



North Carolina
Division

April 30, 2020

c/o Chair of the Board of Directors
ANC Healthcare, Inc. (f/k/a Mission Health System, Inc.)
425 West New England Avenue, Suite 300
Winter Park, Florida 32789
Attention: Neil F. Luria

Gibbons Advisors, LLC
1900 Church Street, Ste 300
Nashville, TN 37203
Attn: Ronald M. Winters

Advisory Board (Asheville Facilities)
Local Advisory Board (Angel Medical Center)
Local Advisory Board (Blue Ridge Regional Hospital)
Local Advisory Board (Highlands-Cashiers Hospital)
Local Advisory Board (Mission Hospital McDowell)
Local Advisory Board (Transylvania Regional Hospital)

North Carolina Department of Justice
114 W. Edenton Street
P.O. Box 629
Raleigh, NC 27602-0629
Attention: Swain Wood, or General Counsel

**Re: Annual Report pursuant to Section 7.17 of the Purchase Agreement and Cap Ex Report
Pursuant to Section 7.14 of the Purchase Agreement**

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Asset Purchase Agreement, dated as of January 31, 2019 (the "Purchase Agreement"), by and among ANC Healthcare, Inc. (formerly Mission Health System, Inc.), a North Carolina nonprofit corporation, MH Master Holdings, LLLP, a Delaware limited liability limited partnership ("Buyer"), and the other signatories thereto. Capitalized terms used but not defined herein have the respective meanings set forth in the Purchase Agreement.

Pursuant to Section 7.17 of the Purchase Agreement, enclosed is Buyer's annual report, attached as Schedule A hereto, regarding compliance with the Continuing Obligations, the obligations set forth in Sections 7.14(e)(ii), 7.14(e)(iii), 7.16 and 7.20 of the Purchase Agreement and the other matters described in Section 7.17(a) of the Purchase Agreement during the period beginning on January 1, 2019 and ending on December 31, 2019.

In addition, pursuant to Section 7.14(f) of the Purchase Agreement, enclosed is the Cap Ex Report, attached as Schedule B hereto, with respect to Buyer's obligations under Section 7.14 of the Purchase

Agreement (other than Sections 7.14(e)(ii) and 7.14(e)(iii) thereof, which are covered by the Annual Report) during the 12 months following the Effective Time (i.e., February 1, 2019 through January 31, 2020).

Please feel free to contact me if you have any questions regarding the enclosed reports.

Sincerely,



Greg Lowe
President, HCA North Carolina Division

cc (w/ enclosures):

SOLIC Capital
425 West New England Avenue
Suite 300
Winter Park, Florida 32789
Attention: Neil F. Luria

Drinker Biddle & Reath, LLP
191 N. Wacker Drive, Ste. 3700
Chicago, Illinois 60606-1698
Attention: Neil Olderman

North Carolina Department of Justice
114 W. Edenton Street
P.O. Box 629
Raleigh, NC 27602-0629
Attention: Kevin Anderson, or Chief of Consumer
Protection Division

North Carolina Department of Justice
Consumer Protection Division
114 W. Edenton Street
P.O. Box 629
Raleigh, NC 27602-0629
Attention: Jennifer Harrod, or Attorney
Responsible for Review of Nonprofit Transactions

SCHEDULE A

Annual Report
For Fiscal Year ended December 31, 2019 (the “Reporting Period”)

Capitalized terms used but not defined herein have the respective meanings set forth in the Purchase Agreement. For convenience of reference, the table below includes relevant portions of the applicable sections of the Purchase Agreement. Please refer to the Purchase Agreement for the full text of each section.

PURCHASE AGREEMENT SECTION	STATUS
<p>7.10 – Branding. Following the Closing, Buyer, in its and its Affiliates’ operation of the Hospitals and the other Facilities, shall use the name “Mission Health” or “Mission Health System” in the naming, branding and marketing of such Hospitals and other Facilities in each case unless such name is required to be changed to comply with applicable Law. In addition, following the Closing, Buyer in its and its Affiliates’ operation of the occupational, rehabilitation and home care operations and facilities shall use the name CarePartners in the naming and branding and marketing of such facilities in each case unless such name is required to be changed to comply with applicable Law.</p>	<p>Buyer and its Affiliates have continued to use the name “Mission Health” or “Mission Health System” in the naming, branding and marketing of the Hospitals and other Facilities during the Reporting Period. As an example, see https://missionhealth.org/member-hospitals/</p> <p>Buyer and its Affiliates have continued to use the name “CarePartners” in the naming, branding and marketing of the occupational, rehabilitation and home care operations and facilities acquired pursuant to the Purchase Agreement. As an example, see https://missionhealth.org/member-hospitals/carepartners/</p>
<p>7.12(a) – Hospital Advisory Board. As of the Effective Time, the Parties shall establish an advisory board (the “Advisory Board”) which shall continue in existence for the Advisory Board Designation Period. During the Advisory Board Designation Period, the Advisory Board shall be composed of eight (8) individuals appointed as follows: (i) four (4) of the Advisory Board members, and their replacements, as determined by the Seller Representative, shall be appointed by Seller Representative (the “Seller Directors”) and (ii) four (4) of the Advisory Board members, and their replacements, as determined by Buyer, shall be appointed by Buyer, who may be employees of Buyer or any of its</p>	<p>The Parties established an Advisory Board comprised of 4 individuals appointed by the Seller Representative and 4 individuals appointed by Buyer. The members of the Advisory Board serving during the Reporting Period are listed below. The board members appointed by the Seller Representative are noted with a “SR” in parenthesis next to such individual’s name and the board members appointed by Buyer are noted with a “B” in parenthesis next to such individual’s name.</p>

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<p>Affiliates (the “Buyer Directors”). The purposes of the Advisory Board shall be: (I) approving any modifications to Buyer’s obligations set forth in <u>Section 7.10</u>, this <u>Section 7.12</u>, <u>Section 7.13</u> and <u>Section 7.15</u>(the “Continuing Obligations”); <u>provided</u> that the Advisory Board shall not have any rights or authority regarding the Continuing Obligations with respect to any Hospital owned by a Local Hospital as of the Execution Date and for which the Local Advisory Boards have authority pursuant to <u>Section 7.12(b)</u>; (II) consulting with and providing recommendations to Buyer regarding Capital Expenditures as contemplated by <u>Section 7.14(h)</u>; (III) receiving reports prepared by Buyer pursuant to <u>Sections 7.14(e)</u> and <u>7.17</u> and (IV) resolving disputes regarding the occurrence of a Contingency with respect to any Mission Hospital / CarePartners Service or any Material Facility that is not a Local Hospital Facility. Each of the Parties shall comply with the terms of the Advisory Board Charter.</p>	<p>John Garrett, MD (SR) Alex Schneider, MD (SR) Larry Harris (SR) Bridget Eckerd (SR) Chad Patrick (B) Karen Olsen, RN (B) Laurie Haynes (B) Anthony Spensieri, MD (B)</p> <p>Buyer complied with the terms of the Advisory Board Charter during the Reporting Period.</p>
<p>7.12(b) – Local Advisory Board. As of the Effective Time, Buyer and each Local Hospital shall establish an advisory board (each a “Local Advisory Board” and, collectively, the “Local Advisory Boards”) which shall continue in existence for the applicable Local Advisory Board Designation Period. During the applicable Local Advisory Board Designation Period, such Local Advisory Board shall be composed of eight (8) individuals appointed as follows: (i) four (4) of the Local Advisory Board members shall be appointed by the board of the Local Hospital (the “Hospital Local Directors”) and their replacements shall be determined by the other Hospital Local Directors of the applicable Local Advisory Board at such time, and (ii) four (4) of the Local Advisory Board members, and their replacements, as determined by Buyer, shall be appointed by Buyer, who may be employees of Buyer or any of its Affiliates (the “Buyer Local Directors”). The purposes of each Local Advisory Board shall be (I) approving the discontinuance of the provision of services at its applicable Local Hospital Facility pursuant to <u>Section 7.13(b)</u>, (II) approving the sale or closure of its applicable Local Hospital Facility pursuant to <u>Section 7.13(c)</u>;</p>	<p>Buyer and each Local Hospital established Local Advisory Boards comprised of 4 individuals appointed by the applicable Local Hospital and 4 individuals appointed by Buyer. The members of the Local Advisory Boards who served during the Reporting Period are listed below. The board members appointed by the board of the Local Hospital are noted with an “LH” in parenthesis next to such individual’s name and the board members appointed by Buyer are noted with a “B” in parenthesis next to such individual’s name.</p> <p><u>Angel Medical Center</u> Thom Brooks (LH) Warren Cabe (LH) Dale West (LH) Janet Greene (LH) Karen Gorby (B) Kathy Guyette (B) David Franks, MD (B)</p>

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<p>(III) approving any change to the Uninsured and Charity Care Policy of its applicable Local Hospital Facility pursuant to <u>Section 7.15</u> (collectively, the “Local Continuing Obligations”); (IV) receiving and evaluating applicable reports prepared by Buyer pursuant to <u>Sections 7.14(f)</u> and <u>7.17</u>; and (V) resolving disputes regarding (x) the occurrence of a Contingency with respect to the Local Hospital Facility or (y) an MHF Quality or Safety Occurrence with respect to a Member Hospital Facility Service. Each of the Parties shall comply with the terms of each of the Local Advisory Board Charters.</p>	<p>Kellett Letson, MD (B)</p> <p><u>Blue Ridge Regional Hospital</u> Richard Montague (LH) Darla Harding (LH) Kim Stephenson (LH) Alex Glover (LH) Tonia Hale (B) Kathy Guyette (B) Phillip Mitchell, MD (B) Jason Hunt, MD (B)</p> <p><u>Highlands-Cashiers Hospital</u> Nancy Dunlap (LH) Marc Hehn (LH) James Maurin (LH) Peter Pavarini (LH) Tom Neal (B) Kathy Guyette (B) Patti Wheeler, MD (B) Bill Hathaway, MD (B)</p> <p><u>Mission Hospital McDowell</u> Bobbie Young (LH) Ray McKesson (LH) Sherron Crawford (LH) Harold Walker (LH) Carol Wolfenbarger (B) Kathy Guyette (B) Margaret Sullivan, MD (B) Larry Hill (B)</p>

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	<p><u>Transylvania Regional Hospital</u> Ora Wells, MD (LH) John Holbrook (LH) Parker Platt (LH) Ruffin Benton, MD (LH) Michele Pilon (B) Kathy Guyette (B) Wes Jones, MD (B) David Franklin (B)</p> <p>Buyer complied with the terms of each Local Advisory Board Charter during the Reporting Period.</p>
<p>7.13(a) - Mission Hospital/Care Partners Services. Unless otherwise consented to in writing by the Advisory Board for a period of ten (10) years immediately following the Closing Date, Buyer shall not discontinue the provision of the services set forth on <u>Schedule 7.13(a)</u> (the “Mission Hospital / CarePartners Services”) at the Mission Hospital Campus Facility, the Community CarePartners Facilities or the Mission Children’s Hospital Reuter Outpatient Center, as applicable, subject to Force Majeure making the provision of such services impossible or commercially unreasonable (but only for the period of Force Majeure and the applicable Remediation Period).</p>	<p>During the Reporting Period, Buyer has not discontinued the provision of the services set forth on Schedule 7.13(a) of the Purchase Agreement at the Mission Hospital Campus Facility, the Community CarePartners Facilities or the Mission Children’s Hospital Reuter Outpatient Center.</p>
<p>7.13(b) - Member Hospital Facility Services. Unless otherwise consented to in writing by both the applicable Local Advisory Board and the Independent Monitor, and subject to the right to discontinue if a MHF Quality or Safety Occurrence occurs between the fifth and tenth anniversaries of the Closing Date as described in this <u>Section 7.13(b)</u>, for a period of ten (10) years immediately following the Closing Date, Buyer shall not discontinue the provision of the services set forth on <u>Schedule 7.13(b)</u> (the “Member Hospital Facility Services”) at any Member Hospital Facility, subject to Force Majeure making the</p>	<p>During the Reporting Period, Buyer has not discontinued the provision of the services set forth on Schedule 7.13(b) of the Purchase Agreement at any Member Hospital Facility.</p>

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<p>provision of such services impossible or commercially unreasonable (but only for the period of Force Majeure and the applicable Remediation Period). For the avoidance of doubt, this <u>Section 7.13(b)</u> shall not apply to the Mission Health Campus Facility or the Community CarePartners Facilities that are addressed in <u>Section 7.13(a)</u>.</p>	
<p>7.13(c) - Sale or Closure of any Facility. Unless otherwise consented to in writing by (i) with respect to any Material Facility other than the Local Hospital Facilities, the Advisory Board, or (ii) with respect to any Local Hospital Facility, both its applicable Local Advisory Board and the Independent Monitor, for a period of ten (10) years immediately following the Closing Date, Buyer shall not sell or close any of the Material Facilities unless Force Majeure makes the continued operation by Buyer of the Material Facilities impossible or commercially unreasonable; <u>provided</u> that if the Force Majeure is capable of being remediated in a commercially reasonable manner within a six (6) month period following the occurrence of the Force Majeure such that the continued operation of the Material Facility would cease to be impossible or commercially unreasonable, Buyer shall use commercially reasonable efforts to mitigate the Force Majeure for up to six (6) months prior to such sale or closure.</p>	<p>During the Reporting Period, Buyer has not sold or closed any of the Material Facilities.</p>
<p>7.13(e) – LTAC Services. Unless otherwise consented to in writing by the Advisory Board, for a period of two (2) years immediately following the Closing Date, Buyer shall not discontinue the provision of long-term acute care services at the St. Joseph campus of Mission Hospital (Asheville, North Carolina) (the “<u>LTAC Services</u>”), subject to Force Majeure making the provision of such services impossible or commercially unreasonable (but only for the period of Force Majeure and the applicable Remediation Period).</p>	<p>During the Reporting Period, Buyer has not discontinued the provision of the LTAC Services at the St. Joseph campus of Mission Hospital.</p>

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<p>7.13(h) – Medicare/Medicaid Enrollment. Unless otherwise consented to in writing by (i) with respect to any Material Facility other than the Local Hospital Facilities, the Advisory Board, or (ii) with respect to any Local Hospital Facility, its applicable Local Advisory Board, for a period of ten (10) years immediately following the Closing Date, subject to Force Majeure making doing so impossible or commercially unreasonable (but only for the period of Force Majeure and the applicable Remediation Period), Buyer shall cause the Material Facilities and the Local Hospital Facilities to remain enrolled and in good standing in Medicare, Medicaid or their successor program(s); <u>provided that</u> Buyer shall only be obligated to cause the Material Facilities and the Local Hospital Facilities to accept conventional Medicare and Medicaid, and shall not be obligated to cause the Material Facilities or the Local Hospital Facilities to accept managed Medicare or Medicaid or participate in any other alternative payment models.</p>	<p>During the Reporting Period, the Material Facilities and the Local Hospital Facilities remained enrolled and in good standing in the Medicare and Medicaid programs.</p>
<p>7.13(i) – Community Programs. Buyer shall continue the community activities, services and programs set forth on <u>Schedule 7.13(i)</u>, to the extent such programs were included on MHP’s Form 990 for the 2017 fiscal year, for at least twelve (12) months immediately following the Closing Date.</p>	<p>During the Reporting Period, Buyer continued the community activities, services and programs set forth on Schedule 7.13(i) of the Purchase Agreement as described below.</p> <p>1. <u>Cancer Program.</u></p> <p>The Cancer Program provided administration and funding for various cancer events and outreach programs during 2019, including the following:</p> <ul style="list-style-type: none"> • Camp Bluebird, a three-day retreat for adult cancer survivors with a past or current diagnosis of cancer held each spring and fall. The camp offers a safe place where cancer survivors can share their experiences with other cancer survivors. Mission Hospital encourages their oncology nurses to serve as counselors at Camp Bluebird, along with nurses from

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	<p>private oncology offices. The camp hosted 59 attendees in Spring 2019 and 57 attendees in Fall 2019.</p> <ul style="list-style-type: none"> • Cancer Survivorship Day celebration, hosted in May 2019, included fun activities, food and music. 115 people attended. • Breast Cancer Awareness event hosted in October 2019. The event focused on the importance of early detection and the latest available treatment options and welcomed 50 attendees. • 2nd annual Live to Breathe, Rock to Live event, hosted in November 2019, a lung cancer awareness event to benefit The American Cancer Society that brought together 500 people. <p>In addition, the Cancer Program provided the following support services during 2019:</p> <ul style="list-style-type: none"> • Clinical Social Workers provided counseling support for cancer patients and their families. • Financial Counselor provided assistance with payment options, health insurance, or financial assistance programs. • Nurse Navigators provided education, resources, coordination, advocacy, and emotional support for patients with lung, breast, head and neck, and GYN cancers. • Oncology-certified dietitians advised cancer patients with regard to proper nutrition.

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	<ul style="list-style-type: none"> • Patient and Family Advisory Council composed of 9 community members that actively engaged patients and families as partners to shape policies, programs, facility design, and day-to-day interactions. On average, the Council met once a month in 2019. • Integrative health nurses counseled patients to reduce stress and anxiety related to cancer treatments. These nurses also provided light massage services to help with neuropathy symptoms that arise from chemotherapy. • Chaplain who, through a compassionate and listening presence, provided supportive counseling to patients and their families who were dealing with emotional, spiritual, and social changes that a cancer diagnosis often brings. • Women’s support group “In Good Company” that met periodically throughout the year. The group gathered to provide support, discussion, and community to one another. 85 women in total participated during 2019. • Navigator-led “Living with Thoracic Cancer” support group that hosted 23 individuals during 2019. • “Hugs for Life” support group that hosted approximately 200 individuals during 2019. • Head and Neck Cancer support group that met periodically throughout the year. • Lung Cancer support group that met periodically throughout the year.

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	<ul style="list-style-type: none"> • Leukemia support group that met periodically throughout the year. <p>2. <u>Genetic Center Education.</u></p> <p>The Genetic Center Education Program provided education to the community through a variety of avenues, including published articles, information sessions and sponsorship of events such as the March of Dimes.</p> <ul style="list-style-type: none"> • The Genetic Center Education Program provided statewide education and training about the prevention of alcohol-exposed pregnancies and Fetal Alcohol Spectrum Disorders through its Fetal Alcohol Prevention program (FAP). In 2019, the FAP program exhibited at 18 regional/statewide conferences, reaching 2,800 attendees, and delivered 37 educational and training sessions, reaching 965 participants. The FAP program also provided information on its website, FASDinNC.org, and purchased numerous public service advertisements in magazines, hard copy and online. • The Genetic Center Education Program provided MotherToBaby services in North Carolina through an affiliation with the not-for-profit Organization of Teratology Information Specialists (OTIS). MotherToBaby is dedicated to providing evidence-based information to mothers, health care professionals, and the general public about medications and toxic exposures during pregnancy and while breastfeeding. For the 12 months ended January 31, 2020, the Program responded to 2,119 exposure inquiries via telephone, email and online chat and also authored factsheets, blogs and podcasts for OTIS's MotherToBaby.org website.

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	<ul style="list-style-type: none"> • In conjunction with the March of Dimes Program, the Genetic Center Education Program conducted an educational campaign to educate women of childbearing age in Western North Carolina about the benefits of folic acid and preconception health. The campaign consisted of coordinating and conducting trainings for public and private health care providers using current and up-to-date evidence-based curricula on topics relevant to preconception health. The campaign also participated in the development and pilot testing of a mental wellness curriculum to be promoted throughout the perinatal life span. The curriculum aligns with the aim of the NC Preconception Health Campaign and the need established by the NC Division of Public Health Preconception Strategic Plan. Additionally, the Program provided education to increase knowledge about the importance of entering pregnancy healthy as one important mechanism to reduce infant mortality and birth defects. <p>3. <u>Lifeline.</u></p> <p>Philips Lifeline is a 24/7 personal emergency monitory system that enhances a senior person’s ability to live independently and securely by providing care and services when needed. Philips is one of the top providers of personal alert services in North America and has one of the largest subscriber bases. Mission Health referred patients to the Lifeline service that are in need of a personal emergency monitory system.</p> <p>4. <u>Medication Assistance Program.</u></p> <p>Mission’s Medication Assistance Program (MAP) provided medications, education, and disease state management to low-</p>

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	<p>income and uninsured patients. The objective of MAP is to improve clinical, economic, and quality of life outcomes for its patients. In 2019, MAP served 16,933 patients and filled 34,716 prescriptions.</p> <p>5. <u>Safe Kids.</u></p> <p>Safe Kids WNC, led by Mission Children’s Hospital, is committed to reducing accidental injury among children in Western North Carolina. The program’s goals are to address the most prevalent childhood injuries in the region through evidence-based target programs, to increase public awareness of ways to prevent childhood injuries and to collaborate with community agencies in their efforts to keep children safe. Safe Kids WNC focuses on the major areas where most injuries occur: traffic injury, poisoning, choking/suffocation, drowning, falls, fire and burns. Safe Kids WNC, through Mission Children’s Hospital and local coalition members, is able to reach families who have a need for education about keeping their children safe in a variety of settings. Whether it is to assist caregivers with the installation of their child’s car seat, or teaching children to be safe at home, around water or on their bikes, the opportunity to prevent childhood injury is widespread.</p> <p>During 2019, Safe Kids held 33 events and car seat checks for over 600 attendees, as well as 11 trainings/refresher courses for 184 individuals.</p> <p>6. <u>Sports Medicine.</u></p> <p>Mission Sports Medicine provided area schools with full-time athletic trainers. This outreach endeavor allowed coaches and students the benefit of having a certified athletic trainer available</p>

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	<p>at the school during practices and games throughout the school year.</p> <p>In 2019, sports medicine services were provided at McDowell High School, McDowell East Middle School and McDowell West Middle School (“McDowell”). Services included the provision of medical staff at sporting events, the provision of equipment necessary to perform services to athletes at sporting events, including tents and coolers, on-site injury evaluation, consultation and treatment with a board-certified sports medicine physician, board-certified sports medicine physicians on the sidelines, same-day office appointments with fellowship-trained sports medicine physicians, when needed, concussion management and return-to-play guidance, and educational outreach, sharing best practices and emerging care. Sport medicine services provided to McDowell also included free pre-participation physicals to student athletes of McDowell County, CPR/AED training sessions for coaches, sports performance sessions for teams, and baseline concussion testing through the ImPact Applications Neurocognitive System.</p> <p>In 2019, the Mission Sports Medicine team consisted of one manager, one regional supervisor and thirteen additional staff members, all of whom are certified athletic trainers. During the 2019-2020 school year, 455 student athletes were provided free pre-participation physical exams, 123 injuries were treated, 129 concussion neurocognitive tests were given, 626 total treatment sessions were held and 23 events were hosted with a total of 2,932 attendees.</p>

7. Health Education Center.

The Health Education Center provided a Diabetes Center, nicotine dependence programs and other community health enhancement and educational program services.

The Diabetes Center at Mission Health seeks to help patients manage their diabetes and treated 2,186 patients in 2019. The Diabetes Center team includes nurses, dietitians, and pharmacists and provides resources to patients with respect to diabetes self-management, nutrition education, gestational diabetes education, insulin pump and glucose monitoring training and a diabetes support group. Many of the Diabetes Center team members are also nationally certified diabetes educators. The Diabetes Center offered its patients a collaborative approach by coordinating care both in and out of the hospital.

The Health Education Center provided certified tobacco treatment specialists to support tobacco cessation for patients with all types of tobacco (cigarette, cigar, smokeless), e-cigarette and nicotine addiction through intensive outpatient tobacco cessation counseling, as well as inpatient support for tobacco cessation consultations. In 2019, the Health Education Center provided smoking cessation services to 1,971 patients.

8. Emergency Medical Services.

During 2019, Mission Health provided emergency medical services, including ambulance service, in Madison, Mitchell, and Yancey County pursuant to the terms and conditions of contracts with each of these counties. The team of emergency medicine specialists is trained to provide both non-urgent and life-threatening emergency care 24 hours a day.

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<p>7.14(e)(ii) - Angel Medical Center Project. Buyer shall construct a facility generally consistent with the Certificate of Need for such replacement facility for Angel Medical Center: Project ID# A-11427-17, effective March 17, 2018, unless otherwise consented to by the applicable Local Advisory Board, and pursuant to a plan, budget, design and specifications determined by Buyer in its sole discretion; <u>provided</u> that Buyer shall not use this discretion to construct a facility with fewer beds or able to provide fewer services than described in the Certificate of Need. Buyer shall use commercially reasonable efforts to obtain all necessary Permits for such project, and Buyer shall complete the project within five (5) years of obtaining all such Permits, subject to Force Majeure (but only for the period of Force Majeure and the applicable Remediation Period).</p>	<p>Buyer approved a plan to construct a replacement facility for Angel Medical Center (the “<u>Replacement Facility</u>”) with a maximum approved budget of \$66.1 million.</p> <p>On June 3, 2019, Buyer submitted to the Town of Franklin Planning Department an application for a special use permit to construct and operate the Replacement Facility on real property located at One Center Court, Franklin, North Carolina (the “<u>New Site Property</u>”). As part of the application, Buyer submitted a Preliminary Development Plan proposal for the Replacement Facility. Following approval by the Town of Franklin Planning Board, the Franklin Town Council approved the special use permit for the Replacement Facility on September 3, 2019.</p> <p>On November 27, 2019, Buyer acquired the New Site Property. Buyer is currently in the process of finalizing the hospital design and construction documents for the Replacement Facility, which Buyer anticipates completing during the summer of 2020. Construction of the Replacement Facility is anticipated to commence by the end of calendar year 2020.</p>
<p>7.14(e)(iii) - Behavior Health Hospital Project. Buyer shall construct a one-hundred twenty (120) bed inpatient behavioral health hospital in Asheville, North Carolina pursuant to a plan, budget, design and specifications determined by Buyer in its sole discretion; provided that Buyer shall not use this discretion to construct fewer than the number of beds listed in this <u>Section 7.14(e)(iii)</u>. Buyer shall use commercially reasonable efforts to obtain all necessary Permits for such project, and Buyer shall complete the project within five (5) years of obtaining all such Permits, subject to Force Majeure (but only for the period of Force Majeure and the applicable Remediation Period).</p>	<p>Buyer is currently in the process of finalizing the design and budget for the behavioral health hospital project (the “<u>Project</u>”). Buyer intends to complete such design and budget by the end of 2020. Buyer is currently evaluating the location of the Project on approximately 25 acres of land off Crayton Road, near I-40 and Sweeten Creek Road.</p>

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<p>7.15 – Uninsured and Charity Care Policies. Between the Effective Time and the tenth (10th) anniversary of the Effective Time, Buyer shall implement and maintain at the Hospitals the Uninsured and Charity Care Policy (subject only to such revisions as (i) are approved by (A) with respect to any Material Facility other than the Local Hospital Facilities, both the Advisory Board and Independent Monitor, or (B) with respect to any Local Hospital Facility, both its applicable Local Advisory Board and Independent Monitor, (ii) provide no less access for necessary medical care regardless of ability to pay for services rendered than the Uninsured and Charity Care Policy, or (iii) are necessary to comply with applicable Law).</p>	<p>Buyer has implemented and maintained the Uninsured and Charity Care Policy at the Hospitals during the Reporting Period. No revisions to such policy were made during the Reporting Period.</p> <p>Although Buyer is not required by the Purchase Agreement to report its specific amount of uninsured and charity care expenditures, the amount of financial assistance, measured in terms of discounts from gross patient charges provided by Buyer to Mission Health patients during the 12-month period following the Closing, exceeded by \$108,645,770 the amount of financial assistance provided by Seller during the 12-month period prior to the Closing.</p>
<p>7.16 – Innovation Fund. Following the Effective Time, Buyer shall create an innovation/investment fund (the “Fund”) to invest in businesses located in western North Carolina that provide innovations in the delivery of health care pursuant to the purposes set forth in <u>Schedule 7.16</u> (the “Fund Purpose”). Buyer shall establish an advisory board for the Fund comprised of individuals residing in the Covered Area, and Buyer shall contribute the Fund Commitment to the Fund as such investments are made by the Fund and invest the entire Fund Commitment prior to the fifth (5th) anniversary of the Effective Time. For the avoidance of doubt, (a) all costs and expenses associated with operating the Fund shall be counted toward the expenditure of the Fund Commitment and (b) the aggregate amount of the Fund Commitment shall not be prorated or otherwise apportioned (other than at Buyer’s discretion) among the years, months or other periods within the five- (5-) year period following the Closing, and Buyer shall have the discretion to determine the amount, type, timing and other details of any investment of the Fund Commitment. Between the Effective Time and the fifth (5th) anniversary of the Effective Time, Buyer shall not change, amend or otherwise modify the Fund Purpose.</p>	<p>Buyer created HCA Healthcare Mission Fund, LLC, a Delaware limited liability company, as the Fund to invest in businesses located in Western North Carolina that provide innovations in the delivery of health care. The Fund’s goals are to provide economic development in Western North Carolina, improve health care delivery and generate a positive financial return in order to attract new outside investors to the region.</p> <p>During the Reporting Period, an advisory board for the Fund was established, comprised of Greg Lowe, Terence van Arkel, Stephanie Alexander, Dr. Richard Bock, Ben Teague and Jeff Kaplan, and the Fund’s business plan was approved. An initial meeting of the advisory board was held on January 31, 2020. The Fund is actively working on several opportunities for investment in Western North Carolina, is developing a strategy to increase the Fund’s local visibility and plans to hire a Western North Carolina-based fund professional. In addition, the Fund expects to launch a website in the 2nd Quarter of 2020 that will provide</p>

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	external parties with an avenue for contacting the Fund about investment opportunities.
<p>7.18 – Graduate Medical Education. The Parties recognize the tremendous skill and supportive legacy of the Mountain Area Health Education Center (“MAHEC”) Family medicine, obstetrics-gynecology, general surgery, dentistry, and psychiatry residencies and Buyer intends to maintain a relationship with MAHEC as the sponsoring institution for the currently accredited graduate medical education programs. Buyer shall review the use of MAHEC as the sponsoring institution for such programs at the conclusion of Sellers’ most recent graduate medical education agreement with MAHEC, and Buyer may, in its sole discretion, determine whether to continue the relationship with MAHEC. During the ten- (10-) year period following the Closing and after the termination of the current graduate medical education agreement with MAHEC, Buyer agrees to maintain substantially current levels of graduate medical education, subject to the availability at such time of graduate medical education funding at substantially the current level and on substantially the current terms thereof. For the avoidance of doubt, nothing in this Agreement shall restrict Buyer or any of its Affiliates from developing any new residency or fellowship programs under any sponsoring institution.</p>	<p>During the Reporting Period, Buyer has maintained a relationship with MAHEC as the sponsoring institution for the currently accredited graduate medical education programs. Buyer has also been working closely with the University of North Carolina at Asheville during the Reporting Period. Since the beginning of the Reporting Period, Buyer has increased the size of its psychiatry residency by eight residents, growing from four per class to six per class in each class year of the four-year residency. In addition, Buyer received ACGME approval for new fellowships in surgical critical care and addiction medicine, as well as a new transitional year residency.</p>
<p>7.20 – Right to Bid. If Buyer or any of its Affiliates wish to sell or close a Hospital following the Closing Date, and such transaction is otherwise permitted under this Agreement, Buyer or any of its Affiliates shall solicit requests for proposals for the purchase of such Hospital (a “Sale Process”) and provide Seller Representative and the North Carolina AG written notice of such Sale Process (a “Sale Notice”), which Sale Notice shall include details, processes, and other relevant information reasonably sufficient to permit an informed bid, within fifteen (15) days after the commencement of such Sale Process. Seller Representative shall have the greater of sixty (60) days or the greatest</p>	<p>Buyer has not sold or closed any Hospital during the Reporting Period.</p>

PURCHASE AGREEMENT SECTION	STATUS
<p>number of days granted to any other bidder after receipt of such Sale Notice to submit a proposal. Seller Representative may, but is not required to, submit a proposal. If Seller Representative submits a proposal, Buyer or any of its Affiliates shall notify Seller Representative at the completion of the Sale Process (the “Sale Result Notice”) regarding whether such proposal contained the most favorable terms to Buyer or any of its Affiliates of the proposals received by Buyer or any of its Affiliates. Seller Representative may, at its election, exercise its rights under this <u>Section 7.20</u> to purchase a Hospital by arranging for the purchase to occur by a nonprofit entity that is an Affiliate of Seller Representative. Seller Representative may assign the relevant portion of its rights under this <u>Section 7.20</u> to the applicable Regional Foundation related to the Hospital to be sold or closed; if rights are so assigned, pertinent references to “Seller Representative” in this <u>Section 7.20</u> shall refer instead to the applicable Regional Foundation. Seller Representative shall assign the relevant portion of its rights under this <u>Section 7.20</u> to the applicable Regional Foundation if Seller Representative would not exercise those rights, but the applicable Regional Foundation requests assignment of those rights and would exercise those rights.</p>	

SCHEDULE B

Cap Ex Report as of January 31, 2020

Pursuant to Section 7.14(f) of the Purchase Agreement, Buyer is required to deliver a written report (the “**Cap Ex Report**”) with respect to Buyer’s Capital Expenditure obligations under Section 7.14 of the Purchase Agreement (other than Sections 7.14(e)(ii) and 7.14(e)(iii) thereof, which are covered by the Annual Report), within ninety (90) days after, and reporting as of, each anniversary of the Effective Time (i.e., January 31, 2019). The Cap Ex Report is required to include a schedule and summary showing, in reasonable detail, the Capital Expenditures that Buyer and its Affiliates have made between the Effective Time and January 31, 2020 (the “Capex Reporting Period”).

This Cap Ex Report addresses Buyer’s obligations with respect to the following Sections of the Purchase Agreement:

PURCHASE AGREEMENT SECTION	STATUS						
<p>7.14(a) – Capital Expenditures. Within five (5) years following the Effective Time, Buyer or any of its Affiliates shall make Capital Expenditures (excluding the Committed Capital Projects other than any Additional New Tower Expenditures) equal to or greater than the Capital Expenditure Target; <u>provided, however</u>, such five (5) year period shall be extended as reasonably necessary to allow Buyer and its Affiliates sufficient time to make such Capital Expenditures to the extent the failure or inability of Buyer and its Affiliates to make such Capital Expenditures results, in whole or in part, from (i) Force Majeure (but only for the period of Force Majeure and the applicable Remediation Period) or (ii) Buyer’s or its Affiliates’ failure to obtain any requisite Approvals (other than due to an intentional act or omission of Buyer or its Affiliate that was the principal cause of such failure to obtain Approval) (the calendar day immediately following such five (5)-year period, as may be extended pursuant to the foregoing proviso, the “<u>Post-Closing Capital Expenditure Deadline</u>”). .</p>	<p>For the CapEx Reporting Period, the total amount of Capital Expenditures applicable to the Capital Expenditure Target is \$53,318,065, which amount is determined as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 40px;">Total Capital Expenditures (see Attachment B-1 for detail):</td> <td style="text-align: right; padding-left: 20px;">\$203,922,452</td> </tr> <tr> <td style="padding-left: 40px;"><u>Less</u> – Capital Expenditures attributable to New Tower Project commitment pursuant to Purchase Agreement Section 7.14(e)(i) (net of New Tower-related capital expenditure liability accruals included in Closing Working Capital):</td> <td style="text-align: right; padding-left: 20px;">\$(96,655,626)</td> </tr> <tr> <td style="padding-left: 40px;"><u>Less</u> –Non-New Tower capital expenditure liability accruals</td> <td style="text-align: right; padding-left: 20px;">\$(2,230,934)</td> </tr> </table>	Total Capital Expenditures (see Attachment B-1 for detail):	\$203,922,452	<u>Less</u> – Capital Expenditures attributable to New Tower Project commitment pursuant to Purchase Agreement Section 7.14(e)(i) (net of New Tower-related capital expenditure liability accruals included in Closing Working Capital):	\$(96,655,626)	<u>Less</u> –Non-New Tower capital expenditure liability accruals	\$(2,230,934)
Total Capital Expenditures (see Attachment B-1 for detail):	\$203,922,452						
<u>Less</u> – Capital Expenditures attributable to New Tower Project commitment pursuant to Purchase Agreement Section 7.14(e)(i) (net of New Tower-related capital expenditure liability accruals included in Closing Working Capital):	\$(96,655,626)						
<u>Less</u> –Non-New Tower capital expenditure liability accruals	\$(2,230,934)						

PURCHASE AGREEMENT SECTION	STATUS
	<p>included in Closing Working Capital</p> <p><u>Less</u> – Capital Expenditures relating to Angel Medical Center Project pursuant to Purchase Agreement Section 7.14(e)(ii) (land acquisition) \$(1,204,827)</p> <p><u>Less</u> – Capital Expenditures for acquisition of CarePartners Rehabilitation Hospital building and land \$(50,513,000)</p> <hr/> <p>Total Capital Expenditures applicable to Capital Expenditure Target <u>\$53,318,064</u></p>
<p>7.14(e)(i) – New Tower Project. Prior to the Effective Time, Sellers shall spend (including any amounts that Sellers pay following the Effective Time as a result of the invoice being a New Tower Excluded Liability) the Required Seller New Tower Expenditures on the development of the New Tower as set forth on the plan, budget, design and specifications as set forth in the documents attached hereto as Exhibit P (as adjusted by any subsequent change orders, the “<u>New Tower Plan</u>”). Buyer shall complete the New Tower pursuant to the New Tower Plan. Any Capital Expenditures made by Buyer for the development of the New Tower in excess of the projected cost of completion to be borne by Buyer as set forth in the New Tower Plan shall be counted as Capital Expenditures for purposes of Section 7.14(a) (the “<u>Additional New Tower Expenditures</u>”);</p>	<p>The New Tower was completed and placed into service in October 2019 as required under the Purchase Agreement.</p>

PURCHASE AGREEMENT SECTION	STATUS
<p><u>provided</u> that any additional costs resulting from material changes to the scope of the New Tower Plan made by Buyer shall not be Additional New Tower Expenditures unless such changes are necessary or appropriate for purposes of compliance with any applicable Law (including, for the avoidance in doubt, any changes in applicable Law or new Laws enacted after the date of this Agreement).</p>	

Attachment B-1

**North Carolina Division Cap Ex
February 2019 - January 2020**

The data below is from Buyer's General Ledger (GL) and represents all activity for the 12 month period ended 1/31/20. In an effort to remove redundant activity and provide for a clearer presentation, amounts representing offsetting reclassifications of expenditures between facility line items below have been omitted. Such omissions do not impact the grand total of capital expenditures presented below.

FACILITY NAME	BUILDINGS AND IMPROVEMENTS	CONSTRUCTION IN PROGRESS	EQUIPMENT - CAPITAL LEASES	FIXED EQUIPMENT	OFFICE EQUIPMENT	LAND	MOVEABLE MEDICAL EQUIPMENT	GRAND TOTAL
ASHEVILLE CARDIO ASSOC - BREVARD	376,002	-						376,002
ASHEVILLE CARDIO ASSOC - RUTHERFORDTON		6,488			5,160			11,648
BLUE RIDGE MED CENTER - YANCEY CAMPUS		5,311						5,311
MISSION CHILDREN'S SPECIALISTS					4,069			4,069
MISSION COMMUNITY PRIMARY CARE - HAYWOOD							1,626	1,626
MISSION INFECTIOUS DISEASE ASSOCIATES		3,185						3,185
MISSION UROLOGY							87,211	87,211
WESTERN CAROLINA WOMEN'S SPECIALTY CNTR					11,869		30,094	41,963
MISSION MEDICAL ASSOCIATES ADMIN		24,546						24,546
MISSION UROLOGY - FRANKLIN		15,944						15,944
NORTH CAROLINA DIVISION OFFICE		494,101			1,865,872	50,000		2,409,973
MISSION HOSPITAL	53,795,138	34,520,383	1,442,773	1,822,406	12,400,057		34,886,844	138,867,602
MISSION HEALTH MOB	5,039							5,039
MH MASTER HOLDINGS, LLLP		7,238						7,238
IMAGING REALTY		419,988						419,988
MISSION IMAGING		851,111			16,275			867,387
MISSION HEALTH PARTNERS							179,202	179,202
MCDOWELL HOSPITAL		270,393			454,221		17,853	742,467
ANGEL MEDICAL CENTER	30,311	180,599	581	199,513	553,002	1,204,827	-	2,168,833
TRANSYLVANIA REGIONAL HOSPITAL		3,162,931		-	469,295		-	3,632,227
TRANSYLVANIA IMAGING					2,332		100,567	102,899
BLUE RIDGE REGIONAL HOSPITAL		1,346,129		-	561,107		35,706	1,942,942
HIGHLANDS-CASHIERS HOSPITAL		180,007		-	288,542		15,029	483,578
ECKERD LIVING CENTER		39,916						39,916
ASHEVILLE SPECIALTY HOSPITAL		12,161		-	47,574		6,365	66,101
CAREPARTNERS REHABILITATION HOSPITAL	50,513,000	474,630			421,756			51,409,386
CAREPARTNERS HOME HEALTH					1,064			1,064
CAREPARTNERS HOSPICE		414			4,691			5,105
GRAND TOTAL	104,719,490	42,015,475	1,443,354	2,021,919	17,106,885	1,254,827	35,360,499	203,922,451