

CHH-VNAH AFFILIATION FAQs AND SCENARIOS

1. Why have a merger rather than a holding company model like Dartmouth-Hitchcock and CMC are proposing?

While the holding company model was an option, it would be much more complex and costly with multiple Boards of Trustees each of which would require senior management support and attendance. This model also maintains some separation of the entities (which DH and CMC required because of canon law constraints). The goal is to create a new combined entity that will be stronger to survive and thrive in the increasingly harsh environment. The merger model also is consistent with the desire to integrate services and reduce administrative costs.

2. How will we maintain our organizational identity if the merger structure is the legal model for the affiliation?

We will continue to operate the same two offices as has been associated with each organization. The same clinical personnel will continue to render services to patients. We will maintain the current clinical programs (and in some cases hope to be able to expand them in the future). We also plan to use the “doing business as” with our current name to underscore our identity and heritage. We also will have significant representation on the Board (discussed below). Because the missions and organizational values of the two organizations are so compatible, however, the ultimate goal is to blend into a single, stronger organization that is well-rooted in each respective community but focused on the future.

3. The initial Board composition will be 60% from CHH. Does this mean their Trustees will make all the decisions?

The expectation is that there will be strong Board member consensus when all decisions are made. However, certain decisions are so important for this affiliation to be successful that a supermajority of Board members will be required. For these decisions, 80% of the Board members will have to agree on a decision in order for it to be effected. These decisions will concern capital expenditures and debt, expansion or contraction of clinical services, affiliation with another entity, hiring/firing of CEO and CFO; closure of an existing office, approval of budgets, and amendments to the articles or bylaws.

4. Who will be in charge day-to-day of the affiliated organization?

Margaret Franckhauser will be the Executive Director/CEO of the combined organization. It is expected that Bette Coffey will be an important member of the senior management team.

5. How are the costs of affiliation being borne?

Conceptually the costs will be shared between the two organizations. Practically, since the proposed affiliation structure is a merger, the costs will be

absorbed by the combined entity. (with CHH having the current financial wherewithal to fund this). If the parties dis-affiliate within three years, however, a proportional share will be allocated to VNAH.

6. How will people know that money they give to the VNA will be used in their community?

Any donor restriction will always be honored. Because the missions of both organizations are very compatible, and the affiliation commitment is to maintain current services, donations made will most likely support intended community services. There is further protection since capital expenditures and operating budgets must be approved by a supermajority of the Board ensuring that Trustees of each respective community must agree with allocation of resources of the new affiliated entity.

7. The Board of Trustees gets reduced down to 16 members over 3 years. How will we be assured that our communities will still have a voice in the organization decisions?

We believe that for this affiliation to be successful we will need to have an integrated and invested Board that will oversee the organization. Our nominating process requires that community representation be ONE OF the many considerations that will go into identifying good Board members. Many outside experts have advised that an ideal Board size is 13-16 to function effectively.

8. Why can't the VNAH Wolfeboro constituents be "guaranteed" a perpetual Trustee seat?

Both the VNAH and the CHH organizations have guaranteed Board of Trustee seats for the first 3 years (the "integration period"). During that time, if any member leaves the board that member's replacement will be identified by the remaining Trustees from the respective organization. However, we believe it is critical for the success of the Affiliation that by the end of the integration period we do not continue to differentiate representatives from the Wolfeboro area from those of the Laconia area. We are endeavoring to create one integrated organization that together will serve a larger area than each did alone. We will seek trustees that bring valuable perspectives from many areas to serve the best interests on the one unified organization.

9. How can we assure that the VNAH interests don't get "overrun" by the CHH interests since CHH will have a majority of the Board?

Our intent is to create one new combined organization. The respective missions and services are very compatible. We have created protection for VNAH interests through the use of supermajority voting requirements for many important actions to be taken. This exists both during the integration period and after the integration period. Long term, our success will be measured by how well we do at serving the needs of all of our communities. We both have experience from the merging of Hospice with Home Care with being concerned with, and

respectful of, the interests of all constituents of an expanded organization and we believe this will serve us well in making this Affiliation a similar success.

SCENARIOS

Scenario 1- Board Member Replacement

A current Board member has suddenly resigned 1 year after the Affiliation became effective. How will the replacement Trustee be identified?

Because this resignation occurred within the first 3 years of Affiliation, only the Trustees from the organization represented by the departing Trustee will vote in the replacement Trustee.

Scenario 2- Board Member Replacement

A current Board member has suddenly resigned 3 years after the Affiliation became effective. How will the replacement Trustee be identified?

The Nominating Committee will be convened to identify a replacement Trustee. This Committee will recommend a candidate to the full Board of Trustees for approval.

Scenario 3- Office Consolidation

An opportunity to reduce costs has been identified by closing the Wolfeboro office. How would this decision be made?

This decision requires a supermajority vote of the Board of Trustees and thus could ONLY be made if 80% of the Board members voted to do so. Under the initial 60/40 board composition, this would require votes by all of the Laconia Trustees PLUS votes from Wolfeboro Trustees of:

- 5 Wolfeboro Trustee votes in year 1
- 4 Wolfeboro Trustee votes in year 2
- 4 Wolfeboro Trustee votes in year 3

Scenario 4- Clinical Services Change

The BEAS has terminated its grant support for homemaker services. Management is recommending the termination of this program. How will the Board make this decision?

Because this is a reduction in clinical services offered, this decision would require a supermajority (80%) vote of the Board of Trustees.

Scenario 5- Clinical Services Change

Volume has shrunk in the hospice program and management has prepared a plan for the board that would reduce the number of employee FTEs in that program at both the Laconia and Wolfeboro offices. How will this decision be made?.

Since no reduction in clinical services or service area covered is being made, only a simple majority of the Board is required to ratify management's plan.

Scenario 6- Organization Affiliation

Your VNA has approached the CEO regarding an affiliation. The Board is being asked to decide whether to pursue this.

This decision requires a supermajority of the Board (80%) to pursue.

NOTE: Because the parties wish to create a new, integrated organization which eventually acts without regard to the past identities of its founding organizations, the current proposal is to have the supermajority requirements lapse after three (3) years except for: affiliations, capital expenditures or debt, and amendments to the articles or bylaws. Therefore, if Scenarios 3 and 4 occurred after 3 years from the affiliation closing, only a simple majority vote of the Board would be required.