



North Carolina
Division

July 10, 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: Amended and Restated Cap Ex Report Pursuant to Section 7.14 of the Purchase Agreement

Ladies and Gentlemen:

Reference is made to the Cap Ex Report that was delivered to you on April 30, 2020 pursuant 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.

Following such delivery, Buyer became aware that the Cap Ex Report contained certain inaccuracies in the calculation of the Capital Expenditures (as such term is defined in the Purchase Agreement) made by Buyer during the 12 month period ended January 31, 2020. Attached as Schedule A is an Amended and Restated Cap Ex Report, which corrects such inaccuracies.

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

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

Amended and Restated 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 supersedes and replaces in its entirety the Cap Ex Report initially delivered by Buyer on April 30, 2020.

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 \$37,946,838, which amount is determined as follows:</p> <table style="margin-left: 40px; border: none;"> <tr> <td style="padding-left: 20px;">Total Capital Expenditures (see Attachment A-1 for detail):</td> <td style="text-align: right; padding-left: 20px;">\$197,178,722</td> </tr> <tr> <td style="padding-left: 20px;"><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;">\$(95,542,970)</td> </tr> </table>	Total Capital Expenditures (see Attachment A-1 for detail):	\$197,178,722	<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):	\$(95,542,970)
Total Capital Expenditures (see Attachment A-1 for detail):	\$197,178,722				
<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):	\$(95,542,970)				

PURCHASE AGREEMENT SECTION	STATUS										
	<table> <tr> <td data-bbox="1115 297 1528 394"><u>Less</u> –Capital expenditure liability accruals included in Closing Working Capital</td> <td data-bbox="1608 297 1776 326" style="text-align: right;">\$(11,921,087)</td> </tr> <tr> <td data-bbox="1115 431 1514 594"><u>Less</u> – Capital Expenditures relating to Angel Medical Center Replacement Facility pursuant to Purchase Agreement Section 7.14(e)(ii) (land acquisition)</td> <td data-bbox="1608 431 1759 461" style="text-align: right;">\$(1,204,827)</td> </tr> <tr> <td data-bbox="1115 634 1482 797"><u>Less</u> – Capital Expenditures relating to Behavioral Health hospital pursuant to Purchase Agreement Section 7.14(e)(iii) (land acquisition)</td> <td data-bbox="1608 634 1724 664" style="text-align: right;">\$(50,000)</td> </tr> <tr> <td data-bbox="1115 834 1503 959"><u>Less</u> – Capital Expenditures for acquisition of CarePartners Rehabilitation Hospital building and land</td> <td data-bbox="1608 834 1776 863" style="text-align: right;">\$(50,513,000)</td> </tr> <tr> <td data-bbox="1115 1016 1514 1114" style="border-top: 1px solid black;">Total Capital Expenditures applicable to Capital Expenditure Target</td> <td data-bbox="1608 1016 1755 1045" style="text-align: right; border-top: 1px solid black;"><u>\$37,946,838</u></td> </tr> </table>	<u>Less</u> –Capital expenditure liability accruals included in Closing Working Capital	\$(11,921,087)	<u>Less</u> – Capital Expenditures relating to Angel Medical Center Replacement Facility pursuant to Purchase Agreement Section 7.14(e)(ii) (land acquisition)	\$(1,204,827)	<u>Less</u> – Capital Expenditures relating to Behavioral Health hospital pursuant to Purchase Agreement Section 7.14(e)(iii) (land acquisition)	\$(50,000)	<u>Less</u> – Capital Expenditures for acquisition of CarePartners Rehabilitation Hospital building and land	\$(50,513,000)	Total Capital Expenditures applicable to Capital Expenditure Target	<u>\$37,946,838</u>
<u>Less</u> –Capital expenditure liability accruals included in Closing Working Capital	\$(11,921,087)										
<u>Less</u> – Capital Expenditures relating to Angel Medical Center Replacement Facility pursuant to Purchase Agreement Section 7.14(e)(ii) (land acquisition)	\$(1,204,827)										
<u>Less</u> – Capital Expenditures relating to Behavioral Health hospital pursuant to Purchase Agreement Section 7.14(e)(iii) (land acquisition)	\$(50,000)										
<u>Less</u> – Capital Expenditures for acquisition of CarePartners Rehabilitation Hospital building and land	\$(50,513,000)										
Total Capital Expenditures applicable to Capital Expenditure Target	<u>\$37,946,838</u>										
<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 “New</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>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 <u>Section 7.14(a)</u> (the “<u>Additional New Tower Expenditures</u>”); <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 A-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 clear 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		454,285			1,865,872	50,000		2,370,157
MISSION HOSPITAL	52,844,764	29,029,088	1,442,773	1,822,407	12,245,750		34,886,845	132,271,626
MISSION HEALTH MOB								-
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								-
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	103,764,077	36,484,365	1,443,354	2,021,920	16,950,247	1,254,827	35,259,933	197,178,722

	Total Disbursement Activity	197,178,722
	Less – capital expenditure liability accruals included in Closing Working Capital	(11,921,087)
Less – 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)		(95,542,970)
Less – Capital Expenditures relating to Angel Medical Center Project pursuant to Purchase Agreement Section 7.14(e)(ii) (land acquisition)		(1,204,827)
Less – Capital Expenditures relating to Behavioral Health hospital pursuant to Purchase Agreement Section 7.14(e)(iii) (land acquisition)		(50,000)
Less – Capital Expenditures for acquisition of CarePartners Rehabilitation Hospital building and land		(50,513,000)
Total Capital Expenditures applicable to Capital Expenditure Target		37,946,838