



TO: Employees, Physicians and Volunteers
FROM: Jeff Selberg
DATE: October 13, 2009
Subject: **Resolution of Sponsorship Issue**

Last night, the Exempla Board agreed to adopt changes to our corporate bylaws that will restructure Exempla's governance, give increased management control to the Sisters of Charity of Leavenworth Health System (SCLHS), and retain Community First Foundation (CFF) as a sponsor of Exempla Healthcare.

After very careful consideration, the Exempla Board made this decision believing it will strengthen our access to critical capital resources needed by our hospitals and clinics and will move the organization forward with certainty about its future.

There has never been a dispute among Exempla and the Sponsors about the importance of maintaining a health care system in Denver that is committed to quality, patient safety, transparency and effective cost management. The decision reached by the Board last night resolves the issue as to how Exempla will access capital and will allow our system to thrive for generations to come. We submitted to a binding arbitration process as the means to resolve our differences. The arbitrator ruled that our Sponsors were not required to maintain our dual heritage and they could transfer their membership in Exempla as long as it was for no value.

Exempla's Board believes this decision was the most appropriate solution to address the uncertainties around our sponsorship by making changes to our bylaws rather than transferring membership. Once restated, our new bylaws will accomplish the following:

- Both CFF and SCLHS will remain as sponsors of Exempla Healthcare.
- A new ten-member Board of Directors will be established for Exempla with SCLHS appointing five of the new members and CFF appointing the other five.
- SCLHS will assume operational control over Exempla including approving Exempla's future strategic plans and all operating and capital budgets.
- Exempla's leadership team will report directly to SCLHS management.
- The Ethical and Religious Directives will be implemented in all of our hospitals and clinics.

With these bylaw changes, the joint operating agreement remains intact and Exempla will continue as a system. We will work with SCLHS to complete all the necessary regulatory filings and expect that the changes will be finalized by the end of this year.

I know that many of you have questions about what will happen next. I will work with SCLHS leadership to determine the next steps in integrating Exempla into their operations. I anticipate that Bill Murray, SCLHS' CEO, will join us in holding meetings at our sites sometime in the near future.

Thank you for your continued dedication to doing what is in the best interest of our patients, especially as we worked through our sponsorship issues. We can now look forward to a clearer future and one that remains committed to becoming Best in the Nation.

Finally, I would like to thank the Exempla Board of Directors for their exemplary service. It has been four long years in which they have deliberated over what was in the best interest of our hospitals, clinics and the communities we serve. As community volunteers, they performed their work tirelessly with integrity and conviction.

Exempla System Services

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