NOTICE OF MERGER OR TRANSFER OF ASSETS
BY A CHARITABLE OR RELIGIOUS CORPORATION

Pursuant to N.C. Gen. Stat § 55A-12-02(g), the charitable or religious corporation listed below hereby gives notice to North Carolina Attorney General of its intent to merge or transfer a majority of its assets.

Capitalized terms used herein are defined in the Glossary of Terms at **Attachment 16**.

1. Name, address, phone number, contact person and title of all Sellers.

Mission Health System, Inc. and affiliates*
12 Ardmore Street
Asheville, NC 28803
(828) 213-3264
Donald R. Esposito, Jr.
Senior Vice President & General Counsel
don.esposito@msj.org

*These affiliates include:
Mission Hospital, Inc.
Mission Medical Associates, Inc.
Mission Imaging Services, LLC;
Blue Ridge Regional Hospital, Inc.
Transylvania Community Hospital, Inc.
Angel Medical Center, Inc.
MSJHS and CCP Joint Development Company, LLC d/b/a Asheville Specialty Hospital
The McDowell Hospital, Inc.
Community Care Partners, Inc.
Highlands-Cashiers Hospital, Inc.
WNC CareSource, LLC
Avenu Health, Inc.
McDowell Hospital Imaging Services, LLC
Mission Community Anesthesiology Specialists, LLC
Transylvania Physician Services, Inc.
Transylvania Services, Inc.
Transylvania Hospital Imaging Services, LLC
Highlands-Cashiers Physician Services, Inc.
The Eckerd Living Center LLC

2. Entity to be merged with or acquiring transferred assets:

MH Master Holdings, LLLP, an affiliate of HCA Healthcare, Inc.
One Park Plaza
Nashville, TN 37203
Chadd Tierney
Vice President, Legal/Development
chadd.tierney@hcahealthcare.com

3. Type of transaction (sale, lease, exchange, joint venture, option, or merger).

Mission Health System, Inc. ("Mission") and its affiliates are selling substantially all of their assets to MH Master Holdings, LLLP, an affiliate of HCA, except that Mission is selling its equity, membership or similar interest in the following wholly owned subsidiaries: Mission Health Partners, Inc. and Healthy State, Inc.

In addition, assuming the requisite consents can be obtained, Mission intends to convey its equity, membership or similar interests in the following joint venture entities: Imaging Realty, LLC; Provider-Led, Patient-Centered Care, LLC; WNC Stone Center, LLC; Assuring Affordable, Quality Healthcare in North Carolina, LLC; Western North Carolina Healthcare Innovators, LLC; Blue Ridge-TKC, LLC and Spruce Pine Healthcare, LLC.

The principal transaction document is the Asset Purchase Agreement, dated as of August 30, 2018 (the "Purchase Agreement")(see **Attachment 9(b)-1**), which is typical for transactions of this nature and contains provisions dealing with the following, among other things:

- the purchase of and payment for the assets;
- the closing (which will not take place prior to review pursuant to N.C. Gen. Stat § 55A-12-02(g)) and the operation of the assets between the signing and the closing;
- representations, warranties and covenants of the parties;
- arrangements and commitments based upon the non-profit status of Mission and benefitting Mission; Dogwood Health Trust, a newly created private foundation and recipient of the net proceeds from the sale; and the local hospitals;
- conditions precedent to the parties' respective obligations to close; and
- mutual indemnification provisions.

More details of the terms of the proposed transfer are described elsewhere in this Notice, in the Attachments and in the Purchase Agreement.

4. Please describe the reason for the transaction.

Overview

The Board of Directors of Mission (the "Mission Board") has wrestled for many years – even decades – with how to maintain the availability, affordability and accessibility of health care services in Western North Carolina. From this extensive experience, the Mission Board realized that the challenges confronting health care providers in the United States today – particularly those in rural areas – are systemic, driven in large part by policy decisions made at the federal, state and commercial payor levels,

and, in this case, intermixed with the social and economic attributes of Western North Carolina. Recognizing that these challenges are beyond the ability of any one health care system – or one transaction – to overcome, a little less than a year ago the Mission Board formally began a deliberative process to determine whether remaining independent was sustainable and, if not, what type and which partner would most likely ensure the best future for health care services in the Western North Carolina region.

In the end, the Mission Board unanimously agreed that continuing as an independent system was not viable, as continuous cost-cutting would ultimately undermine clinical programs, leading to diminished quality, access, and affordability, and very possibly some hospital closures.[1] After considering a number of different partners, the reason for ultimately choosing HCA Healthcare and unanimously approving the Purchase Agreement[2] was that, as stated by the Chair of the Mission Board, "It provides the best chance to maintain the mission of Mission Health improving the health of the people of Western North Carolina – and the best chance for the clinical programs, services, and facilities to continue throughout the region, a better chance than an independent Mission Health could ever provide, with the quality, access, and affordability that the people of this region have come to expect."[3]

In addition, the net proceeds received from the sale, along with other Mission assets not part of the sale, will fund Dogwood Health Trust (the "Trust"), a newly created private foundation. The annual distributions from the Trust, expected to be between $70 and $100 million, will be deployed to address the many reasons people fall into poor health in Western North Carolina. The Mission Board and the Member Hospital Boards believe the two-fold outcome of this transaction – more sustainable health care *and* a sustained, strategic effort to address the social determinants of health -- has the potential for transforming health in Western North Carolina.

Challenges to an Independent Mission

By mid-2017, when Mission's Board leadership began to reconsider its strategic options, the Mission Board was confronted with the following scenario:

- Although performing more effectively than other health systems due to both necessity and execution skill, Mission already had a negative margin on its Medicare business, and reimbursement rates were declining further, regardless of the need for or cost of the health care services that Mission provides;

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[1] Today more than one rural hospital in the United States closes every month and according to the National Rural Health Association, one of every three rural hospitals is at risk of closure. North Carolina is not immune from this reality either. The closure of Vidant Pungo Hospital in Belhaven by Vidant Health, Inc. in July 2014 is well-known. Blowing Rock Hospital in Blowing Rock stopped providing hospital services in 2013. Yadkin Valley Community Hospital in Yadkinville shut down in May 2015. More recently, Morehead Memorial Hospital in Eden filed for bankruptcy in July 2017, only to be rescued by the UNC Health Care System. Our Community Hospital in Scotland Neck stopped providing hospital services in December 2017. Even hospitals operated by well-regarded non-profit health care systems in more populous areas have faced challenges: in 2015, Novant Health, Inc. closed Franklin Regional Medical Center in Louisburg, Franklin County; while Duke LifePoint Healthcare has recently agreed to reopen Franklin Regional Medical Center, it will only do so as a freestanding emergency department.

[2] The governing boards for each of the Member Hospitals likewise unanimously approved the proposed transaction with HCA.

[3] A copy of the full statement of the Chair of the Mission Board, Dr. John Ball, is contained in the materials submitted as **Attachment 13**.

- Likewise, Mission already had a negative margin on its Medicaid business, and reimbursement rates were declining further, regardless of the need for or cost of the health care services that Mission provides;
- North Carolina had declined to expand Medicaid, meaning that the percentage of patients with no insurance did not decrease significantly as it did in other states that had expanded Medicaid eligibility, and – based upon the results of the 2016 North Carolina General Assembly elections and the Governor's unsuccessful efforts to expand Medicaid by executive order in early 2017 – was expected to further increase;
- North Carolina was continuing on a path to transform Medicaid into a private, health plan-operated program that posed significant risk to supplemental payments and other reimbursement factors;
- The federal government was considering a full repeal of the Affordable Care Act (and eventually repealed its individual mandate), meaning the percentage of patients with no insurance was expected to increase;
- The federal government was considering a repeal or major restructuring of the 340B Discount Drug Program (and eventually partially did so), which was projected to result in a loss to Mission of $47 million in 2018, $49 million in 2019, and a cumulative loss of $497 million from 2018 to 2026;
- An aging population in Western North Carolina was causing an ongoing, deleterious shift of 0.5% per year from commercial insurance to Medicare adding to Mission's already unfavorable payor-mix, which was projected to result in incremental losses to Mission of $8.4 million in 2018, $17.6 million in 2019, and a cumulative incremental loss of $483M from 2018 to 2026;
- Only 25% of Mission's overall current hospital payor mix was commercial insurance (typically a health care system's best payor); 72% of this 25% was one payor; and Mission had been unable to negotiate agreements with this payor that would enable Mission to remain a high-quality, viable, independent health care system;
- Mission had already reduced its operating expenses by nearly $200 million over the prior four years, and its ability to make yet still more cuts, without compromising the quality of clinical care that it wanted to provide, was severely constrained; and
- Mission already was challenged to sustain the same level and quality of services at its hospitals, particularly at its Member Hospitals.

In light of these very significant challenges, the Mission Board was well aware of the inherent risks of remaining independent and astutely realized that Mission would have more potential partners from which to choose, and could negotiate the best possible terms for Mission and the communities it serves, if Mission did so from a position of strength, not weakness. That position of strength enabled Mission to seek (and eventually achieve) full fair market value for its assets despite requiring significant protective covenants for the residents in all the areas of Western North Carolina currently served by Mission.

Why HCA Healthcare?

At its core, the appeal to the Mission Board of a partnership with HCA is its studied belief that HCA can and does operate health care systems that provide high quality care at a significantly lower cost than Mission could ever do on its own. The importance of that combination to the Mission Board – both high quality and enhanced efficiency – cannot be overstated. Given the many systemic challenges described above, rural healthcare providers must provide care at a significantly lower cost if they are to survive. Just as the smaller hospitals in Western North Carolina succumbed first to these external factors

(including, but not limited to, Mission's Member Hospitals), it is inevitable that – without an intervention – larger hospitals such as Mission Hospital in Asheville will no longer be able to support the smaller hospitals, and then will ultimately succumb themselves. Simply put, the Mission Board knew that, to preserve services for Western North Carolina, Mission needed help.

Just as Mission provided significant relief for its Member Hospitals due to its size and experience, HCA offers extraordinary scale, expertise and content benefits to all of Mission throughout Western North Carolina. HCA is the largest healthcare system in the United States. As such, it pays significantly less for everything that it buys, whether a Band-Aid, a copier, or an MRI machine. Of particular importance, it is considerably more efficient and effective in delivering all of the back-office functions that are necessary to be a sophisticated and successful healthcare system in today's environment. Its investments in quality, safety, information technology, artificial intelligence, virtual care and other areas make Mission's investments look trivial by comparison.

In addition to the cost advantages it brings to Mission, HCA has made substantial contractual commitments to maintain services and facilities throughout Western North Carolina that are far beyond what the Mission Board believes it could make on its own to its patients and staff, particularly at the Member Hospitals. And most of the decisions relating to changes in services, hospital closures and delivery of charity care at the Member Hospitals will be subject to local approval, as described below. These protections include, among others, the following:[4]

- HCA cannot discontinue any service[5] at any Member Hospital[6] for a period of five (5) years and must maintain emergency services at each such facility for at least ten (10) years, unless discontinuance is approved by that facility's local advisory board or a "force majeure" event makes the provision of such services impossible or commercially unreasonable;[7]

- Similarly, HCA cannot discontinue any services[8] at the Mission Hospital Campus Facility or the main Community CarePartners Facility in Asheville for a period of ten (10) years, unless discontinuance is approved by an advisory board appointed initially by Mission and in subsequent years by the Dogwood Trust (the "main advisory board") or a "force majeure" event makes the provision of such services impossible or commercially unreasonable; after

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[4] *See* Sections 7.12 – 7.16 and Section 7.20 of the Purchase Agreement (**Attachment 9(b)-1**) for the detail on the significant protective covenants. Most of these covenants include a Force Majeure exception but only for the period of remediation.

[5] The services the Buyer is required to maintain at the Member Hospital facilities are set forth on Schedule 7.13(b) to the Purchase Agreement.

[6] A Member Hospital is defined to include: (i) Angel Medical Center (Franklin); (ii) Blue Ridge Regional Hospital (Spruce Pine); (iii) Highlands-Cashiers Hospital (Highlands); (iv) Mission Hospital McDowell (Marion); and (v) Transylvania Regional Hospital (Brevard). Community CarePartners (Asheville) is handled the same as Mission Hospital for these covenants.

[7] The composition of each Member Hospital facility's local advisory board will consist of four members appointed by HCA and four members appointed by the Member Hospital board prior to closing. (The local advisory boards will be self-perpetuating insofar as the local representatives are concerned: removals and replacements of the non-HCA board members will be made by the members themselves.) Actions requiring local advisory board approval will require the affirmative vote of a majority of each group.

[8] The services the Buyer is required to maintain at the Mission Hospital Campus Facility and the main CarePartners Facility in Asheville are set forth on Schedule 7.13(a) to the Purchase Agreement.

ten (10) years, HCA may only discontinue a service upon the occurrence of certain specified contingencies or subject to a "force majeure" event;

- HCA cannot sell or close any of the Member Hospitals, the Mission Hospital Campus Facility or the main Community CarePartners Facility in Asheville for a period of ten (10) years, unless approved by that facility's local advisory board in the case of the Member Hospitals and the main advisory board in the case of Mission Hospital/CarePartners or a "force majeure" event makes the provision of such services impossible or commercially unreasonable; and thereafter HCA may only sell or close the hospital upon the occurrence of certain specified contingencies or subject to a "force majeure" event;

- If HCA ever decides in the future to sell or close any of the Member Hospitals, the Mission Hospital Campus Facility or the Community CarePartners Facility in Asheville, it must seek bids to acquire the facility and Mission (or Dogwood Health Trust) will have the right to submit a bid; if there are no other bids or Mission's bid is the best, it may purchase the hospital; if another bidder out-bids Mission, HCA may sell to the other bidder but Mission (or the Trust) will retain the right to bid on any future sales or closures;

- HCA must complete the New Tower Project (as defined in the Purchase Agreement) at Mission Hospital, construct a new facility for the Angel Medical Center in Franklin County, build a new, 120-bed behavioral health hospital in Asheville, and spend at least $232 million in other capital expenditures within the 18-county Western North Carolina region over the first five years; and

- HCA agrees to continue its existing charity care policy, which is more generous than Mission's, for ten (10) years with modifications permitted only with the consent of the relevant facility's local advisory board in the case of the Member Hospitals and the main advisory board in the case of the Mission Hospital Campus Facility and the main Community CarePartners Facility in Asheville; thereafter HCA has agreed to have a charity care policy at least as generous as North Carolina's then-largest healthcare system or, if more generous, access for individuals at or below 200% of the federal DHHS guidelines.

Each of these commitments is included in the Purchase Agreement and materially exceeded the commitments that other potential partners were able to make. These commitments are contractually binding, enforceable post-closing by the "Seller Representative" – initially Mission and eventually the Trust – including the remedy of specific performance. Each year, the Buyer will provide the Seller Representative and the relevant advisory board with an annual report summarizing its compliance with these obligations, and the Seller Representative and the relevant advisory board will have the right to tour the Mission hospitals to ensure compliance. The Mission Board is confident that these binding contractual provisions are fully sufficient to prevent HCA from closing any services or facilities contrary to what HCA has agreed to do.

By contrast, *none* of these protections are currently enjoyed by any of Mission's hospitals, including its Member Hospitals. As noted by Mission's Chief Financial Officer and Chief Operating Officer in their report to the Mission Board at its Planning Retreat on January 17, 2018, if Mission were to remain independent, "there will be impact to clinical programs, regional hospital services, and clinical FTE reductions."

Similarly, Mission has hoped to build a new replacement hospital for Angel Medical Center and has known of the need for new (and significantly expanded) behavioral health facilities in Western North Carolina, but the Mission Board has struggled with how to afford such projects in the face of competing projects, the need for cost cutting and the lack of any return on investment from the projects. Selling to an entity with access to capital far beyond Mission's will make those hopes a reality.

Turning from Care to Prevention – Dogwood Health Trust

Finally, one undeniable appeal to the Mission Board of a partnership with HCA is the birth of Dogwood Health Trust, soon to be one of the largest private – and independent – foundations in North Carolina upon receipt of the net proceeds from the proposed transaction. The Trust's charitable purpose, as stated in its articles of incorporation, is "to dramatically improve the health and well-being of all people and communities of Western North Carolina."

While Mission is well aware of the many core, intractable problems that impact an individual's health status – widely referred to as the "social determinants of health" – it has struggled for many years to contribute just $1-2 million dollars per year to organizations tackling these problems. Those problems are simply beyond the reach of any typical healthcare system like Mission, not to mention most rural communities and nonprofit organizations acting alone. A foundation like the Trust can be a catalyst for making meaningful differences in the lives of Western North Carolinians.

A primary focus of the Trust will be addressing these social determinants of health in Western North Carolina. These activities will include grants designed to preserve access to quality health care for the underserved and uninsured members of our population. But they also will include programs focused on solving problems – social, economic and otherwise – that adversely impact the health and lives of the members of these communities.

Summary

In sum, the boards of directors of Mission and all of the Member Hospitals have unanimously approved undertaking this transaction with HCA because of their convictions that:

(i) given the substantial, if not overwhelming, challenges of today and the years ahead, partnering with the largest health care provider in the country in HCA is actually the best available way to ensure the availability, accessibility and affordability of health care services in Western North Carolina, particularly in the smaller communities that Mission serves, and

(ii) procuring commitments to such services for this region beyond what Mission itself could commit, while converting the fair value of the Mission assets into a corpus of funds that can provide sustained, strategic and transformational support is the best way to honor and further the mission of Mission and serve the people of Western North Carolina.

5. Identity of each person serving as an officer or director of the charitable or religious corporation merging or transferring assets. (Include the name, occupation, business address and telephone number, and home address and telephone number.)

See **Attachment 5** – Officers and Directors of Each Seller.

6. (a) Identify any benefit a person identified in Response 5 may receive from the transaction. For each person identified in response to 5, above, describe all agreements and discussions concerning any role that such person would play, following the merger or transfer of assets, with respect either to the entity acquiring the assets, any person affiliated therewith, or the assets received by the disposing entity.

Identity of potential benefit

As is frequently the case with buyers, HCA expressed its interest in retaining most, though not all, of Mission's employees, including potentially all or some listed on **Attachment 6(a)** and members of senior management.[9] Indeed, each of Mission's prospective partners expressed interest in retaining senior management, but none of them, including HCA, offered any promises, jobs or other benefits to any of Mission's senior management, Board members or other employees. Section 7.1 of the Purchase Agreement has quite detailed provisions in that regard, applicable to all employees of the Sellers. Each of such persons may have some expectation of continued employment with HCA, which theoretically could be characterized as a "benefit." Importantly, however, no employment offers have been extended by either HCA, Dogwood Health Trust or any of their affiliates; no employment has been pre-arranged with any such entity; and there are no employment agreements with any of such persons and any such entity. The same is true for all other members of the Mission Board and senior management.[10]

Three directors of Mission – Janice Brumit, John Ball, MD, and Wyatt Stevens – have been appointed to the board of directors of the Trust. These three individuals are volunteers and, under the terms of the Trust's bylaws, no director shall receive any compensation whatsoever from the Trust, so no director of the Trust will benefit from the transaction.

The Boards of Mission and the Member Hospitals have been aware of the potential for HCA to hire many if not most of the Mission employees, including senior management. They have viewed the employment arrangements in the Purchase Agreement as a significant positive for the many physicians and other Mission employees throughout the system.

Recognition of potential conflict of interest

Although no one in senior management has been offered a job with HCA, the Mission Board has been mindful of that prospect throughout the process because virtually every prospective partner has indicated interest in retaining senior management. Due to the circumstances and steps taken as described below, the Mission Board is confident and comfortable that its decisions have not been improperly influenced by any individual who may benefit from that prospect.

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[9] As previously discussed, the LOI approved by the Mission Board contained a clause providing assurances that for at least three years the leader of the physicians services group would report directly to "HCA's Division President for Mission Health," expected to be in Asheville, rather than to an officer in HCA's corporate headquarters in Nashville. Dr. Paulus' name was used as a frame of reference in the LOI as "currently contemplated" to fill that role, but the key element of that provision was to assure the physician services group that, post-closing, Mission's employed physicians would report to the same division president as the remainder of the employees working in the Mission facilities. That provision of the LOI was never a binding agreement and has now been replaced by Section 7.1(k) of the Purchase Agreement, which does not designate any particular person to fill that position.

[10] Note that the Purchase Agreement excludes Dr. Paulus' employment agreement with Mission from the contracts to be assumed by HCA.

Board composition

The Mission Board consists of nineteen (19) directors, including the Chief Executive Officer as an *ex officio* voting member of the Board. None of the other eighteen (18) directors is an employee of Mission or has any employment or business relationship with HCA. All of these eighteen (18) directors are residents of Western North Carolina who, as indicated above, have no other interest in this transaction or HCA beyond their interest in "their" health care system and its mission to provide health care to the people residing in Western North Carolina.

Board-directed process

In late July-early August 2017, the Chair of the Mission Board, Dr. John Ball, established a small working group to consider and evaluate Mission's strategic position with the expectation that, if circumstances warranted, the full Mission Board would be engaged. This working group was comprised of four current and recent Mission Board leaders, including the current and past two Chairs and the current Vice Chair. The working group also included Mission's Chief Executive Officer, Mission's then-Senior Vice President and General Counsel, and a long-standing external strategic advisor, Mr. Philip D. Green.

The working group met several times and, ultimately, identified several prospective partners and commenced site visits and other discussions. All of the Board members in the working group attended the site visit to HCA in mid-September, and reported back to the Board. At a Board meeting on September 28, 2017, the Mission Board itself authorized the senior management team to communicate with prospective partners regarding affiliation possibilities.

Several key Board members, including Dr. Ball, were involved in preliminary steps to gauge interest from potential partners. To provide more structure to these efforts, Dr. Ball established a Strategic Planning Committee of the Mission Board, which began meeting in late Fall, 2017 and met approximately every two weeks thereafter. These efforts resulted in a Strategic Planning Retreat of the full Mission Board in January, 2018, at which a decision was made that Mission should explore opportunities to partner with another health care system. The Mission Board held a second Strategic Planning Retreat in February, 2018. At this meeting, the Mission Board voted unanimously that Mission should explore further discussions with HCA. As one would hope from a good management team, senior management advised the Mission Board throughout the process, but the Mission Board conducted the process and ultimately made the decision to explore a partnership with HCA.

Culture of compliance

The Mission Board has taken other steps to address and manage any potential conflicts of interest – both generally and with respect to the decisions described above. Mission has a robust compliance program, overseen by its Chief Compliance Officer, which includes a focus on conflicts of interest. The program includes a conflict of interest policy and requires that each member of the Mission Board, and each member of senior management, certify on an annual basis that he or she has reviewed, agrees with, and has fully complied with Mission's conflict of interest policy. Each such individual must also disclose in writing any conflict or potential conflict of interest to the Chief Compliance Officer, including any updates should circumstances change. Any such reported conflicts or potential conflicts of interest are reported to the Mission Board's Audit and Compliance Committee.

Also, Mission generally distributes in advance the agenda for each meeting of the Mission Board (or a Board committee) and, at the beginning of each meeting, the presiding chair expressly asks all participants to identify any actual or potential conflicts of interest posed by any agenda items. Likewise, Mission's general practice is to end each meeting of the Mission Board or a Board committee with an executive session that excludes management, including the Chief Executive Officer. [11]

Early in the process of considering this transaction, at the request of the Chair of the Mission Board, Mission's Senior Vice President and General Counsel reminded and advised the members of the Board of Directors with respect to their fiduciary duties arising under N.C. Gen. Stat. § 55A-8-30, which occurred at its meeting on January 25, 2018.

Other conflict management steps

As the Mission Board began to consider its strategic options, it also retained and consulted with outside advisors—and continues to do so—to assure itself of independent advice, free of any actual or potential (or perceived) conflict of interest. These advisors include: McKinsey & Company, a management consulting firm; Cain Brothers, the health care investment banking group of KeyBanc Capital Markets (itself the corporate and investment banking unit of KeyBank); Drinker Biddle & Reath LLP ("Drinker Biddle"), a national law firm with considerable experience in health care mergers and acquisition transactions; Robinson Bradshaw & Hinson, P.A. ("Robinson Bradshaw"), a Carolinas law firm with particular experience in North Carolina nonprofit and for-profit corporate law; and Mr. Philip D. Green (PDG Consulting), a health care transaction attorney turned advisor with almost four decades experience negotiating large, complex health care transactions. In particular, the Mission Board conditioned its final approval of the contemplated transaction with HCA upon the receipt of a fairness opinion from Cain Brothers, which was delivered to the Mission Board at its meeting on August 29, 2018.

Since its decision to explore a partnership with HCA, the primary manner in which the Mission Board has addressed and managed any actual or potential conflicts of interest is through its continued supervision of Mission's transaction planning and negotiations, and through the continued disclosure of any actual, potential or even perceived conflicts of interest to the Board in accordance with its existing conflicts of interest policies and procedures. The Mission Board and its Executive Committee continued to meet regularly and frequently to oversee all aspects of the negotiations and documentation.

The Mission Board meets almost every month[12] and holds additional called meetings as warranted. The Board's Executive Committee meets regularly in between regular meetings of the Mission Board.[13] The Chair of the Mission Board also meets frequently with the Chief Executive Officer individually, both in person and via telephone. Both at and between these meetings, the Mission Board receives reports from and provides guidance to senior management and, during this period, made decisions fundamental to the transaction. During and between these meetings, the Mission Board and the Chair also got reports and advice from its independent, outside advisors (particularly Cain Brothers, Mr. Philip D. Green, Drinker Biddle and Robinson Bradshaw), and will continue to do so through the closing of the

[11] See, for example, the minutes for the various Board meetings included in the materials previously provided to the North Carolina Attorney General's office or concurrently provided with this submission.

[12] The Mission Board is regularly scheduled to meet nine times per year.

[13] As the Mission Board has undertaken this strategic planning process, members of the full Mission Board who do not serve on the Executive Committee have also been invited to attend Executive Committee meetings.

transaction. And at virtually every meeting that the Board or Executive Committee held during this process, the members excused management and discussed the transaction in executive session.

Mission's final decision

For several meetings prior to the last meeting held on August 29, 2018, the Mission Board reviewed, with legal counsel from Drinker Biddle, an extensive summary of the terms of the Asset Purchase Agreement and a comparison of such provisions to the Letter of Intent entered into in March ("LOI"). The Board also consulted with its other independent advisors, Cain Brothers and Robinson Bradshaw, and deliberated in both open and executive sessions. Finally, on August 29, 2018, the Board held another specially called meeting to review and study the final Purchase Agreement, a fully updated summary of terms, another comparison to the LOI, and the final fairness opinion presented by Cain Brothers. With Dr. Paulus having excused himself from the meeting, the remainder of the Mission Board deliberated further and unanimously approved and authorized the execution and delivery of the Purchase Agreement and the consummation of the transactions contemplated thereby.

Summary

Every person on **Attachment 6(a)** has had at least some expectation of continued employment if Mission were sold to any of the partners under consideration, including HCA, just as each had expectations of continued employment with Mission should Mission remain independent. The Mission Board was aware of that prospect but is confident that its decisions with respect to this transaction have been free of improper influence, including by actual or perceived conflicts of interest, for these main reasons: strong leadership by its Chair, the participation on the Strategic Planning Committee of independent and experienced business men and women, the use of outside advisors throughout and at critical junctures in the process, the regular use of executive sessions, and the deliberations by, and the unanimous vote of, a fully engaged board comprised of 18 leaders of Western North Carolina with no personal benefit to be gained from the transaction.

(b) Provide a copy of all documents relating to such agreements or discussion.

As indicated above, no documents exist relating to any agreements or discussions, other than the LOI, which has been previously provided and is no longer in effect, and the Purchase Agreement.

(c) If any person identified in Response 5 has a business or personal relationship with an officer or board member of the entity identified in Response 2 (the Buyer and Buyer Guarantor), provide full details.

No person identified in Response 5 has a business or personal relationship with an officer or board member of the entity identified in Response 2.

7. (a) Assets subject to the merger or being transferred. Provide a general description, including the value of the assets. Enclose any documentation supporting the valuation.

Pursuant to the Purchase Agreement, Mission Health System, Inc., and its affiliates are selling substantially all of their assets to MH Master Holdings, LLLP, an affiliate of HCA Healthcare, Inc.; except that Mission is selling its equity, membership or similar interest in the following wholly owned subsidiaries: Mission Health Partners, Inc., and Healthy State, Inc. The Purchase Agreement is provided

in this submittal (see **Attachment 9(b)-1**) and capitalized terms used herein and not otherwise defined have the meanings given in the Purchase Agreement. Please also see other responses herein, particularly Responses 3, 8 and 9, for additional context.

Assuming the requisite consents can be obtained, Mission also intends to convey the equity, membership or similar interests in the following joint venture entities: Imaging Realty, LLC; Provider-Led, Patient-Centered Care, LLC; WNC Stone Center, LLC; Assuring Affordable, Quality Healthcare in North Carolina, LLC; Western North Carolina Healthcare Innovators, LLC; Blue Ridge-TKC, LLC and Spruce Pine Healthcare, LLC.

The intent of the transaction is that the aggregate of assets transferred comprise what is needed for the success of all the hospitals and other medical facilities within the entire Mission system going forward and no individual critical asset (e.g., a local hospital) is left outside the transaction and forced to "go it alone." As described elsewhere, certain non-critical assets (e.g., Safe Kids WNC) rely on grant funding for which they would be ineligible if included in the transaction. (See response to item below.)

The Purchased Assets are described in Section 2.1 of the Purchase Agreement and refer to all of Mission's assets, properties, rights, and interests, to the extent used in or otherwise relating to the Business, including Owned Real Property, Leased Real Property, Inventory, Prepaid Expenses, patient records, Books and Records, Assumed Contracts, Permits and Approvals, Transferred Intellectual Property, claims against third parties, government provider agreements and numbers, goodwill, insurance proceeds, HITECH payments, Governmental Patient Receivables, other accounts receivable relating to medical services rendered prior to Closing, all Other Receivables, the Transferred Interests referred to above, and such other assets included in the determination of Closing Working Capital, in each case that are transferrable or assignable, and excluding the Excluded Assets.

The Purchased Assets are to be sold for $1,500,000,000, with a withhold for certain accounts receivable in the amount of $32,000,000, and subject to purchase price adjustments for Closing Working Capital, Assumed Indebtedness, Final Seller New Tower Expenditures and holdbacks pending certain consents and approvals . The purchase price, both before and after accounting for any potential adjustments, is well within the valuation range determined by Cain Brothers investment banking firm and is supported by the Fairness Opinion of Cain Brothers dated as of August 29, 2018 attached hereto at **Attachment 7(b)**.

(b) Documentation supporting valuation.

See **Attachment 7(b)** – Fairness Opinion of Cain Brothers dated as of August 29, 2018.

8. Describe the plan of the charitable or religious corporation merging or transferring its assets for any remaining assets and/or for the consideration being received from the acquiring entity. Will the charitable or religious corporation continue operations after the proposed merger or transfer? If yes, please give a general description of the proposed activities.

Except as set forth below, Mission does not plan to continue operations after the proposed transfer of assets to HCA, but recognizes and anticipates that winding down its affairs will take up to three years to accomplish.

Use of Sales Proceeds

At this time, Mission estimates that it will cost approximately $537 million to retire its debt, which will occur shortly after closing. Mission anticipates reserving a portion of the sales proceeds to wind up its affairs.

To promote innovation in health care and economic development in Western North Carolina, Mission and HCA have agreed to create a $50 million joint venture innovation fund to be located in Western North Carolina, which will be governed and funded on a 50:50 basis. Mission's share of the funding is $25 million, which will come from the sales proceeds. HCA will also contribute $25 million to the innovation fund.

In order to preserve and enhance the philanthropic infrastructure of Western North Carolina, Mission plans to distribute up to $90M of the sales proceeds to the foundations that have historically supported the Mission hospitals (and CarePartners) throughout Western North Carolina. These foundations will no longer be permitted to support these hospitals and have been encouraged to re-purpose and focus on other health care needs in their respective communities. These foundations (collectively referred to as the "Legacy Foundations") include a new, to-be-established foundation in Franklin, NC, where Angel Medical Center is located; the Blue Ridge Regional Hospital Foundation in Spruce Pine, NC; the CarePartners Foundation in Asheville, NC; the Highlands-Cashiers Hospital Foundation in Highlands, NC; the Mission Hospital McDowell Foundation, in Marion, NC; and the Transylvania Regional Hospital Foundation, in Brevard, NC.

The balance of the sales proceeds will be transferred to Dogwood Health Trust, a North Carolina non-profit corporation with the stated corporate purpose "to dramatically improve the health and well-being of all people and communities of Western North Carolina." Under federal tax law, the Trust will be a private, non-operating foundation, which requires it to distribute each year at least approximately 5% of its investment assets.

Assets Excluded from the Sale

Section 2.2 of the Purchase Agreement sets forth a list of assets that are excluded from the HCA Transaction. The items below correspond to the lettering in Section 2.2. and describe Mission's current plans for them until the corporation is fully wound down over the next several years.

(a) Cash and investments – to the extent not used to pay liabilities, expenses and reserved for contingencies, will be transferred to the Trust.

(b) Insurance Policies – will be sold, allowed to lapse or terminated at or soon after closing.

(c) Employee Benefit Plans – still being determined.

(d) Corporate documents and records – will be retained until dissolution of Mission and then maintained by the Trust for an appropriate period thereafter.

(e) Sellers' rights under the Purchase Agreement and other Transaction Documents — will be retained until assigned to the Trust in accordance with Section 13.4 of the Purchase Agreement.

(f) Records required by law to be retained by any Seller—will be retained by Mission until its dissolution and then maintained by the Trust until no longer required by law to be maintained.

(g) Excluded Contracts – most will be cancelled prior to the closing; the remainder not needed in respect of other Excluded Assets will be terminated at or shortly after closing or allowed to terminate by their terms.

(h) All HITECH Payments – will be collected and net proceeds will be contributed to the Trust.

(i) Rights to tax refunds – will be retained by Mission until dissolution and then assigned to the Trust.

(j) Rights to Agency Settlements (as defined in the APA) – will be collected and net proceeds will be contributed to the Trust.

(k) Any Seller's assets held for self-funded insurance programs – will discharge liabilities and net proceeds will be contributed to the Trust.

(l) Non-transferable Permits or Approvals – will be retained, but not renewed, until Mission's dissolution.

(m) Claims against third parties relating to other Excluded Assets or Liabilities – if any, will be retained by Mission until dissolution.

(n) Restricted funds not transferable to Buyer and related gift documentation –

There are numerous restricted funds already collected (both permanently and temporarily restricted) and pledges receivable. Since these Excluded Assets carry an associated donative intent, Mission is already reaching out to grantors and individual donors to determine what the grantor/donor might entertain for the outstanding grants and pledge balances. Many of these funds are held by the Legacy Foundations rather than Mission, but since those Foundations have heretofore been "supporting organizations" of the hospitals, the transaction may affect those gifts as well as funds held at Mission or the member hospitals. Mission will resolve any issues arising out of these gifts in accordance with N.C. Gen. Stat. Section 36E (UPMIFA).

Pledges with Outstanding Balances

Mission is contacting each donor with a pledge of $1,000 or more with current balances remaining. The following table describes the distribution of these:

Group	Quantity	Outstanding Pledges	Avg Outstanding Pledge
$1,000+	420	$5,222,345	$12,434
Major*	4	$6,120,000	$1,530,000
	424	**$11,342,345**	**$26,751**

For each donor with an outstanding pledge balance, Mission is offering these options:

- Have the remaining pledge balance forgiven
- Pay entire balance before closing of transaction (cash remains with Mission)
- Move pledge balance (as a new commitment) to a Legacy Foundation

- Move pledge balance (as a new commitment) to Dogwood Health Trust

Currently Held Permanently Restricted Funds (Endowments)
While board-restricted endowments can be reclassified at the discretion of the relevant board, donor-restricted endowments necessitate a review of the gift documentation involved and a dialogue with the donor to determine the most suitable home for the corpus of their endowment and a charitable purpose for its annual yield. Mission is undertaking that review and dialogue.

Currently Held Restricted Funds *(after current fiscal year closes)*
Similarly to donors with outstanding pledge balances, Mission is contacting each donor who has given a restricted gift to a fund currently held with an unused balance as of October 1, 2018 (the beginning of Mission's new fiscal year). Mission is offering these donors similar options for restricted gifts with balances unused as of that date:

- Have Mission return the gift, or unused portion thereof, if the donor's intent cannot be fulfilled post-transaction
- Allow Mission to use the funds for a current area of greatest need
- Move the balance (as a new commitment) to a Legacy Foundation
- Move the balance (as a new commitment) to Dogwood Health Trust

(o) Assets of the Trust and the six hospital supporting organizations – These are not assets of the Sellers and are listed as "Excluded Assets" in the Purchase Agreement for the avoidance of doubt.

(p) Assets held by a creditor, trustee or agent expected to defease or retire debt – will be used to pay off debts.

(q) Assets specifically identified on Schedule 2.2(q) – any net proceeds from distribution of these assets as described below will be contributed to the Trust.

(1) Mission has excluded several affiliates from entities whose assets are being transferred to HCA. Mission intends to explore other buyers for some of these assets and will likely dissolve others.

(2) Mission is not conveying its equity interests in Advanced Home Care, Inc. as part of the transaction with HCA, and has not yet determined next steps.

(3) After the closing, Mission Hospital, Inc. will temporarily retain (and not convey) two programs: (i) its Safe Kids WNC program, which is a local coalition of Safe Kids Worldwide that focuses on the reduction of accidental injuries among children (e.g., assisting caregivers with the installation of car seats); and (ii) its Regional Asthma Disease Management program, which addresses health disparities underserved and impoverished children suffering from asthma in rural Western North Carolina. Both of these programs rely heavily on outside grants for funding, but would be ineligible for this grant funding if they were to be part of a for-profit entity. The SafeKids WNC program is the beneficiary of a $101,005 grant from the North Carolina Governor's Highway Safety Program, and the Regional Asthma Disease Management program is the

beneficiary of a two-year $300,000 grant from the North Carolina Office of Rural Health and a five-year private grant for $30,000. To avoid losing this funding, Mission Hospital, Inc. will retain these programs until they can be transferred to another 501(c)(3) non-profit entity that is eligible for grant funding.

(4) After the closing, Community CarePartners, Inc. will retain (and not convey) two programs: (i) its Adult Day Care program, which provides a place for aging and impaired adults to stay engage during the day, particularly when caregivers must work or attend to other matters; and (ii) its Bereavement program, which provides support to grieving children and adults. The Board of Directors of Community CarePartners, Inc. asked to retain these programs because they rely heavily on philanthropic support from CarePartners Foundation, Inc., which they would be unable to receive if they were part of a for-profit entity.

(r) Non-Transferable Governmental Patient Receivables – per the Purchase Agreement, will transfer any collections received to HCA.

(s) Certain assets of The McDowell Hospital, Inc. (if the McDowell County Waiver has not been obtained) – Mission fully expects to obtain the McDowell County Waiver, in which event these assets will not be treated as Excluded Assets. If the McDowell County Waiver is obtained within one year after closing, the McDowell Assets will be transferred to HCA. If the McDowell County Waiver is not obtained within one year after closing, Mission would have to consider other options.

9. (a) Describe the terms of the proposed merger or transfer (including price, management agreements, leases, contracts, employment arrangements, and any other agreements).

The Purchase Agreement provided at **Attachment 9(b)-1** (consisting of approximately 130 pages, not including schedules and exhibits) sets forth the complete terms of the purchase by the Buyer of the Purchased Assets of the Sellers listed in Response 1, other than specifically named Excluded Assets (which are discussed in Response 8 above). The following is a brief overview of the principal terms of the transaction. (Capitalized terms used herein and not otherwise defined in the Glossary of Terms (see **Attachment 16**) have the meanings given in the Purchase Agreement.)

As is typical in transactions of this nature, in return for payment of the purchase price and the obligations of the Buyer and its affiliates to maintain critical operations and services, including the existence of the hospitals transferred under the terms of and for the time required (as described in Response 4), Mission will transfer the Purchased Assets, make certain representations, make certain covenants and incur obligations as to the operation of its Business prior to the closing. The consideration being paid is $1,500,000,000, with a withhold for certain accounts receivable in the amount of $32,000,000, and subject to typical closing and post-closing purchase price adjustments. Of the purchase price, $150,000,000 will be escrowed to secure the obligations of Mission and Dogwood Health Trust to indemnify the Buyer for breaches of representations and covenants in the Purchase Agreement. This escrow amount equals 10% of the consideration, which is not atypical in such transactions. The indemnification requirements contained in Article 10 of the Purchase Agreement were, along with the rest of the Purchase Agreement, the result of lengthy and vigorous negotiation between Mission and the Buyer, and represent market terms for transactions of this nature.

The Purchase Agreement (and its schedules and exhibits) cover the terms of the transaction and there are no significant other agreements to describe in any detail. Mission's employees may be hired by the Buyer, but there are no guaranties with respect to individuals and no offers have been made regarding such continued employment. The Purchase Agreement does not include or contemplate any specific employment agreements or arrangements with Mission management or any other individual, with the exception of Mission's physicians' individual employment agreements, which the Buyer will assume. Section 7.1 of the Purchase Agreement does include provisions relating to retaining and terminating Mission's employees generally.

As mentioned above, a critical part of the transaction is the obligation of the Buyer to safeguard (and improve) the current operations and services of Mission to the communities and people it serves. The provisions for enforcing these Buyer obligations were heavily negotiated and perform an all-important function in the transaction. A majority of the obligations, those relating principally to Mission Hospital/CarePartners Services or the system as a whole, will be enforced by the Seller Representative (initially Mission but changing to the Trust as Mission winds down its operations and the Trust becomes the principal interested party). As set forth in more detail in the Purchase Agreement, an "Advisory Board" composed of four representatives from each of Mission and the Buyer will oversee matters pertaining to the capital expenditures commitment and the New Tower and Behavioral Health projects. It also will have to approve the discontinuance of certain hospital services and changes to charity care commitments (other than as they apply to the Member Hospitals). Further, each Member Hospital will appoint four members to an eight-person "Local Advisory Board" that must approve any Member Hospital discontinuation of services, hospital closure or change in charity care policies prior to the time periods mandated by or in a manner different from that specified in the Purchase Agreement. Thus, many decisions important to the users of the Member Hospitals will be in their control, not the Buyer's and not Mission's.

Among other obligations contained in the Purchase Agreement, the Buyer commits to a number of protective covenants relating to the maintenance of hospital facilities, including the Member Hospitals, the continuation of services, the maintenance of charity care and capital expenditures as described in Response 4 and set forth in detail in the Purchase Agreement.

Mission and the Buyer additionally will create a joint venture innovation/investment fund to invest in Western North Carolina businesses that provide innovations in the delivery of healthcare, with each contributing $25 million.

More details of the terms of the proposed transfer are described elsewhere in this Notice and in the Purchase Agreement.

(b) Provide final copies of all transaction documents.

See the following attachments:
Attachment 9(b)-1 – Purchase Agreement;
Attachment 9(b)-2 – Exhibits;
Attachment 9(b)-3 – Schedules;
Attachment 9(b)-4 – Regulatory Side Letter.

(c) Include all board minutes, consents, and resolutions discussing or approving the proposed transaction.

See the following attachments:
Attachment 9(c)-1 – Resolutions of Mission Health System and Mission Hospital;
Attachment 9(c)-2 – Minutes of Mission Health System and Mission Hospital;
Attachment 9(c)-3 – Resolutions of Dogwood Health Trust;
Attachment 9(c)-4 – Minutes of Dogwood Health Trust;
Attachment 9(c)-5 – Resolutions of Minute Members.

(d) If the entity on the other side of the transaction is undertaking any responsibilities, include evidence that it has accepted those responsibilities.

See **Attachment 9(b)-1** – Purchase Agreement.

10. Did the charitable or religious corporation engage outside expert assistance to advise it in connection with this proposed merger or transfer of assets? If yes, identify the experts, provide information regarding the expert's qualifications, give a general description of the advice received, and provide copies of any reports or advisory or consultation documents and materials. Note: This request should not be interpreted as a request for any materials protected by the attorney-client privilege.

(a) Identify outside advisors, provide qualifications.

See **Attachment 10(a)** – Outside Advisors.

(b) Generally describe advice received.

Mission received financial and strategic advice from the advisors listed on **Attachment 10(a),** legal advice from the counsel listed on **Attachment 10(a)** and the reports and materials included in **Attachment 10(c)**.

(c) Provide reports, materials from outsiders.

See **Attachment 10(c)** – Cain Brothers Materials.

11. Following this transaction, will the charitable or religious corporation be able to pay its debts? If the organization is planning to dissolve after this transfer, list any and all current debts. Include the name of the debtor and the amount owed to each. Explain how those debts will be resolved.

(a) Statement as to ability of MHS to pay its debts.

Mission anticipates no difficulty paying all of Mission's and the Member Hospitals' outstanding debts with the purchase proceeds, either immediately or in due course as part of the wind-down. Its current cash and investment assets provide a further backstop, but there is no plan to use them for this purpose.

(b) List of current debts, including name of debtor and amount owed to each.

Attachment 11(b) is a listing of Mission's current long term debt. This indebtedness will either be assumed by the Buyer (e.g., capital leases) or paid off at or near closing. It does not include short term liabilities (current debt), such as accounts payable, as those are transferred to the Buyer along with current assets. Because Mission will not dissolve for several years after the closing, no listing of debt that might exist at such time is possible at present.

(c) Explain how debts will be resolved.

As stated in its Response 11(a), Mission anticipates no difficulty paying all of Mission's and the Member Hospitals' outstanding debts either immediately or in due course as part of the wind-down. The material indebtedness set out on **Attachment 11(b)** will be repaid as indicated thereon. All other debt will be paid off in the ordinary course pursuant to its terms.

12. Does this transaction violate the terms of any grant or restricted gift the charitable or religious corporation received?

No.

13. Provide any other information or documents that will enable the Attorney General to conduct a complete review of the proposed transaction.

Mission regards the information provided in previous submissions to the Attorney General as helpful to the Attorney General's review.

In addition, attached as **Attachment 13** are two statements given by Dr. John Ball, Chair of Mission's Board. The first was provided to the members of Mission's Board at its strategic planning retreat held on January 17, 2018, and the second to the Mission Board members at the beginning of its executive session of the Mission Board meeting called to consider the Purchase Agreement and the transaction with HCA on August 29, 2018.

14. Production of documentary materials. Provide copies of all pertinent materials that document the transaction and related transactions. These include, but are not limited to, copies of the following, as appropriate: contracts of sale, asset purchase agreements, affiliation agreements, memoranda of understanding, covenants, collateral agreements; documents evidencing plans and structure of reorganization, including collateral, subsidiary, or related entities, mission of restructured entities including collateral,

subsidiary, or related entities; corporate governance documents, including articles of incorporation, and bylaws; any requests for proposals, minutes of meetings, reports of experts, alternatives considered, records of public hearings, or other evidence of due diligence; any valuations, fairness opinions, commitments such as Certificate of Need assurances, Medicare/Medicaid reimbursement agreements, charitable trust provisions; documents evidencing disclosure of any conflicts of interests, contingencies, perquisites to existing board members or negotiators, promised compensation or employment contracts to existing board members or executive staff of the charitable or religious corporation, other documentation of arms' length or unrelated-party transactions; documents that describe or concern the service area(s) of the entity disposing of assets, including, but not limited to, any documents that depict the various geographic areas served by the charitable or religious corporation merging or transferring assets and documents depicting the area to be served after the merger or transfer of assets; and such other materials and documents as requested.

Mission believes all pertinent information described above is included in this submission.

15. Certification. The undersigned representative of the charitable or religious corporation providing notice to the Attorney General hereby certifies that the answers provided herein are true and complete to the best of his/her knowledge.

Signature:	Donald R Esposito, Jr
Printed Name:	Donald R. Esposito, Jr.
Title:	Senior Vice President & General Counsel
Company:	Mission Health System, Inc.
Address:	12 Ardmore Street, Asheville, NC 28803
Telephone:	(828) 213-3264
Date:	September 1, 2018