

Letter of Intent

Proposed Affiliation of North Country Hospitals

This non-binding letter of intent, effective as of July 21, 2014 (the "Letter of Intent") memorializes the intentions of Androscoggin Valley Hospital, a New Hampshire voluntary corporation located in Berlin, NH ("AVH"), Littleton Hospital Association, Inc., d/b/a Littleton Regional Healthcare, a New Hampshire voluntary corporation located in Littleton, NH ("LRH"), Upper Connecticut Valley Hospital Association, a New Hampshire voluntary corporation located in Colebrook, NH ("UCVH"), and Weeks Medical Center, a New Hampshire voluntary corporation located in Lancaster, NH ("WMC") (AVH, UCVH, LRH and WMC are each referred to individually as a "Hospital" and collectively as the "Hospitals") to join together in an affiliation transaction that will establish an integrated regional hospital healthcare system in the North Country of New Hampshire (the "Affiliation").

The purpose of the proposed Affiliation is to protect and enhance the ability of each Hospital to continue to carry out its respective charitable mission in the rapidly changing health service environment by further developing a highly-coordinated health care network that will improve the quality, increase the efficiencies and lower the costs of health care delivery in the respective communities served by the Hospitals and the North Country as a region.

The Hospitals wish to commence drafting a definitive written affiliation agreement providing detailed terms of the proposed Affiliation (a "Definitive Affiliation Agreement"). To facilitate the negotiation of a Definitive Affiliation Agreement, the Hospitals have jointly engaged legal counsel and have authorized legal counsel to prepare an initial draft.

Except with respect to paragraphs 9 through 15 below, this Letter of Intent is not and is not intended to be an enforceable agreement or binding expression of intent of the Hospitals to enter into the proposed Affiliation or otherwise to proceed to execute a Definitive Affiliation Agreement. The execution and delivery of any Definitive Affiliation Agreement would be subject to satisfactory completion of due diligence by each Hospital, and would also be subject to, among other things, final approval by each Hospital's Board of Directors and receipt of necessary approvals of various government authorities.

1. Parties to the Affiliation.

(a) **Androscoggin Valley Hospital.** AVH is a nonprofit, voluntary, tax-exempt corporation that is the owner and operator of a licensed acute care, 25-bed, critical access hospital in Berlin, New Hampshire. AVH provides inpatient, outpatient, emergency care, ambulatory care and specialty care to residents of Berlin and surrounding communities. AVH patients also receive home health services through NNHHC, as described in paragraph (e) below. AVH is controlled by NorthCare, a non-profit, voluntary, tax-exempt corporation that serves as the sole member of AVH and related non-profit entities Androscoggin Valley Hospital Foundation and Mountain Health Services, Inc. AVH was originally established in 1905 as the Hospital St. Louis under the direction of the Sisters of Charity with room for 15 patients. In 1971, ownership and administrative control of AVH was transferred to a community-based

nonprofit corporation and the Hospital was renamed as AVH. Today, AVH has net patient services revenues of over \$53,000,000.

(b) **Littleton Regional Hospital.** Littleton Hospital Association, Inc., d/b/a Littleton Regional Healthcare, is a nonprofit, voluntary, tax-exempt corporation that is the owner and operator of a licensed acute care critical access hospital in Littleton, New Hampshire. LRH provides inpatient, outpatient, emergency care, ambulatory care and specialty care to residents of Littleton and surrounding communities. Littleton Hospital Association was originally established in 1906. LRH formed Littleton Regional Healthcare Charitable Foundation (the “LRH Foundation”) as a subsidiary organization in 2003 for the principal purpose of raising funds for LRH. The LRH Foundation and Littleton Regional Hospital collectively operate under the trade name “Littleton Regional Healthcare.” LRH has 25 licensed beds and more than \$60,000,000 in annual net patient services revenue.

(c) **Upper Connecticut Valley Hospital.** UCVH is a nonprofit, voluntary, tax-exempt corporation that is the owner and operator of a licensed acute care, 16-bed, critical access hospital in Colebrook, New Hampshire. UCVH was originally established in 1965. UCVH provides inpatient, outpatient, emergency care and specialty care to residents of northern Coos County. UCVH patients also receive home health services through NNHHC, as described in paragraph (e) below. UCVH has 16 licensed beds and approximately \$14,000,000 in annual net patient services revenue.

(d) **Weeks Medical Center.** WMC is a nonprofit, voluntary, tax-exempt corporation that is the owner and operator of a licensed acute care, 25-bed, critical access hospital in Lancaster, New Hampshire. WMC provides inpatient, outpatient, emergency care and specialty care to residents of Lancaster and other communities in southern Coos County. WMC patients also receive home health services through NNHHC, as described in paragraph (e) below. WMC was established in 1919 as The Lancaster Hospital Association. The Hospital was renamed WMC in 1999. WMC has approximately \$40,000,000 in annual net patient services revenue. WMC formed NNHHC and Management LLC in 2013 with AVH and UCVH.

(e) **Northern New Hampshire Healthcare Collaborative.** In 2013, AVH, WMC and UCVH formed Northern New Hampshire Healthcare Collaborative, Inc. (“NNHHC”), a nonprofit, voluntary, tax-exempt corporation, to provide a vehicle for shared saving arrangements within Coos County and Northern New Hampshire Healthcare Management, LLC (“Management LLC”) to provide certain management services to the respective participants. NNHHC collectively provides home health services for the three hospitals. Management LLC provides management services to UCVH in the form of a Chief Administrative Officer and a Chief Financial Officer. The Chief Financial Officer position is shared with WMC.

2. Statement of Challenges and Objectives of the Affiliation.

The Definitive Affiliation Agreement will include a statement of objectives consistent with the following. Each of the Hospitals is a health care charitable trust and has long served its own respective and distinct rural community within northern New Hampshire. These North Country communities share certain geographic, economic, and social challenges that pose serious threats to the long-term ability of each Hospital to continue to perform its stated community health care mission. Further, rapid changes in the health care federal and state regulatory regimes also pose serious challenges for the Hospitals.

After careful review and due diligence regarding these and other conditions, including engagement of experts on various aspects of the federal and state health care regulatory environment, the Hospitals have identified opportunities for cost savings, efficiencies and quality improvement in the provision of health care services to the communities that they serve that can be achieved through a more formal integration of certain administrative, clinical and other functions of the four Hospitals.

The principal mission of the Affiliation and the System will be set forth in the Definitive Affiliation Agreement and will reflect the current mission statements of each of the Hospitals:

- Androscoggin Valley Hospital: *“Delivering the best healthcare experience for every patient, every day.”*
- Littleton Regional Healthcare: *“To provide quality, compassionate and accessible healthcare in a manner that brings value to all.”*
- Weeks Medical Center: *“Weeks Medical Center’s compassionate staff is committed to providing high quality and efficient health care services to ensure the well-being of our patients, families and communities.”*
- Upper Connecticut Valley Hospital: *“Upper Connecticut Valley Hospital strives to improve the well-being of the rural communities we serve by promoting health and assuring access to quality care.”*

The principal objectives of the Affiliation, to be achieved through the execution and implementation of a Definitive Affiliation Agreement, are as follows:

- To preserve the ability of each Hospital to provide its core services;
- To establish an integrated regional health care system;
- To align the missions, clinical services, and economic interests of the Hospitals;
- To engage in collaborative regional planning;
- To develop a highly coordinated health care network that will improve the quality, increase the efficiencies and lower the costs of health care delivery in the communities served by the Hospitals;

- To develop a clinical integration program to evaluate and modify provider practices and create a high degree of interdependence and cooperation to control costs and ensure quality;
- To protect the ability of the Hospitals to perform their existing charitable mission in the future; and
- To broaden the charitable mission to embrace the North Country commitment.

3. Description of the Proposed Affiliation Transaction and Governance System.

(a) **Summary.** The Definitive Affiliation Agreement will provide for a series of transactions that would be consummated upon satisfaction of certain conditions to be set forth in the Agreement (the “Closing”). At Closing, the Hospitals will organize a New Hampshire voluntary corporation, and each Hospital will amend its Articles and By-Laws to establish this new corporation as the sole member of each of the Hospitals (the “System Parent”). The System Parent will be governed by a board of directors nominated by the Hospitals in accordance with the principles set forth below. The Common Parent will take all action necessary to qualify as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Each Hospital will continue as a separately incorporated and separately licensed acute care critical access hospital at its current location and in the context of its existing mission. The Board of Directors of each Hospital will remain in place and will continue to govern the provision of health care services at its respective Hospital. Each Hospital will undertake amendments with respect to its current affiliates as it deems appropriate consistent with the objectives of the transactions contemplated by the Definitive Affiliation Agreement.

(b) **Transactions to Implement an Integrated Governance System.** At the Closing, the Hospitals will implement an integrated governance system which (i) provides for regionally integrated decision-making at the System Parent level with respect to certain corporate powers that are to be expressly ceded to the System Parent (the “Ceded Powers”), and (ii) continues the independent decision-making at the individual Hospital level with respect to all other powers not expressly ceded to the System Parent.

(i) **Formation of System Parent.** The Hospitals will file Articles of Formation for the System Parent and will take necessary steps to duly organize the System Parent, including adoption of By-Laws and establishment of the System Parent Board of Directors (the “System Board”). The Definitive Affiliation Agreement will specify the name of the System Parent.

(ii) **Composition of System Board.** The number and composition of the initial System Board will be set forth in the System Parent’s Articles of Formation and/or its By-Laws, which will be exhibits to the Definitive Affiliation Agreement. The Definitive Affiliation Agreement and the By-Laws will provide that the initial board at Closing will have 21 total directors. The members of this initial board will be designated by each Hospital prior to Closing, based approximately on the relative size of each Hospital under several data measures. This initial number will include the System Parent Chief Executive Officer (“CEO”) and the top administrator of each Hospital, who will serve on the initial board as ex officio voting members. To ensure initial continuity, this initial board will serve intact for two years, until the second

regular annual meeting following the Closing. After that second annual meeting, the top administrators of each Hospital will no longer serve as members of the board, and the total number of directors will therefore be reduced to 17.

After the initial two-year transition period, it is intended that the directors other than the CEO will generally serve for staggered three-year terms, by class. As the term of each class expires, each Hospital or the System Board (as indicated in the Board Composition Diagram attached as Exhibit A) will have the right to nominate one or more persons to stand for election by majority vote of the Board. The System Board, acting through its nominations committee, may conduct such review of any nomination as it deems necessary. The composition and terms of members of the initial board, and the rights of each Hospital and the System Parent Board to nominate their successors is set forth in the Board Composition Diagram attached as Exhibit A.

The System Parent By-Laws will provide that a majority of the System Board's directors shall at all times be comprised of members of the Board of Directors of the Hospitals. In addition, the By-Laws will include provisions designed to promote a diverse North Country geographic representation on the Board.

The Hospitals believe that this board composition and structure will provide a proper balance between the regional mission to be served by the integrated Affiliation and the independent and local missions that will continue to be served by each of the Hospitals.

(iii) **Composition of Hospital Board of Directors.** Each Hospital will remain a separate corporate entity with a separate board of directors. Each Hospital's board of directors will continue to have the structure and membership, and each Hospital will continue to nominate and appoint its directors as provided in its By-Laws existing at the Closing. Each Hospital will undertake amendments with respect to its current affiliates as it deems appropriate consistent with the objectives of the transactions contemplated by the Definitive Affiliation Agreement.

(iv) **Allocation of Corporate Powers.** The Articles of Formation and/or the By-Laws of the System Parent and of each Hospital will provide for an allocation of corporate powers among the System Parent (a central authority) and each Hospital (each a local authority). In general, each Hospital will retain all its respective corporate power and authority, except for those specific powers expressly "ceded" to the System Parent which shall be exercised by the System Parent (the "Ceded Powers"). The Ceded Powers shall be subject to negotiation as part of the Definitive Affiliation Agreement, and shall be subject to majority, super-majority or unanimous votes of the System Board as may be specified in the Definitive Affiliation Agreement. The Hospitals intend that the Ceded Powers, and the required action steps and votes for each, will generally be consistent with the chart attached as Exhibit B.

(v) **System Parent Corporate Decisions.** In addition to the Ceded Powers identified above, the System Parent will have full corporate power and authority to govern its own affairs. Certain actions of the System Parent board will require super-majority votes, including:

System Parent Power	Initiated By:	System Board Vote:
System Merger, Acquisition or Affiliation	System Board	Unanimous
Dissolution of Affiliation or System Parent	System Board	Unanimous
Appointment of System Parent Chief Executive Officer and Chief Financial Officer	System Board	2/3
Approval of System Operational Policies (e.g., Finance, Investment, Information and Records)	System Board	2/3

(vi) **Continued Individual Hospital Status.** Each of the Hospitals shall remain a separately incorporated and separately licensed acute care hospital, at its current location and in the context of its existing mission, providing substantially the same services as of the Closing Date for which it is licensed on such date (subject to such changes as may be agreed to by the Hospital and the System Board). The board of directors of each Hospital shall remain in place and continue to govern the provision of health care services at each Hospital, subject to the System Parent governance provisions described above. Each Hospital shall retain its name, but each will identify itself as a System affiliate, using an Affiliation name to be identified in the Definitive Affiliation Agreement, and shall abide by marketing and publication standards applicable to all such affiliates. Each Hospital will amend its Articles and By-Laws to provide that:

(A) the System Parent will be the sole corporate member of the Hospital; and

(B) the format and contents for each Hospital’s Articles and By-Laws will be substantially the same and will be as set forth in an Exhibit to the Definitive Affiliation Agreement.

(vii) **Hospital Operations and Financial Decisions and Performance.** Each Hospital will continue to be responsible for making operations and financial decisions, subject to a System-wide operating and capital budget and investment policy adopted pursuant to the Ceded Powers process described above (and see Exhibit B). Each Hospital will be accountable for its performance pursuant to rules adopted by the System Parent and approved by each Hospital. For example, such rules may provide that each Hospital must conduct its activities in a manner that allows it to satisfy certain financial ratios or covenants. Further, such rules may provide that failure to satisfy such ratios or covenants for a specified period may result in remedial action approved by the System Parent Board.

(viii) **Hospital Affiliates and Joint Ventures.** Each Hospital will undertake amendments with respect to its current affiliates as it deems appropriate consistent with the objectives of the transactions contemplated by the Definitive Affiliation Agreement. It is the intent of the Hospitals that NNHHC will continue to exist as a separate entity and provide the same services after the Closing, including the provision of home health services on behalf of AVH, UCVH and WMC. It is the intent of the Hospitals that Management LLC will be wound up and dissolved after Closing, and those management functions transferred to the System Parent.

4. Representations and Warranties.

Under the Definitive Affiliation Agreement, each Hospital will make certain representations and warranties to the other Hospitals that are customary for such transactions. These representations and warranties must be true and accurate as of the date of the Definitive Affiliation Agreement and as of the Closing Date. All representations and warranties will survive the Closing. The establishment of these representations and warranties will be part of the joint due diligence process and will provide assurance to each Hospital that it will have some protection against liabilities arising from breaches of representations by another Hospital.

5. Conduct of Operations Prior to Closing.

The Definitive Affiliation Agreement will establish certain conventions governing operations of the Hospitals for the period from the date of the Definitive Affiliation Agreement to the Closing Date. These provisions will include the following:

(a) **Establishment of Affiliation Work Group.** Between the date of the Definitive Affiliation Agreement and the Closing Date, the Hospitals will establish an “Affiliation Work Group” comprised of the Chief Executive Officers of each Hospital which shall be authorized, subject to applicable legal constraints, to oversee and manage activities identified in the Definitive Affiliation Agreement.

(b) **Due Diligence; Access and Investigation.** Between the date of the Definitive Affiliation Agreement and the Closing Date, each Hospital will conduct due diligence under the auspices of the Affiliation Work Group, affording representatives of the Committee reasonable access to its key personnel, properties, contracts, finances books and records and other documents and data as may be reasonably requested for the purposes of evaluating the proposed Affiliation.

(c) **Operation of the Hospitals.** Between the date of the Definitive Affiliation Agreement and the Closing Date, each Hospital will conduct its operations only in the ordinary course of business and will use its best efforts to keep available the services of the current officers, employees and agents of the Hospital. Each Hospital will confer with the Affiliation Work Group concerning the status of the operations and finances of the Hospital, including providing notice of operational matters of a material nature or developments that would cause a breach of any of the representations or warranties in the Definitive Affiliation Agreement. Except as may be otherwise permitted by the Definitive Affiliation Agreement, a Hospital will not without the prior consent of the Affiliation Work Group take any affirmative action, or fail to take any reasonable action within its control, which action or omission to act would result in a material change in the Hospital’s finances or operations.

(d) **Required Approvals.** As promptly as practicable after the date of the Definitive Affiliation Agreement, each Hospital will cooperate with each other and use its best efforts to promptly prepare and file all necessary documentation, to effect all applications, notices, petitions and filings, and to obtain all permits, consents, approvals and authorizations of all third

parties and governmental authorities which are necessary or advisable to consummate the transactions contemplated by the Definitive Affiliation Agreement.

(e) **Identification and Development of Affiliation Synergies.** Between the date of the Definitive Affiliation Agreement and the Closing Date, the Affiliation Work Group will be authorized to establish, appoint and manage several subcommittees to commence the process of evaluating and developing the administrative, operational and clinical integration of operations among the Hospitals to achieve the objectives of the Affiliation, including achievement of efficiencies and implementation of best practices. Synergy areas will include, but not be limited to, administration, physical plant management and maintenance, information technology, clinical programs, human resources, and advancement/philanthropy. The Affiliation Work Group will be authorized to retain such consultants and advisors as it deems necessary to facilitate the activities of the synergy subcommittees.

6. Term and Termination of the Definitive Affiliation Agreement.

(a) **Affiliation Agreement.** The Definitive Affiliation Agreement will provide rules for how any party may terminate the Agreement during the period from execution of the Agreement to the Closing. The Definitive Affiliation Agreement will allow for termination as follows:

- (i) by mutual written consent of all parties at any time;
- (ii) by any party with 30 days prior written notice if the Hospitals have failed to obtain the required government approvals within 180 days of the date of the Definitive Affiliation Agreement;
- (iii) by any party with 30 days prior written notice if the Closing Date has not occurred on or before June 30, 2015; and
- (iv) by any party with 30 days prior written notice if another party has materially breached any representation and warranty or failed to comply with its obligations under the Agreement without cure for a period of at least 60 days.

(b) **Effect of Termination.** If the Definitive Affiliation Agreement is terminated, the Agreement will become void and have no effect, and the termination will be without cost, expense or liability on the part of any party to another, except as the Hospitals may have otherwise agreed with respect to certain costs; *provided, however*, that no party will be relieved or released from any liabilities or damages arising out of its willful breach of any provision of the Agreement.

7. Commitment to Develop System Parent Financial Provisions.

The Definitive Affiliation Agreement will include commitments from each Hospital to support the financial and operational needs of the System Parent, subject to applicable laws and

restrictions and regulatory approvals and consents. Such commitments will be in accordance with percentages initially as stated in the Definitive Affiliation Agreement and subsequently as determined in accordance with the development of the annual System Parent operating budget plan. Any financial commitments in excess of these regular operating purposes may be only upon a unanimous vote of the System Parent Board and approval by each Hospital board (by majority vote).

8. Limited Right of Withdrawal from Affiliation after the Closing.

(a) **Withdrawal Right and Notice.** The Definitive Affiliation Agreement will require the Articles and/or By-Laws of the System Parent and each Hospital to provide for a limited right for each Hospital to withdraw from the Affiliation after the Closing. During the period beginning on the two-year anniversary of the Closing and ending on 90 days thereafter, each Hospital will have the right to provide the System Parent and each of the other Hospitals with a written notice of intent to withdraw from the Affiliation (a "Withdrawal Notice"). Withdrawal may only be permitted for "Cause", and shall be subject to a "Withdrawal Payment", as defined below.

(b) **Cause.** The Withdrawal Notice must state the cause asserted as the basis for withdrawal. For purposes of the limited withdrawal right, the Definitive Affiliation Agreement will include a definition of the term "Cause", including but not limited to: (i) a material loss, liability or damage suffered by the withdrawing Hospital arising directly from any breach of any representation or warranty by one or more of the other Hospitals; or (ii) a material adverse impact on the ability of the Hospital to serve patients located in its principal service area.

(c) **Withdrawal Payment.** Upon exercise of the limited withdrawal right, the withdrawing Hospital shall be subject to making a withdrawal payment to the System Parent (the "Withdrawal Payment") to reflect an appropriate assessment of any detriment or damage realized by the System upon such Hospital's withdrawal, in accordance with a process to be included in the Definitive Affiliation Agreement, subject to applicable laws and restrictions and regulatory approvals and consents.

(d) **Review.** The System Parent will have 60 days to review the Cause and the Withdrawal Payment stated in the Withdrawal Notice. The System Parent may accept the Withdrawal Notice as written or object to the Notice by providing a written notice of proposed adjustment. Upon receiving the notice of proposed adjustment, the withdrawing Hospital may object to the proposed adjustment by delivering a written statement of objection explaining the basis for such objection within 20 days after receipt of the notice of proposed adjustment. Within 30 days after receipt of the withdrawing Hospital's written objection, the Board of Directors of the System Parent (excluding any members nominated by the withdrawing Hospital) shall determine in its sole discretion whether to make any changes to the System Parent's notice of proposed adjustment. If any dispute continues unresolved, the parties will resolve the dispute by binding arbitration.

9. Expenses.

(a) **Expenses in General.** Except as otherwise may be expressly provided in the Definitive Affiliation Agreement or pursuant to the next paragraph of this Letter of Intent, each Hospital will bear its own expenses incurred in connection with the transactions contemplated by the Definitive Affiliation Agreement.

(b) **Certain Shared Costs.** To the extent that the Hospitals have agreed to bear any costs collectively, such costs shall be borne in accordance with the agreement among the Hospitals, including, but not limited to, the costs of retaining advisors and legal counsel regarding the Affiliation.

10. Confidentiality Agreement.

The Hospitals will execute a separate Confidentiality Agreement near the date of this Letter of Intent pursuant to which each Hospital and its representatives will agree to maintain all confidential information received from any other Hospital in confidence and will only use such information for the purpose of evaluating the possible Affiliation transaction.

11. Publicity.

All notices, publicity, press releases, interviews and communications to third parties concerning the Affiliation, must be approved by all of the Hospitals prior to public release or dissemination. Subject to the Confidentiality Agreement, nothing in this paragraph shall govern or preclude communications between each Hospital and its respective board members, management personnel, or advisors.

12. Exclusive Dealing.

This paragraph 12 of this Letter of Intent is legally binding and enforceable against each Hospital. During the term of this Letter of Intent, none of the Hospitals, nor any of their respective officers or affiliates, will, directly or indirectly, through any representative or otherwise, solicit or entertain offers from, negotiate with or in any manner encourage, discuss, accept or consider any proposal of any other person relating to any transaction or affiliation similar to the Affiliation; and each Hospital will immediately notify the other Hospitals regarding any contact between it or its representatives or affiliates and any other person regarding any such offer or proposal or any related inquiry. The Hospitals acknowledge that this paragraph 12 shall not prevent any Hospital from entering into such discussions at any time after the expiration of this Letter of Intent if the Hospitals have not entered into a Definitive Affiliation Agreement.

13. Duration of Letter of Intent.

This Letter of Intent shall remain in effect until December 31, 2014, subject to the right of the Hospitals to extend this Letter by executing a written extension, and further subject to the right of each Hospital, with or without cause, to terminate this Letter at any time by giving at

least 30 days written notice to the other Hospitals. This Letter of Intent shall supersede any prior letter of intent executed by the Hospitals with respect to the Affiliation including, without limitation, the letter of intent executed as of January 10, 2014.

14. Notices.

Notices under this Letter of Intent must be in writing and will be deemed to have been duly given when received by the addressee if sent by a nationally recognized overnight delivery service to the addresses set forth below:

Russell Keene, President/CEO
Androscoggin Valley Hospital
59 Page Hill Road
Berlin, NH 03570

Peter Gosline, Interim CAO
Upper Connecticut Valley Hospital
181 Corliss Lane
Colebrook, NH 03576

Warren West, Chief Executive Officer
Littleton Hospital Association, Inc.
600 St. Johnsbury Road
Littleton, NH 03561

Scott Howe, President/CEO
Weeks Medical Center
173 Middle Street
Lancaster, NH 03584

15. Governing Law.

The provisions of this Letter of Intent will be governed by and construed under the laws of the State of New Hampshire without regard to conflicts of laws principles.

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Each of the Hospitals signing below believe that the Affiliation described in this Letter of Intent presents the parties with a unique opportunity to ensure the future of each of the Hospital's respective mission and to enhance the availability of affordable, quality health care services to the residents of the North Country communities served by the Hospitals, and agree to the terms of this Letter of Intent, effective as of the date stated in the first paragraph of this Letter of Intent:

ANDROSCOGGIN VALLEY HOSPITAL

UPPER CONNECTICUT VALLEY HOSPITAL
ASSOCIATION

By: _____
Russell Keene, President/CEO

By: _____
Peter Gosline/Interim CAO

LITTLETON HOSPITAL ASSOCIATION,
INC.

WEEKS MEDICAL CENTER

By: _____
Warren West, Chief Executive Officer

By: _____
Scott Howe, President/CEO

EXHIBIT A

SYSTEM PARENT BOARD COMPOSITION DIAGRAM



 = End of Term and Election
  = "ADM" is Familiar with Operations

EXHIBIT B

DESCRIPTION OF CEDED POWERS

In the Affiliation structure, while the common parent would become the sole member of each hospital, each hospital would retain its own board and officers. To facilitate the development of a coordinated care system in the North Country, certain powers would be “ceded” by the hospitals to the common parent. The following table summarizes a draft proposal for certain specified powers, including those powers to be “ceded” by the four hospitals to the System Parent. These powers are categorized into three separate arenas: (1) fundamental corporate actions; (2) major transactions; and (3) operating authority.

	Description of Specific Power	Who can initiate action:	Who must approve action:	System Board Vote:	Hospital Board Vote
	Fundamental Corporate Actions				
1	Any action to amend articles or by-laws of Hospital or Hospital Affiliate (Note: Hospital articles and by-laws will be restated and coordinated as part of Closing.)	Either System or Hospital Board may propose action	Both System Board and Hospital Board must approve action	Majority	Majority
2	Any action to amend articles or by-laws of System Parent	System Board may propose action	Both System Board and Hospital Board must approve action	2/3	2/3
3	Any action to elect a System Board director	System Board or Hospital Board, as applicable, nominates person for election to System Board	Only System Board elects each System Board member	Majority	N/A
4	Any action to elect a Hospital Board director	Hospital Board nominates person for election to Hospital Board	Both System Board and Hospital Board must approve action	Majority	Majority
5	Any action to legally dissolve the Hospital as a corporate entity (distinct from changes in Hospital services)	Hospital Board may propose action	Both System Board and Hospital Board must approve action	2/3	2/3

EXECUTION DOCUMENT

	Description of Specific Power	Who can initiate action:	Who must approve action:	System Board Vote:	Hospital Board Vote
6	Any action to form or dissolve a Hospital corporate affiliate	Hospital Board may propose action	Both System Board and Hospital Board must approve action	2/3	2/3
Major Transaction Authority					
7	Any action to have a Hospital merge, acquire, consolidate or affiliate with another Hospital	Either System or Hospital Board may propose action	Both System Board and Hospital Board must approve action	2/3	2/3
8	Any action to create, incur or assume any indebtedness for money or any lien (other than certain permitted liens) by any Hospital or Hospital Affiliate, above a certain materiality threshold	Either System or Hospital Board may propose action	If proposed indebtedness or lien is above materiality threshold, both System Board and Hospital Board must approve; if below threshold, only Hospital Board must approve	Majority	Majority
9	Any action to purchase, sell, lease, or transfer of Hospital's assets , above a certain materiality threshold	Either System or Hospital Board may propose action	If proposed asset transaction is above materiality threshold, both System Board and Hospital Board must approve; if below threshold, only Hospital Board must approve	Majority	Majority
Operating Authority					
10	Any action to appoint or remove a System CEO	System Board must nominate candidate for election as System CEO or removal	System Board must vote to appoint nominated System CEO candidate or remove System CEO	2/3	2/3
11	Any action to appoint a Hospital Administrator	System CEO recruits and presents Hospital Administrator candidate to Hospital Board; Hospital Board must vote to nominate candidate for Hospital Administrator	Hospital Board must vote to nominate Hospital Administrator candidate; System Board must vote to ratify candidate	Majority	Majority

EXECUTION DOCUMENT

	Description of Specific Power	Who can initiate action:	Who must approve action:	System Board Vote:	Hospital Board Vote
12	Any action to remove a Hospital Administrator	System CEO consults with Hospital Board to determine whether to recommend removal of Hospital Administrator; then System CEO must recommend removal	System Board must approve removal	2/3	N/A
13	Any action to adopt System Parent operating budget , including funding mechanisms	System CEO manages budget development with Hospital Administrators; System CEO must recommend action; prior year approved budget is automatic default budget (<i>i.e.</i> , default budget is last year's budget less 1%)	System Board must approve action and all Hospitals must vote to approve the integrated System budget	2/3	Majority
14	Any action to adopt System Parent capital budget , including funding mechanisms	System CEO manages budget development with Hospital Administrators; System CEO must recommend action; prior year approved budget is automatic default budget	System Board must approve action and all Hospitals must vote to approve the integrated System budget	2/3	Majority
15	Any action to adopt Hospital-Specific operating and capital budgets	System CEO manages budget development with Hospital Administrators; System CEO must recommend action; prior year approved budget is automatic default budget	System Board and each Hospital must approve specific component of budget that applies to it	2/3	Majority
16	Any action to deviate from an approved Hospital-Specific operating or capital budgets by more than a material amount	System CEO consults with Hospital Administrators; System CEO or local Hospital Board must recommend approval to System Board	System Board and affected Hospital Board must approve action	2/3	Majority

EXECUTION DOCUMENT

	Description of Specific Power	Who can initiate action:	Who must approve action:	System Board Vote:	Hospital Board Vote
17	Any action to adopt System and Hospital compensation and benefit programs	System CEO manages program development with Hospital Administrators; System CEO must recommend action	System Board must approve action	During first two years, 2/3; after, majority	Majority
18	Any action to approve System or Hospital information technology systems	System CEO manages program development with Hospital Administrators; System CEO must recommend action	System Board must approve action	During first two years, 2/3; after, majority	Majority
19	Any action to approve System or Hospital financial accounting systems and auditors	System CEO manages program development with Hospital Administrators; System CEO must recommend action to System Finance/Audit Committee	System Board must approve action based upon recommendation of System Finance/Audit Committee	During first two years, 2/3; after, majority	Majority
20	Any action to add a clinical/healthcare service program	System CEO manages program development with Hospital Administrators; System CEO must recommend action	Both System Board and Hospital Board must approve action	During first two years, 2/3; after, majority	Majority
21	Any action to eliminate a clinical/healthcare service program	System CEO manages program development with Hospital Administrators; System CEO must recommend action	Both System Board and Hospital Board must approve action	During first two years, 2/3; after, majority	Majority
22	Any action to adopt or modify financial and investment management policies	System CEO manages program development with Hospital Administrators; System CEO must recommend action; each Hospital retains its own endowments and other funds and makes its own investment decisions within the adopted System policies and programs	System Board must approve action	During first two years, 2/3; after, majority	N/A

EXECUTION DOCUMENT

	Description of Specific Power	Who can initiate action:	Who must approve action:	System Board Vote:	Hospital Board Vote
23	Any action to establish one or more "Affiliation Synergy Committees"	System CEO manages program development with Hospital Administrators; System CEO must recommend action	System Board must approve action (i.e., System CEO may not establish Affiliation Synergy Committee without full System Board approval	Majority	N/A