



HURON PERTH
HEALTHCARE
ALLIANCE

Clinton Public Hospital
St. Marys Memorial Hospital
Seaforth Community Hospital
Stratford General Hospital

ALLIANCE AGREEMENT

AMENDED & RESTATED
March 31, 2004

Revised: April 5, 2012
- Board Approved

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**AMENDED & RESTATED
ALLIANCE AGREEMENT**

Dated this April 23, 2003 (the "Signing Date") and amended and restated as of March 31, 2004, with all such amendments being effective as of the Effective Date,

A M O N G:

THE CLINTON PUBLIC HOSPITAL ("Clinton")

a corporation incorporated under the laws of the Province of Ontario

- and -

ST. MARYS MEMORIAL HOSPITAL ("St. Marys")

a corporation incorporated under the laws of the Province of Ontario

- and -

SEAFORTH COMMUNITY HOSPITAL ("Seaforth")

a corporation incorporated under the laws of the Province of Ontario

- and -

STRATFORD GENERAL HOSPITAL ("Stratford")

a corporation incorporated under the laws of the Province of Ontario

Background

- A. The Hospitals wish to form an alliance upon the terms and conditions in this Agreement to ensure coordinated planning of health care services in the communities served by the Hospitals through a single administration, Chief Executive Officer, board and staff, and through collaboration, joint planning, sharing of resources and developing links with other local and regional health care and social service agencies.

- B. The Hospitals are, together with Alexandra and Marine General Hospital (Goderich), Listowel Memorial Hospital (Listowel), South Huron Hospital (Exeter), and Wingham and District Hospital (Wingham), members of the Ministry-mandated Rural and Northern Hospital Network #10, and are committed to working as a network.
- C. The Hospitals wish to amend this Agreement to more accurately reflect the Hospitals' practice in acquiring property and employing personnel under this Agreement.

FOR VALUE RECEIVED, the parties agree as follows:

ARTICLE 1. DEFINITIONS

1.01 Definitions

Unless the context otherwise requires, the terms defined in this Agreement shall for all purposes have the meanings set forth below:

- (a) "Agreement" means this Agreement, including the following schedules attached to this Agreement:
 - (i) Schedule A: "Conflict of Interest Policy for Alliance Board";
 - (ii) Schedule B: "Endowment and Trust Funds of Hospitals on Effective Date";
 - (iii) Schedule C: "Liens on Assets and Real Property";
 - (iv) Schedule D: "Mission, Vision and Values of the Alliance",
all as amended from time to time;
- (b) "Alliance" means the Alliance formed by this Agreement under the name to be determined by the Alliance board from time to time;
- (c) "Alliance Personnel" has the meaning given to it in Section 4.03;
- (d) "Assets" means the capital equipment, material tangible assets, and cash owned by the Hospitals on the Effective Date;
- (e) "Business Day" means Monday through Friday, excluding statutory holidays;
- (f) "Capital Account" is defined in Section 9.01;
- (g) "DHC" means the Grey Bruce Huron Perth District Health Council or its successors;

- (h) "Effective Date" means June 30, 2003;
- (i) "Event of Default" means, when used in relation to a Hospital, that:
 - (i) the Hospital shall have defaulted, for any reason other than Unavoidable Delay, in the observance or performance of any of its material covenants and obligations under or by virtue of this Agreement, including failure of the Hospital's corporate membership to confirm or approve actions taken by the Alliance board, and
 - (A) if such default can with due diligence be cured within sixty (60) days, such Hospital does not cure such default within sixty (60) days after receipt of a notice from the Alliance board or from any other Hospital asking it to cure such default, or
 - (B) if such default cannot with due diligence be cured within sixty (60) days, such Hospital does not promptly commence and proceed with due diligence to cure such default after receipt of a notice from the Alliance board or from any other Hospital asking it to cure such default; or
 - (ii) any representation or warranty made by the Hospital in this Agreement is found to be incorrect or incomplete; or
 - (iii) the Hospital has committed an Event of Insolvency;
- (j) "Event of Insolvency" means, when used in relation to a Hospital, that:
 - (i) a resolution is passed by a Site Committee or an order made for the winding-up, liquidation or dissolution of such Hospital;
 - (ii) a petition by a Site Committee or a third party is filed for the winding-up, liquidation, revocation or dissolution of such Hospital unless the petition is being disputed in good faith by appropriate proceedings and such proceedings effectively postpone enforcement of the petition;
 - (iii) such Hospital's Site Committee decides to make an assignment for the benefit of its creditors;
 - (iv) such Hospital becomes bankrupt or, as an insolvent debtor, the Hospital's Site Committee takes the benefit of any

statute now or hereafter in force for bankrupt or insolvent debtors; or

- (v) a receiver or other officer with like powers is appointed for such Hospital for a substantial part of its assets or with respect to such Hospital's Percentage Interest, unless the appointment of such receiver or other officer with like powers is being disputed in good faith;
- (k) "Fiscal Year" means the twelve (12) month fiscal period of the Alliance ending on the 31st day of March in each year;
- (l) "Funded Hospital Equipment" is defined in Section 4.01(c)(iii);
- (m) "GAAP" means generally accepted accounting principles as established by the Canadian Institute of Chartered Accountants;
- (n) "Hospital" means each of Clinton, St. Marys, Seaforth, and Stratford, and "Hospitals" means all of them;
- (o) "including" means including without limitation;
- (p) "Intercorporate Transfer Account" is defined in Section 9.02;
- (q) "local advisory committee" is defined in Section 3.05;
- (r) "Ministry" means the Ontario Ministry of Health and Long-Term Care;
- (s) "Ministry Direction" means a binding direction from the Ministry (or other body with authority to issue such a binding direction) to a Hospital to cease its operations or to cease participating in the Alliance;
- (t) "MIS" means the Management Information System as developed by CIHI (the Canadian Institute for Health Information);
- (u) "OHRS" means the Ontario Hospital Reporting System as developed by the Ministry;
- (v) "Operating Plan" means a financial plan to be prepared for the Alliance each fiscal year for the approval of the Alliance board, outlining the Alliance's proposed expenditures and revenues;
- (w) "Percentage Interest" means the interest of each of the Hospitals in the Alliance, expressed as the percentage set out opposite the Hospital's name in Section 4.02, which percentage may be altered only in accordance with the terms hereof;

- (x) "Professional Staff" means those physicians, dentists, midwives and extended class nurses who are granted privileges by the Alliance board to practice medicine, dentistry, midwifery, or extended class nursing, respectively, at the Hospital's facility;
- (y) "Real Property" means land and buildings owned or leased by the Hospitals on the Effective Date;
- (z) "Rural and Northern Healthcare Framework" means the policy framework released by the Ministry in June 1997, as amended from time to time, designed to provide guidance to Ontario's district health councils, hospitals, other healthcare agencies and the Health Services Restructuring Commission on how best to achieve hospital restructuring in rural and northern communities while maintaining and improving access to care and making the best use of financial and human resources;
- (aa) "Rural and Northern Hospital Network #10" is defined in Recital B;
- (bb) "Signing Date" is defined on the first page of this Agreement;
- (cc) "Site Chief" means the physician with active staff privileges at a Hospital that has primary accountability to the Alliance's Chief of Staff for quality of care at that Hospital site;
- (dd) "Site Committee" is defined in Schedule A "Conflict of Interest Policy for Alliance Board";
- (ee) "Supermajority Vote" means that:
 - (i) at least seven (7) days' prior notice of the subject matter to be discussed has been given to all Alliance board members; and
 - (ii) at least two-thirds (2/3) of the Alliance board members eligible to vote and present at a meeting held to consider the matter vote affirmatively; and
- (ff) "Unavoidable Delay" means a delay in the performance of an act or compliance with a covenant caused by an act of God, fire, strike, lockout, inability to obtain or delay (which is not reasonably within the control of the party obliged to perform or comply) in obtaining material, equipment or transport, inability to obtain or delay (which is not reasonably within the control of the party obliged to perform or comply) in obtaining governmental approvals, permits, licences or allocations, restrictive laws or governmental regulations, or any other cause, whether of the kind specifically enumerated above or not, which is not reasonably within the control of the party obliged

to comply or perform, but does not mean a delay caused by lack of funds or other financial reasons of a party.

1.02 Ministry Approval

The Hospitals acknowledge and agree that if the Ministry's approval to this Agreement is required under section 4 of the *Public Hospitals Act* (Ontario), this Agreement shall be conditional upon obtaining such approval.

ARTICLE 2. THE ALLIANCE

2.01 Establishment of the Alliance

The Hospitals agree to constitute and form an alliance under and pursuant to the laws of the Province of Ontario for the purposes and scope described in this Agreement.

2.02 Name of the Alliance

The Alliance shall carry on business under the name or names as the Alliance board may determine from time to time.

2.03 Purpose of Alliance

The purpose of the Alliance is to identify, co-ordinate, administer and implement the integration of administrative and patient services delivered by the parties to the Alliance in order to maintain and improve the delivery and quality of health care services in the communities served by the Alliance.

2.04 Mission, Vision and Values of the Alliance

- (a) The mission, vision and values of the Alliance is set out in Schedule D, which mission, vision and values may be amended from time to time by the Alliance board.
- (b) The Alliance board will revisit the Alliance's mission, vision and values at least every three (3) years and, where necessary or advisable, make appropriate changes.

2.05 Principles of Alliance

Each of the Hospitals understands and is committed to the following principles that are the fundamental basis of this Agreement:

- (a) Each Hospital will maintain its own corporate existence and corporate membership.
- (b) Each Hospital will retain ownership of the Real Property and the Assets that it owns on the Effective Date, including the endowment or trust funds held by the Hospitals on the Effective Date (as more particularly described in Schedule B).
- (c) Nothing in this Agreement or in the creation or operation of the Alliance is intended to impact on the autonomy of the Hospital's existing foundations and auxiliaries.
- (d) The Alliance will be governed by an Alliance board model as described in this Agreement.
- (e) The Alliance will have one Chief Executive Officer, one administration, and one staff.
- (f) The Hospitals will work together, and encourage their Professional Staffs to work together, to attain the goal of an integrated Professional Staff.
- (g) All Hospital budgets will be pooled in order that the Alliance board can create one Operating Plan for the Alliance. The Hospitals recognize that the Ministry currently requires separate reporting under separate hospital numbers, despite the Hospitals' participation in the Alliance.
- (h) The Hospitals will provide health care services on a cooperative basis and to do all things necessary or desirable to give effect to this Agreement.
- (i) The Hospitals remain committed to work with the other members of Rural and Northern Hospital Network #10 to fulfill the Network's obligations as set out in the Rural and Northern Hospital Network Report to Network #10.
- (j) No new hospital or entity may be added to this Alliance unless:
 - (i) the Alliance board approves the addition of the new party by a Supermajority Vote of the Alliance board; and
 - (ii) the party agrees to become a party to this Agreement by written amendment, assuming the same responsibilities and entitlements as the existing Alliance members;

- (k) Resource allocation decisions, including with respect to the sizing and siting of clinical services and programs within the Alliance, should be made by the Alliance board:
 - (i) in the best interests of the Alliance and of the communities served by the Alliance;
 - (ii) after consultation with key stakeholders (including the local advisory committee) where the resource allocation decision is likely to have a significant impact on a particular hospital site;
 - (iii) after considering reasonable alternative strategies, together with the potential impact of such alternative strategies; and
 - (iv) after considering that sustainability of the four separate hospital sites is important and health care should be provided, optimally, in each of the Hospital's communities.

2.06 Goals of the Alliance

- (a) The Hospitals agree that, for the first two (2) years of the Alliance, the following shall be their primary short-term goals:
 - (i) integration of the staff of the Hospitals under a single administration and leadership, to best utilize the full potential of all staff and to reduce duplication, most immediately in the following services, which is a priority for the Alliance:
 - (A) finance/payroll;
 - (B) information technology/information systems;
 - (C) purchasing;
 - (D) health information services;
 - (E) dietary;
 - (F) housekeeping;
 - (G) maintenance;
 - (H) security;
 - (I) pharmacy;
 - (J) rehabilitation; and

- (K) diagnostic services;
 - (ii) development and implementation of common human resources and clinical policies and procedures governing all Alliance staff;
 - (iii) integration of the Professional Staffs and clinical staffs of the Hospitals;
 - (iv) creation of new full-time employment opportunities within the Alliance that will increase the ability of the Alliance to recruit and retain staff and Professional Staff;
 - (v) preparation of an integrated Operational Plan for the Alliance and allocation of Alliance resources to maximize efficiencies and funding opportunities;
 - (vi) entering into an agreement with Rural and Northern Hospital Network #10 to reflect the Alliance's endorsement of and participation in the Network; and
 - (vii) sizing and siting the clinical services and programs offered by the Alliance, following which the Alliance will work with Rural and Northern Hospital Network #10 to size and site clinical services and programs across the Network.
- (b) The Alliance board will review and revise these goals before the second anniversary of the Alliance.

ARTICLE 3. GOVERNANCE OF THE ALLIANCE

3.01 Alliance Board Model

- (a) The Alliance will be governed by an Alliance board. In this model, each Hospital corporation will have the same board, including the same elected and ex officio directors, as outlined more particularly in Section 3.02, as it may be amended from time to time.
- (b) The Alliance board shall govern and oversee the management of the Alliance and each of the Hospitals and shall be responsible for appointing and reviewing the performance of the Chief Executive Officer and the Chief of Staff of the Alliance.

3.02 Initial Alliance Board

The initial Alliance board will be composed as follows:

- (a) eleven (11) elected directors, selected as follows:
 - (i) two (2) directors selected by the Clinton board, as it exists prior to the Effective Date;
 - (ii) two (2) directors selected by the St. Marys board, as it exists prior to the Effective Date;
 - (iii) two (2) directors selected by the Seaforth board, as it exists prior to the Effective Date;
 - (iv) three (3) directors selected by the Stratford board, as it exists prior to the Effective Date; and
 - (v) two (2) directors selected by the Stratford board, as it exists prior to the Effective Date, as regional representatives of the primary catchment area served by Stratford; and
- (b) six (6) ex officio physicians as required by the *Public Hospitals Act* (Ontario), as follows:
 - (i) one (1) Chief of Staff appointed by the Alliance board for all four (4) Hospitals;
 - (ii) four (4) Site Chiefs (one per Hospital), responsible for quality of care at each Hospital and accountable to the Chief of Staff. At all Hospitals except Stratford, the Site Chief will also serve as the President of the Medical Staff and will be elected by the Medical Staff at each Hospital, subject to confirmation by the Alliance board. At Stratford the Site Chief will also serve as the Vice-President of the Medical Staff, elected by the Medical Staff; and
 - (iii) the President of the Medical Staff of Stratford.

3.03 Chair and Executive Committee of Initial Alliance Board

- (a) The Alliance board will elect a Chair from amongst its members to serve a one (1) year term. The Chair shall not serve more than three (3) consecutive years as Chair; provided that, after a one (1) year's absence from the Alliance board, a person may be elected again to the office of Chair.
- (b) The initial Alliance board shall elect an initial Executive Committee from amongst its members consisting of:
 - (i) one representative from each of the communities in which the member Hospitals are located; and

- (ii) the Chief of Staff.

3.04 Successors to the Initial Alliance Board

- (a) The Alliance board will determine a process to ensure that at least four (4) elected directors retire from the Alliance board each year.
- (b) To determine the persons who will succeed the initial Alliance board members, a Governance Committee will be struck by the Alliance board to review all nominations and select, for recommendation to the Alliance board, the candidates who best meet the Alliance board's needs. The Governance Committee will ensure that it seeks nominations from the local advisory committees, which will be given particular consideration, and from the memberships of each of the Hospitals.
- (c) The Alliance board will ensure that the regional representation of the elected directors, as reflected by the initial Alliance board, is carried forward into subsequent boards, being:
 - (i) two (2) directors from the catchment area served by the Clinton hospital;
 - (ii) two (2) directors from the catchment area served by the St. Marys hospital;
 - (iii) two (2) directors from the catchment area served by the Seaforth hospital;
 - (iv) three (3) directors from the catchment area served by the Stratford hospital; and
 - (v) two (2) directors to serve as regional representatives of the primary catchment area served by Stratford.
- (d) The Alliance board will present a slate of candidates (i.e., the same number of candidates as vacancies) for acclamation to the annual general meeting of each Hospital board.
- (e) All new Alliance board members will be required to participate in orientation programs as determined by the Alliance board from time to time.

3.05 Local Advisory Committees

- (a) Each Hospital will create and maintain a Local Advisory Committee for three primary purposes:

- (i) to provide input and education to the Alliance board on issues of importance to the community served by the Hospital, including:
 - (A) providing advice and consultation in the development of the Alliance's mission, vision and values;
 - (B) providing advice and consultation in the development of the Alliance's strategic plan;
 - (C) providing advice and consultation on any Alliance board decision to add or eliminate services and programs at the local Hospital facility;
 - (D) providing advice and consultation on local community health and wellness issues;
 - (E) providing advice and consultation on strategies for recruiting and retaining Professional Staff resources in the local community;
 - (F) providing ad hoc recommendations as to whether it is in the Hospital's best interest to withdraw from the Alliance, provided that a recommendation that a Hospital withdraw from the Alliance can be made to the Alliance board a maximum of once every two (2) years per local advisory committee;
 - (G) attending strategic planning advances with the Alliance board;
 - (H) working with the Alliance board to organize information sessions held by the Alliance for the local community; and
 - (I) at the request of the Alliance board, assisting with the coordination of efforts in the local community among the Alliance and the local Hospital's auxiliary and foundation;
- (ii) to approve the disposition by the Alliance board of any Real Property that was owned by the Hospital on the Effective Date; and
- (iii) to serve as a training ground for future Alliance board members. To that end, the Governance Committee shall encourage each local advisory committee to nominate candidates whenever a vacancy on the Alliance board in the

local advisory committee's community arises, and the Governance Committee shall give particular consideration to such candidates.

- (b) Each local advisory committee shall be comprised of:
 - (i) three (3) to ten (10) community representatives, as determined by the committee;
 - (ii) ex officio representatives as follows:
 - (A) the Chair or designated representative of the Hospital foundation;
 - (B) the President or designated representative of the Hospital auxiliary;
 - (C) one (1) director from the Alliance Board of Directors who resides in (or near) the community;
 - (D) the Site Chief of the Hospital; and
 - (E) one (1) municipal representative of the sitting Council as determined by the local municipalities in the hospital's catchment area.
- (c) Local advisory committee members must attend 75% of meetings to retain their membership on the local advisory committee.
- (d) The Local advisory committee shall endeavour to ensure that at least one-third ($1/3^{\text{rd}}$) of its community representatives retire from the local advisory committee each year. Except as required to commence the rotational retirements, members will serve for a term of three (3) years, up to a maximum term of nine (9) years. Where a new Alliance board member has served on a local advisory committee, that board member's period of service on the local advisory committee will not count towards his or her term limit as an Alliance board member.
- (e) The Alliance board shall ensure that each local advisory committee shall advertise annually in the local communities for interested persons to participate on the local advisory committee. Each local advisory committee shall recommend to the Alliance board the individuals to fill any vacancies arising on the local advisory committee, taking into account the skills, knowledge, experience and perspective of the candidates.

- (f) The local advisory committee shall annually nominate members to participate on an Alliance board committee that the Alliance board has designated as requiring community representation. All such nominees are subject to approval by the Alliance board. Any local advisory committee member serving on an Alliance board committee shall have full voting rights on such committee but is not eligible to serve as the chair of such committee.
- (g) The local advisory committee shall endeavour to reach consensus when making decisions. Failing which, a majority vote shall be determinative, so long as the majority of the voting members are community representatives. Furthermore, the local advisory committee shall not transact business unless a majority of the community representatives is present.
- (h) Each local advisory committee shall:
 - (i) meet at least quarterly;
 - (ii) be entitled to receive regular reports from the Alliance board, in the form of minutes (other than *in-camera* minutes), briefs or executive summaries, and;
 - (iii) report to the Alliance board a maximum of four (4) times per year.
- (i) Participation by a person on a local advisory committee is conditional on the person signing an acknowledgement that s/he:
 - (i) is representing the best interests of the Hospital
 - (ii) is a fiduciary of the Hospital that the local advisory committee represents;
 - (iii) has read and understood the conflict of interest and confidentiality requirements of the Hospital's by-laws, which apply to all local advisory committee members; and
 - (iv) agrees to participate in the Alliance's Alliance board orientation and continuing education programs.
- (j) Where a local advisory committee member is asked to serve on an Alliance board committee (pursuant to paragraph (f)), participation by that local advisory committee member on that Alliance board committee is conditional on that individual signing an acknowledgement that:
 - (i) is representing the best interests of the Alliance

- (ii) he or she is a fiduciary of the Alliance when serving on the Alliance board committee and must place the best interests of the Alliance above his or her own best interests; and
- (iii) he or she has read and understood the conflict of interest and confidentiality requirements of the Alliance by-laws, which apply to all Alliance board committee members.

3.06 Conflict of Interest

- (a) The Hospitals agree and acknowledge that the Alliance board will make its decisions in good faith, in the best interests of the Alliance and the communities served by the Hospitals. The best interests of the Alliance supersede and are paramount to the best interests of any one particular Hospital under this Agreement.
- (b) The Hospitals acknowledge that there may be limited circumstances in which the Alliance board members are faced with issues that have a significantly different impact on a particular Hospital, where that Hospital's interests may differ from the interests of the Alliance, including:
 - (i) the receipt by the Alliance board of advice from a local advisory committee that a Hospital should withdraw from the Alliance; or
 - (ii) the occurrence of an Event of Default by a Hospital.

In order to deal with such conflicts of interest, Schedule A is a conflict of interest policy that shall be adopted and followed by the Alliance board.

3.07 Alliance Board Meetings Generally

- (a) The Alliance board shall meet at least six (6) times per year.
- (b) In addition to the six (6) regular Alliance board meetings, the Alliance board shall hold an open annual community meeting (which may be held in combination with the annual meeting of one or more Hospitals) in order to report to the Huron Perth community on the operations of the Alliance.
- (c) Special meetings of the Alliance board shall be called by the Secretary of the Alliance board on the written request of any of the following:
 - (i) the Chair of the Alliance board; or

- (ii) any three (3) directors.
- (d) The public may attend meetings of the Alliance board; however, the Alliance board may, at its discretion and without notice, hold all or part of any regular or special meeting of the Alliance board *in camera* if the subject matter under consideration involves:
 - (i) the disclosure of intimate, personal or financial information in respect of an employee or prospective employee of the Alliance; a member of the Professional Staff; a patient; or a director, officer or committee member of the Alliance or any Hospital;
 - (ii) the acquisition or disposition of real estate, including Real Property;
 - (iii) the deliberations or decisions in respect of negotiations with employees of the Alliance or members of the Professional Staff;
 - (iv) any legal proceeding or potential legal proceeding affecting the Alliance or one or more of the Hospitals;
 - (v) instructions given to or opinions received from professional advisors (e.g., lawyers, auditors, architects) to the Alliance or to any one or more of the Hospitals; or
 - (vi) such other matter deemed by the Chair of the Alliance board to be of a sensitive or confidential nature.

3.08 Officers of the Alliance Board

- (a) On an annual basis, the Alliance board shall elect the following officers from amongst its elected directors:
 - (i) Chair;
 - (ii) Vice-Chair; and
 - (iii) Treasurer.
- (b) The Chief Executive Officer shall serve as the Secretary of the Alliance board, unless changed by resolution of the Alliance board.
- (c) The member of the Alliance board who is the most recent retired Chair of the Alliance board shall serve as Past Chair, if continuing on the Alliance board.

3.09 Notice of Alliance Board Meetings

- (a) The Chair shall give each representative written notice of the time and place of each regular meeting of the Alliance board and a brief description of matters to be considered at least five (5) working days prior to the date of the meeting.
- (b) Notice of a special meeting of the Alliance board may be given by telephone and shall be given at least twenty-four (24) hours in advance of the meeting. The notice of a special meeting shall state the purpose for which it is called.

3.10 Conference Telephone Meetings

The Alliance board members may participate in a meeting of the Alliance board or of a committee of the Alliance board by means of telephone conference, videoconference, or electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and a person participating in such a meeting by such means is deemed to be present in person at the meeting.

3.11 Quorum

A quorum for a meeting of the Alliance board shall be a majority of the directors, provided there are at least six (6) elected directors present at the meeting.

3.12 Alliance Board Committees

The initial terms of reference of the Alliance board committees shall be included in an Alliance board committee policy, as amended by the Alliance board from time to time.

3.13 Role of each Hospital's Corporate Membership in Alliance Governance

- (a) Each Hospital corporation retains its corporate membership, as that membership exists on the Effective Date.
- (b) Each Hospital's corporate membership has the following powers at law (pursuant to the *Corporations Act* (Ontario) and the *Public Hospitals Act* (Ontario)):
 - (i) to elect the directors of the Hospital corporation (where there are more candidates than vacancies);

- (ii) to receive the audited financial statements of the Hospital corporation at the annual meeting;
- (iii) to appoint the auditors of the Hospital corporation for the subsequent year;
- (iv) confirming new by-laws passed by the directors or amendments to the by-laws approved by the directors at the annual meeting;
- (v) to approve by special resolution certain special acts that are outside the ordinary course of business and that the Alliance board has already approved:
 - (A) authorizing the sale, lease or exchange of the undertaking of the Hospital corporation or any part thereof (as an entirety or substantially as an entirety);
 - (B) authorizing any by-law of the Hospital corporation relating to borrowing of money on the credit of the Hospital corporation or mortgaging or pledging the Hospital corporation's assets;
 - (C) removing a director from office prior to the expiration of the director's term, if the by-laws so allow;
 - (D) authorizing the removal of the Hospital corporation's auditor prior to the expiration of the auditor's term;
 - (E) authorizing an amalgamation agreement;
 - (F) authorizing a by-law providing for the division of corporate members or directors into groups;
 - (G) authorizing an application to the Lieutenant Governor for the issuance of supplementary letters patent extending, limiting or otherwise varying its objects, name or powers;
 - (H) approving a resolution changing the head office of the Hospital corporation;
 - (I) authorizing by-laws that allow a quorum for board meetings to be less than a majority of board members (but never less than 2/5ths of board members);
 - (J) authorizing by-laws that allow for the election of a chair by the directors and the duties of such a chair;

- (K) authorizing a by-law providing for the disposition of the Hospital corporation's property on dissolution to charitable organizations or organizations whose objects are beneficial to the community; and
 - (L) approving a resolution or by-laws increasing or decreasing the number of directors.
- (c) A "special resolution", as referenced in paragraph (b), is defined by the *Corporations Act* (Ontario) as a resolution passed by the directors and confirmed with or without variation by at least two-thirds of the votes cast at a general meeting of the members of the corporation duly called for that purpose, or, in lieu of such confirmation, by the consent in writing of all the members entitled to vote at such meeting.
- (d) The Alliance board may amend the by-laws of any Hospital, subject to the requirements for approval or confirmation of such amendments by the members contained in the *Corporations Act* (Ontario).

3.14 By-laws Must Conform to this Agreement

- (a) Each Hospital agrees to amend its by-laws to reflect the governance model described in this Agreement.
- (b) Each Hospital agrees to ensure that it has the same provisions respecting removing directors from office and filling vacancies on the Alliance board.
- (c) Failure of a Hospital to amend its by-laws to reflect the governance model in this Agreement will be an "Event of Default". If a Hospital fails to amend its by-laws in order to implement the initial Alliance board for the Effective Date, the Alliance board (as necessarily restructured) will work with the defaulting Hospital to ensure it has administrative (e.g., Chief Executive Officer) services for a reasonable transition period until other arrangements can be put in place for the defaulting Hospital.

ARTICLE 4. ASSETS & EMPLOYEES

4.01 Acquisition of Assets

- (a) The Alliance will own no assets, including real property. All assets will be owned individually or collectively by the Hospitals as outlined in this Section.

- (b) Subject to paragraphs (c) and (d) below, the general rule is that all assets, including equipment, materials, buildings, capital improvements and/or real property acquired after the Effective Date shall be acquired by the Hospitals collectively, in accordance with their respective Percentage Interests, the ownership of which and liability for which shall be reflected on the Hospitals' respective books. The Hospitals will develop a policy relating to the purchasing of stock supplies on behalf of the Hospitals.
- (c) The following assets shall be owned solely by an individual Hospital and not by the Hospitals collectively:
 - (i) endowment or trust funds acquired by or for a particular Hospital after the Effective Date;
 - (ii) any net revenues generated by such endowment or trust funds; and
 - (iii) any purchases after the Effective Date funded by Hospital-specific endowment or trust funds (including purchases funded by a Hospital's foundation for that specific Hospital only using endowment or trust funds) (the "Funded Hospital Equipment").
- (d) The Alliance board may decide, from time to time, that any particular asset will be acquired by one or more Hospitals and will not be owned collectively by all of the Hospitals as contemplated in paragraph (b). Ownership of the particular assets, and liability for the particular asset, will be reflected on the Hospitals' respective books accordingly.

4.02 Percentage Interest

- (a) Each Hospital's Percentage Interest in the Alliance shall be based on the following formula:
 - (i) a Hospital's proportionate share of the base funding provided by the Ministry as compared to the aggregate base funding provided by the Ministry to the Hospitals, calculated as of March 31, 2002;
 - (ii) "base funding" is defined as ongoing, year-to-year monetary commitments by the Ministry, excluding one-time funding given to a particular Hospital.
- (b) The Hospitals agree that this formula results in the following Percentage Interests:

- (i) Clinton: 11.5%
 - (ii) St. Marys: 9.4%
 - (iii) Seaforth: 8.8%
 - (iv) Stratford: 70.3%.
- (c) Each Hospital acknowledges and agrees that, as of the Effective Date, its Percentage Interest generally determines the Hospital's share of assets and liabilities acquired or incurred collectively by the Hospitals under this Agreement, except as otherwise provided in Section 4.01.
- (d) A Hospital's Percentage Interest may be amended by the Alliance board from time to time. In the event that the Alliance adds or removes a member, the Alliance board shall recalculate each Alliance member's Percentage Interest.

4.03 Alliance as the Employer

- (a) In order to facilitate the transfer of personnel between the Hospitals, the Alliance will, for labour relation purposes, become the employer, with a separate employer number, for all employees of each Hospital who:
- (i) were employed by the Hospitals immediately prior to the Effective Date, and
 - (ii) are hired by the Alliance or any of the Hospitals on or subsequent to the Effective Date,
- (collectively, the "Alliance Personnel").
- (b) For greater certainty, the Alliance will act solely as each Hospital's agent and nominee in retaining and employing Alliance Personnel.
- (c) The Alliance will assume the Alliance Personnel under paragraph (a)(i) on the same terms and conditions as they were employed by the Hospitals, including recognition of prior employment for all purposes, including without limitation with respect to vacation entitlement and notice of termination of employment, and including assuming the role of successor employer under all collective agreements.

4.04 Joint and Several Liability for Alliance Personnel

- (a) The Hospitals agree to be jointly and severally liable for all obligations relating to or arising from the employment of the Alliance Personnel.
- (b) The Alliance board may develop a policy for allocating amongst the Hospitals liability for Alliance Personnel as they determine appropriate from time to time, which may include allocating liability based on the primary Hospital at which the Alliance Personnel perform their employment duties. Any decision of the Alliance board to allocate liability amongst the Hospitals under this paragraph shall not in any way limit the Hospitals' joint and several liability for the Alliance Personnel to third party claimants.
- (c) Each Hospital shall notify its insurer of the assumption by the Hospital of joint and several liability for the Alliance Personnel as provided in this Agreement and shall adjust its occurrence-based insurance coverage appropriately.

ARTICLE 5. TERM AND TERMINATION OF ALLIANCE

5.01 Term of the Alliance

The Alliance shall commence as of the Effective Date and continue until:

- (a) such time as the Alliance board agrees by a Supermajority Vote to terminate the Agreement and the Alliance, or
- (b) it is otherwise terminated by law.

5.02 Withdrawal

- (a) In the event any Hospital's Site Committee determines, pursuant to the conflict of interest policy (Schedule A) that it is in the best interests of the Hospital to withdraw from the Alliance, the Site Committee shall immediately report its decision to the Alliance board.
- (b) The withdrawing Hospital shall withdraw from the Alliance effective on the fiscal year end that follows the Site Committee's report to the Alliance board, provided that the fiscal year end is at least six (6) months after the date of such report.
- (c) The Alliance board (voting without the withdrawing Hospital's Site Committee members participating) may, in its discretion, choose to waive the notice required by paragraph (b) in whole or in part.

5.03 Required Withdrawal

- (a) In the event that a Hospital has committed an Event of Default and the cure period, if any, specified for such default has expired, the Alliance board may determine, pursuant to the conflict of interest policy (Schedule A) to:
 - (i) require the defaulting Hospital to withdraw from the Agreement and the Alliance; or
 - (ii) waive or excuse the Event of Default, on the terms and conditions set by the Alliance board, which may include allocating liability arising from the Event of Default solely to the defaulting Hospital; or
 - (iii) immediately terminate the Agreement and the Alliance pursuant to Article 6.
- (b) In addition, a Hospital shall be required to withdraw from the Agreement and the Alliance in the event it receives a Ministry Direction.
- (c) In the event the Alliance board requires the defaulting Hospital to withdraw from the Agreement and the Alliance, the defaulting Hospital shall withdraw from the Alliance effective on the fiscal year end that follows the decision of the Alliance board, provided that the fiscal year end is at least six (6) months after the date of such decision.
- (d) The Alliance board (voting without the defaulting Hospital's Site Committee members participating) may, in its discretion, choose to waive the notice required by paragraph (b) in whole or in part.

5.04 Withdrawal Reconciliation

- (a) Any Hospital that withdraws from this Agreement (whether under Section 5.02 or 5.03) and from the Alliance shall be responsible for:
 - (i) its own expenses incurred relating to its withdrawal from the Alliance;
 - (ii) any costs or expenses incurred by the Alliance related to the Hospital's withdrawal from the Alliance;
 - (iii) its Percentage Interest of any existing and ongoing liabilities (including equipment loans and lines of credit) incurred by the Hospitals collectively during the period that the withdrawing Hospital was a member of the Alliance;

- (iv) its Percentage Interest of the ongoing (i.e., following the withdrawing Hospital's withdrawal date) obligations under contracts that have been entered into by the Alliance on behalf of the Hospitals collectively, unless the contract allows for the withdrawal of a Hospital during the contract's term; and
 - (v) settling all Intercorporate Transfer Accounts and Capital Accounts.
- (b) The withdrawing Hospital shall, on withdrawal:
- (i) be (for greater certainty) the exclusive owner of any Assets (excluding cash) or Real Property that it owned prior to the Effective Date, unless the Hospital has disposed of such Assets or Real Property;
 - (ii) be the exclusive owner of any cash on its books and its Funded Hospital Equipment;
 - (iii) be the exclusive owner of any assets or real property purchased after the Effective Date that the Alliance board has determined pursuant to Section 4.01(d) will be owned exclusively by the Hospital;
 - (iv) assume title to those assets or real property purchased after the Effective Date that the Alliance board determines should be taken by the withdrawing Hospital, upon payment to the other Hospitals of their Percentage Interests of the net book value of such assets or real property as reflected on the books of the respective Hospitals, together with applicable taxes;
 - (v) in consideration for its Percentage Interest of the remaining assets owned collectively by the Hospitals (including cash), be paid an amount equal to fifty percent (50%) of its Percentage Interest of the net book value of such assets as reflected on the books of respective Hospitals;
 - (vi) offer employment to those Alliance employees, as identified by the Alliance board, whose primary responsibilities are affiliated with the Hospital site, on the same terms and conditions as they were employed by the Alliance, including recognition of prior employment for all purposes, including without limitation with respect to vacation entitlement and notice of termination of employment, and assume, with respect to those Alliance Personnel to whom it offers

employment, the obligations of the Alliance under the existing collective agreements; and

- (vii) have the right to use (subject to any existing contractual or other limitations) any services or systems established or implemented by the Alliance during the period that the withdrawing Hospital was a member of the Alliance, provided that the withdrawing Hospital pays to the Alliance the fair market value of such usage, assessed by the Alliance acting reasonably, taking into account any amounts the withdrawing Hospital will have paid for its share of ongoing collective liabilities under paragraphs (a)(iii) and (a)(iv).

ARTICLE 6. DISSOLUTION

6.01 Agreement to Dissolve

The Alliance may be dissolved by a Supermajority Vote of the Alliance board.

6.02 No Dissolution

The Alliance shall not be dissolved by the bankruptcy, insolvency or receivership of a Hospital or by a binding direction of the Ministry to one of the Hospitals to amalgamate or cease its operations, as the case may be, or the admission of a new party to the Alliance in accordance with the terms of this Agreement.

6.03 Distribution of Assets

On dissolution of this Agreement, each Hospital shall:

- (a) be (for greater certainty) the exclusive owner of any Assets (excluding cash) or Real Property that it owned prior to the Effective Date, unless the Hospital has disposed of such Assets or Real Property;
- (b) be the exclusive owner of any cash on its books and its Funded Hospital Equipment;
- (c) be the exclusive owner of any assets or real property purchased after the Effective Date that the Alliance board has determined pursuant to Section 4.01(d) will be owned exclusively by the Hospital;

- (d) assume title to those assets or real property purchased after the Effective Date that the Alliance board determines should be taken by the Hospital, upon payment to the other Hospitals of their Percentage Interests of the net book value of such assets or real property as reflected on the books of the respective Hospitals, together with applicable taxes;
- (e) in consideration for its Percentage Interest of the remaining assets owned collectively by the Hospitals that are taken by the other Hospitals at the dissolution date, be paid an amount equal to its Percentage Interest of the net book value of such assets as reflected on the books of the respective Hospitals;
- (f) be responsible for its Percentage Interest of any existing and ongoing liabilities incurred collectively by the Hospitals prior to the dissolution date, including the expenses related to the dissolution;
- (g) settle all Intercorporate Transfer Accounts and Capital Accounts;
- (h) offer employment to those Alliance Personnel identified by the Alliance board as the responsibility of that Hospital, on the same terms and conditions as they were employed by the Alliance, including recognition of prior employment for all purposes, including without limitation with respect to vacation entitlement and notice of termination of employment; and
- (i) assume, with respect to those Alliance Personnel to whom they offer employment, the obligations of the Alliance under the existing collective agreements.

6.04 Renegotiation of Alliance Contracts

The Alliance board will, prior to the dissolution, use its best efforts to negotiate with third parties an equitable distribution of the Alliance's contractual rights amongst the Hospitals, or to terminate such contracts with a minimum of termination costs to the Alliance.

ARTICLE 7. COVENANTS, REPRESENTATIONS AND WARRANTIES OF THE HOSPITALS UPON ENTERING INTO THE ALLIANCE

7.01 Representations and Warranties with Respect to each Hospital

Each of the Hospitals hereby represents and warrants that it:

- (a) is a corporation duly incorporated and in good standing under the laws of the Province of Ontario;

- (b) is a hospital approved under the *Public Hospitals Act* (Ontario);
- (c) has the capacity and corporate authority to act as a Hospital and to perform its obligations under this Agreement (subject to the approval by the Hospital's membership of the amendments to the Hospital's by-laws that will be required to reflect the governance structure contained in this Agreement), and such obligations do not and will not conflict with or constitute a breach of its letters patent, by-laws or any agreement by which it is bound;
- (d) owns all of the assets reflected on its financial statements with good and marketable title, free and clear of any and all claims, liens or encumbrances whatsoever and of any rights or privileges capable of becoming claims, liens or encumbrances, except as identified on Schedule C, and it is entitled to grant to the other Hospitals a licence to use its assets in accordance with the terms and conditions contained in this Agreement; and
- (e) has disclosed, in its audited financial statements dated as at March 31, 2002, and all of its interim financial statements available as of the Effective Date, all of its material liabilities and obligations (accrued, absolute, contingent or otherwise) and is not in default in respect of any terms or conditions of any indebtedness or liability.

7.02 Authority to Bind

Nothing in this Agreement shall be construed to confer on any Hospital any authority or power to act for, or to undertake any obligation or responsibility on behalf of, the other Hospitals or the Alliance, except as otherwise expressly provided in this Agreement.

7.03 Performance by Hospitals

Each Hospital covenants and agrees to perform and observe all the terms and conditions of this Agreement and to execute and deliver, or cause to be executed and delivered, such instruments as may from time to time be required in order to carry out the purposes of the Alliance.

ARTICLE 8. OPERATING PLAN

8.01 Operating Plan Approval Process

- (a) The Resources Committee of the Alliance board and the Chief Executive Officer shall submit annually to the Alliance board for approval a proposed Operating Plan for the forthcoming fiscal year, including a budget for the Alliance, which Operating Plan will identify in reasonable detail resource requirements, potential

revenue sources, and the potential implications of the Operating Plan on the Alliance;

- (b) The Operating Plan shall be prepared on a basis consistent with GAAP, OHRS and MIS.
- (c) The Operating Plan, when approved by the Alliance board, shall be submitted to the Ministry and DHC for review and approval. To the extent required by the Ministry, the Operating Plan will be broken down amongst the Hospitals so that each Hospital submits an individual operating plan.

ARTICLE 9. CAPITAL AND INTERCORPORATE ACCOUNTS; THIRD PARTY FINANCING

9.01 Capital Account

A separate capital account (the "Capital Account") for each Hospital shall be established on the books of the Alliance, which account shall show all capital amounts credited to the Hospital under this Agreement. The Capital Account will generally be a reflection of each Hospital's Percentage Interest of the Alliance's accumulated surplus and deficit, at any time.

9.02 Intercorporate Transfer Account

The Alliance shall maintain for each Hospital, in addition to its Capital Account, an account to be designated as an "Intercorporate Transfer Account", which will facilitate and record the transfers of funds between the Hospitals, including base and other operating funding received from the Ministry.

9.03 Ongoing Contributions

Each Hospital shall be required to make available to the Alliance the aggregate funding it receives from the Ministry and all revenues related to any services provided by the Hospital, excluding endowments described in Section 4.01(c). Funds will be transferred from time to time between Alliance bank accounts and Hospital bank accounts based on revenues and expenditures allocated to each respective Hospital, or as directed by the Alliance board.

9.04 Withdrawal from Capital and Capital Account Limited by this Agreement

No Hospital shall be entitled to withdraw any part of its Capital Account or Intercorporate Transfer Account or receive any distributions from the Alliance, except as expressly provided in this Agreement.

9.05 Borrowings from Third Parties

- (a) Any and all additional funds required from time to time for the purposes of the Alliance, other than the monies advanced by the Hospitals under Section 9.03, including, any funds required for or in respect of the Alliance's operations, shall be obtained by way of loans from the parties' banks or other lenders at commercially competitive rates.
- (b) The decision as to whether or not such funds are required, from whom the same shall be borrowed, and the terms and conditions of such borrowing shall be determined by the Alliance board. Subject to paragraph (c) below, each Hospital shall be responsible for its Percentage Interest of the borrowings. If required, each Hospital shall provide its several guarantee for its Percentage Interest of all amounts borrowed.
- (c) From time to time, the Alliance board may identify projects (such as significant capital improvement, building or renovation projects) under Section 4.01(a) that ought to be the responsibility of one or more Hospitals rather than the Alliance as a whole. In those circumstances, the Alliance board will determine the Hospitals' respective rights and obligations for such projects, including with respect to responsibilities relating to borrowing principal to fund the project. In any event, the Alliance would be responsible for servicing any interest costs for such borrowings.
- (d) The provisions of this Section are subject to such limitations on borrowing and providing guarantees as are contained in the Hospital's letters patent.

ARTICLE 10. ALLOCATION OF NET REVENUES (DEFICIT) OF THE HOSPITALS

10.01 Allocation of Net Revenues (Deficit) of the Hospitals

The Hospitals will, on a collective basis, share amongst themselves the net revenues (deficit) of the Hospitals, which shall be determined by the Hospitals in accordance with GAAP, OHRS and MIS. For each Fiscal

Year, the aggregate net revenues (deficit) will be allocated to the Hospitals' Capital Accounts in accordance with the Percentage Interests of the Hospitals. This allocation shall cease if prohibited by the Ministry. For greater certainty, assets owned by an individual Hospital as identified in Section 4.01 shall not be included in the calculation in the calculation of the Hospitals' aggregate net revenues (deficit).

ARTICLE 11. OTHER FINANCIAL AND ACCOUNTING MATTERS

11.01 Fiscal Year

The Fiscal Year of the Alliance shall end on the 31st day of March in each year.

11.02 Accounting Principles

The financial books and records of the Alliance and of each Hospital shall be kept in accordance with GAAP, OHRS and MIS.

11.03 Books and Records

Proper accounts shall be kept of all transactions of the Alliance and of each Hospital, and at the end of each fiscal year (or as soon thereafter as possible), a financial report shall be prepared showing combined financial statements, prepared in accordance with GAAP, OHRS and MIS, for the operations of the Alliance, together with the Capital and Intercorporate Transfer Accounts of each Hospital.

11.04 Operating Plan

The Operating Plan for the Alliance in respect of each Fiscal Year shall be submitted to the Alliance board for their approval in accordance with Section 8.01.

11.05 Auditors

The auditors of the Alliance shall be such firm of chartered accountants, with demonstrated experience in providing auditing services to multi-site health care organizations, as shall be appointed from time to time by the Alliance board.

11.06 Quarterly Operating Statements

The Alliance board shall receive quarterly financial operating reports prepared by the Alliance's chief financial officer, together with such other financial reports as may be requested by the Alliance board.

11.07 Annual Report

- (a) Within one hundred and twenty (120) days after the end of each Fiscal Year of the Alliance, the Alliance board shall prepare an annual report consisting of:
 - (i) financial statements of the Alliance and of each Hospital; and
 - (ii) any additional information that Alliance board may consider necessary or advisable.
- (b) The said financial statements shall be audited by the auditors of the Alliance.

ARTICLE 12. INDEMNITY & INSURANCE

12.01 Indemnification for Unauthorized Acts

Each Hospital shall be indemnified by the others and held harmless against and from all claims, demands, actions and rights of action which shall or may arise by virtue of anything done or omitted to be done by such other Hospitals (directly or through or by agents or other representatives) outside the scope of or in breach of the terms of this Agreement; provided that such other Hospitals shall be promptly notified of the existence of the claim, demand, action or right of action, and shall be given reasonable opportunity to participate in the defence thereof, and further provided that failure to give such notice shall not affect such other Hospitals' obligations hereunder, except to the extent of any actual prejudice to it resulting therefrom.

12.02 Indemnity for Collective Liabilities

If at any time any one of the Hospitals is required to pay or become liable for more than its Percentage Interest of the collective debts or liabilities of the Hospitals as provided for in this Agreement, that Hospital shall have, as against the other Hospitals, a right of recovery of the appropriate proportion of the payment of indemnification against such liability, and the Hospital shall have, on becoming liable for such debt, the first lien or charge on the capital and all other interest or interests of the other Hospitals in the Alliance.

ARTICLE 13. TRANSITIONAL PROVISIONS

13.01 Conduct of Hospitals Prior to Effective Date

During the Signing Date to the Effective Date, each Hospital shall do the following:

- (a) Except as otherwise contemplated or permitted by this Agreement, each Hospital shall operate in the ordinary and normal course, at its cost.
- (b) Each Hospital shall continue in force all policies of insurance maintained by it in respect of its operations, Assets and Real Property.

13.02 Transition Provisions

During the period from the Signing Date until the Effective Date, a Hospital:

- (a) may enter into contracts, agreements or leases in the ordinary course which have a term of less than one (1) year;
- (b) shall seek the approval of the Executive Committees of the other Hospitals for any contracts, agreements or leases that it proposes to enter into that are not in the ordinary course or that have a term of one (1) year or more;
- (c) shall not impose any restrictions on the use of its existing funds; and
- (d) shall defer, where possible, the purchase of capital equipment until after the Effective Date; where not possible, the Hospital shall seek the approval of the Executive Committees of the other Hospitals prior to entering into capital equipment commitments prior to the Effective Date.

13.03 Conditions to Closing

The obligation of each Hospital to join the Alliance on the Effective Date shall be subject to the satisfaction of, or compliance with, at or before the Effective Date, each of the following conditions precedent:

- (a) All of the representations and warranties made by each of the other Hospitals shall be true and correct as at the Effective Date and with the same effect as if made at and as of the Effective Date. Each Hospital shall deliver a certificate of an authorized officer of that Hospital certifying that the representations and warranties given by

it under this Agreement are true, correct and accurate as at the Effective Date.

- (b) Each Hospital shall have performed or complied with all of its obligations, covenants and agreements hereunder requiring performance or compliance on or before the Effective Date, including obtaining the approval of its membership to the amendments to the Hospital's by-laws that will be required to reflect the governance structure contained in this Agreement.
- (c) Each Hospital shall have received a due diligence report on the other Hospital's financial status, liabilities (and potential liabilities), Assets and Real Property and endowments and trust funds, updated to within thirty (30) days prior to the Effective Date.

ARTICLE 14. GENERAL CONTRACT PROVISIONS

14.01 Notices

All notices, requests, demands or other communications by the terms hereof required or permitted to be given by one party to another shall be given in writing by personal delivery or by registered mail, postage prepaid, or fax addressed to the other parties or delivered to such other parties as follows:

- (a) to Clinton at:

98 Shipley Street
Clinton, Ontario N0M 1L0

Attention: Chief Executive Officer

Fax No.: (519) 482-5960
Tel No.: (519) 482-3447

- (b) to St. Marys at:

267 Queen Street West
P. O. Box 940
St. Marys, Ontario N4X 1B6

Attention: Chief Executive Officer

Fax No.: (519) 284-4631
Tel No.: (519) 284-1332 (3) x. 305

(c) to Seaforth at:

Box 99-24 Centennial Drive
Seaforth, Ontario N0K 1W0

Attention: Chief Executive Officer

Fax No.: (519) 527-2665
Tel No.: (519) 527-1650 ext. 221

(d) to Stratford at:

46 General Hospital Drive
Stratford, Ontario N5A 2Y6

Attention: Chief Executive Officer

Fax No.: (519) 271-7137
Tel No.: (519) 272-8202

or at such other address as may be given by any of them to the others in writing from time to time, and such notices, requests, demands, acceptances and other communications shall be deemed to have been received when delivered, or if faxed, the next Business Day, or if mailed, on the fifth (5th) Business Day after the mailing thereof; provided that in the event of a strike or other interruption in the normal delivery of mail after the mailing of any notice, request, demand, acceptance or other communication hereunder but before the deemed receipt thereof as provided herein, such notice, request, demand, acceptance or other communication shall not be deemed to be received by the party for whom the same is intended unless the same is delivered to such party as contemplated herein.

14.02 Gender and Number

Words importing the singular number only shall include the plural, and vice versa, and words importing the masculine gender shall include the feminine gender and neuter gender.

14.03 Table of Contents and Headings

The division of this Agreement into Articles and sections and the Article and section headings and the Table of Contents preceding are for

convenience of reference only and shall not affect the interpretation or construction of this Agreement.

14.04 Calculation of Time Periods

When calculating the period of time within which or following which any act is to be done or step taken pursuant to this Agreement, the date upon which the period commences shall be excluded. If the last day of such period is a non-business day, the period in question shall end on the next business day.

14.05 Applicable Law

This Agreement shall be governed by the laws of the Province of Ontario and the laws of Canada applicable therein. The courts of the Province of Ontario shall have jurisdiction to entertain any action arising under this Agreement or any other agreement, document or instrument contemplated herein and the parties hereby accept and irrevocably submit to the jurisdiction of the said courts and acknowledge their competence and agree to be bound by any judgement thereof.

14.06 Severable

If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby and such invalid, illegal or unenforceable provision shall be severable from the remainder of this Agreement.

14.07 Counterparts

This Agreement may be executed in several counterparts, each of which so executed shall be deemed to be an original and such counterparts together shall constitute one and the same agreement and notwithstanding their date of execution, shall be deemed to be executed and amended on the dates written above.

14.08 Entire Agreement

This Agreement, including Schedules A through C, constitutes the entire Agreement between the parties relating to the Alliance and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, among the parties with respect thereto.

14.09 Amendments

No amendment or modification of this Agreement shall be binding unless

- (a) approved by the Alliance board; and
- (b) in writing and signed by the parties.

14.10 Waiver

No waiver by a party to this Agreement of any breach of any of the provisions of this Agreement by any other party to this Agreement shall take effect or be binding upon the party unless in writing and signed by such party. Unless otherwise provided therein, such waiver shall not limit or affect the rights of the party with respect to any other breach.

14.11 Successors and Assigns

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF this Agreement has been executed by the Hospitals as of the Effective Date.

THE CLINTON PUBLIC HOSPITAL

Per: _____

Per: _____

ST. MARYS MEMORIAL HOSPITAL

Per: _____

Per: _____

SEAFORTH COMMUNITY HOSPITAL

Per: _____

Per: _____

STRATFORD GENERAL HOSPITAL

Per: _____

Per: _____

Schedule A
Conflict of Interest Policy for Alliance Board

1. Site Committees

- (a) There will be an ad hoc Site Committee for each Hospital, which shall convene only when a conflict of interest (as defined in Section 3.06 of the Alliance Agreement) is identified.
- (b) The Site Committee shall consist of three (3) directors of the Alliance board who live in or closest to the community in which the affected Hospital is located. If there are more than three (3) directors qualified to serve on the Site Committee, there will be a random draw to determine which three (3) directors will serve on the Site Committee.

2. Advice of Local Advisory Committee to Withdraw

- (a) In the event a Hospital's local advisory committee advises the Alliance board that, in its opinion, after due consideration, the Hospital should withdraw from the Alliance, the Site Committee for that Hospital will be struck.
- (b) The Site Committee will consider the advice of the local advisory committee, undertaking such consultations and investigations as it deems necessary to determine the advisability of such advice, including:
 - (i) conducting information and discussion sessions with the local community; and
 - (ii) consulting with key stakeholders that would be affected by the Hospital's withdrawal, including the local advisory committees of the other Hospitals, Rural and Northern Hospital Network #10, the Ministry and the DHC.
- (c) The Site Committee, when considering the advice received from the local advisory committee and the others who have been consulted, shall specifically consider:
 - (i) whether the purposes of Alliance, as stated in the Alliance Agreement, are being achieved;
 - (ii) whether the principles of the Alliance, as stated in the Alliance Agreement, are being honoured;
 - (iii) whether the goals of the Alliance, as set from time to time by the Alliance board, are being achieved;

- (iv) whether the Alliance has had an adverse negative impact on health care services provided to the Hospital's local community, taking into account the nature, scope and level of health care services provided by similar hospitals to similar communities;
 - (v) what reasonable alternatives to the Alliance may be available to the Hospital, including potential alliances with other area hospitals; and
 - (vi) ultimately, is it in the best interests of the community served by the Hospital that the Hospital withdraw from the Alliance.
- (d) The Site Committee, considering the findings of its consultations, investigations and deliberations, will vote on whether the advice of the local advisory committee to withdraw from the Alliance should be followed. This vote must be held within six (6) months of the date of the local advisory committee's advice to the Alliance board. The determination of a majority of the Site Committee members will be binding on the Alliance board, with the Site Committee being deemed an Executive Committee of the Hospital.
- (e) Any dealings relating to the reconciliation of the withdrawing Hospital under Section 5.04 of the Alliance Agreement shall be conducted between the Site Committee (on behalf of the withdrawing Hospital) and the remainder of the Alliance board.

3. Hospital has committed Event of Default

- (a) In the event a Hospital commits an Event of Default under the Alliance Agreement, the Site Committee for that defaulting Hospital shall be struck. Any notices of default to be sent to the defaulting Hospital, in accordance with the Alliance Agreement, shall be delivered by the Alliance board (meeting without the defaulting Hospital's Site Committee) to such Site Committee. All communications to the defaulting Hospital relating to the Event of Default shall be with the defaulting Hospital's Site Committee.
- (b) The defaulting Hospital's Site Committee shall have the responsibility to remedy (or cause to be remedied) the default, if possible, as required under the Alliance Agreement.
- (c) In the event the default is not remedied to the satisfaction of the Alliance board, the Alliance board shall meet to determine what actions the Alliance will take with respect to the Event of Default, including considering whether the defaulting Hospital shall be required to withdraw from the Alliance.

- (d) All deliberations and decisions made by the Alliance board with respect to the defaulting Hospital shall be made without the participation of that Hospital's Site Committee members.
- (e) Any dealings relating to the reconciliation of the withdrawing Hospital under Section 5.04 of the Alliance Agreement shall be conducted between the Site Committee (on behalf of the withdrawing Hospital) and the remainder of the Alliance board.

4. Ministry Direction to a Hospital

- (a) In the event a Hospital receives a Ministry Direction (as defined in the Alliance Agreement), the Site Committee for that defaulting Hospital shall be struck. Any notices of default to be sent to the defaulting Hospital, in accordance with the Alliance Agreement, shall be delivered by the Alliance board (meeting without the defaulting Hospital's Site Committee) to such Site Committee. All communications to the defaulting Hospital relating to the Event of Default shall be with the defaulting Hospital's Site Committee.
- (b) Any dealings relating to the reconciliation of the withdrawing Hospital under Section 5.04 of the Alliance Agreement shall be conducted between the Site Committee (on behalf of the withdrawing Hospital) and the remainder of the Alliance board.

5. Event of Insolvency beyond Control of Alliance

- (a) Where an Event of Insolvency with respect to a particular Hospital has occurred that is beyond the control of the Alliance board (such as the appointment of a receiver by a creditor), the Site Committee for that defaulting Hospital shall be struck. Any notices of default to be sent to the defaulting Hospital, in accordance with the Alliance Agreement, shall be delivered by the Alliance board (meeting without the defaulting Hospital's Site Committee) to such Site Committee. All communications to the defaulting Hospital relating to the Event of Default shall be with the defaulting Hospital's Site Committee.
- (b) The defaulting Hospital's Site Committee shall have the responsibility to remedy (or cause to be remedied) the default, if possible, as required under the Alliance Agreement.
- (c) In the event the default is not remedied to the satisfaction of the Alliance board, the Alliance board shall meet to determine what actions the Alliance will take with respect to the Event of Default, including considering whether the defaulting Hospital shall be required to withdraw from the Alliance.

- (d) All deliberations and decisions made by the Alliance board with respect to the defaulting Hospital shall be made without the participation of that Hospital's Site Committee members.
- (e) Any dealings relating to the reconciliation of the withdrawing Hospital under Section 5.04 of the Alliance Agreement shall be conducted between the Site Committee (on behalf of the withdrawing Hospital) and the remainder of the Alliance board.

6. Event of Insolvency within Control of Alliance

- (a) Where the Alliance board determines that it may be necessary or advisable for one Hospital to voluntarily commit an Event of Insolvency, (such as an application to dissolve the Hospital or a petition to make an assignment for the benefit of creditors), the Site Committee for that Hospital shall be struck.
- (b) After appropriate investigation and consultation with professional advisors, the Site Committee shall determine whether it is in the best interests of the Hospital to commit an Event of Insolvency. Any such decision shall be made within six (6) months of the Site Committee being struck. The determination of a majority of the Site Committee members will be binding on the Alliance board, with the Site Committee being deemed an Executive Committee of the Hospital. Such decision will be reported immediately to the Alliance board.
- (c) Any notices of default to be sent to the defaulting Hospital, in accordance with the Alliance Agreement, shall be delivered by the Alliance board (meeting without the defaulting Hospital's Site Committee) to such Site Committee. All communications to the defaulting Hospital relating to the Event of Default shall be with the defaulting Hospital's Site Committee.
- (d) The defaulting Hospital's Site Committee shall have the responsibility to remedy (or cause to be remedied) the default, if possible, as required under the Alliance Agreement.
- (e) In the event the default is not remedied to the satisfaction of the Alliance board, the Alliance board shall meet to determine what actions the Alliance will take with respect to the Event of Default, including considering whether the defaulting Hospital shall be required to withdraw from the Alliance.
- (f) All deliberations and decisions made by the Alliance board with respect to the defaulting Hospital shall be made without the participation of that Hospital's Site Committee members.

- (g) Any dealings relating to the reconciliation of the withdrawing Hospital under Section 5.04 of the Alliance Agreement shall be conducted between the Site Committee (on behalf of the withdrawing Hospital) and the remainder of the Alliance board.

Schedule B
Endowment and Trust funds held by Hospitals on Effective Date

1. STRATFORD GENERAL HOSPITAL (as at March 31, 2003)

The following funds have been designated by the donors as an endowment with all investment income earned designated for capital expenditures at the Stratford General Hospital site.

Turnbull Endowment	\$ 5,000.00
Larkworthy Endowment	\$109,000.00
Gilliard Endowment	\$ 5,719.18
Total Endowment amount	\$119,719.18

Schedule C
Liens on Assets and Real Property

None

Schedule D
Mission, Vision and Values of the Alliance

- (a) The mission of the Alliance is as follows:

“Co-operating for Quality Care.....

In collaboration with the communities we serve, the Alliance fosters the interdependence of its members and provides leadership that advances the vision.”

- (b) The vision of the Alliance is as follows:

“We will

Be an innovative patient/family focused health care system characterized by:

Excellent quality in coordinating care programs and supportive services

Appropriate standardization

Enhanced access to care and services

Commitment to:

- Quality
- Unity
- Integration
- Leadership
- Teamwork”

- (c) The values of the Alliance are as follows:

“In all we do, we will demonstrate.....

Trust Fairness

Respect Advocacy

leading to

Accountability Collaboration

Compassion Responsiveness”