

NARRATIVE DESCRIPTION

On December 16, 2010 Central DuPage Health, the parent of Central DuPage Hospital in Winfield, and Delnor-Community Health System, the parent of Delnor-Community Hospital in Geneva entered into an Agreement of Merger (see attached). Pursuant to that agreement, the two health systems propose to merge and form a common health system, whereby their respective subsidiaries and affiliates will be controlled by a common not-for-profit corporate member ("the parent Board").

The merger will combine the two existing "parent" entities, each of which currently controls "a licensed health care facility." Accordingly, the Illinois Health Facilities and Services Review Board's rules consider this merger to constitute a "change of ownership" that requires the filing of a Certificate of Exemption ("COE") application. (The merger qualifies for COE, rather than Certificate of Need, because both Central DuPage and Delnor have current A bond ratings.)

Central DuPage Hospital and Delnor-Community Hospital are located approximately 12.6 miles apart, with Central DuPage Hospital located in western DuPage County and Delnor-Community Hospital located in east central Kane County.

The Central DuPage Hospital and Delnor-Community Hospital Boards of Trustees/Directors' intention is to identify and then implement a plan to better serve the patients of the region. This plan will activate a common strategy to support significant improvements in health care delivery and outcome, and to preserve these systems' shared investment in the greater community. Their common goal is to seamlessly, efficiently and effectively contribute to the health and well being of the community. The guiding principles of the new, merged health system include:

- the system must deliver superior value to patients, physicians and payers;
- the governance structure must be one that is committed to the best interests of the new service area, rather than its constituent parts; and
- the governing board must provide equal representation from each of the current parent entities.

Following the merger, Central DuPage Health and Delnor-Community Health Systems will seek to elevate the quality and breadth of health care services available in the region, to expand local access to care, and to create a scale of service that will result in high quality of care at a lower cost.

Within 12 months of its establishment, the new "parent" Board will adopt a strategic plan. That plan, at minimum, will set forth a specific vision for the merged

system, and will provide plans for the deployment of capital, physician integration initiatives, and service line development.

In addition to the new "parent" Board, the two hospitals will maintain separate Boards and separate licenses. Each member of the hospital Boards will also be a member of the "parent" Board. The hospital Boards will retain certain responsibilities, including: 1) the granting and revoking of Medical Staff privileges, 2) the maintenance of professional standards and the oversight of care, and 3) the approval of the respective hospital's CEO.

The two hospitals' Medical Staffs will remain independent of one another, but will integrate and share information and "best practices" as appropriate, for the purpose of establishing a continuum of care and safer and more efficient outcomes for patients.

The hospitals' respective foundations will continue to be managed and governed by each foundation's current board. These foundations will continue to provide support to their respective hospitals, with donor-restricted gifts being used in a manner consistent with donors' intent.