and to carry out the Integration subject to the conditions stated herein. This Agreement constitutes a legal, valid and binding obligation, of the Party in accordance with its terms.

5.1.4. *Restrictions.* No provision of the Party's Organizational Documents, no contract, agreement or regulatory ruling or condition by which the Party is obligated and no provision of law has been or will be violated by the execution by the Party of this Agreement or the performance or satisfaction of any undertaking herein contained.

5.1.5. *Tax Status.* The Party is qualified as a tax-exempt 501(c)(3) corporation and a 509(a) public charity pursuant to the Internal Revenue Code of 1986, as amended, and the Integration shall not adversely affect such status.

5.1.6. *Litigation; Claims.* No Party or its respective subsidiaries has been served with any summons, complaint or written notice to arbitrate, and no suit, litigation, claim (equitable or legal), administrative arbitration, investigation or other proceeding is pending or threatened against the Party or its respective subsidiaries that would materially and adversely affect the Party or its respective subsidiaries or its or their business or prohibit the Integration by or before any court, governmental department, commission, board, bureau, agency, mediator, arbitrator or other person or instrumentality or materially and adversely affect the financial condition of the Party or its respective subsidiaries or materially adversely affect the ability of the Party to perform its obligations hereunder.

5.1.7. *Opportunity for Due Diligence.* The Party has had full opportunity to conduct due diligence regarding legal, financial, operational, regulatory, clinical and other matters pertaining to the other Party specifically and the Integration generally.

5.2. Specific Representations and Warranties of SVHC and SVMC.
[Reserved]

5.3. Specific Representations and Warranties of D-HH. [Reserved]

5.4. Mutual Indemnification. For a period of two (2) years from the Closing Date, each Party agrees that it will defend, indemnify, and hold harmless the other Party, and the other Party's trustees, directors, officers, employees, and agents from and against any and all claims, actions, suits, proceedings, liabilities, losses, demands, judgments, and expenses (including court costs and reasonable attorneys' fees) arising out of the falsity or material inaccuracy of any of the representations or warranties set forth in Sections 5.1 through 5.3 above. Neither Party will be entitled to receive indemnification, however, for special, punitive or consequential damages. This provision will survive the termination of this Agreement.

5.5. Confidentiality; Public Communications.

5.5.1. *Confidentiality.* Except as and to the extent required by law, the Parties will not disclose or use, and will direct their representatives not to disclose or use to the detriment of the disclosing Party, any Confidential Information (as defined below) with respect to the disclosing party furnished by it or its representatives to the receiving party or its representatives at any time or in any manner other than in connection with the transactions contemplated by this Agreement. For purposes of this paragraph, "Confidential Information" means any information stamped

“confidential” or identified in writing as such by the disclosing Party to the receiving party promptly following its disclosure, unless (a) such information is already known to the receiving Party or its representatives, (b) the use of such information is necessary or appropriate in making any filing or obtaining any consent or approval required for the consummation of the transaction, or (c) the furnishing or use of such information is required by or necessary or appropriate in connection with legal proceedings. Upon the written request of the disclosing Party, the receiving Party will promptly return any Confidential Information furnished to it or its representatives, and will not retain any copies, reproductions or extracts thereof and certify in writing to the disclosing party that it has done so.

5.5.2. *Public Relations.* Notwithstanding the above, the Parties may disclose the terms of the transaction to any regulatory authority but only as necessary to obtain requisite approvals, and only upon prior consultation with each other regarding the content and timing of such disclosure. Any press release or other communication to the public will be agreed upon in advance by the Parties.

5.6. Concerns; Conflict Resolution.

5.6.1. *Pre-Integration Disputes.* Prior to the Closing Date, each Party agrees to inform the other promptly of any concerns or of any circumstances which may impair the Party’s performance of its obligations under this Agreement. The Parties agree to discuss and seek to resolve any such concerns promptly and in good faith.

5.6.2. *Post-Integration Disputes.* After the Closing Date, the Parties will use their best efforts to operate within the D-HH System in accordance with the applicable organizational documents and in furtherance of the mutual vision and purpose described in Section 1 above. Regular communications will be encouraged, and any concerns or disputes will be addressed promptly, in good faith, and through the application of the guiding principles described in Section 2 above. To the extent that any initiatives or decisions are deemed to be incompatible with the D-HH System, the matter will be referred back to D-HH and SVHC for further consideration and refinement consistent with D-HH System goals and parameters.

5.6.3. *Non-Binding Mediation.* Any conflicts which cannot be resolved by the Parties through good faith discussion within thirty (30) days then must be referred to non-binding mediation. Within ten (10) days of a request from a Party for mediation or the expiration of the 30-day

negotiation period, the Parties to the conflict will mutually agree on a mediator who is experienced in mediation and health care matters similar to those in contention. D-HH and SVHC will share equally in the cost of the mediation. The mediation will be held promptly after the mediator is identified and will be conducted in accordance with the procedures prescribed by him or her. This step is non-binding, but the Parties to the dispute will be obligated to exert their best efforts to reach common ground and resolve their differences.

5.6.4. *Litigation.* If mediation under Section 5.6.3 above is unsuccessful, or if the Parties are unable to agree on a mediator in a timely fashion, then either Party may pursue its remedies at law and/or equity by filing suit in a court of competent jurisdiction.

5.7. Exclusivity. Without the prior written approval of D-HH, SVHC, any of the SVHC Affiliates, or any of their respective members, trustees, directors, officers, employees or agents will not solicit or entertain offers, or enter into discussions, concerning a possible merger, consolidation, acquisition, change of control or other corporate Integration, sale of substantially all assets or joint venture agreement or management agreement with any other hospital or hospital system.

5.8. No Assignment. The identity of the Parties is an essential element of their relationship, and so no Party may assign its rights or duties under this Agreement without the other Party's prior written consent.

5.9. Application of Legal Principles. The following legal principles will apply to the interpretation of this Agreement and the Parties' actions under it.

5.9.1. *Choice of Law and Venue.* This Agreement and the obligations of the Parties under it will be governed by and interpreted under New Hampshire law. Any legal action will be brought and conducted in a New Hampshire court with appropriate jurisdiction over the dispute, and any choice of law provisions to the contrary will not apply.

5.9.2. *Waiver.* A waiver of any right under this Agreement will be effective only if it is written and signed by the waiving party, and no waiver of any right will be deemed to be a waiver of any future right under this Agreement.

5.9.3. *Entire Agreement.* This Agreement represents the entire understanding and agreement between the Parties and supersedes all prior negotiations, representations and agreements, both written and oral, made

by and between them, excluding the Confidentiality and Non-Disclosure Agreement, dated as of September 1, 2021, which remains in effect. This Agreement may be amended or modified only by a written document signed by the Parties.

5.9.4. *No Third Party Beneficiaries.* No person, organization or other party not a signatory to this Agreement will be regarded as a beneficiary of its terms or will have the standing or right to enforce any of the provisions of this Agreement.

5.9.5. *Severability.* If any particular provision of this Agreement is determined to be invalid or illegal, it will not affect the other provisions of this Agreement. Instead, the Agreement will be construed as if the invalid or unenforceable provisions were limited to the fullest extent permitted by law and consistent with the spirit and intent of this Agreement.

5.9.6. *Availability of Rights and Remedies.* Nothing in this Agreement is intended to limit the nature or extent of legal or equitable rights and remedies available to the Parties under New Hampshire law. The Parties agree that non-performance of this Agreement cannot be remedied by monetary damages, and that the equitable remedy of specific performance should be available to them as an appropriate remedy.

5.9.7. *Provisions Surviving Closing Date.* The Parties intend that this Agreement will guide their future actions regarding the Integration, and thus its provisions will survive the Closing Date. If and to the extent there is an inconsistency or conflict in the terms or operation of this Agreement with the terms or operation of the amended and restated Articles of Incorporation and Bylaws of SVHC and SVMC, then the terms or operation of the latter will govern.

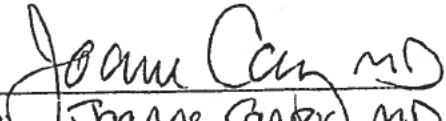
5.10. Revision of Certain Provisions. The Parties recognize that the Integration will evolve over time and under changing circumstances. To ensure that the structure of the Integration remains appropriate and effective in the future, the Parties agree to evaluate in good faith any proposed modifications to the terms of this Agreement necessary to maintain their goals set forth in Section 1 above. If there is mutual agreement, then the Parties will execute: (i) an amendment to this Agreement reflecting any modification of the above provisions; and (ii) any amendments to any ancillary documents referenced in this Agreement as may be necessary to effect such modifications.

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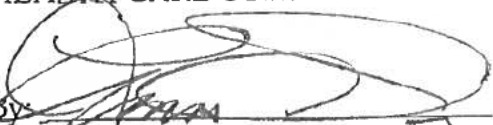
Execution by the Parties:

Each of the Parties indicates its understanding and acceptance of the terms described above as of the Effective Date by signing below through its duly-authorized representative.

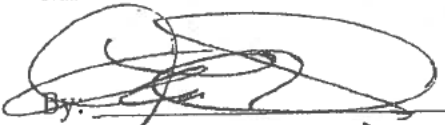
DARTMOUTH-HITCHCOCK HEALTH

By: 
Name: Joanne Conroy MD
Title: President & CEO duly
authorized.

SOUTHWESTERN VERMONT
HEALTH CARE CORPORATION

By: 
Name: THOMAS A. DEE
Title: PRESIDENT & CEO duly
authorized

SOUTHWESTERN VERMONT
MEDICAL CENTER

By: 
Name: THOMAS A. DEE
Title: PRESIDENT & CEO duly
authorized

EXHIBITS:

Exhibit A

The Dartmouth-Hitchcock Health System consists of the following members:

Mary Hitchcock Memorial Hospital

Dartmouth-Hitchcock Clinic

New London Hospital Association

Cheshire Medical Center

Windsor Hospital Corp. d/b/a Mt. Ascutney Hospital & Health Center

Alice Peck Day Memorial Hospital

Visiting Nurse Association and Hospice of VT and NH, Inc.

EXHIBIT B

SOUTHWESTERN VERMONT HEALTH CARE ENTERPRISES, INC.

SOUTHWESTERN VERMONT HEALTH CARE FOUNDATION, INC.

SVHC-NY, LLC

SVMC, INC.

MOUNT ANTHONY HOUSING CORPORATION

SVHC - HOOSICK FALLS LLC

SOUTHWESTERN VERMONT HEALTH CARE AUXILIARY, INC

SVHC REALTY, INC.

TWIN RIVERS MEDICAL, PC

NORTHERN BERKSHIRE MEDICAL, PC

CENTERS FOR LIVING AND REHABILITATION

DARTMOUTH-HITCHCOCK HEALTH

Financial Management Principles

LONG TERM FINANCIAL OBJECTIVE

The long-term financial objective of Dartmouth-Hitchcock Health (the “Long-Term Financial Objective”) is to maintain a System-wide financial position which assures its ability to continue to fulfill its mission over the long-term. The financial profile associated with an A+ credit rating approximates what is required to accomplish this and is generally evidenced by the following financial metrics:

- Days Cash on Hand of 180 or greater
- Operating Margin of 3 to 5%
- Debt to Capitalization ratio of less than 50%

These A+ rating financial metrics are reflective of organizational and financial characteristics that demonstrate the System’s ability to:

- (1) Invest in programs and services needed by the communities we serve,
- (2) Provide for new technology and growth,
- (3) Make strategic investments critical to our future,
- (4) Provide financial flexibility even during difficult economic cycles,
- (5) Repay our debts,
- (6) Fund our pension plans,
- (7) Avoid vendor credit concerns,
- (8) Allow access to credit markets at reasonable rates,
- (9) Give comfort to employees that we are a stable employer, and
- (10) Give comfort to our community and stakeholders that we are well-managed and use our resources prudently.

GENERAL FINANCIAL PRINCIPLES

- A. Members will participate in an annual System budgeting process designed to produce a consolidated System operating and capital budget that conforms to the System's Long Term Financial Objective and which meets the needs of the System and its members.
- B. Operating margin targets will be established annually by D-HH for each System member based upon its individual circumstances (e.g. program service mix, payor mix, etc.). Targets will generally be in the following ranges:
- Critical access hospitals: 0 – 2%
 - Community hospitals: 1 – 3%
 - Teaching hospitals 3 – 5%
- C. Debt generally should be incurred by the System when it is most economical to borrow and with consideration for the future capital project needs of the System and its members. Tax-exempt debt generally remains the least costly means to finance capital expenditures. The Dartmouth-Hitchcock Obligated Group will be utilized as appropriate to maximize access to capital markets at the lowest cost possible.
- D. Equipment leases should be used only when they result in lower financing costs or execution efficiency compared to other alternatives or when they improve the ability to manage technological obsolescence. All leasing of a material nature should be coordinated through the D-HH Treasury function.
- E. Significant new program, facility and equipment investments proposed by System members will be reviewed to ensure a full understanding of the immediate and long-term financial impacts of the proposal.
- F. A consolidated Five-Year Financial Plan will be prepared and/or updated annually by the System and projections compared to financial objectives.
- G. System members are expected to participate in the D-HH Master Investment Program unless extenuating circumstances exist which would exempt them from participation.
- H. Non-operating income generally should not be used to support operations unless specifically justified.