

JOINT NOTICE OF A PROPOSED ACQUISITION TRANSACTION

January 6, 2021

This Joint Notice and its exhibits (this “Notice”) are submitted to the New Hampshire Attorney General, Director of Charitable Trusts (the “Director”), pursuant to New Hampshire RSA 7:19-b(III) by Concord Hospital, Inc., a New Hampshire not-for-profit corporation (“Concord”), and LRGHealthcare, a New Hampshire not-for-profit corporation (“LRGHealthcare” and with Concord, the “Parties”). The Parties submit this Notice in connection with the proposed asset acquisition transaction described in Section IV below (the “Proposed Transaction”).

Certain exhibits to this Notice contain confidential and/or proprietary information that, if disclosed, would cause competitive harm to either of the Parties. Accordingly, the Parties respectfully request that **Exhibit I**, **Exhibit III-A** and **Exhibit V-E** (including all annexes and exhibits thereto) be afforded confidential treatment and be excepted from disclosure pursuant to all applicable provisions of law, including, but not limited to, N.H. Rev. Stat. § 91-A:5(IV). The confidential materials described above are being separately filed. The Parties request that (i) the Parties be notified in advance of any proposed disclosure of such confidential materials by the Director and (ii) the Parties be given a reasonable opportunity to seek a protective order or take other action to prevent or limit any such disclosure.

In support of this Notice, each of the Parties respectfully provide the following information:

I. THE PARTIES

A. CONCORD

Concord is a New Hampshire not-for-profit voluntary corporation which is a healthcare charitable trust which owns and operates Concord Hospital, a 295-bed licensed acute care hospital. Concord provides primary, secondary and tertiary hospital services, including open heart surgery. It is one of only three Level II Trauma Centers in New Hampshire. Concord maintains an open medical staff, however it employs, through Concord Hospital Medical Group (the “Medical Group”), 335 physicians, comprised of 138 specialists, 100 primary care physicians and 97 hospital-based physicians. Concord currently has 3,400 employees. Please see **Exhibit I** for three years of audited financial statements for Concord.

Concord is a subsidiary of Capital Region Health Care Corporation (“CRHC”), a New Hampshire not-for-profit voluntary corporation, which is also the parent of Concord Regional Visiting Nurse Association, a not-for-profit, community-based home health and hospice provider in New Hampshire; and Riverbend Community Mental Health, a not-for-profit community mental health center, one of only ten in New Hampshire. Concord’s corporate structure also consists of certain other entities that documents its participation as an owner in a variety of joint ventures including an orthopedic surgery center, an eye surgery center, an endoscopy center, an imaging center, a free-standing surgery center and an assisted living facility.

B. LRGHEALTHCARE

LRGHealthcare is a New Hampshire not-for-profit voluntary corporation which is a healthcare charitable trust operating Lakes Region General Hospital (“LRGH”), Franklin Regional Hospital (“FRH”), and numerous other affiliated medical practices and service programs. LRGH is a community based acute care facility with a licensed bed capacity of 137 beds, and FRH is a 25-bed critical access hospital with an additional 10-bed inpatient psychiatric unit. In 2002, Lakes Region Hospital Association and Franklin Regional Hospital Association merged, with the merged entity renamed LRGHealthcare. In 2019, LRGHealthcare had net patient revenues of almost \$206 million and an operating loss of approximately \$20 million.

The Lakes Region communities served by LRGHealthcare include Laconia, Gilford, Alton, Ashland, Barnstead, Belmont, Center Harbor, Gilmanton, Meredith, Moultonborough, New Hampton and Sandwich. In the Three Rivers Region, LRGHealthcare serves the communities of Franklin, Tilton, Northfield, Sanbornton, Alexandria, Andover, Bristol, Bridgewater, Boscawen, Danbury, Hebron, Hill and Salisbury.

LRGHealthcare offers a wide range of medical, surgical, specialty, diagnostic, and therapeutic services, wellness education, support groups, and other community outreach services. Emergency Services are available 24 hours a day at LRGH and FRH, and the emergency department is staffed with specially trained physicians, nurses and allied staff, supported by various diagnostics. LRGHealthcare is also equipped to facilitate ground and air transfer to tertiary care facilities.

II. BACKGROUND

A. CONCORD

The Proposed Transaction is consistent with the strategic plans and mission of Concord. Its overall objective is to build a high-performing central New Hampshire healthcare system that preserves local care where appropriate and supports the region with advanced care at Concord when necessary. The Proposed Transaction fulfills this objective as follows: (1) the Lakes and Three Rivers Regions are part of contiguous geography to Concord and without the two (2) hospitals in these Regions, a void would exist for those residents to obtain appropriate local care; (2) Concord can improve access, and operating efficiencies at LRGH and FRH without negatively impacting services at Concord; (3) the current workforce and physical plant in the Lakes and Three Rivers Regions are important assets; and (4) Concord can achieve a financially sustainable healthcare system in the Lakes and Three Rivers Regions.

B. LRGHEALTHCARE

On October 19, 2020, LRGHealthcare filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the District of New Hampshire (In re: LRGHEALTHCARE (Case No. 20-10892 (MAF) (the "Bankruptcy Proceedings")).

For additional information relating to the history with respect to LRGHealthcare, please refer to the *Declaration of Kevin W. Donovan in Support of Chapter 11 Petitions and Requests for*

First Day Relief filed in the Bankruptcy Proceedings (the “First Day Declaration”) attached as **Exhibit II-A** and the *Order (A) (i) Approving the Sale of Substantially All of the Debtor’s Estate Free and Clear of All Interests, (ii) Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (iii) Granting Related Relief* filed December 24, 2020 with respect to the Bankruptcy Proceedings (the “Sale Order”) attached as **Exhibit II-B**.

III. STATEMENT FROM CONCORD

Concord is pursuing the Proposed Transaction focused on its guiding principles embedded in its community and charitable not-for-profit healthcare mission. Concord believes that it can improve the quality, safety, access, and operating efficiencies at both LRGH and FRH without negatively impacting services at Concord or its other facilities. As a regional health system, Concord will be able to meet a significant portion of the population’s advanced care or specialty health needs in central New Hampshire. By focusing on these guiding principles, Concord will improve the reputation of health care offered by LRGH and FRH. LRGHealthcare’s current workforce and its physical plants are important assets. Concord believes it can sustain a health care system in the Lakes and Three Rivers Regions without the financial difficulties that LRGHealthcare encountered.

Concord has had a presence in the Lakes and Three Rivers Regions for over two decades. It has worked with LRGH and continues to coordinate the healthcare needs of the patients from those communities with LRGH. For example, both systems participate in a captive insurance company covering their respective professional and general risk exposures. In addition, they both participate in a regional mobile imaging venture. Concord’s Medical Group has had a cardiology practice in Laconia for many years and more recently, when LRGH ceased offering obstetrical services, Concord agreed to open a pre-natal clinic in Laconia to provide this service so that women can receive these services locally. In addition, Concord recently began offering vascular surgery services in Laconia.

In late 2018, Concord responded to LRGHealthcare’s request for proposal to consider an affiliation transaction. However, due to LRGHealthcare’s financial condition, the proposal was limited to a clinical (and not corporate) affiliation. After an unsuccessful national attempt to find a strategic partner, in the summer of 2019, LRGHealthcare approached Concord to determine whether Concord would be interested in working with LRGHealthcare in any form. Concord then began extensive due diligence, and hired consultants and advisors to assist in areas including finance, environmental, and facilities. The Executive Committee of the Board of Trustees and the full Board of Trustees participated in a comprehensive review of diligence and development of the business terms associated with the Proposed Transactions. Consideration for these terms focused both on meeting the needs of the communities of the Lakes and Three Rivers Regions as well as assuring that the Concord community was properly served. Ultimately, after approximately six months of analysis and review, the Trustees concluded that Concord could create a viable, quality health care system that served Central New Hampshire. Attached as **Exhibit III-A** and **Exhibit III-B** are copies of slide presentations analyzing the components of the Proposed Transaction with the Executive Committee as well as resolutions of the Board of Trustees regarding the Proposed Transaction which were unanimously approved.

Prior to entering into the Asset Purchase Agreement, the Executive Committee of the Board of Trustees and the full Board of Trustees of Concord considered in good faith and in a manner consistent with their fiduciary duties the extent to which it would be prudent to make contractual commitments regarding post-closing inpatient and outpatient mental health services, adding or discontinuing any service lines currently offered at LRGH and FRH, physician employment agreements, population health management programs, accountable care organizations, joint purchasing collaboratives, substance use disorder programs, unmet physical health needs in the community, primary care services, plans to improve patient experience at LRGH and FRH following the transaction, plans to improve health care outcomes and reduce preventable hospitalizations and re-admissions, uninsured, charity care, and financial assistance policies. The Board ultimately determined that, all things considered, it would be imprudent to make commitments beyond those set forth in the Asset Purchase Agreement with respect to these issues.

IV. SUMMARY OF THE TRANSACTION

LRGHealthcare proposes to sell substantially all of its assets (the "Assets") to Concord and certain of its affiliates pursuant to the Asset Purchase Agreement dated October 19, 2020 between Concord, Concord Hospital - Laconia ("Concord Laconia"), Concord Hospital - Franklin, ("Concord Franklin"), Capital Region Development Corporation, and Capital Region Ventures Corporation, all of which are New Hampshire not-for-profit corporations, on the one hand and LRGHealthcare on the other hand, as amended (the "Asset Purchase Agreement"), a copy of which is set forth in the Sale Order. The material terms of the Asset Purchase Agreement and the Proposed Transaction are summarized on **Exhibit IV-A**. The closing of the Proposed Transaction is conditioned, among other conditions, upon action by the Director regarding this Notice and approval of the New Hampshire Circuit Court for the 4th Circuit, Probate Division (the "Probate Court") as described below. At the closing, LRGHealthcare will transfer ownership of the Assets and donor restricted funds of LRGH and FRH to Concord Laconia and Concord Franklin, respectively. Attached as **Exhibit IV-B** and **Exhibit IV-C** are the Articles of Agreement of Concord Laconia and Concord Franklin, respectively.

V. REQUIRED TRANSACTION REVIEW STANDARDS

A. RSA 7:19-B, II (A): PERMITTED BY LAW.

1. The First Day Declaration summarizes the financial difficulties faced by LRGHealthcare and the factors that led its Board to decide that a sale was a prudent course of action. The sale of LRGHealthcare's assets to Concord would mean that LRGHealthcare will no longer operate a hospital. The Asset Purchase Agreement contemplates the judicial review by the Probate Court to permit LRGHealthcare to deviate from its charitable purpose, which includes the operation of hospital facilities, in order to transfer its assets to Concord.

The Probate Court also must apply the *cy pres* doctrine to approve the transfer of donor-restricted assets of LRGHealthcare. The Asset Purchase Agreement contemplates that at closing, these assets will be transferred to either Concord Laconia or Concord Franklin, as appropriate.

B. RSA 7:19-B, II (B) DUE DILIGENCE IN SELECTION OF ACQUIRER, BEST INTEREST OF LRGHEALTHCARE.

For information relating to the due diligence exercised in the selection of Concord by LRGHealthcare, in engaging and considering the advice of expert assistance, in negotiating the terms and conditions of the Proposed Transaction, and in determining that the Proposed Transaction is in the best interest of LRGHealthcare, please refer to the Declarations of Todd Patnode, Stephen Miller and Courtney Midanek in Support of Debtor's Sale Motion (collectively, the "Advisor Statements") filed in the Bankruptcy Proceedings and attached as **Exhibit V-A**, **Exhibit V-B**, and **Exhibit V-C**, respectively.

For information relating to the due diligence exercised by the Board of Trustees of LRGHealthcare in determining that the Proposed Transaction is in the best interest of LRGHealthcare, please refer to the resolutions of this Board attached as **Exhibit V-D** and **Exhibit V-E**, and the Sale Order.

C. RSA 7:19-B, II (B) DUE DILIGENCE – BEST INTEREST OF COMMUNITY

Concord believes that the Proposed Transaction will benefit the communities that comprise the Lakes and Three Rivers Regions. First and foremost, Concord is committed to keeping the health care facilities that are currently run as LRGH and FRH open and operating as acute care hospitals for a period of at least five years as described in the Asset Purchase Agreement. Concord's newly created New Hampshire not-for-profit corporations, Concord Laconia and Concord Franklin, will operate the facilities in their respective cities are anticipated to maintain a similar level of service that exists as of the closing of the Proposed Transaction. The new entities will adopt and maintain the charity care policy attached to the Sale Order. They will also operate in accordance with the requirements established by those governing authorities that issued licenses for acute care hospitals in New Hampshire and will operate in accordance with applicable accreditation standards. In addition to the foregoing, Concord sees technology as an enabler of system-wide goals and imperatives. By way of example, Concord seeks to transition some of its care from traditional, episodic care to real-time telehealth which will deliver valuable patient experiences and access from nearly any location. Increasing access in this way is important to Concord's population health goals. More specifically, Concord can use telehealth to offer patients e-visits, e-consults, remote patient monitoring, and patient education. Technology used in this way will provide a response to the patients' demand for greater access, results, and convenience in the context of the health care system. The Lakes and Three Rivers Regions will benefit from Concord's investment in this and other technology intended to provide on-demand care, consolidated records, and broader access.

More generally, following the closing of the Proposed Transaction, Concord will be able to create efficiencies that will allow Concord Laconia and Concord Franklin to operate in a stable financial position. Specifically, Concord will commence an integration process that will centralize certain functions, such as finance, information technology, credentialing, coding and billing, risk management, purchasing, payroll, and human resources, among others. The secure financial position resulting from (among other things) such structural synthesis will allow Concord Laconia and Concord Franklin to offer comprehensive care to its communities in a stable, long-term

fashion. This will give patients the sense of confidence and predictability that they do not currently have.

Concord is pursuing the Proposed Transaction focused on its guiding principles. Concord believes that it can improve access and operating efficiencies at Concord Laconia and Concord Franklin without negatively impacting services at any facility, including Concord. Concord, as a regional health system can meet a significant portion of the population's advanced care or specialty health needs in central New Hampshire. By focusing on these guiding principles, Concord will improve the reputation of health care offered in the region. LRGH's workforce currently in place and its physical plants, are important assets. Concord believes that it can address and achieve a sustainable health care system in the Lakes and Three Rivers Regions.

Ultimately, the Proposed Transaction will provide a foundation for the long-term viability of access to healthcare services in the Lakes and Three Rivers Regions. This Proposed Transaction will preserve what patients and communities have historically expected and deserved—high quality healthcare services on a local level. The combined Concord healthcare system will be responsive to the needs of patients, including developing future strategies and new approaches to healthcare with innovation and continuous quality improvement methodologies.

D. RSA 7:19-B, II (C) CONFLICTS OF INTEREST

The respective Boards of the Parties have determined that the Proposed Transaction involves no conflict of interest and no pecuniary benefit transaction. Consistent with the conflict of interest policy of LRGHealthcare, a trustee of LRGHealthcare was excluded from deliberations and votes relating to the Proposed Transaction after a potential conflict of interest was identified by the Board.

E. RSA 7:19-B, II (D) FAIR VALUE

LRGHealthcare conducted a robust marketing and sale process pursuant to the Sales Procedures Order issued in the Bankruptcy Proceedings in order to ensure that it provided every opportunity to any interested party to exceed the offer set forth in the Asset Purchase Agreement. The sale process was conducted in good faith, adequate and reasonable notice of the sale was provided to interested parties, and no other offer was received from any organization other than that of Concord as set out in the Asset Purchase Agreement. LRGHealthcare submits that as a result of the sale process it has concluded the purchase price offered in the Asset Purchase Agreement is fair and reasonable, especially when taking into account Concord's agreement to assume the Retirement Plan for Employees of LRGHealthcare, plan number 001, effective as of July 1, 1971, as further amended and restated. For other information regarding the determination by the Board of Trustees of LRGHealthcare that the proceeds to be received on account of the Proposed Transaction constitute fair value for its assets, please refer to the Sale Order, Advisor Statements, and attached as **Exhibit V-F, Debtor's Reply to the Objection of the State of New Hampshire** filed in the Bankruptcy Proceedings. The Parties respectfully submit that no fairness opinion with respect to the Proposed Transaction is necessary.

F. RSA 7:19-B, II (E) AND (F) USE AND CONTROL OF PROCEEDS

Upon consummation of the Proposed Transaction, under the ownership of Concord, the assets of LRGHealthcare shall continue to be devoted to charitable purposes consistent with the charitable objects of LRGHealthcare and the needs of the communities which it serves, including the community's or communities' need for access to quality and affordable physical and mental health care services.

G. RSA 7:19-B, II (E) USE OF ASSETS FOR CHARITABLE OBJECTS

The charitable missions of the Parties are compatible, and their respective Boards of Trustees have determined that the Proposed Transaction is in furtherance of such missions. Concord has put in place various plans to ensure that LRGHealthcare's assets will continue to be devoted to the charitable purposes for which they were intended, as described above.

H. RSA 7:19-B, II (G) NOTICE AND HEARING

1. LRGHealthcare

Since the Proposed Transaction involved a bankruptcy process involving Concord as a stalking horse bidder, LRGHealthcare could not, as a practical matter, solicit comments from its internal and external communities regarding a sale to Concord or the proposed terms of any transaction until the Asset Purchase Agreement was signed and the Bankruptcy Proceedings were commenced. Immediately thereafter, LRGHealthcare conducted the following forums presenting the Proposed Transaction and providing an opportunity for question and comments:

- 3 Employee forums with a total of 385 participants
- 1 Medical Staff forum with 91 participants
- 1 Member forum with 14 participants
- 1 General Community forum with 54 participants

Invitations to forums included specific outreach to the behavioral health community. The presentations included plans regarding behavioral health. An example of the material presented at the forum is attached as **Exhibit V-G**. During and after the forums, there were no negative comments on any topic and only general questions. LRGHealthcare established a dedicated website (<https://lrgh.org/our-future/>) for community members to access the latest information and ask questions regarding LRGHealthcare's plans for the future.

In connection with the Bankruptcy Proceedings, LRGHealthcare provided notice regarding the Proposed Transaction to 97,920 current and former patients, 1,122 contract counterparties, and 3,880 creditors and other parties in interest.

2. Concord

Concord also conducted a detailed and deliberate process to communicate with its stakeholders. It established a dedicated website (<https://www.concordhospital.org/lrghealthcare/>) for community members to access the latest information and sign up for a “Virtual Town Hall

Conversation.” In addition, individual letters were sent to Trust donors and key Hospital partners, and personal telephone calls were made to key Trust donors. Concord held a series of Virtual Town halls with its employees, medical staff and the community, which included behavioral health stakeholders. The results of the meetings were posted on the website as well as all of the questions from stakeholders and Concord’s responses.

In all settings, the Proposed Transaction met with very positive response. From informal polling during the virtual town hall meetings, 89 per cent of those that responded to the survey question overall felt this was “a great idea,” with an additional 10 percent being neutral. From the community town hall specifically, 93 per cent of those that responded to the survey question felt the Proposed Transaction was a great idea; among employees that percentage rose to 100 percent. Copies of the transcript from the virtual town hall community meeting are available upon the Director's request.

VI. TRUSTEE CERTIFICATIONS

Attached as **Exhibit VI-A** is the certification of the Trustees of LRGHealthcare who voted on the Proposed Transaction affirming that the standards set forth in New Hampshire RSA 7:19-b(II) have been considered in good faith and met.

VII. STATEMENT OF CONCORD


Concord is an “acquirer” as that term is defined by New Hampshire RSA 7:19-b(I)(b). As required by New Hampshire RSA 7:19-b(III), this Notice sets forth statements of Concord specifying the manner in which it proposes to continue to fulfill the charitable objects of LRGHealthcare.

All exhibits to this Notice are hereby incorporated by reference as if fully set forth herein. All information with respect to either Party shall be deemed to be statements by that Party and the other Party shall have no responsibility for them.


[Signature Page Follows]

Respectfully submitted by the duly-authorized representatives of the undersigned as of date first written above.

LRGHEALTHCARE

By: 
Kevin W. Donovan
Its President & Chief Executive Officer

CONCORD HOSPITAL, INC.

By: 
Robert P. Steigmeyer
Its President & Chief Executive Officer

INDEX OF EXHIBITS

Exhibit I	Financial Statements (submitted confidentially under separate cover)
Exhibit II-A	Declaration of Kevin W. Donovan in Support of Chapter 11 Petitions
Exhibit II-B	Sale Order
Exhibit III-A	Presentation to Trustees of Concord (submitted confidentially under separate cover)
Exhibit III-B	Concord Trustee Resolutions
Exhibit IV-A	Summary of Asset Purchase Agreement
Exhibit IV-B	Articles of Agreement Concord Laconia
Exhibit IV-C	Articles of Agreement Concord Franklin
Exhibit V-A	Declarations of Todd Patnode
Exhibit V-B	Declarations of Stephen Miller
Exhibit V-C	Declarations of Courtney Midanek
Exhibit V-D	LRGHealthcare Trustee Resolutions (October 14, 2020)
Exhibit V-E	LRGHealthcare Trustee Resolutions (December 18, 2020) (submitted confidentially under separate cover)
Exhibit V-F	Debtor's Reply to the Objection of the State of New Hampshire
Exhibit V-G	LRGHealthcare Community Outreach
Exhibit VI-A	LRGHealthcare Trustee Certification