INTEGRATION UNDER SECTION 25

Decision of the Waterloo Wellington Local Health Integration Network issued pursuant to Section 25 of the Local Health Integration Act, 2005.

1. **Date:** February 25, 2016

2. **Facts:**

   a. Description of the Parties:

   - The Parties have separately entered into hospital service accountability agreements with the Waterloo Wellington Local Health Integration Network (the "WWLHIN").
   - WWLHIN provides funding to each of the Parties.

3. **Purpose and Nature of Integration:**

   a. Purpose of the proposed integration:

   - To allow the Parties to function jointly with the executive committee of the other Party on the terms set forth in the attached Alliance Agreement entered into between the Parties effective April 1, 2016 ("Alliance Agreement") (Attached as Appendix A).

4. **Process:**

   - WWLHIN approved its integrated health services plan for 2013-2016on December 6, 2012 and made copies available to the public in February 2013.
   - In April 2015, the WWLHIN issued a performance factor under each hospital service accountability agreement.
   - Both Parties worked to try to resolve their differences without success.
   - The WWLHIN initiated a third party review by KPMG to better understand the issues and the options to resolve the Parties' issues. Based on the third party review report, the WWLHIN Board appointed a facilitator, Mark Rochon of KPMG, to work with the governors, staff and community to enhance collaboration and integration of the Parties by November 30, 2015.
   - A detailed Memorandum of Understanding ("MOU)" for a Joint Executive Committee was provided to the WWLHIN Board of Directors and reviewed at the WWLHIN's Board Meeting on December 15th, 2015.
   - The WWLHIN Board of Directors passed a motion directing the Parties, through their newly formed Joint Executive Committee, to engage the community on the proposed Joint Executive Committee and submit to the WWLHIN a legally binding new alliance agreement consistent with the terms of the MOU.

- Materials related to this matter were posted on the LHIN website under the Board meeting materials for August 13, September 16, October 22, December 17, 2015 and February 25, 2016.
- The decision is not contrary to the hospital service accountability agreements.
- WWLHIN staff reviewed the community engagement activities and findings that resulted from the Parties staff sessions, community sessions and website submissions.

5. Analysis of Intended Integration

- The Parties have engaged the community regarding the proposed integration.
- The Parties have reached an agreement regarding the proposed integration and have entered into the Alliance Agreement as of February 12, 2016.
- The Alliance Agreement sets out the terms of the proposed integration and the delegation of powers to the Joint Executive Committee.
- The Parties have provided WWLHIN with the Alliance Agreement for its approval.
- The Parties intend the Alliance Agreement to be effective on or before April 1, 2016.

6. Decision

Pursuant to section 25(2)(a) of the *Local Health System Integration Act, 2006*, the WWLHIN finds that the Parties have reached and entered into a binding agreement with respect to the integration described in this decision and the Parties will take the following actions by April 1, 2016:

- To implement the Alliance Agreement.
- To develop a human resources adjustment plan in respect of this integration.

The Waterloo Wellington Local Health Integration Network

Per:

Signed by Bruce Lauckner February 25, 2016

_____

Bruce Lauckner
Chief Executive Officer

Appendix A

ALLIANCE AGREEMENT

February 12, 2016

ALLIANCE AGREEMENT
(the "Agreement")

This Agreement is entered into as of the 12th day of February, 2016.

BETWEEN:

NORTH WELLINGTON HEALTH CARE CORPORATION, a corporation incorporated under the laws of the Province of Ontario **("NWHC")**

-and-

GROVES MEMORIAL COMMUNITY HOSPITAL, a corporation incorporated under the laws of the Province of Ontario **("GMCH").**

WHEREAS:

1. NWHC and GMCH are both public hospitals (each a **"Hospital"** and collectively the **"Hospitals")** with a long, exemplary history of working together in an alliance (the **"Alliance")** to meet the health care needs of the residents of rural Wellington County, pursuant to an alliance agreement dated October 6, 2013, as amended (the **"Original Alliance Agreement").**

2. The hospitals wish to terminate the Original Alliance Agreement and replace it with this Agreement, to enhance collaboration and integration of the hospitals and improve the delivery of healthcare through a joint executive committee governance model (the **"Joint Executive Committee" or "JEC"),** the composition and responsibilities of which are described herein (the **"Integration").**

3. The Waterloo Wellington Local Health Integration Network (the **"LHIN")** appointed Mark Rochon of KPMG LLP as facilitator of the process that has resulted in the Agreement, and the Hospitals are entering into this Agreement subject to LHIN approval.

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency ofwhich are hereby acknowledged by each Hospital, the parties agree as follows:

ARTICLE 1
REGULATORY APPROVAL

1.01 This Agreement shall be of no force or effect unless and until the LHIN has approved the Agreement and any attempt by the Hospitals to implement the Agreement shall not be valid until LHIN approval is received.

ARTICLE 2
FORMATION OF THE JOINT EXECUTIVE COMMITTEE

2.01 On or before April 1, 2016 (the **"Effective Date"),** each Hospital shall take all steps necessary or desirable to modify the structure of its executive committee and related governance concepts set forth in each Hospital's administrative bylaws to allow it to function jointly with the executive committee of the other Hospital on the terms set forth in this Agreement.

2.02 On the Effective Date, each Hospital shall delegate to the Joint Executive Committee those powers listed in Schedule "A" that are to be delegated on the Effective Date. All powers not expressly delegated shall be reserved to and shall remain the powers of the board of directors of each respective Hospital, until such time as both Hospitals delegate, by resolution, additional powers to the Joint Executive Committee.

2.03 Each Hospital shall ensure the Joint Executive Committee at all times functions collectively and collaboratively, and makes decisions considering the needs of all residents serviced by the Hospitals, recognizing the uniqueness of each Hospital site and its associated communities.

2.04 All matters before the Joint Executive Committee shall be jointly and openly discussed and considered, to ensure relevant information is received by both Hospitals at the same time and in the same manner, which will encourage appropriate deliberation and collective decision-making.

2.05 Each Hospital shall act (and shall cause its representatives appointed to the Joint Executive Committee to act) in good faith and in the best interest of the Alliance so as not to unreasonably delay any decision required to be made by the Joint Executive Committee.

ARTICLE3
SIZE, COMPOSITION, QUALIFICATIONS, QUORUM, AND VOTING OF THE JOINT EXECUTIVE COMMITTEE

3.01 The Joint Executive Committee shall be comprised often (10) directors, of which five (5) shall be appointed by the boards of directors of each Hospital.

3.02 Each Hospital shall determine its appointees to the Joint Executive Committee annually using its own process; provided, however, the chairperson of the board of directors of each Hospital shall at all times be an appointee to the Joint Executive Committee, to ensure governance alignment between the boards of directors of each Hospital and the Joint Executive Committee.

3.03 All directors appointed to the Joint Executive Committee must be, and must remain throughout their appointment, duly qualified to serve as a director of the Hospital in accordance with each Hospital's administrative bylaws, and in addition must be independent and free from outside influences that could impact a director's ability to make impartial and objective decisions. For certainty, Hospital directors who are sitting

as elected members of a municipal council shall not be considered independent and shall not qualify for appointment to the Joint Executive Committee.

3.04 Quorum for any Joint Executive Committee meeting shall require six (6) duly appointed directors to be present, and for certainty a least three (3) directors from each Hospital must be present.

3.05 Each director duly appointed to the Joint Executive Committee shall have one (1) vote on matters properly brought before the Joint Executive Committee.

3.06 No directors may vote by proxy at Joint Executive Committee meetings.

3.07 All directors shall be entitled to participate by electronic communication facilities in meetings of the Joint Executive Committee so long as such meetings permit instantaneous and simultaneous communication.

3.08 Decisions of the Joint Executive Committee require approval by a majority of appointees of each Hospital in attendance and voting to be effective. In other words, a Hospital shall not be bound by a decision of the Joint Executive Committee unless a majority of independent directors appointed by that Hospital vote in favor of the decision. If a matter is not approved by both Hospitals, neither Hospital will proceed on the issue, unless the Joint Executive Committee expressly permits, through. the above approval process, different courses of action by each Hospital.

3.09 Matters delegated to the Joint Executive Committee do not require ratification or approval by the boards of either Hospital and are legally binding on both Hospitals without further formality if approved by the Joint Executive Committee in accordance with Section 3.08.

3.10 The Joint Executive Committee shall be entitled to adopt its own procedural rules and processes from time to time so long as such procedural rules and processes do not conflict with this Agreement.

ARTICLE4
CHAIR AND VICE-CHAIR OF THE JOINT EXECUTIVE COMMITTEE

4.01 The role of chairperson of the Joint Executive Committee shall rotate on an annual basis between the chairs of each Hospital. When a chair of a Hospital is not acting as Joint Executive Committee Chair, he or she shall serve in the role of Joint Executive Committee vice-chairperson.

4.02 No individual shall serve as chair or vice-chair of the Joint Executive Committee, collectively, for more than four (4) years, and both Hospitals shall use best efforts to work together to operationally align officer appointment dates and coordinate terms of office to give effect to this Agreement.

4.03 The Joint Executive Committee chair shall be entitled to vote at Joint Executive Committee meetings.

4.04 The duties of the Joint Executive Committee chair shall include: (a) setting Joint Executive Committee agendas and chairing Joint Executive Committee meetings; (b) acting as sole public spokesperson (internal and external) for both Hospitals on matters delegated to Joint Executive Committee (but the chairs of each Hospital retain spokesperson authority for matters not delegated to Joint Executive Committee or the chief executive officer); and (c) acting as the primary contact between the Joint Executive Committee and the chief executive officer and chief(s) of staff for those matters delegated to Joint Executive Committee (but the chairs of each hospital board shall continue to retain a direct contact to the chief executive officer and chief(s) of staff for matters not delegated to Joint Executive Committee).

4.05 The Joint Executive Committee may adopt role descriptions to further describe the roles of chairperson and vice-chairperson of Joint Executive Committee.

ARTICLES
COMMITTEES

5.01 The Joint Executive Committee shall have the power, from time to time, to establish, modify the terms of reference of, and disband committees that deal with matters delegated to the Joint Executive Committee in Schedule "A" in its discretion, subject to applicable laws.

5.02 Each Hospital retains the power to strike, modify the terms of reference of, and disband committees that deal solely with matters not subject to the delegated authority ofthe Joint Executive Committee. To the extent possible, duplication of functions of JEC committees and Hospital board committees shall be minimized through good faith coordination and collaboration, and for certainty the use of joint committees (to the extent permitted by law) shall be actively pursued.

5.03 Directors of either Hospital shall be entitled to review all JEC committee meeting minutes at any time.

5.04 The JEC committees that will be operational as at the Effective Date are: (i) governance; (ii) resources; and (iii) nominating.

5.05 Unless the Joint Executive Committee determines otherwise and applicable laws permit, each Hospital shall maintain a separate medical advisory committee in accordance with the *Public Hospitals Act* and its regulations. Each Hospital board shall direct its medical advisory committee to meet with the other medical advisory committee as necessary to develop joint policies, to consider and make recommendations in respect of the further integration of the medical advisory committees, and such other business that will further the integration of the professional staff of each of the Hospitals, and both Hospitals shall take all steps necessary or desirable to implement said recommendations.

5.06 Unless the Joint Executive Committee determines otherwise and applicable laws permit, each Hospital shall maintain a separate quality committee in accordance with the *Excellent Care for All Act, 2010* and its regulations, provided that the terms of reference of the quality committees shall direct both quality committees to meet jointly and function as one committee in practice and functionally report to the Joint Executive Committee for all matters unless otherwise required by applicable statute. Each quality committee shall be known as a Safety, Quality & Performance Indicators Committee.

5.07 The Joint Executive Committee shall have the authority to appoint committee chairs from among its number (for committees that report to the Joint Executive Committee), to ensure appropriate governance alignment between the Joint Executive Committee and its various committees, but the Hospital boards each retain the authority to appoint chairs and members of committees not reporting directly to the Joint Executive Committee.

5.08 The Joint Executive Committee shall take appropriate steps to ensure there is equitable representation across both Hospitals on all JEC committees at all times, both in terms of committee chairs and the composition of each committee.

ARTICLE 6
CHIEF EXECUTIVE OFFICER

6.01 The Alliance will be managed by a single chief executive officer (the **"CEO")** who shall be the "administrator" of each Hospital as such term is referred to and required by the *Public Hospitals Act* and the regulations thereunder.

6.02 The CEO is accountable to the Joint Executive Committee. The Joint Executive Committee shall establish performance expectations, conduct annual performance reviews, and shall at all times be responsible for monitoring and supervising the CEO. All decisions of the Joint Executive Committee related to the performance of the CEO shall require the support of a majority vote of the Joint Executive Committee appointees of each Hospital.

6.03 In the event the appointees of one Hospital to the Joint Executive Committee lose confidence in the CEO at any time for bona fide reasons linked to performance expectations, whether quantifiable or otherwise specified, both Hospitals agree to respect the decision of the other Hospital and in such case they shall jointly undertake appropriate progressive remedial action or, if required, jointly terminate the engagement with the CEO, and recruit a replacement out of respect for and a commitment to the joint governance arrangement set forth in this Agreement.

ARTICLE 7
CHIEF(S) OF STAFF

7.01 The Hospitals acknowledge that in the twelve (12) month period following the Effective Date, there will continue to be two (2) chiefs of staff. The chief(s) of staff will work together and work with the Joint Executive Committee and the two Hospital medical advisory committees to make recommendations on how to further integrate the

professional staffs and the chief(s) of staff role(s), as well as recommend consequential changes to the professional staff by-laws and related credentialing policies and processes.

7.02 The chief(s) of staff shall be accountable to the Joint Executive Committee and the Joint Executive Committee shall establish performance expectations, conduct annual performance reviews and shall at all times be responsible for monitoring and supervising the chief(s) of staff.

ARTICLE 8
NOT AN AMALGAMATION OR PARTNERSHIP

8.01 The Integration contemplated in this Agreement is not an amalgamation. Each Hospital will maintain its own corporate existence with its own board of directors, corporate members, real and personal property, professional staff, employees and contractors.

8.02 Nothing in this Agreement removes or restricts the powers of the individual boards of directors of each Hospital, including, without limitation the power to meet separately (without the presence of representatives of the other Hospital) to consider and make decisions with respect matters other than matters delegated to the Joint Executive Committee.

8.03 Each Hospital acknowledges its strong relationship with its own foundations and auxiliary organizations. This Agreement shall not alter either Hospital's relationship with its foundations and auxiliary organizations.

8.04 This Agreement does not constitute a legal partnership between the Hospitals. Accordingly, nothing in this Agreement or arising from this Agreement shall be construed to confer on either party any authority or power to act for, or to undertake any obligation or responsibility on behalf of, the other Hospital, except as expressly provided in this Agreement and the Joint Executive Committee authority contemplated herein.

ARTICLE 9
INDEMNIFICATION

9.01 Except as specifically provided in this Agreement, each Hospital shall be solely responsible for any acts or omissions that occur in the course of its operations. Should an act or omission occur in the performance of services to, for or under the direction of one ofthe Hospitals (the **"Indemnifying Hospital")** that gives rise to potential liability of the other Hospital (the **"Indemnified Hospital"),** the Indemnifying Hospital shall defend, indemnify and hold the Indemnified Hospital and each of its respective directors, officers, employees and contractors (each an **"Indemnified Party")** harmless from and against all claims, actions, complaints, applications, liabilities, damages, losses, awards, judgments,

fines, settlements, proceedings, demands, expenses (including reasonable legal fees), charges and penalties assessed, claimed or demanded against such Indemnified Party in connection with such act or omission, except to the extent the Indemnified Party directly contributed to such potential liability. Despite the foregoing, the indemnification described herein is not intended to modify the seconded employees policy adopted by each Hospital (policy number 1-5-800) (the "Policy") unless and until such Policy is

expressly amended to reference this Section 9.01 by the boards of directors of both Hospitals, or the Joint Executive Committee, if the power to approve such amendment is delegated to the Joint Executive Committee.

ARTICLE 10
REPRESENTATIONS AND WARRANTIES

10.01 Each Hospital represents and warrants as follows, and acknowledges the other Hospital is relying upon these representations and warranties in connection with entering into this Agreement:

(a) Each Hospital is a corporation duly incorporated and in good standing under the laws of the Province of Ontario.

(b) Each Hospital is a hospital approved under the *Public Hospitals Act.*

(c) Each Hospital has the capacity and corporate authority to enter into and be bound by this Agreement, and perform its obligations hereunder.

(d) Neither the execution and delivery of this Agreement, nor the performance of the covenants set forth herein constitute a violation of applicable law, the constating documents of either Hospital, or any provision or any contract or instrument to which a Hospital is a party or by which it is bound.

(e) This Agreement is legal, valid, binding and enforceable in accordance with its terms.

ARTICLE 11
DISPUTE RESOLUTION

11.01 Any dispute which may arise between the Hospitals during the term of this Agreement will be resolved exclusively through the process set forth in this Article 11 and for certainty mediation must be attempted and failed before either Hospital is permitted to terminate the Agreement in accordance with Section 12.03.

11.02 The Hospitals will use their best efforts to avoid disputes by clearly articulating expectations, establishing clear lines of communication, and respecting the interests of the other party.

11.03 The Hospitals shall exchange written issue statements identifying their respective concerns related to the dispute, and representatives of the Hospitals of appropriate seniority (including, without limitation, Hospital directors) who have been previously uninvolved in the dispute shall meet to attempt to achieve a good faith negotiated resolution to the issue in dispute.

11.04 If, and only if, a dispute is not resolved voluntarily through the informal negotiation process described in Section 11.03, either Hospital may elect to engage a mediator, in

which case a mediation will occur and the following process shall apply to select the mediator:

(a) The Joint Executive Committee shall appoint a neutral, third party mediator of appropriate skill and experience to assist in resolving the dispute on such terms and timeline as established by the mediator.

(b) If the Joint Executive Committee is unable or unwilling to select a mediator, a mediator shall be selected by lot, such selection to be supervised by the chairs of the board of directors of both Hospitals, from the roster ·of mediators last approved by the Joint Executive Committee, and each Hospital shall accept the mediator selected from this roster.

11.05 The neutral, third party mediator selected in accordance with Section 11.04(a) or Section 11.04(b), as the case may be, shall assist the Hospitals in resolving the dispute on such terms and timeline as established by the mediator, provided however that the meditation shall be concluded within one hundred and twenty (120) days from the date the mediator is selected, unless the Joint Executive Committee agrees to a longer duration.

11.06 The Hospitals shall each report any dispute which is not successfully resolved through mediation to the LHIN within thirty (30) days of the mediator confirming in writing the mediation is at an end, such report to be in writing and to include the materials prepared and used in mediation, the report of the mediator, and the Hospital's anticipated next steps.

11.07 Any costs involved in selecting and appointing a mediator will be paid by each Hospital on a 50-50 basis.

ARTICLE 12
TERM AND TERMINATION

12.01 The Alliance shall continue under the terms of this Agreement on the Effective Date and shall remain in force until such time as the Agreement is terminated pursuant to the provisions of the Agreement.

12.02 This Agreement may be terminated at any time with the mutual written consent of the Hospitals, provided at least ninety (90) days' prior written notice of such voluntary joint termination is provided to the LHIN.

12.03 Either Hospital shall have the unilateral right to terminate this Agreement and revoke the authority delegated to the Joint Executive Committee hereunder, provided, however that the following conditions precedent must be satisfied in full prior to either Hospital being entitled to deliver a notice of unilateral termination under this Section 12.03:

(a) the dispute resolution process described in Article 11 shall has been followed in good faith by the terminating party; and

(b) the terminating party shall have received from the mediator identified in Article 11 written confirmation that the mediation is at an end and has not been successful in resolving the dispute; and

both Hospitals agree not less than twelve (12) months prior written notice of unilateral termination under this section shall be provided to the other Hospital and the LHIN. For certainty, such notice may not be filed until the conditions precedent described in this Section 12.03 have been satisfied. In other words, a Hospital may not deliver a unilateral notice under this section to terminate the Agreement unless and until good faith mediation is attempted and fails. Without limiting the foregoing but for certainty, the powers delegated to the Joint Executive Committee may not be revoked or restricted by either Hospital in any way prior to the expiry of the twelve (12) month prior written notice period described herein.

ARTICLE 13
GENERAL PROVISIONS

13.01 Notices

All notices, requests, 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 facsimile addressed to the other party as follows:

(a) ifto NWHC to:

630 Dublin Street
Mount Forest, ON
NOG2L3
Fax No.: 519.323.2955

Attention: Board Chair

(b) ifto GMCH to:

235 Union Street East Fergus, ON
N1M 1W3
Fax No.: 519.843.7288

Attention: Board Chair

or at such other address as may be given by any Hospital to the other 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 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 personally or by facsimile as contemplated herein.

13.02 Applicable Law

This Agreement shall be governed by the laws of the Province of Ontario and the federal laws of Canada therein.

13.03 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.

13.04 Amendments

No amendment or modification of this Agreement shall be binding unless in writing and signed by the parties.

13.05 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.

13.06 Counterparts

This Agreement may be entered into in counterparts.

13.07 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 neutral gender.

13.08 Entire Agreement

This Agreement 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, including, without limitation, the Original Alliance Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF this Agreement has been executed and delivered by the parties as of the dates first written above.

NORTH WELLINGTON HEALTH CARE CORPORATION

Per: _____

Per: _____

(We have authority to bind the corporation)

GROVES MEMORIAL COMMUNITY HOSPITAL

Per: _____

Per: _____

(We have authority to bind the corporation)

SIGNATURES ON FILE

Schedule "A"

Matters Delegated to Joint Executive Committee

(Effective April1, 2016)

1. Select, manage, and evaluate the performance of CEO.

2. Strategic plan development and approval following consultation with each hospital board.

3. Medical and non-medical human resources planning (including harmonization of credentialing processes, adoption ofjoint medical HR plans).

4. Fiscal oversight and planning and allocation of resources (information sharing related to budgets and joint operating plan development with site specific elements, but no approval. Allocations consistent with Strategic Plan).

5. Quality oversight (one program, respecting 3 unique sites).

6. Government relations.

7. Public relations (development of coordinated public relations strategy, but not approvals and JEC not spokesperson year 1).

8. Management ofexisting integrations.

9. Effective hospital governance practices.

10. Capital planning (sharing of information and coordination and development of plans only in year 1, and management of day to day matters, including cash management, for ongoing capital projects previously approved by each Hospital).

11. Manage, and evaluate the performance of Chiefs of Staff.

Matters Delegated to Joint Executive Committee

(To be Delegated by Hospitals by Resolution prior to March 31, 2017)

1. Decision to move (or not to move) to a single Chief of Staff (approval, and related management of various stakeholder relationships related to transition).

2. Select Chief(s) of Staff.

3. Fiscal oversight and planning and allocation of resources (approval of budgets and joint operating plans with site specific elements; and all allocations consistent with Strategic Plan).

4. Capital planning (approvals).

5. Public relations (approvals and JEC is spokesperson).

6. Brand management.

NOTE: a failure of either Hospital to enact a resolution delegating all of the foregoing matters by the end of Year 1 shall immediately and automatically trigger the dispute resolution process.