

**The Exeter Health Resources Inc. and Exeter Hospital Inc.  
Boards of Trustees' Deliberation Process Concerning the  
Proposed Affiliation Transaction with  
Massachusetts General Hospital and Wentworth-Douglass Hospital**

As they have done from time to time in connection with their fiduciary oversight and governance duties, the Boards of Trustees of Exeter Health Resources, Inc. and Exeter Hospital, Inc. (hereinafter, the “Boards”) undertook an in-depth review in early 2017 of the future strategic and operating environment in which Exeter Health Resources, Inc., through its operating affiliates (hereinafter, “EHR”) would be providing healthcare services to the community. The outcome of that review led to a two-year process that included over twenty meetings of either the Boards or Board committees to consider whether to pursue an affiliation with the Massachusetts General Hospital (“MGH”) and Wentworth-Douglass Hospital (“WDH”), which ultimately was approved by the unanimous decision of both Boards.

The Boards had previously considered, and rejected, a proposed change of control affiliation transaction with another New Hampshire based healthcare system. The Boards had supported EHR’s ongoing participation in multi-health system collaborative organizations and accountable care organizations. Both Boards have been vigilant concerning both the short term and long-term challenges facing EHR, and open to opportunities to sustain and advance EHR’s mission of improving the health of the community through the provision of high quality and high value healthcare. Their deliberations have routinely been supported by regular updates from management and, where needed or requested, the advice of expert consultants. As a result, the Boards were well prepared for the consideration of the proposed affiliation with MGH and WDH, which, in the Boards’ view, represents the best pathway to sustain the charitable mission of EHR for the benefit of residents within its service area over the long term.

- The specifics of the Boards’ review and deliberation over the MGH/WDH affiliation are summarized below: In 2017 the Boards commenced the formal examination of the future viability and strategic direction of EHR in the context of the many forces reshaping the healthcare delivery system nationally, regionally and locally. The examination emerged not from a single event but from the ongoing strategic analysis that the Boards and management regularly conduct. In preparation for those planned deliberations, management engaged a national consulting firm in the summer of 2016 to provide an analysis of EHR’s operating environment and its operational and strategic strengths and weaknesses. Additionally the consulting firm examined the strategic options that the Boards could consider with the goal of sustaining EHR’s charitable mission in the future.
- In a series of meetings (January, March, May, June) that occurred in 2017, the Boards considered in detail various aspects of the consulting firm’s report. Additionally, management prepared financial forecasts for EHR depicting a range of possible financial results driven by, among other things, regional and national economic forces, cost trends, and other data. The Boards requested additional

expertise be provided to support their ongoing deliberation regarding the future of EHR particularly in regard to affiliations, mergers and acquisitions, since those were options the Boards could consider for the future. At the request of the Boards, David Szabo, co-chair of the Health Care practice at the law firm of Locke Lord, and highly experienced in healthcare affiliation transactions, provided an in-depth briefing on recent health system acquisitions and affiliations in New Hampshire, and, in particular the affiliation of WDH with MGH.

- Additionally, the Boards considered the relative benefits and risks of remaining an independent health system and evaluated, in the alternative, what health system(s) might be a logical candidate with which to affiliate. In the evaluation process the Boards confirmed their belief that the long term healthcare needs of the community would be best served by the continuation of EHR's charitable mission as a sustainable organization that could continue to provide both primary care and appropriate specialty care in the community. Further, the Boards concluded that EHR's charitable mission could not be sustained as an independent organization in the medium to long term.
- At its June 2017 meeting, the EHR Board concluded that, because of EHR's history of successful clinical affiliation with MGH, MGH's intrinsic strengths as a charitable health system, and the unique opportunity that might exist to architect a more sustainable healthcare system by integrating with WDH through an MGH affiliation, executive management should approach MGH with exploratory discussions regarding options for a potentially viable affiliation with MGH and WDH, that would benefit the entire seacoast region. Consequently, the Boards directed executive management to engage MGH in a preliminary discussion about the opportunities that an MGH/ WDH / EHR affiliation could represent for the respective organizations and the seacoast region. Subsequently, EHR executive management opened discussions with MGH and WDH executive management in August of 2017 concerning a possible affiliation.
- At September joint meetings the Executive Committees, and then the full Boards, received briefings from executive management regarding recent exploratory discussions with MGH about the potential of an affiliation. Subsequently, the Boards affirmed the potential affinities among EHR, MGH and WDH and framed key principles that should guide a possible affiliation transaction. The Boards authorized executive management to further engage with MGH and WDH in developing a proposed affiliation model and to evaluate the potential benefits of an affiliation. To facilitate that exploration, the Board discussed the three entities' entering into a Non-Disclosure Agreement ("NDA"), and agreed to the retention of David Szabo of Locke Lord, to provide advisory services on a possible affiliation transaction. The Boards also agreed to establish an ad-hoc committee to advise executive management on further developments surrounding the potential affiliation transaction.

- At their December 2017 joint meeting the Boards received a briefing from executive management on the status of discussions with MGH and WDH concerning a possible affiliation transaction and subsequently discussed at length the reasons why an affiliation could be the best way to address the challenges that EHR and EH are expected to face in the future. Additionally, the Boards discussed why, in particular, the possible affiliation with MGH and WDH might be the best option to secure EHR's mission into the future and ensure the community has access to high value patient care services.
- At their January 2018 joint meeting the Boards received an extensive briefing on the status of the discussions regarding a possible affiliation with MGH and WDH from executive management and legal counsel. The briefing focused on the substance of the proposed transaction, the procedural components of a possible transaction (e.g., a Letter of Intent, due diligence, definitive agreements) and the regulatory approval process that would apply to the possible affiliation.
- In February of 2018 EHR retained its longtime strategic national consulting firm to provide additional advisory services in the event EHR moved forward with the development of a letter of intent that would govern further affiliation negotiations with MGH and WDH.
- In March, 2018 the Boards' Ad-Hoc Committee on Affiliation (the "Committee") met and received extensive briefings regarding the status of ongoing discussions concerning a possible affiliation with MGH and WDH. Additionally, the Committee discussed in depth materials related to a possible affiliation including a draft letter of intent governing future affiliation negotiations with MGH and WDH that could be considered by the Boards at their March joint meeting, counsel's memorandum regarding Trustee fiduciary responsibilities in the context of a possible affiliation, as well as other pertinent matters concerning governance, the disposition of restricted and unrestricted funds, future healthcare service commitments and the balancing of local and regional healthcare needs.
- In March, 2018 members of the Committee and EHR senior management met with Trustees and senior management from WDH as well as management of MGH to discuss the opportunities an affiliation could create to improve healthcare delivery in the seacoast region.
- At a March 30, 2018 joint meeting of the Boards, the Trustees received an extensive briefing from members of the Committee, members of executive management and counsel regarding the status of discussions with MGH and WDH concerning a possible affiliation. The briefing included a review of the forces that led to the Boards' consideration of a possible affiliation, the potential benefits that could be derived from an affiliation with MGH and WDH, possible corporate and operating models for the affiliation, and future next steps in further developing the proposed affiliation. After lengthy discussion about the provisions of a draft Letter of Intent ("LOI") to pursue affiliation with MGH and WDH, the

Boards unanimously voted to authorize executive management, working with the Committee, to further negotiate the draft LOI and further authorizing the EHR CEO to execute the LOI in a form acceptable to the Committee.

- In April and May 2018 the Committee met with executive management and counsel to review the draft LOI and the status of negotiations, and to provide guidance to executive management regarding the draft LOI. Members of the Committee engaged counsel and executive management in an extended discussion concerning the draft LOI and the fiduciary responsibilities of Trustees at each level of the proposed new network and how those Trustees could resolve potential conflicts of interest. At the completion of that review, the Committee authorized the CEO to execute the LOI in a form materially similar to the one considered by the Committee.
- On May 14, 2018 the LOI governing the process that could lead to an affiliation between EHR, MGH and WDH was signed.
- At the May 18, 2018 joint meeting of the Boards, executive management provided an extensive briefing to the Trustees concerning the status of the affiliation negotiations, the execution of the LOI, the organization and conduct of due diligence, and potential stakeholder communication planning regarding the potential affiliation. Additionally, the Boards discussed the design and organization of the new network parent company envisioned in the potential affiliation. The Boards authorized the Executive Committee to work with executive management in overseeing the conduct of due diligence and the negotiations of the definitive agreements governing the proposed affiliation.
- In June of 2018 the Boards were briefed on developments surrounding the proposed affiliation including due diligence, regulatory agency engagement, and organizational design of the proposed new network parent company that would govern the EHR and WDH health care systems under the overall authority of MGH, its sole member. The Trustees discussed the proposed governance and leadership for the network parent, and its relationships with MGH, EHR, and WDH.
- At the August 31, 2018 meeting of the Boards' Executive Committees, executive management briefed the Committee members on the progress of due diligence, the scheduling of planned public forums regarding the proposed affiliation, the developing framework for the definitive agreements, and the anticipated meeting of the Trustees of EHR and EH with Trustees of WDH. Additionally, counsel briefed the joint Executive Committees on the control and disposition of the assets of EHR and its affiliates that would be expected with the governance process envisioned in the type of charitable organization contemplated in the proposed affiliation.

- At a September 28, 2018 joint meeting of the Boards, the President and Senior Vice President of Network Development of MGH briefed the Boards on how MGH is currently pursuing its mission and how those pursuits can help advance the mission and sustainability of Exeter Health Resources and its affiliates. There was extensive discussion concerning the potential affiliation between among the Boards, executive management and the management representatives of MGH.
- At the December 14, 2018 meeting of the Boards, there was a comprehensive briefing by executive management and retained counsel regarding the proposed affiliation with MGH and WDH focusing specifically on the status of due diligence –with counsel and executive management noting that due diligence had not resulted in any major concerns thus far and further updating the status of definitive agreement development, the regulatory review framework, affiliation process milestones and finally the then current framing of the operations and governance of the proposed network holding company that would encompass the affiliation.
- At the January 9, 2019 meeting of the joint Boards' Executive Committees, executive management briefed the Committees on certain issues that remained open in the definitive agreements with executive management seeking guidance from the Committees on resolution of those issues.
- At the January 25, 2019 meeting of the Boards, there was an extensive briefing on the proposed affiliation with MGH focusing in particular on the ongoing due diligence, the timeline (milestones of the affiliation process) and the current draft of the definitive agreements provided in advance to the Boards. Counsel and executive management responded to extensive questioning by the Boards regarding the affiliation and counsel was directed by the Boards to incorporate certain of their suggestions into the ongoing drafting of the definitive agreements.
- On March 14 and March 27, 2019 the EHR Executive Committee met to discuss the status of the proposed affiliation with MGH and WDH. At the March 14 meeting, executive management and counsel briefed the Executive Committee on the status of negotiations surrounding the proposed affiliation and engaged in extensive discussion with the Committee concerning future community benefit investing under the proposed affiliation's structure as well the draft definitive agreements that would govern the proposed affiliation. Additionally there was an in-depth briefing by counsel regarding the Boards' fiduciary and regulatory responsibilities when considering the proposed affiliation. Subsequently at the March 27, 2019 meeting, the members of the Committee voted unanimously to favorably recommend consideration to the Boards the definitive agreements for affiliation with MGH and WDH.
- At the joint March 29, 2019 meeting of the Boards, the Trustees undertook an in-depth consideration of the proposed affiliation with MGH and WDH. Executive management and counsel reviewed the key elements of the definitive agreements

that would govern the proposed affiliation, the roles and responsibilities of Trustees and governing bodies that would directly impact the operations and governance of the affiliated entities and certain key benefits of the affiliation that the Boards had identified in the earliest stages of affiliation considerations. Counsel reviewed the Boards' fiduciary and regulatory obligations governing the consideration of the proposed affiliation with MGH and WDH and the factors that the Boards should take into account in evaluating the transaction. After further in-depth discussion the Board of Exeter Hospital endorsed entering into the proposed affiliation and recommended it to EHR. The Board of Exeter Health Resources unanimously approved the proposed affiliation as contemplated and the definitive agreements governing the proposed affiliation, and directed management to proceed accordingly.

EHR and EH Board minutes evidencing the decisions of the Board to enter into a letter of intent and the transaction agreement as required under NH RSA § 7:19-b are attached hereto as **Exhibit A**. Additional minutes evidencing the Board's exercise of due diligence are submitted under separate cover and marked "CONFIDENTIAL."

A copy of the due diligence checklist is attached hereto as **Exhibit B**.

**Steps Taken by Exeter Health Resources, Inc. and Exeter Hospital to Comply  
with RSA 7:19-b, II(g)**

EHR/EH made significant efforts to ensure that reasonable public notice of the proposed Affiliation and its terms were provided to the residents of the Seacoast Community and other EHR stakeholders. On May 15, 2018, a joint press release from the parties announced that WDH, MGH, and EHR had entered into the Letter of Intent with respect to the proposed Affiliation. (See **Attachment C**). Also on May 15, 2018, Kevin Callahan, President and CEO of EHR and EH, issued two memoranda—one to all EHR employees and one to EH medical staff and Core Physicians providers—announcing the signing of the Letter of Intent and describing the proposal to develop a new regional network. (See **Attachments D & E**). EHR also sent separate memoranda to its volunteers and donors announcing the proposed Affiliation.

Mr. Callahan attended five (5) employee open forums in May and June of 2018, met with the EHR Medical Executive Committee, and attended a special information session for EH medical staff and Core providers for the purpose of discussing the proposed Affiliation. From July 2018 through March 2019, EHR also held five “Business Review” meetings to provide information on the Affiliation process to Management and Department Directors, to be shared with employees within individual departments.

EHR (together with WDH and MGH) provided joint notice to the public of two community forums held at EH on October 2, 2018 and at WDH on October 9, 2018. The parties ran a half-page advertisement in the Seacoast Media Group’s Exeter News-Letter & Hampton Union on September 28, 2018 and again in the Portsmouth Herald on September 30, 2018. (See **Attachment F**). In the days leading up to the community forums, EHR further distributed the ad to members of the Exeter Area Chamber of Commerce and Hampton Chamber of Commerce, to over 65 community businesses and organizations, to all 73 legislators representing communities within EHR’s service area, and to the Town of Exeter’s administrators. EH also placed the ad on EH’s Facebook page.

EHR sought input from the Seacoast community to inform the EHR Board deliberations about the Affiliation. The proposed Affiliation was the subject of two (2) community forums, one held on October 2, 2018 at EH and the second held on October 9, 2018 at WDH. At the October 2, 2018 community forum held at EH, approximately 80 guests attended, representing the following towns: In New Hampshire—Brentwood, Concord, Derry, Dover, Durham, Epping, Exeter, Fremont, Hampstead, Hampton, Kingston, Manchester, New Castle, Newfields, Newmarket, Portsmouth, Raymond, Rochester, Rye, Strafford, and Stratham; and in Maine—Eliot, South Berwick, and York. The presentation slides from the EH community forum are attached as **Attachment G**. There was overall positive feedback from the community forums in response to the presentation on the Affiliation.