Duke LIFEPOINT
HEALTHCARE

November 24, 2015

CONFIDENTIAL

Robert L. Wilson Jr.
Partner in Charge
Smith Moore Leatherwood LLP
434 Fayetteville Street, Suite 2800
Raleigh, North Carolina 27601

Re: Wilkes Regional Medical Center – Follow-Up Response

Dear Mr. Wilson:

DLP Healthcare, LLC ("Duke LifePoint") truly appreciates the opportunity to clarify and provide additional information related to our proposal to the Town of North Wilkesboro (the "Town") and WRMC Hospital Operating Corporation (together with its affiliates "WRMC"), with the Town and WRMC collectively being the "WRMC Parties". For ease of reference, we have included the list of questions you provided on November 19, 2015 with our corresponding responses below.

1. Provide an updated proposal based on a 30-year lease with two 10-year renewals.

Transaction Options: Duke LifePoint proposes two potential relationships for the WRMC Parties to consider: (1) an acquisition and long-term lease with Duke LifePoint; or (2) an acquisition and long-term lease with a joint venture between the appropriate member(s) of the WRMC Parties and Duke LifePoint. In a full acquisition and long-term lease transaction, the commitments outlined below would be backed by Duke LifePoint. In a joint venture transaction, the commitments would be backed by the Joint Venture, of which Duke LifePoint would be the majority owner.

- **Transaction Structure I: Duke LifePoint Acquisition & Lease**
  Duke LifePoint would lease all of the existing real property (land, buildings, certain fixed equipment, and leasehold improvements) used in the operation of WRMC through a long-term lease (the "Lease") having an initial term of thirty (30) years. As part of the transaction, the parties would enter into an Asset Purchase Agreement (the "APA") through which Duke LifePoint would acquire, to the extent legally transferable, selected property, including personal property (major and minor equipment, furniture, etc.), tangible or intangible assets, Net Working Capital ("NWC") (including patient accounts receivable, inventories and supplies, prepaid expenses and other less accounts payable and employee benefits), contracts and leases, as well as intellectual property, rights, claims and records owned or used in the operation of WRMC.

- **Transaction Structure II: Duke LifePoint Joint Venture & Lease**
  Duke LifePoint would propose to develop a Joint Venture between Duke LifePoint and the appropriate member(s) of the WRMC Parties, with 50/50 shared governance. The WRMC Parties would contribute the personal property and NWC used in the operation of WRMC into the Joint Venture, along with their pro rata share of the financial consideration for the Lease and assets acquired under the APA. Duke LifePoint would pay its pro rata share of the financial consideration for the NWC, personal property, Lease, and assets acquired under the APA.

Financial Consideration: The financial terms of the Lease would include an initial, annual lease payment of $600,000 and a 2.0% annual escalator thereafter, equating to total lease payments of $24.3 million over the 30-year

term. In addition, Duke LifePoint or the Joint Venture would pay the WRMC Parties, in immediately available U.S. funds, an aggregate amount of $74.5 million for the purchased assets included in the APA, of which $7.5 million would be consideration for WRMC's estimated NWC. At the end of the initial 30-year lease term, Duke LifePoint or the Joint Venture would have the option to renew the lease for two additional 10-year terms on terms substantially the same as the initial period. In the event the parties are not able to agree to terms and extend the lease beyond the collective 50-year term, including extensions, the WRMC Parties would be required to purchase the operations of WRMC from Duke LifePoint at fair market value ("FMV"). Should the WRMC Parties prefer an alternative transaction structure, Duke LifePoint either in its sole capacity or through a Joint Venture with the WRMC Parties would acquire the real property currently under lease from the Town and the assets of WRMC, including NWC, for $87.5 million.

Capital Commitment: As part of the consideration, Duke LifePoint would invest a minimum of $65.0 million (the "capital commitment") in WRMC over the ten (10) year period post-closing. Areas to be emphasized would be determined during the strategic planning and medical staff development planning processes but would be expected to include expenditures for physician recruiting and retention, service line enhancement and development, population health initiatives, information systems, new equipment, replacement equipment, equipment under operating leases, annual maintenance spending, facility renovations, new or replacement facilities, medical office space, and other tangible capital improvements.

Based on WRMC's internal financials for the trailing twelve month period ended June 30, 2015, the financial consideration is proposed as follows:

Financial Consideration (in millions)	Acquisition & Lease	80/20 Joint Venture & Lease
Aggregate Lease Payments over 30-Year Term	$ 24.3	$ 24.3
Cash Consideration for WRMC Assets (APA), Excluding NWC	67.0	67.0
Cash Consideration for WRMC's NWC	7.5	7.5
Capital Commitment (10 years) *	65.0	65.0
Total Financial Consideration	**$163.8**	**$163.8**
Consideration for WRMC Assets, NWC and Other (Excl. Lease Payments)	$ 74.5	$ 74.5
Less: WRMC Parties Investment in Joint Venture	- -	(14.9)
Plus: Estimated Assets Retained by the WRMC Parties **	20.9	20.9
Less: Estimated Liabilities Retained by the WRMC Parties **	(31.2)	(31.2)
Cash Residual to the WRMC Parties	**$ 64.2**	**$ 49.3**

* To the extent operating cash flows are insufficient, Duke LifePoint and the appropriate member(s) of the WRMC Parties would commit to fund their respective pro rata share of the capital commitment in a joint venture transaction.

** Estimated Assets/(Liabilities) retained by the WRMC Parties are based on internal financials as of June 30, 2015.

2. Provide more information related to the resources available to recruit physicians and details around how Duke LifePoint would respond to strategic reactions from Novant or Wake Forest Baptist should the Board choose Duke LifePoint.

Physician Recruitment: We have a number of programs in place to make sure that we are recruiting the right physicians to our communities, on boarding them effectively and most importantly staying connected through our Physician Relations & Industry ("PRI") and Physician Advisory Council ("PAC") activities that are outlined in greater detail in our initial response. Duke LifePoint has a dedicated physician recruiting and sourcing function at the LifePoint Health Support Center ("HSC"), with this group addressing certain hard to fill recruits and supporting the

local recruiting efforts for all recruiting needs. We have a number of preferred relationships with both contingency and retained search firms who know our markets and have dedicated resources that work with our teams. Prior to interviewing candidates on site, we have determined they are a good fit for the community and have a clean performance track record. The interview process always involves key referring physicians and physicians of the candidates same specialty and clinical interest.

Upon acceptance of our offer, the physician is enrolled in our best of class on boarding program that covers every single step of bringing the physician and their family into the community. Designated responsible parties have assigned responsibilities and are required to keep the on boarding check list current. A key component of the on boarding process and initial retention effort is connecting the physician and their family with peer groups and community resources to assist them with orientation to the community. Our Physician Resource program has touch points with the physician to make sure we have all resources in place to support their clinical practice and are appropriately introduced in the medical and broader community. Personal visits to referring and prospective referral physicians are key component of the on-boarding process. We immediately start identifying retention risk factors and annually update these risk factors so the respective members of the medical community or hospital leadership team can work to remediate any known risk factors.

We also provide a forum to facilitate open communication with all physicians through our PACs. These are more informal but yet standard sub groups of physicians that meet outside of the normal medical staff structure to address issues specific to their specialty or service lines such as patient scheduling, OR availability, quality of care/patient service concerns, strategic planning needs and physician manpower planning. With the investment that we are making to bring physicians into our communities, the ROI for these activities is achieved through reduced turnover and improved physician engagement and alignment.

Competitive Response: Both LifePoint and Duke LifePoint face stiff competition with tertiary and quaternary medical centers and systems in many of our markets, making our ability to effectively compete with them a core element to our success as a company. For example, five of LifePoint's Kentucky hospitals are within 30 miles of Lexington and must compete daily with two large systems: Central Baptist and the University of Kentucky. Likewise, the three hospitals that make up LifePoint's HighPoint Health System in Sumner County, Tennessee are within 25 miles of Nashville and compete with three, billion dollar systems: St. Thomas, Tri-Star (HCA), and Vanderbilt. Each hospital's situation is different, but our approach is the same: we will evaluate partnership opportunities with each system, and as needed, collaborate with them provided that they are committed to keeping care that can be provided locally in our communities. Duke LifePoint has developed a robust network of providers across the state of North Carolina, and our experience has taught us that if we can provide an excellent service in a convenient location, patients and physicians will choose our hospitals over the competition.

In most, if not all, acquisitions made by Duke LifePoint and LifePoint, we have experienced a competitive response of one variety or another. Each market is specific and our response would be tailored to address the competitive response in the most effective manner, utilizing the extensive resources afforded through our Strategic Resource Group ("SRG") to develop a strategic plan that would involve a comprehensive analysis to provide a better understanding of opportunities to enhance existing service-lines; identify unmet community needs and the potential for new services; identify additional access points of care, if any, and where they should be located; verify and update physician recruitment needs; and identify opportunities to improve service and quality through a collaborative process with physicians. The process will also provide a detailed analysis by service-line of the magnitude of out-migration currently occurring. Market share improvement targets will be determined with an associated list of the resources or other action items needed to achieve the targeted goal. Capital and operating budgets will be developed from the resource lists identified as well as verification of physician market needs. In addition to the projects identified as immediate capital needs, the strategic plan will also drive future allocations for resources, personnel and capital.

3. Provide commentary on the synergies that Duke LifePoint would expect to see from its pending acquisition of Frye Regional Medical Center.

Through Duke LifePoint's pending acquisition of Frye Regional Medical Center ("Frye"), we would expect to leverage Frye's medical staff to build larger regional groups focused on keeping care in the communities we serve. This is consistent with the strategy that we have executed in the Upper Peninsula of Michigan where we are building larger cardiology and orthopedic groups, with both employed and independent providers. Duke LifePoint would focus recruiting efforts in the areas of GI, ENT, Urology and Cardiology in order to provide the flexibility to build programs, cover call gaps and physician departures. In addition, through OmniPoint, a LifePoint subsidiary, we now have five general surgeons and recently signed our third orthopedic surgeon. OmniPoint provides a pool of experienced, rotating surgeons who serve designated markets, providing them with specific benefits, which include:

- Monthly relief to help off-load the current General Surgery staff;
- Provide local General Surgeons the opportunity to take vacations and required time off without depleting the provider pool;
- Reduce the level of Locums expense and "uncertainty" to the system;
- Provide services whenever the hospital has a General Surgery vacancy;
- Grow and develop surgical staff and increase their clinical operations efficiency;
- Improve healthcare delivery and quality;
- Strengthen physician/administration relationships;
- Develop recognition and identity with the LifePoint and Duke LifePoint brand and the advantages it can offer rural practitioners;
- Improve the hospital's bottom line;
- Create "Rural Surgery Fellowship" to help recruit and introduce young, qualified quality surgeons to markets in need
- Become a major part of the recruiting arm;
- Become the obvious mediator for surgical service issues;
- Help develop centralized CME/ Training/ ATLS for surgeons within the LifePoint and Duke LifePoint systems; and
- Create a centralized transparent DashBoard for all employed surgeons to measure, compare, and reward production, contribution, and quality.

Clinically Integrated Network ("CIN"): Our work in Western North Carolina currently encompasses a 14 county area. We are fully anticipating, although not currently including Catawba County (Hickory/Frye) in this count and would expect to include WRMC as well. Our immediate goal is to build a multi-member, CIN to serve as a viable option for patients, physicians, employers and health plans across Western North Carolina. We are working in a formal partnership with Park Ridge Health (part of the Adventist Health System) of Hendersonville, Crescent Health Solutions of Asheville and numerous independent physician practices across the region to build this network. In total, the partnership includes five hospital campuses, more than 300 physician and mid-level providers, and a Third Party Administrator (Crescent) with a network of 3,800 additional providers along with employer clients totaling more than 30,000 lives. With a primary focus on keeping patients local, we believe this will be very attractive to payors.

Other Benefits of a Duke LifePoint Partnership: Through a partnership with Duke LifePoint, WRMC would have additional opportunities to expand services, enhance clinical quality and improve awareness of the services provided by the hospital. Examples of these opportunities include:

- DLP – Cardiac Partners: Through a partnership with Duke LifePoint, WRMC would also have the ability to expand cardiovascular services provided at the hospital through our ownership of DLP – Cardiac Partners.

Cardiac catheterization laboratories developed under CON regulations previously in effect or "grandfathered" from current restrictions, including DLP – Cardiac Partner's nine mobile cardiac catheterization and vascular laboratories, may provide Percutaneous Coronary Intervention ("PCI") procedures without on-site open heart surgery services (i.e., stand-alone PCI). Accordingly, it is possible to offer stand-alone PCI at WRMC by means of a services agreement with DLP – Cardiac Partners for one of these grandfathered units. DLP – Cardiac Partners has proven operating models, state-of the art equipment, and nearly 20 years of experience in providing mobile cath lab services and is therefore uniquely experienced in developing PCI programs without on-site cardiac surgery in North Carolina. An affiliation with Duke LifePoint and DLP – Cardiac Partners would enable WRMC to establish high quality diagnostic and interventional cardiac and vascular services, and a well-coordinated and executed PCI program.

- Duke Specialty Program Affiliations: Duke has over 30 years of experience working with community and regional hospitals in the development of high quality, cost effective specialty-based clinical programs. Through potential specialty affiliation(s) with Duke, WRMC would have access to world class clinical expertise for consultative program development, support and enhancement, training and education along with oversight of quality and patient safety specific to the affiliated specialty service(s). Duke's collaborative approach to specialty program affiliations creates the foundation for the development and enhancement of strong specialty services to ensure that quality-driven, evidence-based medicine is available to patients in their own communities. Co-branding with Duke for affiliated specialty programs has served as a powerful differentiator in our affiliates' communities. Market surveys conducted in the local communities where hospitals have engaged in Duke specialty program affiliations demonstrated a 70-80% increased likelihood of patients seeking care from the hospital affiliated service. There would be no requirement that WRMC change its current specialty program affiliations or enter into any new specialty program affiliations with Duke. However, Duke LifePoint would like to explore opportunities to enhance WRMC's clinical services through specialty based program affiliations.

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We hope our response has sufficiently addressed your follow-up questions and look forward to exploring potential partnership options should the WRMC Parties elect to proceed with Duke LifePoint in this process. If you have any questions regarding this response, please contact Sam Hutcheson at (615) 920-7663 or Paul Lindia at (919) 419-5061 at your convenience.

Sincerely,

William J. Fulkerson Jr., MD
Executive Vice President
Duke University Health System
Board Member, DLP Healthcare LLC

Leif M. Murphy
EVP & Chief Financial Officer
LifePoint Health
Board Member, DLP Healthcare LLC

cc: Paul Lindia, Vice President, Duke Network Services
Paul Hannah, Senior Vice President, Development, LifePoint Health
Sam Hutcheson, Vice President, Development, LifePoint Health
Paxton Scott, Senior Director, Development, LifePoint Health

Duke LIFEPOINT
HEALTHCARE

October 16, 2015

CONFIDENTIAL

Robert L. Wilson Jr.
Partner in Charge
Smith Moore Leatherwood LLP
434 Fayetteville Street, Suite 2800
Raleigh, North Carolina 27601

Re: Wilkes Regional Medical Center – Indication of Interest & Proposal

Dear Mr. Wilson:

Thank you for allowing DLP Healthcare, LLC ("Duke LifePoint") to participate in the process of evaluating strategic options for the Town of North Wilkesboro (the "Town") and WRMC Hospital Operating Corporation (together with its affiliates "WRMC"), with the Town and WRMC collectively being the "WRMC Parties". We believe a relationship with Duke LifePoint would build upon WRMC's historical success and reputation as a premier provider of healthcare services, while offering important clinical, operational and financial resources to the hospital, its physicians and patients.

Duke LifePoint was formed as a joint venture between Duke University Health System ("Duke") and LifePoint Health ("LifePoint"). By combining Duke's expertise in patient safety and clinical quality with LifePoint's operational resources and access to capital, Duke LifePoint is able to strengthen existing services, recruit and retain physicians, and develop new service lines with an unwavering focus on improving patient care. We are confident that with Duke LifePoint, WRMC can advance its mission, "To promote the health of our region as an exceptional and compassionate provider of care."

We hope that you find our proposal to be a strong and compelling offer for your consideration and are confident in our ability to perform and achieve the commitments detailed in this proposal. Together with WRMC, Duke LifePoint would focus on building upon WRMC's reputation as an essential healthcare provider to the residents of the communities it serves. We understand the strength and value that WRMC would bring to the Duke LifePoint network of hospitals, and if selected as the WRMC Parties' partner of choice, Duke LifePoint will:

- Maintain a role in local governance and management;
- Strengthen WRMC's market position through enhanced and expanded service line offerings;
- Enhance physician relations through alignment, recruitment and focused retention efforts;
- Maintain and expand the provision of quality healthcare services to North Wilkesboro and surrounding communities;
- Provide sufficient access to capital and financial resources to strengthen hospital operations; and
- Support the interests of North Wilkesboro residents, WRMC's patients, healthcare providers and its service partners.

We believe our local stakeholders are the best references to confirm the commitments Duke LifePoint makes to our communities every day. Therefore, we extend the invitation to representatives from the WRMC Parties to visit any LifePoint or Duke LifePoint hospital that would be of interest as well as the LifePoint Health Support Center ("HSC") in Nashville and the Duke Network Services offices in Durham.

DUKE LIFEPOINT PROPOSAL SUMMARY

1. **Transaction Options:** Duke LifePoint proposes two potential relationships for the WRMC Parties to consider: (1) an acquisition and long-term lease with Duke LifePoint; or (2) an acquisition and long-term lease with a joint venture between the WRMC Parties and Duke LifePoint. In a full acquisition and long-term lease transaction, the commitments outlined below would be backed by Duke LifePoint. In a joint venture transaction, the commitments would be backed by the Joint Venture, of which Duke LifePoint would be the majority owner.

    - **Transaction Structure I: Duke LifePoint Acquisition & Lease**
      Duke LifePoint would lease all of the existing real property (land, buildings, certain fixed equipment, and leasehold improvements) used in the operation of WRMC through a long-term lease (the "Lease") having an initial term of forty (40) years. As part of the transaction, the parties would enter into an Asset Purchase Agreement (the "APA") through which Duke LifePoint would acquire, to the extent legally transferable, selected property, including personal property (major and minor equipment, furniture, etc.), tangible or intangible assets, Net Working Capital ("NWC") (including patient accounts receivable, inventories and supplies, prepaid expenses and other less accounts payable and employee benefits), contracts and leases, as well as intellectual property, rights, claims and records owned or used in the operation of WRMC.

    - **Transaction Structure II: Duke LifePoint Joint Venture & Lease**
      Duke LifePoint would propose to develop a Joint Venture between Duke LifePoint and the WRMC Parties, with 50/50 shared governance. The WRMC Parties would contribute the personal property and NWC used in the operation of WRMC into the Joint Venture, along with their pro rata share of the financial consideration for the Lease and assets acquired under the APA. Duke LifePoint would pay its pro rata share of the financial consideration for the NWC, personal property, Lease, and assets acquired under the APA.

2. **Financial Consideration:** The financial terms of the Lease would include an initial, annual lease payment of $600,000 and a 2.0% annual escalator thereafter, equating to total lease payments of $36.2 million. In addition, Duke LifePoint or the Joint Venture would pay the WRMC Parties, in immediately available U.S. funds, an aggregate amount of $74.5 million for the purchased assets included in the APA, of which $7.5 million would be consideration for WRMC's estimated NWC. At the end of the initial 40-year lease term, Duke LifePoint or the Joint Venture would have the option to renew the lease for an additional 40-year term on mutually agreeable terms. Should the WRMC Parties prefer an alternative transaction structure, Duke LifePoint either in its sole capacity or through a Joint Venture with the WRMC Parties would acquire the real property currently under lease from the Town and the assets of WRMC, including NWC, for $87.5 million.

3. **Capital Commitment:** As part of the consideration, Duke LifePoint would invest a minimum of $65.0 million (the "capital commitment") in WRMC over the ten (10) year period post-closing. Areas to be emphasized would be determined during the strategic planning and medical staff development planning processes but would be expected to include expenditures for physician recruiting and retention, service line enhancement and development, population health initiatives, information systems, new equipment, replacement equipment, equipment under operating leases, annual maintenance spending, facility renovations, new or replacement facilities, medical office space, and other tangible capital improvements.

Based on WRMC's internal financials for the trailing twelve month period ended June 30, 2015, the financial consideration is proposed as follows:

Financial Consideration (in millions)	Acquisition & Lease	80/20 Joint Venture & Lease
Aggregate Lease Payments over 40-Year Term	$36.2	$36.2
Cash Consideration for WRMC Assets (APA), Excluding NWC	67.0	67.0
Cash Consideration for WRMC's NWC	7.5	7.5
Capital Commitment (10 years) *	65.0	65.0
Total Financial Consideration	**$175.7**	**$175.7**
Consideration for WRMC Assets, NWC and Other (Excl. Lease Payments)	$74.5	$74.5
Less: WRMC Parties Investment in Joint Venture	- -	(14.9)
Plus: Estimated Assets Retained by the WRMC Parties **	20.9	20.9
Less: Estimated Liabilities Retained by the WRMC Parties **	(31.2)	(31.2)
Cash Residual to the WRMC Parties	**$64.2**	**$49.3**

* To the extent operating cash flows are insufficient, Duke LifePoint and the WRMC Parties would commit to fund their respective pro rata share of the capital commitment in a joint venture transaction.

** Estimated Assets/(Liabilities) retained by the WRMC Parties are based on internal financials as of June 30, 2015.

4. **Quality:** WRMC would participate in the Duke LifePoint Quality Program, which is specifically designed to address quality, patient safety, and value-based purchasing initiatives. The Duke Quality Network ("DQN") staff facilitates and serves as the quality and patient safety liaisons for Duke LifePoint's Quality Program and would be responsible for coordinating Duke LifePoint's quality resources deployed to WRMC.

5. **Governance:** Duke LifePoint would maintain a local Board of Trustees at the hospital. Membership would include local community members, physicians from the active medical staff, the hospital's CEO, and a representative from Duke. In the event the WRMC Parties chooses to joint venture with Duke LifePoint, a Joint Venture Governing Board would be established that includes equal representation from both organizations (i.e., the WRMC Parties and Duke LifePoint). The Governing Board would have ultimate responsibility for the Joint Venture.

6. **Employees:** Through LifePoint, Duke LifePoint would offer employment to all active WRMC employees in good standing at the time of closing, subject to the satisfaction of customary pre-employment screening procedures. Employees would retain their years of service with respect to vesting in benefit programs with existing rates of pay and benefits comparable to other Duke LifePoint hospitals. Each employee who accepts such employment would be eligible to participate in LifePoint's benefit plans with no waiting periods or pre-existing condition limitations. Duke LifePoint would expect to hire WRMC's management team and employed medical staff under the same provisions noted above, subject to review of any existing employment agreements.

7. **Duke Specialty Program Affiliations:** Duke LifePoint hospitals have the option to consider specialty affiliations with Duke specialty networks for comprehensive programmatic support and development in services such as cancer, heart, neonatology and telestroke. Duke has a long history dedicated to assisting community hospitals in the expansion of evidence-based, quality driven clinical services that keep patients closer to home.

8. **Charity Care, Services & Medical Staff:** Duke LifePoint would adopt the charity care policies of WRMC, continue the type and scope of key clinical services, continue community benefit programs of the greater North Wilkesboro market, retain all members of the medical staff, and adopt the existing medical staff bylaws.

Duke LifePoint genuinely appreciates the opportunity to respond to this request and looks forward to working with Town representatives, WRMC's management team, Board membership, physicians, and other key leaders during this process. Our intent is to demonstrate the significant value WRMC represents to our system. We believe Duke LifePoint, the Town and WRMC will benefit from this partnership, as will the residents of northwestern North Carolina.

We look forward to exploring potential partnership options should the WRMC Parties elect to proceed with Duke LifePoint in this process. If you have any questions regarding this response, please contact Sam Hutcheson at (615) 920-7663 or Paul Lindia at (919) 419-5061 at your convenience.

Sincerely,

William J. Fulkerson Jr., MD
Executive Vice President
Duke University Health System
Board Member, DLP Healthcare LLC

Leif M. Murphy
EVP & Chief Financial Officer
LifePoint Health
Board Member, DLP Healthcare LLC

cc: Paul Lindia, Vice President, Duke Network Services
Paul Hannah, Senior Vice President, Development, LifePoint Health
Sam Hutcheson, Vice President, Development, LifePoint Health
Paxton Scott, Senior Director, Development, LifePoint Health

INDICATION OF INTEREST & PROPOSAL FOR
WILKES REGIONAL MEDICAL CENTER
NORTH WILKESBORO, NORTH CAROLINA

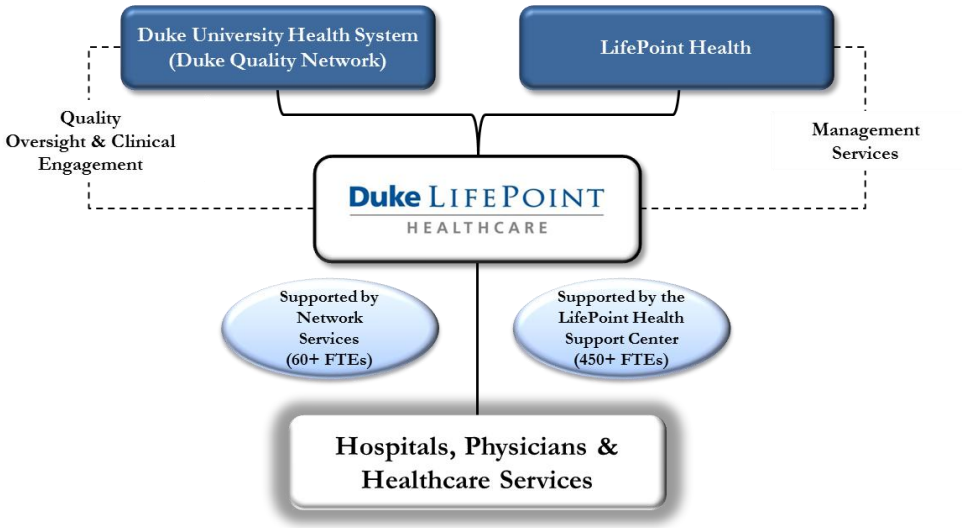
This response directly addresses the questions outlined in the Request for Proposal ("RFP"), seeking non-binding indications of interest for a partnership with the Town of North Wilkesboro (the "Town") and WRMC Hospital Operating Corporation (together with its affiliates "WRMC"), with the Town and WRMC collectively being the "WRMC Parties". For ease of reference, the proposal responses have been organized around the stated questions provided by the WRMC Parties and their advisors, Smith Moore Leatherwood LLP.

The Town and the Hospital request that your organization provide the following information about your organization:

- **A statement of qualifications to operate the Hospital, including descriptions of other facilities operated by your organization;**
- **Information on charges, services, and indigent or charity care at similar facilities owned or operated by your organization, to the extent legally appropriate;**
- **Biographical information describing the senior officers of your organization;**
- **Copies of audited financial statements for your organization for the last three (3) years; and**
- **Any other information that you believe will be helpful to the Town and the Hospital to assess your organization's capabilities and experience with hospital operations, including references.**

Qualifications to operate WRMC: Duke University Health System ("Duke") and LifePoint Health ("LifePoint") formed DLP Healthcare, LLC ("Duke LifePoint") in 2011 to partner with hospitals and provide significant clinical and operational resources that will enable the hospitals to reach their full potential. In combining resources and expertise, we have the ability to strengthen WRMC by enhancing existing services, recruiting and retaining physicians, and developing new service-lines – all of which will improve patient care locally. Together, we can build on the strong foundation that already exists within WRMC.

Figure 1: Duke LifePoint Organizational Structure



Duke LifePoint's mission, "Together, Making Communities Healthier", is fulfilled through the execution of its vision to build a network of hospitals, physicians and healthcare services that are quality driven, adaptive to change, and financially strong. The Duke LifePoint partnership offers a unique and exciting option for community hospitals and regional medical centers. We have unmatched clinical and operational resources to help hospitals grow, offer more opportunities for employees, better serve communities, and prosper for the long term.

Duke offers Duke LifePoint hospitals clinical quality and patient safety guidance with clinical experts experienced in leading clinical quality and patient safety initiatives. LifePoint provides a range of management, financial and operational resources, including access to capital for ongoing investments in new technology, facility renovations and additional sites of care. Duke LifePoint and its partners are dedicated to growing the scope of services at the local level and providing the resources needed to compete effectively in a value-based environment.

Since its inception, Duke LifePoint has aligned with eleven healthcare organizations as highlighted in the figure below. While Duke LifePoint remains focused on community providers located in North Carolina and southern Virginia, the success of the partnership and strength of the operating model has allowed Duke LifePoint to broaden its footprint to include tertiary providers such as UP Health System – Marquette ("Marquette"), formerly known as Marquette General Health System, a 307-bed regional referral center located in the Upper Peninsula of Michigan, and Conemaugh Health System ("Conemaugh"), a 589-bed, three hospital system located in west central Pennsylvania.

Figure 2: Duke LifePoint Community Partners

Hospital	Location	Beds	Description
Person Memorial Hospital	Roxboro, NC	110	Wholly Owned Hospital
Maria Parham Medical Center	Henderson, NC	102	Joint Venture Hospital
DLP – Cardiac Partners	Statewide, NC	N/A	Wholly Owned Cath Labs
Twin County Regional Healthcare	Galax, VA	141	Joint Venture Hospital
UP Health System – Marquette	Marquette, MI	307	Wholly Owned Hospital
Wilson Medical Center	Wilson, NC	294	Joint Venture Hospital
Rutherford Regional Health System	Rutherfordton, NC	143	Joint Venture Hospital
Haywood Regional Medical Center	Clyde, NC	169	Wholly Owned Hospital
Harris Regional Hospital	Sylva, NC	86	Wholly Owned Hospital
Swain Community Hospital	Bryson City, NC	48	Wholly Owned Hospital
Conemaugh Health System	Johnstown, PA	589	Wholly Owned Hospitals

Duke LifePoint's success to date has been built on its ability to bring clinical, operational and financial excellence to its communities. Duke brings an international reputation for clinical excellence and innovation, while LifePoint is recognized as one of the premier operators of community hospitals. Both share the commitment of enhancing the delivery of care at the community level. Duke LifePoint would seek to build on WRMC's commitment to the patients and families it serves; the value it places on its relationships with physicians and staff members; and its reputation for delivering high quality care and service excellence.

About Duke Medicine

Duke Medicine is an academic enterprise inclusive of four separate but functionally integrated entities:

1. The Duke University Health System is comprised of three acute care hospitals, home health and hospice services, and Duke Primary Care:
    a. Duke University Hospital – A full service tertiary and quaternary care academic medical center with 957 licensed adult and pediatric acute care beds, including 18 adult psychiatric beds located in Durham, NC.

b. Duke Regional Hospital – A regional hospital located in Durham, NC, with 386 licensed acute care beds including a level II special care nursery, a 30 bed acute rehabilitation unit, and a 22 bed inpatient psychiatric unit.
c. Duke Raleigh Hospital – A community-based hospital located in Raleigh, NC, with 186 licensed acute care beds providing specialized services in oncology, heart, neurosciences, orthopedics and spine.
d. Duke HomeCare and Hospice – Provides home health and hospice care services throughout central NC and infusion services throughout NC, SC, and VA.
e. Duke Primary Care – Employed physician group that includes over 180 physicians.

2. The Private Diagnostic Clinic ("PDC") – an independent, for profit faculty physician practice group with over 1,300 practice members that includes the Community Private Diagnostic Clinic ("CPDC").
3. Duke University School of Medicine – Ranked 8th nationally for research by US News and World Report and 1st nationally in Physician Assistant programs.
4. Duke University School of Nursing – Ranked 6th nationally by US News and World Report.

Duke Medicine has a robust medical training program with more than 740 residents, 156 interns, and 87 fellows. Duke is also home to the Duke Clinical Research Institute, the world's largest academic research organization. Dedicated to improving patient care through innovative clinical research, it performs clinical research across the spectrum, ranging from: Phase I through Phase IV clinical trials; outcomes research; registries of more than 100,000 patients; and economic and quality of life studies in populations spanning more than 20 therapeutic areas. The Preston Robert Tisch Brain Tumor Center at Duke was featured on CBS's 60 Minutes "Killing Cancer" in May 2015 for its groundbreaking Phase 1 Study in immunotherapy using a re-engineered Poliovirus to treat Glioblastoma Multiform, a grade IV brain tumor.

In addition, Duke has an international reputation which contributes to the more than 1.2 million annual patient encounters. It has been selected among *U.S. News and World Report*'s "Best Hospitals Honor Roll" for more than 20 years. Duke University Hospital continues to be the highest ranked hospital in North Carolina by *U.S. News and World Report* for 2015-2016. DUMC is nationally ranked in 12 adult and 8 pediatric specialties.

Figure 3: Duke University Medical Center's Adult Care Rankings

Adult Care Rankings			
✓	#6 in Cardiology & Heart Surgery	✓	#20 in Diabetes & Endocrinology
✓	#7 in Pulmonology	✓	#25 in Orthopedics
✓	#8 in Ophthalmology	✓	#27 in Cancer
✓	#9 in Urology	✓	#27 in Neurology & Neurosurgery
✓	#12 in Rheumatology	✓	#33 in Geriatrics
✓	#17 in Nephrology	✓	#35 in Gynecology

Figure 4: Duke University Medical Center's Pediatric Care Rankings

Pediatric Specialties			
✓	#22 in Cardiology & Heart Surgery	✓	#34 in Nephrology
✓	#23 in Cancer	✓	#36 in Neonatology
✓	#29 in Gastroenterology & GI Surgery	✓	#46 in Pulmonology
✓	#32 in Diabetes & Endocrinology	✓	#46 in Urology

These combined entities and achievements highlight the very best of patient care, medical research, and education that define Duke's mission. They also represent the platforms upon which Duke has been partnering with local healthcare providers, organizations and governments who share common goals and values to improve access to quality medical care.

Duke has significant experience working with hospitals to expand and enhance clinical services at the local community level through innovative program development affiliations. Duke also provides benefit to communities through highly regarded medical education programs and innovative research conducted to find new ways to treat illness and disease. Currently, Duke has over 30 affiliated specialty programs in oncology, heart and vascular, neurosciences and quality oversight with community hospitals. Support for specialty and hospital affiliations is coordinated and overseen by Network Services, comprised of a team of over 60 individuals with 30 years of administrative and clinical experience building and enhancing community based programs.

About LifePoint Health

LifePoint was founded in 1999 and began with a network of 23 hospitals in non-urban markets across the nation united by a singular mission of "Making Communities Healthier". Today, LifePoint has grown into a leading healthcare company with more than $5.0 billion in revenues and 67 hospital campuses in 21 states. In addition, LifePoint owns and operates more than 1,300 physician practices; approximately 40 post-acute service providers and facilities, including home health and hospice services, long-term care services, nursing homes and assisted living facilities; and more than 30 outpatient centers, including urgent care centers, diagnostic imaging centers, ambulatory surgery centers, and radiation oncology programs. Across the organization, LifePoint is affiliated with approximately 40,000 employees and more than 6,500 physicians.

LifePoint's strategy is to develop and operate integrated healthcare delivery systems that manage the healthcare needs of patients and a local population. LifePoint strives to create healthier hospitals, which in turn helps make communities healthier. LifePoint actively seeks ways to enhance people's access to care and improve their ability to get and stay healthy. This includes partnerships with regional employers to create wellness and occupational health programs, and regional prevention and outreach programs to engage and educate our communities. LifePoint's founding principles guide its actions and decision making and define what communities can expect from LifePoint as a healthcare partner. These guiding principles are referred to as LifePoint's High Five:

- Delivering high quality patient care
- Supporting physicians
- Creating excellent workplaces for its employees
- Taking a leadership role in its communities
- Ensuring fiscal responsibility

Organizational Structure: LifePoint's organizational structure consists of three operating Groups, with all Duke LifePoint hospitals being assigned to the Eastern Group. The Eastern Group consists of approximately 20 hospitals and is led by a highly experienced group of executives, including a Group President, Chief Operating Officer, Chief Financial Officer and a Chief Nursing Officer. In addition, the LifePoint Health Support Center ("HSC") includes a team of over 450 individuals that assist in measuring and improving quality, generating additional operational efficiencies, capturing appropriate revenue, providing managed care contracting expertise and ultimately improving profitability.

Please see Exhibit 1 for the locations of Duke, LifePoint and Duke LifePoint hospitals

Charges: LifePoint does not have a common chargemaster across its facilities. From time to time, we perform an analysis to compare each of our hospitals' current chargemaster to those at hospitals located within the region in order to assess variances and determine if adjustments are warranted.

Services: The current scope of services provided by our hospitals varies and is individually tailored to meet the needs of the residents of the communities in which our hospitals serve, while always ensuring patient safety and the delivery of high quality care. In addition, we operate several home health agencies, hospice agencies and various other

ancillary sites of services, including diagnostic imaging centers, ambulatory surgery centers, and assisted living facilities, among others.

Indigent Care: Duke LifePoint does not have a standard charity care policy. We believe that the local hospital is more knowledgeable of the needs of its community and the appropriate level of charity care to provide to the residents it serves. As such, we would adopt WRMC's current charity care policies, subject to due diligence and changes in law. Any changes to the WRMC's charity care policies would require approval by the Board of Trustees (or the Board of Governors in a Joint Venture).

Please see Exhibit 2 for the 2014 Community Benefit Report

Please see Exhibit 3 for Duke LifePoint Senior Leadership Biographies

Please see Exhibit 4 for LifePoint's 2012, 2013 and 2014 10-Ks

Other Information – Transaction Experience: Duke LifePoint and LifePoint have been actively pursuing and successfully completing similar partnership transactions throughout the country. Just within the past four years, LifePoint and Duke LifePoint have effectively integrated 20+ hospitals into our system, drawing from the extensive experience of our leadership teams and utilizing our customized integration model to ensure a smooth transition.

Figure 5: Recent Transaction Experience *

Effective Date	Facility (# of Hospitals)	Beds	City	State	Affiliation
Pending	St. Francis Hospital	376	Columbus	GA	LifePoint
Pending	Providence Hospitals	321	Columbia	SC	LifePoint
9/1/2015	Watertown Regional Medical Center	95	Watertown	WI	LifePoint
8/1/2015	Clark Memorial Hospital	169	Jeffersonville	IN	RHN**
8/1/2015	Fleming County Hospital	52	Flemingsburg	KY	LifePoint
2/1/2015	Nason Hospital	45	Roaring Spring	PA	LifePoint
9/1/2014	Conemaugh Health System (3)	588	Johnstown	PA	Duke LifePoint
8/1/2014	Haywood Regional Medical Center	169	Clyde	NC	Duke LifePoint
8/1/2014	Harris Regional Hospital	86	Sylva	NC	Duke LifePoint
8/1/2014	Swain Community Hospital	48	Bryson City	NC	Duke LifePoint
6/1/2014	Rutherford Regional Health System	143	Rutherford	NC	Duke LifePoint
3/1/2014	Wilson Medical Center	294	Wilson	NC	Duke LifePoint
12/1/2013	UP Health System – Bell	25	Ishpeming	MI	LifePoint
12/1/2013	UP Health System – Portage	36	Hancock	MI	LifePoint
11/1/2013	Fauquier Health System	97	Warrenton	VA	LifePoint
1/1/2013	Scott Memorial Hospital	25	Scottsburg	IN	RHN **
9/1/2012	UP Health System – Marquette	307	Marquette	MI	Duke LifePoint
7/1/2012	Woods Memorial Hospital	72	Etowah	TN	LifePoint
4/1/2012	Twin County Regional Hospital	141	Galax	VA	Duke LifePoint
11/1/2011	Maria Parham Medical Center	102	Henderson	NC	Duke LifePoint
10/1/2011	Person Memorial Hospital	110	Roxboro	NC	Duke LifePoint
9/1/2010	HighPoint Health System (3)	243	Gallatin	TN	LifePoint
5/1/2010	Clark Regional Medical Center	100	Winchester	KY	LifePoint

* Please refer to "Note 2. Acquisitions" in LifePoint's 2014 10-K for additional details
** RHN: Regional Healthcare Network (JV with Norton Healthcare)

Critical factors to creating a successful partnership include:

- Aligning goals and incentives among the key stakeholders, particularly physicians;
- Developing an initial operations plan with appropriate expectations that are transparent to the stakeholders;
- Involving stakeholders in the decision process to create consensus; and
- Communicating effectively to both internal and external audiences.

Duke LifePoint has addressed these issues in recent partnerships by developing the Integration Management Office that is responsible for the hospital through due diligence, integration and up to the first two years of operations. As is standard practice, the integration plan will be developed collaboratively and communicated internally and externally at each appropriate stage. Effective communication will be a focal point in ensuring a positive and lasting partnership.

Other Information – Capabilities: In addition to having a dedicated integration team, WRMC would operate within LifePoint's Eastern Group, with executives assisting in the utilization and management of the resources provided by the HSC and Duke Network Services. By the time a hospital officially becomes a Duke LifePoint partner, the Group team is knowledgeable regarding its issues and opportunities. The Group team would work diligently to quickly determine both an operational plan timeline and detailed strategic plan. WRMC's leadership, including its management team, medical staff and Board of Trustees, would be actively involved in this process.

Figure 6: Duke LifePoint Integration & Transition Process

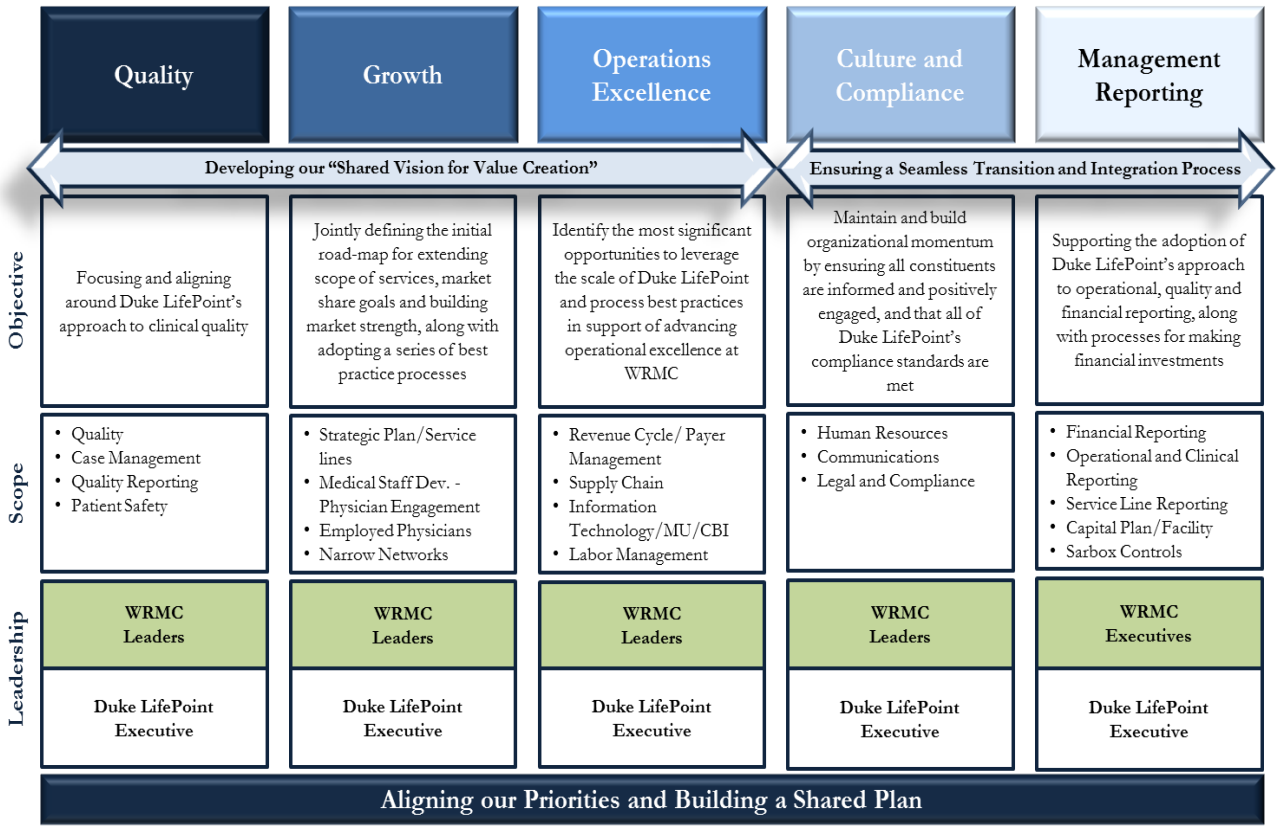
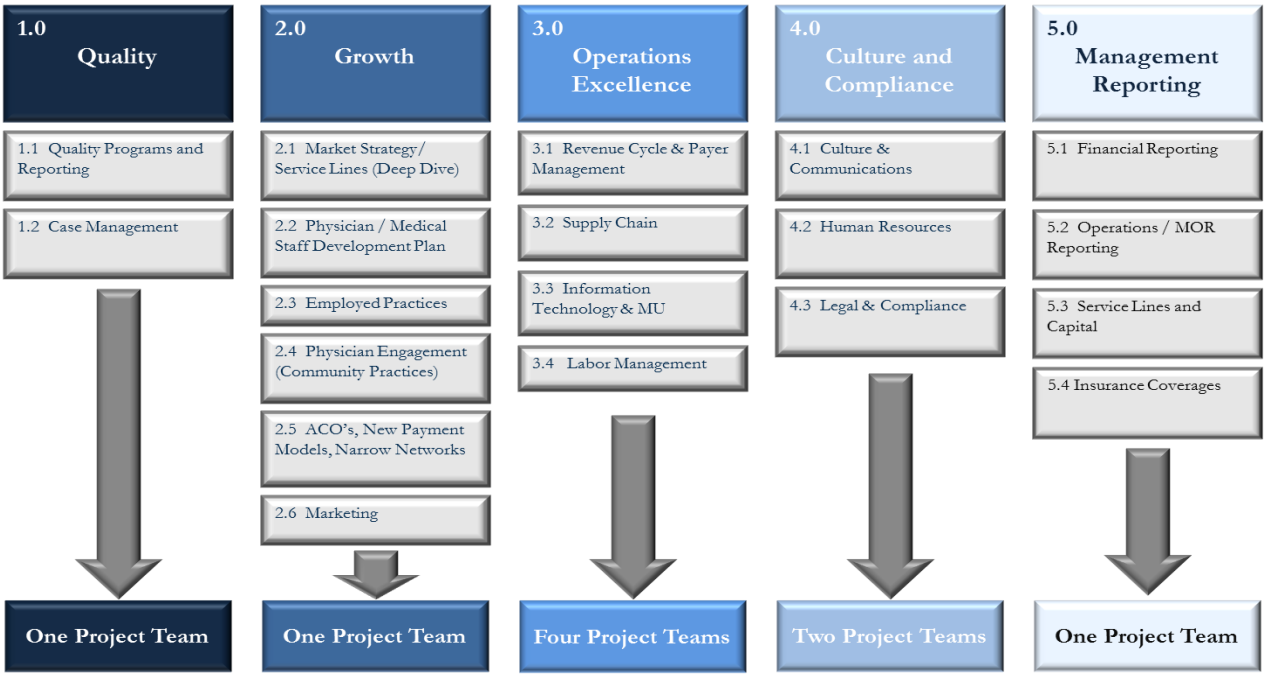


Figure 7: Duke LifePoint Integration Project Team Structure



Typically, the Duke LifePoint departments most notably involved with the hospital include:

- **Operations Team:** Group Executives, Operations Controller, Clinical Operations Leader.
- **Quality and Service:** Quality and patient safety liaisons are deployed to the hospital and perform an initial comprehensive assessment, resulting in the development of a detailed hospital/system-wide action plan.
- **Medical Staff Development:** Recruiters, Regional Practice Managers, Contracts Attorney, Data Analyst, Contracts Assistant (resources are available to provide support for physician retention strategies).
- **Revenue Integrity Department:** Group Business Office Manager.
- **Supply Chain Management:** Subject experts in radiology, oncology, pharmacy, surgery and laboratory; Participation in a large GPO is expected.
- **Clinical Services:** In addition to Group specialists, subject matter experts are available in Obstetrical Services, quality and patient safety, discharge planning, Joint Commission preparation, Emergency Services including Emergent Elder Care program and clinical coding automation (core measures and HCAHPS scores are tracked centrally). In addition, resources are available to support clinical specialty program development and advancement.
- **Duke Clinical Engagement:** The Duke Clinical Engagement program supports local Duke LifePoint hospitals, providers, and staff with a variety of mechanisms including education, site visits, observational visits to Duke, and facilitated discussions designed to build and enhance collegial relationships to enhance clinical excellence in the community.
- **Facilities Maintenance and Construction Management:** Facilities maintenance personnel are assigned to each hospital as well as individual project managers for major construction projects.
- **Strategic Resource Group:** Resources are available to support the development of each hospital's strategic plan. The Strategic Resource Group ("SRG") provides data analytics for each hospital and assists with service line evaluations. Additionally, the SRG assists with the development and maintenance of the physician demand analysis for each market.
- **Legal Department:** The hospitals would have an assigned attorney to support it on a variety of issues. There are also subject experts available, e.g., physician contracting and joint ventures.

- **Information Services and Systems:** Duke LifePoint utilizes sophisticated information systems to allow for the management of every department and discipline within the hospitals, to ensure patient quality and satisfaction, and to maintain financial responsibility.
- **Office of the Chief Medical Officer:** A critical resource for physicians and CEOs.
- **HSC Communications:** A Vice President of Communications would assist the hospital in developing and carrying out a communications plan for key constituents (employees, medical staff, local officials and the community) during the transition.

Please see Exhibit 5 for a list of Duke LifePoint Health Support Center Services

The successful organization will be required to reimburse the Town and the Hospital for all of its reasonable consulting and legal expenses incurred in this process. We require that you state this commitment in your proposal.

The financial consideration included in Duke LifePoint's proposal has been adjusted to ensure that the WRMC Parties will have sufficient excess proceeds that would be available for payment of consulting and legal expenses incurred in this process.

I. Lease Proposal and Governance

A. Describe the long-term lease proposal that your organization contemplates based upon the requirements of this Request for Proposal.

1. Describe the term and termination provisions you anticipate in your lease proposal.

2. Describe your lease payment proposal, including a specific amount that would be allocated as an up-front lease payment, and the amount of annual lease payments.

3. How will lease payments be adjusted, if at all, during the term of the lease?

Transaction Options: Duke LifePoint proposes two potential relationships for the WRMC Parties to consider: (1) an acquisition and long-term lease with Duke LifePoint; or (2) an acquisition and long-term lease with a joint venture between the WRMC Parties and Duke LifePoint. In a full acquisition and long-term lease transaction, the commitments outlined below would be backed by Duke LifePoint. In a joint venture transaction, the commitments would be backed by the Joint Venture, of which Duke LifePoint would be the majority owner.

- **Transaction Structure I: Duke LifePoint Acquisition & Lease**
  Duke LifePoint would lease all of the existing real property (land, buildings, certain fixed equipment, and leasehold improvements) used in the operation of WRMC through a long-term lease (the "Lease") having an initial term of forty (40) years. As part of the transaction, the parties would enter into an Asset Purchase Agreement (the "APA") through which Duke LifePoint would acquire, to the extent legally transferable, selected property, including personal property (major and minor equipment, furniture, etc.), tangible or intangible assets, Net Working Capital ("NWC") (including patient accounts receivable, inventories and supplies, prepaid expenses and other less accounts payable and employee benefits), contracts and leases, as well as intellectual property, rights, claims and records owned or used in the operation of WRMC.

- **Transaction Structure II: Duke LifePoint Joint Venture & Lease**
  Duke LifePoint would propose to develop a Joint Venture between Duke LifePoint and the WRMC Parties, with 50/50 shared governance. The WRMC Parties would contribute the personal property and NWC used in the operation of WRMC into the Joint Venture, along with their pro rata share of the financial consideration for the Lease and assets acquired under the APA. Duke LifePoint would pay its pro rata share of the financial consideration for the NWC, personal property, Lease and assets acquired under the APA.

Financial Consideration: The financial terms of the Lease would include an initial, annual lease payment of $600,000 and a 2.0% annual escalator thereafter, equating to total lease payments of $36.2 million. In addition, Duke LifePoint or the Joint Venture would pay the WRMC Parties, in immediately available U.S. funds, an aggregate amount of $74.5 million for the purchased assets included in the APA, of which $7.5 million would be consideration for WRMC's estimated NWC. At the end of the initial 40-year lease term, Duke LifePoint or the Joint Venture would have the option to renew the lease for an additional 40-year term on mutually agreeable terms. Should the WRMC Parties prefer an alternative transaction structure, Duke LifePoint either in its sole capacity or through a Joint Venture with the WRMC Parties would acquire the real property currently under lease from the Town and the assets of WRMC, including NWC, for $87.5 million.

B. Describe the governance structure for the Hospital that your organization anticipates implementing as a consequence of the lease.

Duke LifePoint would maintain a local Board of Trustees (the "Board of Trustees") regardless of the transaction structure selected by the WRMC Parties. In the event the WRMC Parties choose to joint venture with Duke LifePoint, a separate governing board (the "Board of Governors) would be established and include equal representation from both organizations (i.e., the WRMC Parties and Duke LifePoint).

Governance for the Acquisition & Lease Proposal: Governance would be under the purview of the overall Duke LifePoint Governing Board. The Duke LifePoint Governing Board would be supported locally by the hospital's CEO and Board of Trustees with respect to strategic plans for the hospital, operating budgets, physician recruiting plans, and creating and enhancing existing services. The Board of Trustees would also be responsible for overseeing medical staff issues and quality performance.

The Board of Trustees would consist of representation of local community members, physicians from the active medical staff, the hospital's CEO and a Duke representative. The size and initial members of the Board of Trustees would be agreed to by the parties with input from the executive committee of the hospital's current Board. The Duke appointee would be determined prior to completion of a transaction.

The Board of Trustees would have the following powers:

- Approve selection of the hospital CEO
- Adopt a Vision, Mission and Value Statement for the hospital
- Develop strategic planning and business recommendations
- Monitor performance improvement
- Grant medical staff privileges
- Execute physician disciplinary actions consistent with medical staff bylaws
- Identify new service and educational opportunities
- Quality oversight
- Other powers delegated to the Board of Trustees as determined by Duke LifePoint

We expect the Board of Trustees to function as it has in the past, but without its former responsibilities for accessing financing for the long-term capital needs of the hospital. Other committee structures would be expected to remain intact as well. The hospital CEO would continue to oversee operations, medical staff relations and community development.

Governance for the Joint Venture & Lease Proposal: In the event a Joint Venture is formed between the WRMC Parties and Duke LifePoint, a new governing board, the Board of Governors, would be established to oversee the interests of the Joint Venture. The Board of Governors generally consists of eight (8) members, with equal representation between the owners of the Joint Venture, i.e., four (4) members from both the WRMC Parties and

Duke LifePoint. The Board of Governors would delegate certain responsibilities to the Manager, a LifePoint subsidiary, but would retain overall responsibility for the Joint Venture.

Included in, but not limited to, the overall responsibilities of the Board of Governors are the following powers:

- Approve selection of the hospital CEO
- Approve all budgets and strategic plans
- Approve additional capital contributions from the members
- Approve the decision to discontinue the provision of medical services
- Evaluate the charity care provided by the hospital
- Other protective rights as agreed to between the parties

There would be block voting, i.e., the Board of Governors could only approve an action if such action obtains the approval of both majorities of the members appointed by the WRMC Parties and by Duke LifePoint.

Reserve Powers of the WRMC Parties:

- Right to name the Chairperson of the Board of Governors
- Right to terminate the hospital CEO if the hospital fails to meet the Community Benefit Standards (the "Standards")
- Right to dissolve the Joint Venture if it fails to meet the Standards
- Right to terminate the Manager if it fails to meet the Standards

Under the Joint Venture structure, WRMC would also maintain a Board of Trustees (see above), with membership consisting of local community members, physicians from the active medical staff, and the hospital CEO. The Board of Trustees would maintain the same powers previously described under the Acquisition and Lease transaction structure.

C. How will the proposed governance structure preserve community input and influence the future of the Hospital?

Duke LifePoint recognizes that healthcare is a local issue and values the involvement of the community in establishing the strategic direction of the hospital. Duke LifePoint empowers our management teams with the authority and responsibility to determine the strategic direction of the hospital through the assistance of the Board of Trustees, which would be comprised of local community members, physicians from the active medical staff and the hospital's CEO. The Board of Trustees also provides support and guidance on other important local issues.

Working with Duke LifePoint, the WRMC Parties will be able to retain local oversight and governance with respect to key strategic decisions. Duke LifePoint recognizes the challenge and importance of retaining local oversight over clinical services, physician recruitment and capital investment. Like yours, our focus is to keep healthcare local for the benefit of the residents of our communities; thereby, eliminating the need for patients to commute to metropolitan markets for care. Through our combined efforts and the strength of a large healthcare system, we have a greater opportunity to make sure care remains local for our patients.

D. Describe what guidelines are utilized by your organization to provide support for community health care activities.

Duke LifePoint, in all its markets, supports the public health programs offered by governmental or not-for-profit entities, including area school health programs, Federally Qualified Health Centers ("FQHCs"), and community wellness and/or preventive health programs that may be offered. Continued coordination and collaboration with existing local agencies, in and surrounding North Wilkesboro will be emphasized. We would continue or develop

working relationships with the local charitable or governmental organizations to develop educational as well as clinical programs to assist the underserved in gaining appropriate access to quality healthcare.

All Duke LifePoint affiliates engage in active community initiatives, such as Relay for Life and the United Way. The local leadership teams are expected to become involved in civic organizations. We understand the local hospital is a major driver in economic development as healthcare, education and available workforce are the pillars of economic development to attract and retain new business to the community.

Duke LifePoint also supports the schools in each community we serve. Duke LifePoint would continue any services or programs that WRMC has in place today and would look to build upon these programs as needs arise. In all of our communities, we support our schools through educational and sports programs, and health fairs, to name a few.

Additionally, WRMC would become a tax-paying entity to financially support the community's economic development endeavors.

E. Describe your organization's historical support of hospital foundations.

1. **How have hospitals' foundations been handled in similar transactions involving your organization?**
2. **Will your organization make a commitment to donate a lump sum or annual sum to a hospital foundation (the "Hospital Foundation") as a part of this transaction? If so, in what amount?**
3. **Will your organization make a commitment to match donations to the Hospital Foundation? If so, in what amount, and for how long?**

Through our proposal, we believe there will be $49.3 - $64.2 million in excess proceeds available to support the charitable purposes of WRMC and its initiatives, including any special programs that are currently in place. In the event of an affiliation with Duke LifePoint, the excess proceeds resulting from the transaction would be available for use at the discretion of the WRMC Parties, or the appropriate surviving entity, subject to satisfying any potential post-closing indemnification obligations. Community foundations established through an affiliation with Duke LifePoint have utilized the excess proceeds to enhance the health of their communities through various initiatives, including the establishment of community health programs as well as providing tuition assistance and grants to local organizations, among others.

The foundation would be directed by a self-governing board that functions independent of Duke LifePoint operations. The board will appoint its own members and may be comprised of representatives from WRMC's existing Board of Trustees and local community leaders. Duke LifePoint would have no control over the distribution of funds.

II. Management

A. What commitments can your organization make to preserve and enhance the existing vision and mission statements of the Hospital?

Duke LifePoint would expect to support the mission and vision of WRMC. Our organization was founded on the idea that everyone deserves quality healthcare close to home and that strong hospitals create strong communities. It is our intention to establish a relationship with WRMC that benefits the residents of North Wilkesboro and the surrounding communities, while building on the strong traditions and unique culture that currently exist at WRMC.

LifePoint's HSC is intended to support our hospitals and practices in operational and strategic matters. Likewise, Duke LifePoint's strategy is designed to be a guide, not a mandate, for our local management teams; allowing them flexibility and access to the resources they need to respond to their local challenges and opportunities.

B. Will your organization maintain, grow, or reduce the Hospital's current levels of charity care?

1. **How does your organization define "charity care," "indigent care," and "bad debt?"**
2. **What percentage of revenue does your organization provide for charity care?**
3. **What percentage of revenue does your physician network, if any, provide for charity care?**

Duke LifePoint provides care without charge to certain patients that qualify under the local charity care policy of each of our hospitals. As discussed, Duke LifePoint would adopt the charity care policies of WRMC, subject to due diligence and changes in law. Changes to WRMC's charity care policies would require approval by the Board of Trustees (Board of Governors in a Joint Venture).

For the years ended December 31, 2014, 2013 and 2012, LifePoint estimates that its costs of care provided under its charity care programs approximated $21.2 million, $35.2 million and $30.9 million, respectively. The decrease in LifePoint's estimated costs of charity care was primarily due to a shift from self-pay to Medicaid and HMOs, PPOs and other private insurers for a portion of LifePoint's patient population, which primarily was a result of healthcare reform and the expansion of Medicaid coverage in certain of the states in which we operate.

C. Will a commitment be made to retain the Hospital's existing management team?

1. **Will the management team retain their existing jobs?**
2. **Will the management team be eligible to be considered for other jobs within your organization?**
3. **What is your organization's process for implementing an executive/leadership succession plan, and who would make those decisions for the Hospital?**

Management Team: As mentioned in the cover letter, through LifePoint, Duke LifePoint will offer employment to all active WRMC employees in good standing at the time of closing, subject to the satisfaction of customary pre-employment screening procedures. Duke LifePoint would expect to hire WRMC's management team and employed medical staff under the same provisions noted above, subject to review of any existing employment agreements and non-competes contained therein.

O" Leadership Development Program Overview: Through LifePoint's Learning Academy, Duke LifePoint is committed to developing leaders for additional future responsibility. Through intensive classroom courses and coaching, leaders from across our organization, who are selected to participate in the "O" Development Program (CEO, CFO, CNO, CMO), are educated about the issues and challenges confronting the healthcare industry, and will develop the critical skills, knowledge, and perspective required to perform as successful leaders by focusing on the Duke LifePoint leadership areas of Core Values, Business Mastery, Personal Mastery and Relationship Mastery.

The program requires a two-year commitment by LifePoint and the selected participants. Over the two years, participants attend sessions focused on building leadership skills in alignment with the LifePoint Leadership Model and its competencies. In addition, operational skill building is integrated into the two-year experience. This is accomplished through on-the-job projects and experiential learning while being mentored and coached by subject matter experts within the participant's hospital.

High Performers Leadership Program: The High Performers program at LifePoint is designed to identify, offer opportunities and provide a depth of additional knowledge and training around strategic leadership. Participants are selected by Executive Leadership Teams at LifePoint and move through the program as classes or "cohorts".

D. What is your commitment to the Hospital's operating affiliates?

1. **Describe how your organization would maintain and grow Wilkes Physician Network, Inc.**

Two of Duke LifePoint's more recent acquisitions included large multi-specialty medical groups. We were able to strengthen those practices with dedicated support from our physician services practice management leadership teams. Since partnering with these hospitals and groups, we have been actively integrating newly acquired medical practices into formal medical group structures to include, when agreeable to the physicians, branding the new medical groups as a single entity and as a part of the local/regional health system.

Further, as with most health systems, we have expanded these medical groups through both local market acquisitions and recruiting new physicians into the market to join existing groups. We have relationships with medical groups that span from fifteen years to our most recent acquisitions that are still in the first year of the relationship.

In much the same way, Duke LifePoint expects to support Wilkes Physician Network's ongoing efforts to manage, operate and expand physician practices that serve the residents of North Wilkesboro and surrounding communities.

2. Describe your commitment to maintain and grow the Hospital's Wound Healing Center.

In most of our markets, Duke LifePoint operates either free-standing or hospital-based wound healing centers. A great example is the Wilson Wound Healing Center at Wilson Medical Center (Wilson, NC). Wilson's National Healing Wound Center is equipped to address every wound's unique set of circumstances. The Center has a success rate of 96% of wounds healed within 28 days and is staffed with an experienced team of doctors, nurses and therapists – all dedicated to healing chronic wounds. Likewise, Duke LifePoint would expect to maintain and grow WRMC's Wound Healing Center, as we acknowledge the need for local access to skilled chronic wound treatment.

3. Describe your commitment to maintain and grow the Hospital's Diagnostic Center.

Duke LifePoint recognizes the importance of diagnostic centers that function as part of the hospital or as standalone facilities – keeping more healthcare services available locally. In fact, Duke LifePoint announced a $2.5 million radiology expansion in March of this year at Person Memorial Hospital (Roxboro, NC). Previously, MRI services were available at the hospital on a part-time basis through a mobile unit. With the addition of a permanent MRI scanner and expansions in the radiology and imaging unit, patients are able to receive timely MRI services in a more convenient setting. Similarly, Duke LifePoint would expect to maintain WRMC's Diagnostic Center for the benefit of the residents of North Wilkesboro and surrounding communities.

4. Describe your commitment to maintain and grow the Hospital's Dialysis Center.

The Donald Gene Jarvis Dialysis Unit delivers a vital service North Wilkesboro, and Duke LifePoint would support its continued operations. The unit provides an opportunity for convenient access to specialized care, enhancing the lives of the patients WRMC serves. Through our partner hospitals, Duke LifePoint operates several dialysis units, including UP Health System's Portage Health Dialysis Center comprised of 12 hemodialysis stations and a highly skilled staff that provides all aspects of care for patients with end-stage renal disease. Additionally, Maria Parham Medical Center ("Maria Parham) in Henderson, North Carolina operates an inpatient dialysis unit that can provide hemodialysis and peritoneal dialysis 24 hours a day, seven days a week, avoiding the transfer of dialysis patients to other facilities in Durham or Wake County. Due to the nature and required frequency of this type of care, Duke LifePoint realizes the importance of keeping this service as close to home as possible for patients and their families.

E. Describe how your organization's management team would evaluate and assess the Hospital's operations, and what management-related tools are available to enhance the Hospital's existing management resources?

As an affiliate of Duke LifePoint, WRMC would have access to the best practices and support from both the clinical, quality and programmatic expertise of Duke and the operational and management resources of LifePoint. WRMC would have an opportunity for enhanced growth and financial success through access to operating comparisons,

collaborative relationships, and subject matter expertise. WRMC would have direct access to the operational resources provided by LifePoint's HSC. The purpose of the HSC is to provide ready access to resources and expertise in assisting hospitals to improve operational performance and achieve financial security. Such measures would be done in a responsible manner, while continuing to maintain and improve quality patient care.

Consistent with these objectives, resources are available to:

- Enhance the scope of existing services;
- Expand into new service-line offerings;
- Provide organizational infrastructure for local and regional clinical integration initiatives;
- Support appropriate physician recruitment and retention efforts;
- Provide extensive practice management and on-boarding resources;
- Evaluate and fund needed investments in technology and facilities;
- Provide educational tools and opportunities for employees;
- Provide access to benchmarking metrics from like-sized hospitals across the country;
- Ensure appropriate reimbursement for services provided;
- Offer "best practice" practical solutions;
- Meet/exceed the compliance requirements;
- Knowledgeable assistance with Quality and Service improvement;
- Provide access to capital markets and treasury services; and
- Provide legal support and legal services.

1. **Describe your organization's compliance plan and compliance processes, as well as its commitment to the same.**
2. **Describe your organization's Medicare and Joint Commission compliance activities.**

Regulatory Compliance: It is our policy to conduct our business with integrity and in compliance with the law. Through LifePoint, we have in place and continue to enhance a company-wide compliance program that focuses on all areas of regulatory compliance including billing, reimbursement, cost reporting practices and contractual arrangements with referral sources.

This regulatory compliance program is intended to help ensure that high standards of conduct are maintained in the operation of our business and that policies and procedures are implemented directing employees to act in full compliance with all applicable laws, regulations and company policies. Under the regulatory compliance program, every employee and certain contractors involved in patient care, coding and billing, receive initial and periodic legal compliance and ethics training. In addition, we regularly monitor our ongoing compliance efforts and develop and implement policies and procedures designed to foster compliance with the law. The program also includes a mechanism for employees to report, without fear of retaliation, any suspected legal or ethical violations to their supervisors, designated compliance officers in our hospitals, our compliance hotline or directly to the HSC compliance office. We believe our compliance program is consistent with standard industry practices.

The Audit and Compliance Committee of LifePoint's Board of Directors oversees compliance efforts, and receives periodic reports from LifePoint's compliance and audit services groups, as well as guidelines, policies and processes for monitoring and mitigating risk relating to the financial statements and financial reporting processes, key credit risks, liquidity risks and market risks. Duke LifePoint's Quality Oversight Committee (see more information in Section V, Question H) also plays a significant role in evaluating clinical performance and industry practices.

Medicare and Joint Commission Compliance Activities: LifePoint's HSC provides significant added value and resources for quality and compliance programs, a partial listing of subject area experts at the HSC level includes:

- Joint Commission/CMS Conditions of Participation
- Emergency Services
- Obstetrical Services/L&D-Nursery
- Surgical Services
- Case Management/Utilization Management
- Infection Prevention
- Patient Safety
- Health Information Management
- Coding Operations
- HIPPA Privacy and Security
- Home Health Clinical Operations
- Clinical Informatics
- Laboratory Management
- Clinical Risk Management
- Master Facility Planning

These subject area experts are responsible for the development and provision of:

- Interpreting new federal/state legislative and regulatory changes and providing direction to the hospitals on policy & procedure revisions required for compliance;
- Training programs – in a variety of formats including web-based, self-study, and live;
- Resource materials for staff and patients;
- Tracking and reporting systems;
- Facilitating peer councils from throughout the hospitals and many functional areas;
- On-site audits and oversight of corrective actions, if required;
- Identification of and sharing best practices; and
- Ensuring that their programs are consistent with and integrate into similar initiatives of the other functional areas within the hospitals and across the organization.

F. Have any of your organization's hospitals lost its Joint Commission accreditation at any time in the last three (3) years? If so, describe the circumstances, your organization's remediation efforts, and the results of the same.

We are pleased to confirm that none of our hospitals have lost their Joint Commission accreditation within the last (3) three years.

III. Market Share and Growth

A. Describe your plans to maintain and grow the Hospital's market share in its service area.

As part of Duke LifePoint's annual strategic planning process, a comprehensive analysis would be completed to provide a better understanding of opportunities to enhance existing service-lines; identify unmet community needs and the potential for new services; identify additional access points of care, if any, and where they should be located; verify and update physician recruitment needs; and identify opportunities to improve service and quality through a collaborative process with physicians. The process will also provide a detailed analysis by service-line of the magnitude of current out-migration patterns. Market share improvement targets will be determined with an associated list of the resources or other action items needed to achieve the targeted goal. Capital and operating budgets will be developed from the resource lists identified as well as verification of physician market needs. In

addition to the projects identified as immediate capital needs, the strategic plan will also drive future allocations for resources, personnel and capital.

This approach is consistent with all Duke LifePoint and LifePoint hospitals. Significant and targeted investments are being made to add new technologies, modernize facilities and expand the services available. These investments are assisting in our efforts to attract and retain physicians, to offset out-migration of patients and to make our hospitals more desirable to our employees and potential patients. We would expect to make the same types of investments in WRMC by executing the strategic plan.

B. How does your organization anticipate that the Hospital will compete with other health care providers in its primary and secondary service areas, and enhance its position relative to those providers?

Today's healthcare environment of consolidation and competition on quality, cost and patient experience demand the delivery of specialized clinical quality consultants. Duke LifePoint provides subject matter experts including quality leaders, financial experts (supply chain and revenue cycle management teams) and LifePoint's Office of Patient Experience, all collaboratively working with our partners to advance local healthcare delivery and promote the customized programs offered in each of our communities. An example of our efforts is our on-going company-wide initiative to secure Chest Pain Accreditation for all of our hospitals. Duke LifePoint applies positive market differentiation to address competition in each hospital's marketplace.

Based on our review, WRMC currently enjoys a strong competitive position in the market, but we believe the ever changing healthcare environment will require providers to form partnerships with larger healthcare organizations in order to benefit from the scale and collaborative relationships that will be required to ensure their long-term viability. WRMC would benefit from the clinical, operational and financial resources afforded through a relationship with Duke LifePoint and its network of hospitals located in North Carolina and across the country.

C. What are examples of successful growth strategies that your organization has utilized?

LifePoint's SRG – a team of experienced healthcare operators, strategic marketing professionals and analysts focused on supporting organic hospital growth – demonstrated the company's capabilities for growth through the successful identification and implementation of a cardiology growth strategy at Maria Parham, a 102-bed hospital situated northeast of the Raleigh-Durham area in Henderson that partnered with Duke LifePoint in 2011. Shortly after completing the transaction, Duke LifePoint deployed the SRG to Henderson to conduct a "Deep Dive" process: a focused support service to help the hospital identify strategic growth opportunities, create a strategic plan geared around specific service line growth and develop tactics, milestones and metrics for the execution of that plan. Through a combination of complex, data-driven analyses of market volumes, existing service line metrics and community demographics, as well as numerous in-person interviews with medical staff, key community stakeholders and local hospital leadership, the SRG identified Medical Cardiology as a significant growth opportunity. Working in partnership with local hospital and medical staff leadership, the SRG helped Maria Parham create a specific, tactical plan to execute on its new cardiology strategy. Over a roughly four-year span following the Deep Dive, Maria Parham has grown its inpatient Medical Cardiology market share by 16%. Perhaps more importantly, the hospital has seen a 36% increase in cardiac volume in their Emergency Department ("ED") and a markedly decreased ED transfer rate – keeping critical care in the community and allowing patients to receive life-saving treatment closer to home. Duke LifePoint would expect to deploy the SRG, as well as other resources to implement similar service line growth strategies at WRMC.

Additionally, Duke LifePoint encourages each of our hospitals to aggressively analyze and propose new services, new outreach clinics, in-market acquisitions and development opportunities to meet the ongoing needs of the local

community. The annual strategy for the hospital is recommended by the local management team and the Board of Trustees. Duke LifePoint assists each of our hospitals by offering standard market analyses, including:

- Core Inpatient and Outpatient Medical and Surgical Specialties
- Medical staff development
  - Mix of Primary Care versus Specialist
  - Use of physician extenders
  - Employment versus independent practice
- Range of satellite and ancillary services offered
  - Primary Care Clinic network development
  - Urgent Care Center network
  - Freestanding Imaging or Ambulatory Surgery Centers
  - Post-Acute, Home Health & Hospice services
  - Other ancillary services to support population care management, including IP Rehab, Psychiatric services and LTACH

D. What is your commitment to invest in existing or expanded satellite clinics or other facilities that would be affiliated with the Hospital?

As it relates to existing or expanded satellite clinics or other facilities that would be affiliated with WRMC, please refer to our response to Question C in Section III above. Funding for such investments would be made available through Duke LifePoint's $65.0 million capital commitment.

E. What is your plan to maintain and improve the image of the Hospital in the community that it serves?

F. What are your plans to improve patient satisfaction?

Duke LifePoint firmly believes that clinical quality and patient safety/satisfaction are the most important critical components relative to a hospital's image. We would expect to work closely with WRMC's Board of Trustees, management team and hospital leadership to further improve patient safety and satisfaction. Actions to enhance both quality and constituency satisfaction (patients/employees/medical staff) for each of our markets is led by the local management teams working closely with their respective medical staffs, nursing and other clinical personnel, and the boards of each hospital.

To ensure that goals are consistently aligned, incentive compensation plans are based on the same criteria throughout the organization. A significant portion of the incentive compensation available to a Duke LifePoint hospital, operating Group, and management team is tied directly to the improvement of quality and satisfaction scores – focusing on period-to-period improvement in their own scores as well as their ranking within all of our markets and national rankings.

LifePoint and Duke LifePoint hospitals have demonstrated overall improvement in constituency satisfaction. Although ED patient satisfaction scores are improving and are above the national average, ongoing performance improvement efforts continue to be an area of focus for Duke LifePoint and LifePoint hospitals. Duke LifePoint would be pleased to share the initiatives being implemented to produce positive results and welcomes the opportunity to also learn from WRMC. A summary of all results is shown in the figure below.

Figure 8: LifePoint Constituency Satisfaction Scores

Satisfaction Scores Top Box = 9-10 on score of 0-10	HCAHPS % Top Box	Outpatient % Top Box	ED % Top Box	Employee % Positive Scores	Physician % Positive Scores
2010	67.2%	77.8%	56.2%	88.1%	83.0%
2011	68.3%	79.4%	56.5%	87.6%	85.2%
2012	67.2%	79.4%	58.6%	86.5%	83.0%
2013	66.5%	79.2%	60.7%	N/A	83.8%
2014	67.7%	79.3%	60.8%	75.0%*	83.2%

* A new, more comprehensive Employee Engagement Survey was administered during 4Q14, and the results include responses from all LifePoint employees as opposed to being limited to only clinical employees in years past. As such, the 2014 results are not comparable to those from previous years.

Patient and Family Advisory Board: LifePoint recently created the Patient and Family Advisory Board ("PFAB") in an effort to enhance and safety and promote a patient-centered approach to care in all of its communities. LifePoint's PFAB provides guidance on initiatives related to patient engagement and satisfaction and is designed to help every LifePoint and Duke LifePoint hospital deliver the best possible patient experience.

Led by LifePoint's Chief Medical Officer, the PFAB members include patients and family members as well as select leaders, including LifePoint's Chief Executive Officer. Board members were chosen to represent a diverse range of care experiences in both clinic and hospital settings and in communities across the LifePoint system.

The PFAB provides a structured method for incorporating the patient's voice into all aspects of the continuum of care. Likewise, the PFAB will offer enterprise-wide perspectives and help serve as a role model for similar groups formed at a local level within LifePoint and Duke LifePoint communities.

Branding and Marketing: Duke LifePoint does not brand its hospitals by incorporating "Duke LifePoint" into the hospital's name. At the Board of Trustee's discretion, the hospital would have the ability to add taglines such as "A Duke LifePoint Hospital," but we want each of our facilities to continue to be a strong, vital asset of the local community. As such, we remain consistent with our approach of promoting leadership and autonomy at each facility and allowing local and regional dynamics to impact strategic decisions.

Every Duke LifePoint hospital collaborates with our marketing team to determine its unique message, co-branding strategies, and the development of marketing campaigns. As previously mentioned, co-branding with Duke for affiliated specialty programs has served as a powerful differentiator in our affiliates' communities. Notably, the scope and detail of the branding are carefully crafted, based on the needs of the hospital and local physician groups.

WRMC would also have access to our hospitals' best demonstrated marketing practices. In addition, a national conference is held for marketing representatives where education is provided on such topics as media relations, measuring marketing effectiveness, physician "sales" efforts, internet marketing, advertising, crisis management

IV. Physician Recruitment, Retention, and Satisfaction

A. If your organization includes physicians in its governance, planning, and operations; describe these efforts.

Duke LifePoint believes that the long-term engagement of physicians is a key element of maintaining strong community perception and enabling continuous overall quality improvement. Duke LifePoint is committed to maintaining open lines of communication with its physician partners through various engagement efforts including, but not limited to:

- The Chief of Staff of each hospital attends an annual Leadership Conference, along with the Chairperson of the Board of Trustees and the CEO.
- LifePoint's Chief Medical Officer maintains a Physician Leadership Council, which meets yearly and conducts conference calls throughout the year, as needed, to seek physician input on current topics or issues. The council has 12 members (4-5 physicians from each of the three operating Groups) with assignments rotating among markets.
- Opportunity to participate in GPO preferred product selection panels. The first step of the process is determining consensus by physicians and hospital clinicians of interchangeable products within a category that is blinded to price. Physician members of these panels are then available to assist in gaining acceptance of the selections across all facilities, if needed.
- Participation in governance through membership on the hospital's Board of Trustees.

B. Describe your plan for medical staff development at the Hospital.

1. What do you recommend for the recruitment and retention of physicians in the community?

Physician Recruitment: As part of the annual strategic planning process for each hospital, Duke LifePoint updates the medical staff development plan that includes a rolling three-year projection of future physician needs. This projection is based on third party resources, such as GEMENAC, for determining physician demand for the current and future population and evaluating it against the existing supply of physicians for the area. Duke LifePoint also completes a "physician deep-dive" for crucial recruitment needs that provides additional analysis of the community's use patterns and historical volume trends. This analysis will be helpful in projecting future volumes and would also identify those physician practices that have available capacity and those with referral patterns outside aligned physicians and facilities. Once completed, the medical staff development plan will require the approval of the hospital Board of Trustees. The plan would be expected to address market needs over the next three to five years. Duke LifePoint will work with WRMC to source candidates for the identified positions and assist with the recruitment and transition of physicians to existing or owned practices in the community.

Through LifePoint, Duke LifePoint has invested in a significant infrastructure to assist its hospitals in meeting their recruitment needs. This infrastructure includes recruiters, sourcing specialists, practice management experts and support for promoting practices and retaining quality physicians. In 2014, LifePoint helped its hospitals recruit over 230 physicians to their communities. In each of the last three years, LifePoint invested approximately $25.0 million in physician recruitment, and the results show as over 700 physicians were recruited during this period.

Physician Retention: Through LifePoint, Duke LifePoint has maintained a high retention of its medical staffs over the last few years. This satisfaction has been accomplished, in part, through the Physician Resource Initiative ("PRI") – a comprehensive physician engagement model designed to:

- Improve quality and customer satisfaction by engaging physicians in quality improvement efforts;
- Build physician trust, loyalty and retention by opening new lines of communication;
- Ensure positive outcomes related to service by creating a culture of responsiveness;
- Create opportunities for partnering with and engaging key physicians in opportunities to further develop the facility, its key service lines, the medical staff and his/her practice; and
- Grow hospital volume and market share by educating physicians and other referral sources about new or expanded hospital services.

Through LifePoint's Physician Services group, Duke LifePoint provides detailed on-boarding programs, training on the PRI model and guidance to local staff to ensure routine, meaningful interaction with medical staffs including specific issue resolution processes and tracking, which is integrated into the Physician Satisfaction Reporting system.

Through this program, we engage our physicians in quality improvement initiatives and foster an environment of mutual accountability between Duke LifePoint and our physician partners.

2. Would you take assignment of existing or pending legally appropriate recruitment agreements?

Duke LifePoint would expect to take assignment of existing or pending legally appropriate recruitment agreements.

3. What financial arrangements (income guarantees, loans, other financial assistance) does your organization contemplate using?

Typical financial arrangements used by Duke LifePoint in connection with physician recruitment include employment agreements, recruitment agreements and professional services agreements.

4. Would your organization provide funding for additional physician office space in our community, as needed?

Duke LifePoint would support and provide funding, as determined by the strategic planning process, for the addition of physician office space in the community.

5. What specialty and sub-specialty placements can your organization offer to this community?

i. Provide options for recruitment in general surgery.
ii. Provide options for recruitment in orthopedics.
iii. Provide options for recruitment in gastroenterology.
iv. Provide options for recruitment in obstetrics/gynecology.
v. Provide options for recruitment in ophthalmology.
vi. Provide options for recruitment in dermatology.
vii. Provide options for recruitment in pulmonology.
viii. Provide options for recruitment in otorhinolaryngology.

As previously mentioned, Duke LifePoint will provide recruiters, sourcing specialists, practice management experts and support for promoting practices and retaining quality physicians. We have an outstanding track-record of physician recruitment throughout our network and would expect to deploy the necessary resources to fill sub-specialty placements identified through the hospital's strategic planning process. For more information on our physician recruitment efforts, please see our response to Question B (1) in this Section.

6. If your organization operates or participates in medical residency programs, would your organization permit the Hospital to participate in such programs by hosting residents and other related medical educational activities?

Duke LifePoint would evaluate opportunities for potential collaboration such as attendance to the Duke GME Program Director Orientation. Duke also is open to having Duke learners, such as Physician Assistant and Certified Registered Nurse Anesthetist students, placed at Duke LifePoint facilities. Duke has a range of highly regarded educational programs as well as the research efforts of more than 1,800 basic and clinical faculty. Conducted under the support of various academic and clinical departments and multidisciplinary centers and institutes, their combined efforts make Duke one of the largest biomedical research enterprises in the country, with more than $500 million in sponsored research annually.

C. Does your organization anticipate making changes to the medical staff structure at the Hospital? If so, how?

Duke LifePoint maintains a mixed medical staff at each of its hospitals, while offering multiple avenues for collaboration among peers at other LifePoint and Duke LifePoint hospitals. We would expect the day-to-day operations of the medical staff at WRMC to be substantially unchanged. For example, the following areas would remain as is:

- Medical staff bylaws
- Physician medical staff privileges
- Physician medical staff status (i.e., Active, Courtesy, etc.)
- Medical staff officers (i.e., Chief of Staff and Department Chairpersons)

D. Does your organization operate a hospitalist program? If so, describe the program.

1. Describe how your hospitalist program might be used to supplement and expand, or supplant and replace, the Hospital's current hospitalist program.

2. Describe your success at operating both pediatric and adult hospitalist programs.

3. What is your recruitment methodology to obtain and retain the services of quality hospitalists?

Hospitalist Programs: Duke LifePoint offers various hospital medicine programs, with each one tailored to meet the needs of the local hospital and medical staff. We have outsourced agreements with national service providers, PSA's with local physicians for both part time and full time coverage, and we also employ some of our hospitalists. With new affiliations, we would expect to work with the physician and administrative leaders to evaluate the effectiveness of the existing service to decide what, if any, changes might be advantageous either from a quality or cost of coverage standpoint. Duke LifePoint does have preferred agreements with many of the national providers. Should our new partners have contracts with any of those companies, we are typically able to secure some cost savings due to the nature of our existing relationships.

Adult/Pediatric Hospitalist Programs: While Duke LifePoint does not currently operate a true Pediatric Hospitalist program, the success we have experienced with our adult programs would be easily applied to a younger patient population. We have a standard quality scorecard that places compensation at risk with upside potential for the providers through exemplary performance. A key component of our hospital medicine services is the working relationship between our ED providers and hospital medicine providers. It is standard practice for the respective physician, nursing and administrative leaders of these service lines to meet on a routine basis with very specific responsibilities for follow-up on any needed action items. Our last two National Physician Leadership Conferences were specifically tailored for ED and hospital medicine leaders, with a focus on coordination of patient care between the two services. Our scorecards for the respective services have shared metrics related to patient through-put and transitions of care from the ED to nursing unit.

Recruitment Methodology: Duke LifePoint deploys a very simple yet effective recruitment program for hospitalists. The focus first and foremost is on recruiting quality providers who will live in our communities. For this to be effective, we have to offer market competitive compensation packages that often include signing bonuses, education loan repayment, relocation assistance and more recently retention bonuses payable at end of years one, two and three.

Duke LifePoint believes a key to the success of all hospital medicine programs is stable committed leadership and a core group of stable providers, as the most negative factor of any program with patients, administration and the medical staff is provider turnover or too many part time/locums providers. Moreover, recruiting and retaining an excellent Hospital Medicine Medical Director is crucial to the success of any program. Duke LifePoint uses a multifaceted recruitment strategy that includes LifePoint's HSC recruiting staff, the service providers' recruiters, national recruiting firms, if needed, and most importantly taps into our network of existing physicians to help promote the benefits of working in the Duke LifePoint and LifePoint hospitals. Although current supply of and

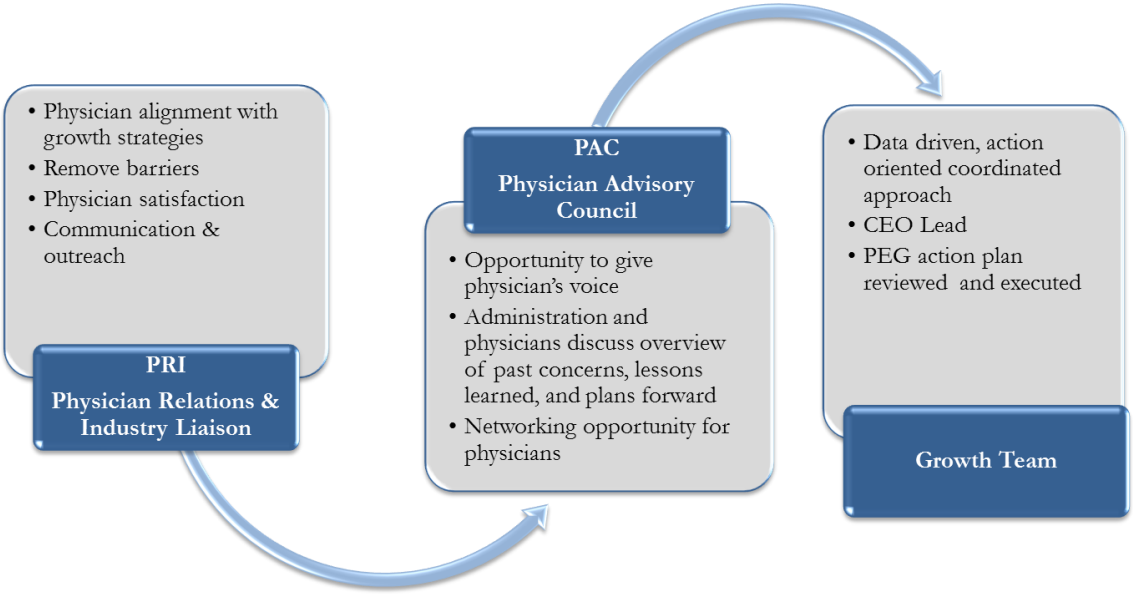
demand for quality hospitalists is a challenge, Duke LifePoint's experienced teams are equipped to effectively address the needs of the facilities we serve.

E. What are your plans to improve physician satisfaction?

We believe that Duke LifePoint can enhance the physician foundation that exists at WRMC by executing our physician engagement initiatives such as the PRI, outlined in our response to Question B (1) in Section IV, and the establishment of a Physician Advisory Council ("PAC").

In coordination with the CEO and its Medical Executive Committee, PACs, consisting of 10-12 physicians from WRMC's active medical staff, will be organized. The PACs will build off of WRMC's existing relationships and be instrumental in enhancing communications between the hospital's administration and the medical staff and also fostering a positive relationship with Duke LifePoint. The purpose of the PAC is to provide a venue for physicians to offer feedback and suggestions for improving the hospital's operations and processes, including clinical integration initiatives. The first meeting would be organized with the identification of two co-chairpersons and a discussion of the ground rules for meetings. The meetings that follow will produce a running list of issues requiring action. Issues that are resolved will be removed from the list while additional issues are inserted and discussed. The physicians will partner with administration to address issues with follow-up actions communicated at the next meeting. A physician representative from Duke LifePoint usually attends the meeting to ensure local physician input is obtained, with the ultimate goal of facilitating physician communication and collaboration across the Duke LifePoint network of hospitals.

Figure 9: Physician Engagement – How it All Comes Together



Physicians may take on leadership roles as part of the hospital's local quality team (the "PSQC", previously discussed in Section V, Question H), and also have the ability to pursue opportunities for leadership positions in LifePoint's National Physician Advisory Board ("NPAB"). The NPAB provides strategic guidance to the company on efforts related to enhanced clinical quality, physician engagement, and innovative models of healthcare delivery. It is comprised of physicians representing a cross section of both employed and independent physician practices from a range of geographic locations throughout our network. The NPAB, led by LifePoint's Chief Medical Officer, provides a platform for Duke LifePoint and LifePoint's leadership to collaborate with community physicians in a strategic and meaningful way.

Within Duke LifePoint there is also a consistent effort to connect local providers to providers within Duke. These connections look different in each market, but may include:

- Duke medical staff participation in Physician Engagement Groups ("PEG's")
- Visiting professorships with CME (target 3/yr/site)
- Facilitated discussions with Duke physician peers
- Facilitated access to Duke providers for patient appointments/consults
- Access to Duke affiliation rates for Duke sponsored CE/CME, when available
- "Day at Duke" for physicians from Duke LifePoint markets

The Director of Clinical Engagement for Network Services is dedicated to working with each Duke LifePoint market to assess opportunities for engagement based on feedback from physicians in the communities we serve.

F. What are your organization's physician satisfaction scores over the last three (3) years?
1. How have these scores changed over time?
2. What is your organization doing to improve physician satisfaction scores?

Please see Figure 8 for our historical physician satisfaction scores. Or overall physician satisfaction scores have held in the 83% positive range for the past five years. Duke LifePoint has maintained constructive relationships with its medical staffs over the last few years, while at the same time also having greater recruitment success. This is the result of focused attention on seeking input from physicians; meeting their needs to practice more effectively and conveniently, and providing targeted resources in recruitment efforts. Please see our responses to Questions B and E in Section IV for additional information related to our initiatives around physician retention and satisfaction.

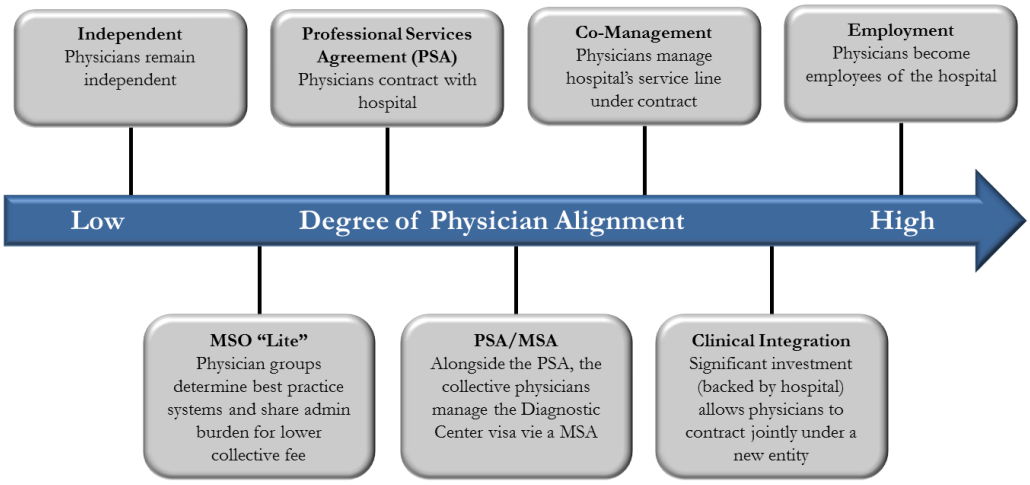
G. Does your organization own or operate a physician network? If so, please describe it.
1. What is the compensation model for your employed physicians?
2. Does your organization acquire physicians' medical practices? If so, describe which types of practices, and the general nature of the acquisitions.
3. Describe the management model for your physician network.
i. What matters are determined by management?
ii. What matters are determined by the physicians?
iii. How is recruitment of physicians to the network handled?
iv. How are recruitment decisions made and funded?
4. How do your professional liability insurance premiums compare to market rates?
5. What are the physician benefits provided by your network?

Compensation Model: Duke LifePoint has maintained constructive relationships with its medical staffs over the last few years, while at the same time also having greater recruitment success. This is the result of focused attention on seeking input from physicians; meeting their needs to practice more effectively and conveniently, and providing targeted resources in recruitment efforts.

There is no "one size fits all" approach at Duke LifePoint. Duke LifePoint would maintain the local management structures through which WRMC engages community physicians and would commit local and regional practice management resources to support WRMC's employed physicians. In addition, an extensive review of the practices would be conducted immediately following the closing of the transaction. Duke LifePoint will also review the hospital's medical staff makeup of employed vs. independent physicians and work to maintain a healthy balance of that makeup unless there are problematic specialties that need to be addressed immediately. Duke LifePoint would commit to honoring all existing physician contracts, subject to review for legal and regulatory compliance. At the expiration of said agreement, the physician would "roll" into one of the current types of employment arrangements currently utilized at Duke LifePoint, such as base plus incentive models, pure comp per wRVU models, or other

prescribed specialty specific comp approaches as they exist at the time or such arrangements currently being used by the employed physicians as agreed upon in advance. Alignment options available to physicians post affiliation are described in the figure below.

Figure 10: Illustration of Potential Duke LifePoint Physician Alignment Options



The alignment strategies listed above are available to all physicians in the market, but not all approaches will be deployed. Each individual or group situation is unique and an applicable alignment strategy construct will be analyzed and designed on a case-by-case basis. In regards to professional liability insurance premiums, our rates are comparable to existing market rates.

Acquisition of Physician Practices: It is commonplace for both Duke LifePoint and LifePoint to acquire physicians' medical practices that are of strategic value to our hospitals and the communities they serve. Historically, our organization has acquired both primary care and multi-specialty care practices, and we expect to continue to pursue similar opportunities in the future. LifePoint's HSC provides dedicated individuals from the legal, physician services and strategic development departments who guide our physician practice acquisition efforts.

Physician Practice Benefits and Support: LifePoint's Physician Services group manages the practices of over 1,300 employed providers. It has been our experience that the structure of physician practices varies across health systems. These structures as well as the allocation of costs and revenue can markedly impact the reported profitability of the practices. In order to better understand the opportunity to improve the economics of WRMC's physician practice operations, Duke LifePoint would evaluate the following:

- System overhead cost allocation (i.e., IT, management, risk policies, etc.);
- Organizational structure of ancillary services – HOPD, or practice based (i.e., CT, MRI, etc.);
- Physician employment models (e.g., wRVU, full risk, etc.);
- Inclusion or exclusion of hospital based physicians (e.g., ER, hospitalists, radiologists, etc.); and
- Other relevant revenue or cost allocation methodologies.

Duke LifePoint has extensive expertise in support of physician practices, including both start-up practices and the on-going management of practices. Duke LifePoint also supports newly recruited independent physicians with the start-up and promotion of their practices. The figure below represents the depth and breadth of potential resources offered.

Figure 11: Duke LifePoint Practice Support Resources *

Physician Recruitment	Financial Services	Support Services	Information Systems Services
• Physician Credentialing • Dedicated Physician Recruiters • Sourcing Specialists • Contract Development • Management • Physician Credentialing	• Financial and Accounting Services • Billing and Collections • Financial and Operational Performance Reporting • Health Plan Payor Contracting • Access to Purchasing Contracts or Purchasing Services	• Human Resources and Benefit Management • Joint Commission Accreditation • Legal and Compliance Oversight • Real Estate Planning, Site and Lease Management • Patient Satisfaction Survey and Data • Marketing Tools	• Connectivity to Duke LifePoint Systems • Software for Billing and Scheduling or other Preferred Vendors • Staff Training and Support on Billing Software • Cash Management Policies • Appointments Reminder Services

* Resources vary based upon physician practice model and specialty

V. Clinical Services

A. Will a commitment be made to maintain all clinical services currently available at the Hospital?

As previously mentioned, Duke LifePoint would maintain the core services provided by WRMC and expect to work with WRMC's leadership team, Board of Trustees and medical staff to identify new service line opportunities that will benefit the community. We would agree to a list of "Core Services" as part of our definitive agreement with the WRMC Parties. The discontinuation of any Core Service during the ten (10) year period post-closing would require the approval of the hospital's Board of Trustees (or Board of Governors in a Joint Venture).

B. Describe the guidelines that your organization uses to evaluate whether the implementation of new services is necessary or desirable.

As discussed more thoroughly in our response to Section V, Question F, Duke LifePoint updates each hospital's strategic plan annually. The resulting detailed analyses, conducted collaboratively with WRMC leadership, Board and medical staff, will outline opportunities to enhance existing services as well as clearly define opportunities for new services.

C. What new services would your organization anticipate adding to the complement of existing services offered at the Hospital?

In the event the WRMC Parties elect to move forward with a Duke LifePoint partnership, we would conduct a thorough analysis to evaluate, down to a very detailed level, opportunities for service line growth, physician recruitment and alignment, and future acquisitions. Our focus will be on supporting and expanding services lines identified in the strategic planning processes.

Duke LifePoint hospitals have seen success through a focused effort in creating alignment opportunities with its primary care physicians, so we would promote that process at WRMC, which will also support growth in key service lines and continued growth opportunities within an expanding coordination of care strategy.

D. What is your organization's timetable for adding new services?

Each Duke LifePoint hospital is encouraged to expand access to advanced comprehensive specialty services for the benefit of its community. Building a brand for new services does require some time to develop – gaining an in-depth understanding of specific strengths and opportunities, as well as the competitive environment in which they operate. After completing full service line assessments during the strategic planning process, Duke LifePoint will develop comprehensive implementation, marketing and branding plans for any identified new services that encompass everything from efficient referral intake to community education and physician engagement strategies, to the development of collateral materials and advertising campaigns – all based on what proves most effective in your particular market. It has been our experience that this strategic approach to adding new services, yields greater success in the long-term.

E. How would your organization enhance the Hospital's existing clinical cardiology program?

As part of the due diligence and strategic planning process, Duke LifePoint would evaluate WRMC's existing clinical cardiology program and provide recommendations based on the review of our findings and collaboration with WRMC's leadership and medical staff. As previously mentioned, Duke has over 30 years of experience working with community and regional hospitals in the development of high quality, cost effective specialty-based clinical programs. Through potential specialty affiliation(s) with Duke, WRMC would have access to world class clinical expertise for consultative program development, support and enhancement, training and education along with oversight of quality and patient safety specific to the affiliated specialty service(s). Duke's collaborative approach to specialty program affiliations creates the foundation for the development and enhancement of strong specialty services to ensure that quality-driven, evidence-based medicine is available to patients in their own communities.

Duke LifePoint, in all its markets, works with the local management team and board to enrich current programs and develop new relationships that serve to benefit the community and the hospital. A great example is our Marquette cardiology program. Through collaborative efforts, we have worked with the physicians, local board and management team to unite the cardiologists as part of the Marquette General Medical Group. This group, with Duke LifePoint's supportive resources, effectively provides a full range of ambulatory diagnostic services in their practice. In addition, these physicians have expanded their presence in the Upper Peninsula (the "UP") by covering satellite clinics in multiple markets and have grown their practices with an increased geographic reach. The providers and support staff that make up the Marquette General Medical Group are dedicated to providing the residents of the UP and its surrounding communities with the highest level of quality patient care. Population health for the Heart Failure population is a burgeoning focus across the nation and requires the design of collaborative systems of care to adequately serve the population, minimize healthcare expenses and enhance outcomes. Through Duke Clinical Engagement, WRMC would have access to Duke Heart Failure experts for a visiting professorship (providing on-site education and practical discussions with the cardiology team, but also to Duke educational offerings at a Duke Affiliate rate.

Another example of cardiology service line enhancement is how DLP Cardiac Partners ("DLP-CP"), a part of Duke LifePoint, works with Maria Parham, to perform both cardiac and peripheral work for the hospital, including peripheral intervention. DLP-CP has been a leader in cath lab partnerships and nuclear cardiology, mobile cath lab and sleep center services since 1998. Duke LifePoint would evaluate the market dynamics and available manpower in the region for consideration of similar initiatives at WRMC.

F. How does your organization plan to grow inpatient and outpatient volumes?

Duke LifePoint would conduct service-line "Deep Dives" at WRMC within 180 days of closing. This will be a very collaborative process with senior leadership, physicians, appropriate department managers and board members included. Duke LifePoint would collaborate with the WRMC management team on existing and potentially alternate tertiary referral strategies to surrounding hospitals, including the development of collaborative relationships for non-tertiary care with other Duke LifePoint or LifePoint facilities, but all with a focus on keeping care local. Collectively, Duke and LifePoint have experience in implementing effective strategies to ensure that patient care is delivered in the

most appropriate setting. At the ongoing discretion of the Board of Trustees and medical staff, Duke LifePoint also has the capability of supporting service line development through optional Duke clinical affiliations.

G. How does your organization plan to reduce current levels of patient out-migration?

Duke LifePoint is committed to adding services, not eliminating services in each market, and would make that same commitment to WRMC. Our goal is to keep healthcare local and to provide community residents with a hospital that provides for their healthcare needs in a nearby setting; we have no desire or motive to see patients drive to another town to receive care they could have received in North Wilkesboro. To achieve this goal, Duke LifePoint recognizes that meeting the long-term needs of the community requires routine market monitoring to identify services to enhance growth. A strategic planning process will be employed to establish a growth strategy. A detailed market assessment and physician supply data will identify opportunities to add or expand health care services.

Working with the local management team and the Board of Trustees, growth initiatives will be prioritized. As it is our objective to initiate ALL growth strategies for the benefit of the hospital, we seek to offer as many services as possible in every Duke LifePoint community. As a Duke LifePoint partner, the clinical programs of WRMC will focus on clinical quality, service excellence, operational efficiency and the integration of evidence-based approaches to patient care, all with a continuous drive to advance medical care and grow clinical volumes.

Our goal is to deliver the right care in the right place, minimizing patient travel and expense. LifePoint will make the appropriate commitments to ensure that the residents of North Wilkesboro and surrounding areas have access to high quality care close to home. Through a Duke LifePoint affiliation, WRMC will have the opportunity to develop coordinated care models through integration with the existing Duke LifePoint hospitals in North Carolina.

Please refer to our response to Question A in Section III for additional information related to Duke LifePoint's strategy for reducing levels of patient out-migration.

H. How will your organization maintain and improve the quality of services at the Hospital?

1. **What is the typical nurse:patient ratio at the hospitals your organization operates?**
2. **Describe how your organization will integrate quality initiatives at the Hospital.**
3. **What quality methodology does your organization use to enhance and improve quality on an on-going basis?**

Quality Initiatives and Improvement: Each Duke LifePoint hospital actively participates in the Duke LifePoint Quality Program which is specifically designed to address quality, patient safety and value-based purchasing initiatives. Duke LifePoint's Quality Program is modeled on integrated patient safety and quality improvement processes supported by the triad of leadership, performance improvement and culture:

- Leadership empowers the workforce by providing resources and promoting a culture of safety, innovation, accountability and continuous learning.
- Performance Improvement is the system that provides the tools to support continuous learning and improved quality of care.
- The desired Culture is the environment which rewards teamwork, communication, accountability, learning and respect.

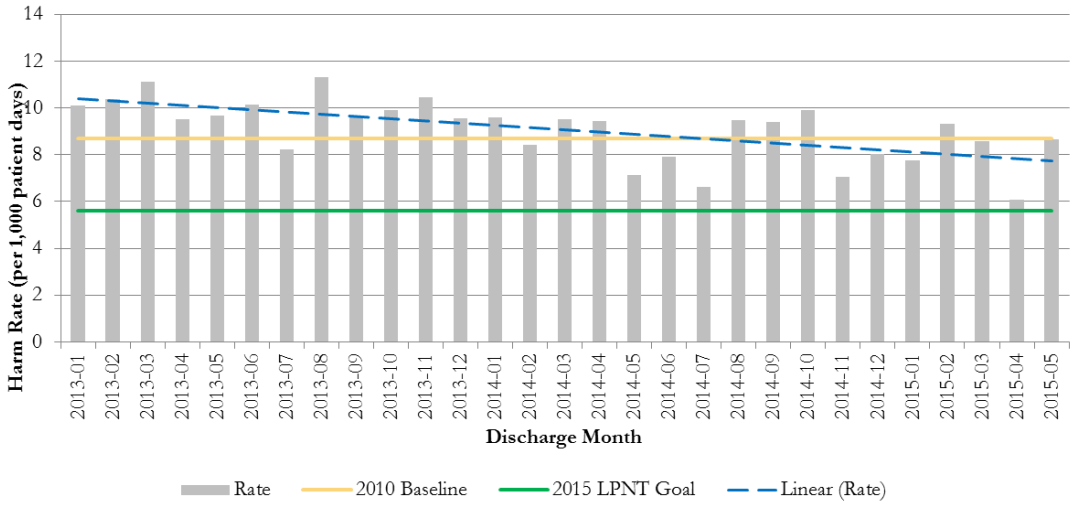
The Duke Quality Network ("DQN") staff facilitates and serves as the quality and patient safety liaisons for Duke LifePoint's Quality Program and would be responsible for coordinating Duke LifePoint's quality resources deployed to WRMC. Once a hospital becomes part of the Duke LifePoint network, an initial comprehensive assessment is performed by DQN which results in the development of a detailed hospital/system-wide action plan. The action plan is created to support the local leadership team in their activities to enhance quality, patient safety and constituency satisfaction (patients/employees/medical staff).

WRMC would retain the responsibility for all aspects of its operations and for the quality of patient care provided throughout the hospital, including implementation of the quality plan and related measurement processes within the hospital and the cascading of quality and patient safety information to all levels of the organization.

The Board of Trustees will retain responsibility for ensuring quality at the local level. Through the resources of Duke LifePoint and in coordination with the hospital's management team and Board of Trustees, a local Patient Safety and Clinical Quality Committee ("PSCQC") will support the hospital's performance improvement efforts and monitor the quality of patient care. Members of the PSCQC would ideally include selected clinical and physician leaders of WRMC. Reporting of findings will be presented to the hospital's Board of Trustees and to the Duke LifePoint Quality Oversight Committee ("QOC"). The PSCQC will work with the DQN staff to prepare action plans to improve opportunities identified by the quality metrics. To ensure a high level of quality is delivered, the Duke LifePoint QOC oversees all Duke LifePoint hospitals' quality plans. The QOC's oversight includes reviewing and approving the hospital Performance Improvement ("PI") plans and reviewing and evaluating targeted metrics over time with the goal of maximizing the hospital's attainment and sustainment of quality and patient safety performance. A system-wide or network quality scorecard is used throughout Duke LifePoint.

The figure below illustrates the aggregate reduction of inpatient harms for all Duke LifePoint hospitals since their acquisition over the 2010-2014 timeframe, demonstrating the collective improvement in quality achieved by these hospitals after joining Duke LifePoint. The model has shown to be successful over the past four years with a decrease of approximately 7.2% in the aggregate Inpatient Harms Reduction and 8.1% during the period of January through May 2015 for Quality Affiliates and Duke LifePoint facilities.

Figure 12: Duke LifePoint Inpatient Harms



Duke and LifePoint will provide operational support for the Duke LifePoint Quality Program with Duke taking a leading role in identifying and providing the resources for improving organizational performance and developing and supporting a culture of safety. Duke resources that can be deployed to support the Duke LifePoint Quality Program include but are not limited to:

- Performance Services, which assist in the development of the infrastructure to provide performance metrics and regular reports;
- The Duke Patient Safety Center, which assists in advancing a culture of safety; and
- Duke medical staff, which will work with the local medical staff, as requested, to advance meaningful peer interactions.

The LifePoint Eastern Group Chief Nursing Officer and Vice President of Clinical Operations also provide support for implementation and improvement of the hospital's Quality Program. In conjunction with the DQN staff, the HSC will provide support for patient satisfaction resources and access to compliance programs, as well as Subject Matter Experts for following areas:

- The Joint Commission/CMS Conditions of Participation
- Emergency Services
- Surgical Services
- Case Management/Utilization Management
- Infection Control
- Health Information Management
- Coding Operations
- HIPAA Privacy and Security
- Home Health Clinical Operations
- Clinical Informatics

Quality metrics, such as case management, hospital-acquired conditions, falls, perinatal measures and satisfaction scores, are tracked centrally and reviewed regularly as part of the standing management calls between local management teams and the Group leadership. Resources are deployed, as needed, to assist each hospital in achieving compliance with regulatory/accreditation requirements and national patient safety goals. Specifically, Duke LifePoint has provided various toolkits to our hospitals to improve in areas such as fall prevention, infection prevention, skin care and perinatal safety.

Nurse/Patient Ratio: Nurse-to-patient ratios are determined based on several factors including staffing patterns and skill mix, the type of care required by the patient, the type of patient(s) being admitted to a particular area, patient acuity, professional standards, and regulatory requirements. In ICUs the staffing pattern is typically 2 patients per nurse. In ICU step down units the nurse-to-patient patient ratio generally does not exceed 1:4. In medical surgical units the ratio is 4-5 patients per nurse during the day shift and 5-6 patients per nurse during the night shift. The use of non-licensed staff may increase the total number of patients for which the nurse provides care. In obstetrical units the staffing patterns are typically determined by the model being used. If mother-baby care (rooming-in) is used, then one nurse provides care for 3-4 mother-baby couplets. If the mother and baby are provided care in separate areas, the postpartum unit and nursery, the ratio of nurse-to- normal newborn is typically 1:6 and the ratio of nurse-to-mother is generally 1:6. Many units are supported by specialty staff such as wound care nurses, lactation consultants, diabetic educators, etc. In the emergency department, the number of staff is determined by the volume of patients being seen on a daily basis. Where state regulations define the level of staffing for a particular unit the hospital adheres to the defined regulation.

Nurse-to-patient ratios are managed at the local level, with monitoring and oversight for patient safety and quality provided through the Duke LifePoint Quality Oversight Committee. Quality metrics and satisfaction scores are also reviewed regularly as part of the standing management calls between local management teams and their Group Leadership. The Group Leadership works with the individual hospitals to determine the staffing budgets for each facility and to determine opportunities to implement best clinical practices.

I. What cost-savings initiatives and value-based purchasing options will your organization bring to the Hospital?

As discussed, WRMC would have access to the HSC to assist in generating additional operational efficiencies, capturing appropriate revenue, providing managed care contracting expertise and ultimately improving profitability. Expected efficiencies would be achieved through standardized information systems, supply purchase agreements through a group purchasing organization, implementation of best operational practices and responsible financial and clinical strategies.

The operational support from LifePoint's HSC would begin prior to the closing of a transaction, with the Integration Management Office and the Operating Group management team providing assistance in accessing the necessary resources.

J. Does your organization offer mental health services?

1. How would you address the mental health needs of the community?

2. What are some of the models for mental health care delivery that your organization has used successfully in other similar markets?

3. How would you address security on the Hospital's premises and is your organization willing to commit resources that will ensure adequate security is available to assist with mental health patients?

In certain communities, we offer access to specialized behavioral health, such as the Adult Psychiatric Unit at Marquette. The facility houses a 32-bed unit providing care to patients over the age of 18 who are experiencing an acute episode of mental illness. While in other locations, we offer more basic stabilization and referral services to our behavioral health patients.

As previously discussed, the current scope of services provided by our hospitals varies and is individually tailored to meet the needs of the residents of the communities in which our hospitals serve, while always ensuring patient safety and the delivery of high quality care.

As noted above, we have significant experience providing mental health services and maintaining appropriate security protocols to ensure the safety of our patients and staff. Duke LifePoint would evaluate the security resources currently in place at WRMC and implement additional safeguards should any deficiencies be identified.

VI. General Financial Issues and Information Technology Services

A. Describe how your organization will address the disposition of the Hospital's cash, cash equivalents, receivables, and the assumption of all current liabilities (including, without limitation, liabilities for employee benefits), which is a requirement of this transaction.

Please see Exhibit 6 for WRMC's Balance Sheet Allocation

B. Will your organization impose corporate margin requirements on the Hospital?

Annual operating performance standards are managed around nine core work streams, including quality; growth; labor management; net revenue capture; supply chain; human resources/communications; management reporting; information technology; and compliance. Working with the Board of Directors and medical staff, the CEO will develop a strategic plan for WRMC that will include goals around quality, market share gains, compliance, physician recruitment as well as capital and operating budgets, among others. These goals and budgets would be presented to and approved by the Group President (or Board of Governors in a Joint Venture) and then reviewed on a monthly basis with the Group leadership team in an effort to address any problematic issues in a timely and efficient manner.

C. What managed care or Medicare supplemental insurance coverages does your organization accept?

Each Duke LifePoint market varies in terms of payor contracting. Duke LifePoint has dedicated resources to support each of our hospitals in areas of managed care strategy, contract negotiation and compliance, which would include an analytical review of Duke LifePoint's national and regional relationships and the opportunity to extend these to WRMC. Duke LifePoint has developed national relationships that often bring value to our new hospital partners.

D. Describe your organization's overall insurance program, and how the Hospital would benefit from participation in your insurance program.

1. Is your organization self-insured? If so, how?

Through LifePoint, Duke LifePoint is self-insured. We have a $5.0 million self-insurance retention ("SIR") with a $5.0 million buffer for hospital professional liability claims ("HPL") and commercial general liability ("CGL") claims. We have multiple layers of excess insurance above this. An independent actuary outlines annual projections which are allocated to individual facilities based on volume and loss history. Claims are handled internally and all claim payments come from the HSC. They do not impact the individual hospital as they are paid. Our workers compensation program does not involve a SIR, but is a high deductible program. We operate a captive insurance company under the name Point of Life Indemnity, Ltd. The captive is licensed by the Cayman Islands Monetary Authority and is a wholly-owned subsidiary of LifePoint. The captive is used to issue policies of malpractice insurance to employed providers as well as deductible losses for some types of auto claims and workers compensation deductible claims.

2. What is your organization's self-insured retention?

As indicated above, our SIR is $5.0 million with a $5.0 million buffer. The deductible for workers compensation is $1.0 million per claim with the exception of the state of Wyoming.

3. What reinsurance is available to your organization?

Through LifePoint, Duke LifePoint currently has no reinsurance from the commercial market. We do buy excess insurance from three (3) different carriers.

4. Would the Hospital come under your organization's professional liability insurance coverage? If so, describe how this would be accomplished.

WRMC would come under LifePoint's professional liability insurance coverage, with the premium/allocation being determined by an independent actuary based on volume and loss history. The actuarially determined loss projection, combined with excess insurance for the facility will be allocated to the facility the first year. After one year, the facility will be combined with the rest of the company and allocations will be determined as indicated above. These allocations are trued-up each quarter.

E. Describe your organization's information technology services.

1. **What is your organization's current information technology vendor?**
2. **Describe the information technology features that your organization could offer to the Hospital.**
3. **Describe the attributes of your electronic health records system.**
4. **Will you permit the Hospital to retain its current information technology platform and services, or will your organization require that the Hospital convert to your information technology vendor (if such is not the same)?**
5. **Can your organization's system be extended to, or communicate with, the Hospital's information technology system? If so, how? At what cost?**
6. **What information technology enhancements can your organization offer to the Hospital to maintain and improve its information technology services?**
7. **Can such improvements include population health management analytics and clinical integration support?**
8. **What is your organization's financial capability or capacity to fund information technology improvements at the Hospital?**

Technology Platform: Duke LifePoint is committed to a technology strategy that improves quality, safety, and efficiency. Capital investments in technology have increased substantially in the past three years to position Duke LifePoint to not only survive, but thrive in a time of unprecedented change. Technology investments ensure that Duke LifePoint hospitals are ready to meet the challenges of Meaningful Use, Quality and Value Based Purchasing, Accountable Care and ICD-10, just to name a few. As such, we are actively involved in the first year of a

comprehensive two-year strategic planning process intended to address our organization's information technology needs.

Duke LifePoint maintains several clinical systems and understands that WRMC's technology platform is largely tied to McKesson for its core acute applications, with upgrades that have either occurred or are pending in 2015. Duke LifePoint would expect to support WRMC's existing platforms and provide funding for future upgrades as part of our capital commitment to WRMC.

The programs that Duke LifePoint is actively implementing at this time revolve around four key areas:

- Laying the technology foundation in our hospitals;
- Improving accessibility to technology by physicians, nurses and staff;
- Connecting the providers of care through Health Information Exchanges ("HIEs"); and
- Optimizing processes and systems through an informatics, quality and training programs that promote continuous process improvement.

Some of these projects include:

- Hospital and Ambulatory EMR
- CPOE
- Clinical Documentation Systems
- ED Information Systems
- Single Sign-On
- "Bring Your Own Device" ("BYOD") Capabilities
- Clinical and Business Transformation and Informatics
- Technical and physical plant infrastructure improvements supporting these new technologies
- Disaster Recovery and Business Continuity

Please see Exhibit 7 for a listing of Duke LifePoint and LifePoint Major IT Systems

In addition, Duke LifePoint has access to "LP-Connect", LifePoint's proprietary HIE powered by Medicity, a recognized leader in HIE technologies and one used by many state and regional HIEs. Currently, more than 1,600 physicians (and growing rapidly) – employed and affiliated – are connected to our hospitals through this technology, enabling the sharing of key patient information such as lab, ADT and radiology. This first step is improving the coordination of care for our patients and increasing productivity of our physicians and their staff. We continue to invest in HIE programs and technologies that will lead us to a comprehensive, longitudinal patient record that ensures the best possible coordination of care and quality outcomes in all LifePoint and Duke LifePoint communities.

LP-Connect can route results to other EMRs outside the hospital, with our current target market for this capability being ambulatory providers in the markets of our hospitals. That being said, this technology has the capability to be extended to other acute care providers. We are actively expanding LP-Connect's capabilities to enable several other strategies within the next 12-18 months, including:

- **Patient Portal:** Patients will be able to login to the HIE to view encounter summary information from all LifePoint and Duke LifePoint settings (acute & ambulatory).
- **Physician Engagement:** Physicians will have the capability to log into the HIE to view patients' longitudinal record.
- **External Data Exchange:** The HIE will have the capabilities to send/receive patient's information with outside entities (i.e., public reporting, public HIEs, clinical integration partners, etc.).

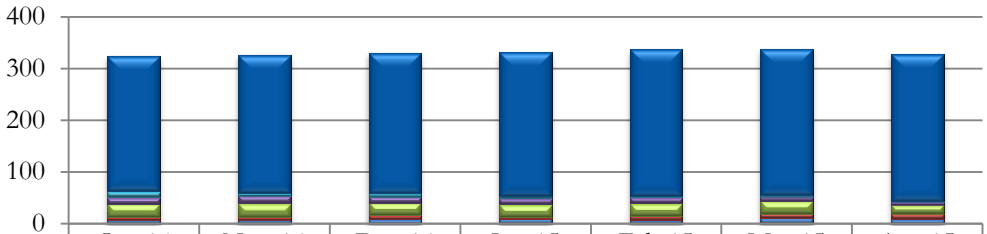
- **Analytics:** The HIE will be the clinical data warehouse to enable population health management and support clinical integration.

Figure 13: LP-Connect Integration Dashboard

Hospital Metrics	Total	% of Target
Meditech Hospitals Live	21	100%
HMS Hospitals Live	29	100%
McKesson Hospitals Live	2	33%
Total Hospital Feeds Live	51	78%
Hospitals 2/1+ Live Practices	50	70%

Practice Metrics	Total
Live Independent Practices	276
Live Employed Practices	344
Live Non LP-Connect Interfaced Practices	8
Total Practices Live	628
Total Physician Interfaces "In-Process"	159
Total Physicians Live	1,651

Figure 14: LP-Connect Independent Practice Pipeline



	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15
Live	261	267	271	276	281	282	283
Testing	11	5	6	6	4	3	3
Vendor Build	13	14	12	11	11	8	5
Hospital/Practice Response	26	27	24	24	24	25	18
Vendor Response	5	5	8	4	8	9	10
LifePoint Pre-Work	8	8	9	10	8	11	9

Population Health: We view Population Health Management as a comprehensive strategy to drive growth and operational excellence that will better position Duke LifePoint to be successful in the future. In order for our hospitals to continue to thrive under FFS while moving toward value-based care and payment arrangements, we are developing new core competencies and building a strong foundation for population health at a pragmatic and fiscally sound pace. Our success in population health is supported by a concentrated focus in the following foundational areas:

- Developing aligned, high performance provider networks, the essential element of which is an engaged and capable primary care base;
- Constructing a flexible care model suited to address the population it serves across all settings;
- Building the right operating structure with a balance of market-based and centrally located resources;
- Responsible financial management allowing our population health investments to gain from current market opportunities and position Duke LifePoint for future care delivery/care financing innovation; and
- Sensible investment in and use of financial and clinical information technologies which help reveal where opportunities exist, and support those clinicians at the point of care.

LifePoint and Duke LifePoint are currently working in four markets, building plans to execute a vibrant and growing population health management apparatus for the communities we serve. These markets were identified by leadership based on key criteria including: market readiness for physician alignment/engagement, payor partners, leadership

appetite, relationships across the delivery system and competitive landscape. These sites include: Conemaugh Health System in Western Pennsylvania, UP Health System in Michigan, the Southwest Virginia Market (Danville Regional Medical Center and Memorial Hospital of Martinsville) and Rockdale Medical Center in Georgia. A roadmap for the HSC and each of the four pilot markets is currently under development. The roadmap will include comprehensive tactical plans positioning the organization to, at a minimum, start managing the health of its own employee population. For 2015, we have established the following goals:

- Identify foundational capabilities (technology, people, process) that can be repeated and scaled (local, regional, national) across the organization;
- Position the four pilot markets to move forward with population health strategies, with our employees as the initial population;
- Identify technology solution(s) required to be successful under population health – leverage internal & external capabilities; and
- Participate in and support the evaluation of emerging payment models related to Medicare and Medicaid changes as state and federal government look to reduce the growing costs of these programs.

The result of our work and assessments this year will not only be a clear roadmap for our population health strategy, but also detailed tactical plans for sequentially building and operating the key elements of a population health system of care.

VII. Facilities and Capital Improvements

A. Describe your organization's process for assessing the feasibility, planning, and for approving the construction of new projects for the Hospital.

1. **Who in your organization would be involved in the process?**
2. **How long would the process take?**
3. **How would you involve the Hospital's local governing board?**

As with all of our community partners, Duke LifePoint provides sufficient investment and working capital to address our hospitals' growth requirements related to expanding clinical services in their growing markets. For on-going capital needs, Duke LifePoint manages capital through the allocation of (1) routine capital to each hospital, (2) reserves for maintaining the infrastructure of our facilities, (3) reserves for IT investments, and (4) the approval of specific project capital. Reserves for maintaining our facilities are established using a rolling five year capital plan managed by LifePoint's Engineering group working with their local plant operations managers. Reserves for IT are also established by LifePoint and Duke LifePoint as a whole to make sure the IT needs of all hospitals are being met and critical data sharing occurs across the organization. Routine capital and project capital are reviewed periodically, as needed. A description of this process is as follows:

- **Routine Capital:** The allocation of routine capital is determined annually through a strategic planning and budgeting process that is initially developed by each hospital's management team, Board of Trustees, and medical staff, and approved by the Group President (or Board of Governors in a Joint Venture). Once the budget is approved, the hospital CEO determines the timing of the expenditures.

- **Project Capital:** The allocation of project capital involves the investment in projects that are not routine and with costs that exceed $500,000. Duke LifePoint, through the annual strategic planning and budgeting process, and in collaboration with the Board of Trustee determines the project capital that will be needed to maintain state-of-the-art facilities, equipment and expansion of services. A thorough and complete financial analysis is then conducted to ensure the feasibility of each project and presented to the Group President (or Board of Governors in a Joint Venture) for approval.

B. What level of investment is your organization willing to make in the Hospital's existing buildings and services over the next five (5) years?

As previously noted, Duke LifePoint is pleased to provide a minimum capital commitment of $65.0 million to WRMC over the ten (10) year period post-closing. The delineation of the capital commitment will be evaluated during due diligence and validated during the strategic planning process in order to best meet the long-term needs and strategies of WRMC.

C. Describe your organization's specific commitment to the following projects identified as needed by the Hospital over the next five (5) years.

1. **Update and remodel patient rooms and refurbish other Hospital facilities as identified by the Hospital.**
2. **Finance and build a suitable medical office building to appropriately accommodate new and existing physicians and practices in the community.**
3. **An up-to-date and uniform electronic health records system.**

Duke LifePoint will work collaboratively with WRMC's Board, its management team and medical staff to develop a capital plan that will effectively meet the needs of the growing North Wilkesboro community. Areas to be emphasized would be collaboratively developed and/or confirmed during the strategic and medical staff development planning processes, but would be expected to include the WRMC capital projects noted above.

Duke LifePoint would appreciate the opportunity to discuss all considered projects in greater detail and work collaboratively with WRMC's leadership to ensure that the investments being made are in the best interest of WRMC and will support the long-term growth of the hospital.

D. What is your organization's commitment to keep the Hospital's services current by providing the Hospital with up-to-date equipment, as needed?

The excess cash generated by Duke LifePoint and LifePoint is returned to our hospitals through investments in greater resources for physician recruiting, service expansion and technology improvements. On average, LifePoint has historically invested between 4.6% and 7.3% of annual net revenue (after bad debt) in capital expenditures at each hospital. Duke LifePoint understands the need to maintain up-to-date equipment both for patient safety and competitive reasons and would expect to make the appropriate investments at WRMC.

Figure 15: Duke LifePoint and LifePoint Capital Expenditures

(in Millions)	2014	2013	2012	2011	2010
Capital & Routine Projects	$161.4	$128.3	$120.8	$137.8	$124.3
Information Systems	45.7	56.9	100.6	82.5	44.4
Total Capital Expenditures	**$207.1**	**$185.2**	**$221.4**	**$220.3**	**$168.7**

Figure 16: Duke LifePoint and LifePoint Capital Expenditures as Percentage of Revenue

(% of Revenue after Bad Debt)	2014	2013	2012	2011	2010
Capital & Routine Projects	3.6%	3.5%	3.6%	4.6%	4.4%
Information Systems	1.0%	1.5%	3.0%	2.7%	1.6%
Total Capital Expenditures	**4.6%**	**5.0%**	**6.5%**	**7.3%**	**6.0%**

E. What is your organization's financial capability or capacity to fund capital improvements at the Hospital?

1. **Provide a Dun & Bradstreet Business Information Report regarding your organization, if applicable.**
2. **Provide your organization's Forms 1120 or 990 and 990-T for the last three (3) years, as applicable, or any other income tax returns filed during that period.**
3. **What is your organization's bond rating, if applicable?**

Through LifePoint, Duke LifePoint has funds available to complete this transaction and fund the capital commitment without a financing contingency. LifePoint generated $356.1 million of free cash flow during the trailing twelve month period ended June 30, 2015 and, as of that date, had $422.8 million in cash and approximately $331.3 million available under existing credit facilities to invest in strategic opportunities. Additionally, through existing banking relationships and a very low debt ratio, LifePoint has access to substantial capital resources that will support future growth.

Please see Exhibit 8 for copies of LifePoint's Rating Agency Reports

VIII. Retention of Employees

A. What is your organization's plan to retain the Hospital's valued employees?

As discussed, Duke LifePoint will offer employment to all active WRMC employees in good standing at the time of closing, subject to the satisfaction of customary pre-employment screening procedures. Employees would retain their years of service with respect to vesting in benefit programs with existing rates of pay and benefits comparable to other Duke LifePoint hospitals. Each employee who accepts such employment would be eligible to participate in LifePoint's benefit plans with no waiting periods or pre-existing condition limitations. Duke LifePoint would expect to hire the senior management team and employed medical staff of WRMC under the same provisions noted above, subject to review of any existing employment agreements.

B. Does your organization anticipate employee reductions of any type?

As part of our strategic review process, all Duke LifePoint hospitals conduct a staffing assessment in order to assure appropriate staffing levels are provided for optimal care. In the unlikely event any changes are deemed necessary, we will work with the impacted employees in an effort to reassign them to another position within the hospital or at other Duke LifePoint facilities. That said, Duke LifePoint's goal is to grow employment at WRMC by growing the services offered at WRMC through strategic investments in new equipment, service lines, and physician practices.

C. What is your organization's plan to recruit qualified employees as needs arise?

WRMC will have access to dedicated recruitment capabilities (in particular for RNs, BSNs, and med techs, etc.) through LifePoint's Human Resources group, which utilizes a web-based recruiting and application submission/tracking system. This group also provides national and regional information on salary and benefit information to ensure that our hospitals maintain competitive compensation packages.

Duke LifePoint supports its hospitals in developing appropriate staffing plans, recruiting needed employees, and creating a culture that promotes employee retention. It is always the preference of Duke LifePoint to have its executive leadership team members, managers and other employees reside locally. Through LifePoint, Duke LifePoint provides incentive-based compensation linked to performance and constituency satisfaction in order to motivate and retain hospital senior management and employees. Duke LifePoint will institute its processes to ensure continually improving constituency satisfaction.

D. What are your plans to improve employee satisfaction?

Duke LifePoint's goal is to create an outstanding environment for employees, and employee satisfaction at both the hospital and system-levels is actively monitored. Over the last five years, we have consistently performed above the 50th percentile as a system and have continued to improve performance over time. Given how important caregivers are to both hospitals and patients, Duke LifePoint uses system-wide conference calls and email distribution lists to actively solicit and share best practices related to employee communications and opportunities to reward and recognize top performers. Through the long-term retention of talented executives, department managers and other employees, medical staff relations and community perception can improve while enhancing the overall quality of patient care.

E. Provide the employee satisfaction scores from your organization over the last three (3) years.

Please see Figure 8 for our employee satisfaction scores.

F. Competitive benefits and retirement programs for the Hospital's valued employees are of significant importance to the Hospital and the Town. Describe your current benefits and retirement programs and how they compare to others provided by hospitals in the Hospital's geographic area.

1. **Will Hospital employees be able to waive eligibility and vesting requirements in your plans in order to participate?**
2. **How will your organization address tenure for the Hospital's employees?**
3. **Does your organization provide educational opportunities and professional development for its employees? If so, please describe them.**
4. **Describe your employee assistance, counseling, and grievance processes.**

Employee Benefits: WRMC employees would retain their years of service with respect to vesting in benefit programs with existing rates of pay and benefits comparable to other Duke LifePoint hospitals. Each employee who accepts such employment, subject to customary pre-employment screening procedures, would be eligible to participate in LifePoint's benefit plans with no waiting periods or pre-existing condition limitations.

Each WRMC employee who accepts Duke LifePoint employment would be eligible to participate in LifePoint's benefit plans with no waiting periods or pre-existing condition limitations. Through LifePoint, Duke LifePoint offers comprehensive benefits packages to all of our affiliated hospitals. Specific benefit options may vary by facility but generally include: Health and Prescription Plan, Dental Plan, Vision Plan, Basic Life and AD&D, Supplemental Life and AD&D, Short Term Disability, Long Term Disability, 401(k) Plan, Employee Assistance Program, Adoption Assistance Program, Wellness Program, Paid Time Off, and Extended Illness Programs.

While Duke LifePoint would not assume the pension plan and related obligations of WRMC, employees are eligible to participate in LifePoint's defined contribution plan that covers substantially all of its employees and contains an annual discretionary match based on the overall performance of our hospitals. The pension plan and termination thereof, as applicable, would be the responsibility of the surviving WRMC entity.

Leadership Foundations: Through LifePoint, Duke LifePoint offers a leadership development program that is intended to increase the awareness of the leadership skills and behaviors desired in leaders outlined in LifePoint Leadership competencies. The program design offers fundamental skill building and resource tools to encourage the desired leadership competency development and enhance the competencies deemed necessary for effectiveness in their roles.

Hospital Director Leadership Development Program Overview: Duke LifePoint also offers the LifePoint Director Development Program which is designed to promote continuous growth and development of our departmental leaders at Duke LifePoint and LifePoint facilities. The program helps participants improve their skills in several key leadership competencies through a hands-on, application-focused approach. Participants practice methods for handling a variety of leadership challenges and network with peers from Duke LifePoint and LifePoint facilities.

Business Issues Addressed by the Program

- Employee Satisfaction/Retention
- Leadership Bench Strength
- Productivity
- Organizational Alignment
- Communication
- Morale

Desired Outcomes from the Program

- Improved Leadership
- Improved Productivity
- Improved Quality
- Improved Relationships
- Improved Teamwork
- Improved Job Satisfaction and Morale

Employee Assistance Program ("EAP"): Through LifePoint's EAP, Duke LifePoint provides confidential counseling and referral services for employees and their families. No enrollment is required. The EAP is administered by Resources for Living ("RFL") and can help with issues such as marital or family problems, parenting, stress, anxiety or depression, workplace conflicts, alcohol or drug abuse, financial or legal problems, health challenges, grief and loss. EAP services are free to all Duke LifePoint and LifePoint employees and their families and are totally confidential. Employees and family members may contact RFL by using a toll free number, available 24-hours a day, or by visiting their website.

The EAP program resources are typically deployed as soon as possible, post-transaction closing. The LifePoint human resources team schedules a call with the hospital's Human Resources Director to facilitate introduction of the EAP program. Depending on what processes are currently in place at the facility, access can become effective immediately or it may take some time to implement.

Counseling: Behaviors contrary to our organization's expectations and policies are addressed through corrective action. Violations are evaluated by management before appropriate corrective action is taken. Supervisors may impose such action as oral or written warnings, probation, suspension, administrative leave and/or termination. Depending on the seriousness of the violation, supervisors may utilize any facet of the corrective action process. It should be noted that Duke LifePoint considers termination a last resort to all other forms or corrective action. We would first seek to resolve any issues through the normal employee counseling process.

Grievance: Whenever groups of people are required to work together for an extended period of time, problems and misunderstandings can occur. In order to aid in prompt and constructive problem solving, Duke LifePoint has implemented the following guidelines to help employees resolve work-related problems:

- **Step One.** The employee should discuss the problem with his/her immediate supervisor.
- **Step Two**. If resolution does not occur within a reasonable time, the employee should submit the problem in writing to his/her next level of supervisor. The employee should identify why he/she feels the action taken was inappropriate and what action he/she feels should be taken.
- **Step Three.** If resolution is not reached in Step Two within a reasonable time, the employee should present the problem in writing to his/her Senior Leader. The Senior Leader will take appropriate action.
- **Step Four.** If resolution is not reached in Step Three within a reasonable time, the employee should present the problem in writing to the Director of Human Resources, who will take appropriate action. That individual's decision is final and binding.

G. How will your organization treat the Hospital's employees regarding pay scales, opportunities for advancement within the Hospital, and opportunities for advancement within your organization?

Duke LifePoint commits to hire, subject to customary pre-employment screening processes, all active WRMC employees with rates of pay and benefits comparable to other Duke LifePoint hospitals.

The management team and the Human Resources department at each hospital have access to a variety of resources to aid them in skills development, retention and career path development of staff at all levels of their organization. The LifePoint Learning Management System automates the administration of annual performance reviews, mandatory in-services and courses, and provides numerous self-study skills courses. Duke LifePoint is able to offer a career path to management personnel who desire to work in non-urban communities and wish to advance in responsibility by moving up other facilities in the network or system that provide increased responsibilities.

Please see more information on our "O" Development Program in our response to Question C, Section II.

H. How will clinical and non-clinical staffing levels be determined?

As part of our strategic planning process, Duke LifePoint would work in collaboration with the WRMC management team to evaluate and determine the appropriate staffing levels on a department by department basis. Group leadership and the SRG provide the analytics on considered strategies to the CEO which will include preliminary staffing expenditure models. The information provided is based on peer benchmarking, offering an effective and pragmatic understanding of comparable facilities. As stated previously, Duke LifePoint's goal is to grow employment at WRMC by growing the services offered at WRMC through strategic investments in new equipment, service lines, and physician practices.

I. Will any functions currently provided by Hospital employees be removed to the "home office" or a corporate office? If so, please describe how your organization would address the needs of the affected employees; e.g., offers of comparable jobs at the Hospital, if any; transfers; outplacement services; and the like.

Duke LifePoint is not considering significant consolidation of support services as part of this transaction. However, we will continually evaluate opportunities to create greater efficiencies in back-office functions, purchasing and materials management. LifePoint recently centralized its payroll function across all hospitals, primarily for purposes of error reduction and moving toward a standard pay practices roll-out. LifePoint also recently announced a major initiative in regionalizing the revenue cycle management function. We will continue to look for opportunities to deploy best practices across all functions in an effort to appropriately reduce cost and invest in quality.

IX. Your Organization

A. In addition to the information requested at the beginning of this Request for Proposal, please describe why a long-term lease of the Hospital is important to your organization.

B. What are your organization's strategic goals in a transaction with the Town and the Hospital?

C. What is your organization's overall strategic and tactical plan to provide hospital and health care services in our region of North Carolina?

With a firmly established regional presence in North Carolina, Duke LifePoint expects to build upon its existing operations and pursue other opportunities for expansion in the market. Through a partnership with Duke LifePoint, WRMC would join a thriving network of hospitals in North Carolina, all of which collaborate regionally and system-wide to enhance the delivery of quality healthcare close to home.

Duke LifePoint's high-level strategic objectives over the next five to ten years include:

- Expanding Duke LifePoint's strength, both regionally and nationally;
- Developing fully integrated regional networks;
- Enhancing population management and wellness; and
- Developing innovative approaches to enhance care at community hospitals.

A strategic relationship with WRMC would enhance our already strong presence in the state of North Carolina and offer Duke LifePoint the opportunity to further develop our regional network of providers. We see a partnership with Duke LifePoint as an opportunity for WRMC to gain the benefits of a larger organization with approximately $5.5 billion in assets and a strong network while preserving its independence. It would be our intention to strengthen WRMC's reputation as a premier healthcare provider for the citizens of North Wilkesboro and the surrounding areas, while providing the resources necessary to spur future growth opportunities.

By seeking an affiliate partner, the leaders of WRMC clearly understand the changing healthcare environment and the need for a partner with clinical, financial, operating and strategic expertise to meet the challenges of healthcare reform. In each of our transactions, Duke LifePoint makes long-term commitments on capital expenditures, continuation of services, charity care and governance. We do not enter into such arrangements lightly. The relationships we would like to explore with WRMC will require a significant initial investment and a commitment on both parties to work together toward the success of the organization.

Through any form of a partnership, Duke LifePoint will be committed to providing WRMC the necessary resources to ensure long-term clinical, financial and operational stability. Our approach is designed to strengthen existing services and develop additional ones that can be supported locally. As it relates to ensuring fiscal responsibility, Duke LifePoint would commit to:

- Provide sufficient proceeds from the transaction to eliminate WRMC's existing long term debt, meet its pension obligations, and create a substantial charitable community foundation;
- Fund a minimum capital commitment of $65.0 million to meet the ongoing capital needs during the first ten (10) years of our agreement;
- Develop a multi-year strategic plan in collaboration with the medical staff, Boards of Trustees and local management team which will include a physician recruitment plan;
- Provide opportunities to align the objectives of the medical staff and WRMC;
- Extend resources to ensure that information technology will allow WRMC to meet current and future regulatory requirements, quality enhancements, patient convenience and physician-friendly use;
- Remain actively involved in the community through sponsorship of many community initiatives, including health fairs and health programs, and working closely with the management team and the Board of Trustees to develop and maintain quality outreach programs that extend the services of WRMC and strengthen its central role within the community;
- Not discriminate with regard to a patient's ability to pay; and
- Deliver additional revenues to the community through an additional tax base.

We are proposing to make significant investments in WRMC and are committed to providing the necessary operational and financial resources to ensure its long-term viability and enhance the health of the residents of North Wilkesboro and the surrounding areas.

DUKE LIFEPOINT
INDICATION OF INTEREST & PROPOSAL
FOR WILKES REGIONAL MEDICAL CENTER

North Wilkesboro, North Carolina

October 16, 2015

EXHIBITS

EXHIBIT 1 Duke LifePoint and LifePoint Facilities Map

EXHIBIT 2 LifePoint 2014 Community Benefit Report

EXHIBIT 3 Duke LifePoint Senior Leadership Biographies

EXHIBIT 4 LifePoint 2012, 2013 and 2014 10-Ks

EXHIBIT 5 LifePoint Health Support Center Services

EXHIBIT 6 WRMC Balance Sheet Allocation

EXHIBIT 7 Schedule of Major IT Systems

EXHIBIT 8 LifePoint Rating Agency Reports

Exhibit 1

LIFEPOINT HEALTH

Alabama
CON State
Andalusia (100)
Selma (175)

Arizona
Ft. Mohave (60)
Lake Havasu (138)

Colorado
Ft. Morgan (50)

Georgia
CON State
Conyers (138)

Indiana
Jeffersonville (169)
Scottsburg (25)

Kansas
Dodge City (99)

Kentucky
CON State
Flemingsburg (52)
Georgetown (75)
Lebanon (75)
Mayfield (107)
Maysville (101)
Paris (58)
Russellville (92)
Somerset (259)
Versailles (25)
Winchester (100)

Louisiana
Eunice (52)
Minden (159)
Morgan City (149)
Ville Platte (95)

Michigan
CON State
Ishpeming (25)
Marquette (315)
Hancock (36)

Mississippi
CON State
Cleveland (165)

Nevada
CON State
Elko (75)

New Mexico
Las Cruces (286)
Los Alamos (47)

North Carolina
CON State
Bryson City (48)
Clyde (169)
Henderson (102)
Roxboro (110)
Sylva (86)
Wilson (294)
Rutherfordton (143)

Pennsylvania
Johnstown (538)
Meyersdale (20)
Hastings (30)
Roaring Springs (44)

Tennessee
CON State
Athens (118)
Carthage (88)
Etowah (72)
Gallatin (155)
Hartsville (25)
Lawrenceburg (107)
Livingston (114)
Pulaski (95)
Sewanee (41)
Winchester (157)

Texas
Ennis (45)
Palestine (177)
Mexia (59)

Utah
Price (84)
Vernal (39)

Virginia
CON State
Danville (350)
Galax (141)
Martinsville (220)
Richlands (200)
Warrenton (97)
Wytheville (100)

West Virginia
CON State
Beckley (300)
Logan (132)

Wisconsin
Watertown (95)

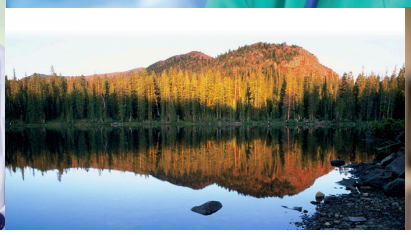
Wyoming
Lander (89)
Riverton (70)

. . . . . .

★ Hospital Support Center
◆ LifePoint Hospitals
◆ Duke LifePoint
◆ Duke University Health System
(#) Licensed Beds

Exhibit 2

OUR 2014 REPORT
TO THE COMMUNITIES WE SERVE



OUR MISSION
Making Communities Healthier

OUR VISION
We want every hospital to be a place where:

- People choose to come for healthcare
- Physicians want to practice
- Employees want to work

OUR HIGH FIVE GUIDING PRINCIPLES

- Delivering high quality patient care
- Supporting physicians
- Creating excellent workplaces for our employees
- Taking a leadership role in our communities
- Ensuring fiscal responsibility

Since 1999, **LifePoint Health** has been committed to providing the best possible care to communities across the United States. We address vital, comprehensive needs across the continuum of care through hospitals, regional health systems, physician practices, post-acute services, outpatient services, and wellness and prevention programs.

Local community involvement is at the center of our philosophy of care. Each LifePoint facility and provider is dedicated first and foremost to serving the healthcare needs of its community.

LifePoint is committed to strengthening and enhancing the services that will benefit and improve the communities we serve. We make capital investments in state-of-the-art technology, facility improvements and talented staff to give our hospitals, physician practices, post-acute facilities and outpatient centers the resources they need to help make their communities healthier.

Within our communities, we actively seek ways to enhance people's access to care and improve their ability to get and stay healthy. This includes partnerships with regional employers to create wellness and occupational health programs, and regional prevention and outreach programs. LifePoint's facilities also are among the largest employers, local taxpayers and centerpieces for business development.

Since its founding, LifePoint has invested nearly $2.2 billion to grow and expand services in its communities. And in 2014 alone, we provided high quality care to more than 4.3 million patients. We recognize the crucial role a thriving healthcare system plays in supporting the economic health and development of a community, and we are proud to share our contributions through this report.

About LifePoint Health

- Founded in 1999
- Focuses on non-urban communities
- Owns and operates:
  - > 60+ hospital campuses in 20 states
  - > 1,100 physician practices
  - > Nearly 40 post-acute service providers and facilities
  - > 30+ outpatient centers
- Relationships with 4,100+ physicians
- 38,000+ employees

LIFEPOINT HEALTH

Acadian Medical Center
A campus of Mercy Regional Medical Center
Andalusia Regional Medical Center
Ashley Regional Medical Center
Bluegrass Community Hospital
Bolivar Medical Center
Bourbon Community Hospital
Castleview Hospital
Clark Regional Medical Center
Clinch Valley Medical Center
Colorado Plains Medical Center
Conemaugh Memorial Medical Center*
Conemaugh Miners Medical Center*
Conemaugh Meyersdale Medical Center*
Conemaugh Nason Hospital
Danville Regional Medical Center
Ennis Regional Medical Center
Fauquier Health
Georgetown Community Hospital
Harris Regional Hospital*
Havasu Regional Medical Center
Haywood Regional Medical Center*
Jackson Purchase Medical Center
Lake Cumberland Regional Hospital
Livingston Regional Hospital
A campus of HighPoint Health System
Logan Memorial Hospital
Logan Regional Medical Center
Los Alamos Medical Center
Maria Parham Medical Center*
Meadowview Regional Medical Center
Memorial Hospital of Martinsville & Henry County
Memorial Medical Center of Las Cruces
Mercy Regional Medical Center
Minden Medical Center
Northeastern Nevada Regional Hospital
Palestine Regional Medical Center
Parkview Regional Hospital
Person Memorial Hospital*
Raleigh General Hospital
Riverview Regional Medical Center
A campus of HighPoint Health System
Rockdale Medical Center
Rutherford Regional Health System*
SageWest Health Care – Lander
SageWest Health Care – Riverton
Scott Memorial Hospital
Regional Health Network
Southern Tennessee Regional Health System – Lawrenceburg
STRHS – Pulaski
STRHS – Sewanee
STRHS – Winchester
Spring View Hospital
Starr Regional Medical Center – Athens
Starr Regional Medical Center – Etowah
Sumner Regional Medical Center
A campus of HighPoint Health System
Swain Community Hospital *
Teche Regional Medical Center
Trousdale Medical Center
A campus of HighPoint Health System
Twin County Regional Healthcare*
UP Health System – Bell
UP Health System – Marquette*
UP Health System – Portage
Valley View Medical Center
Vaughan Regional Medical Center
Western Plains Medical Complex
Wilson Medical Center*
Wythe County Community Hospital

**A Duke LifePoint Hospital*

OUR 2014 REPORT
TO THE COMMUNITIES WE SERVE

LifePoint Health, through its affiliated providers and facilities, is proud to provide quality healthcare close to home in 20 states across the country. Our facilities contribute significantly to the economic success of their communities. Each LifePoint hospital compiles an annual Community Benefit Report, showing the scope of its overall contributions to the communities it serves. Below is a summary of the data from all of those reports.

— Number of employees 38,000 +

— Annual payroll $1.73 billion*

— Facility investment nearly $207.6 million*

COMMUNITY BENEFIT REPORT

Charity and other uncompensated care		$ 184,926,050
Includes unpaid cost of Medicaid as well as charity care and other uncompensated care		
Community benefit programs		$ 30,755,422
Physician Recruitment	$ 22,248,219	
Donations to Nonprofit Organizations	$ 2,243,977	
Professional Development	$ 4,120,821	
Tuition Reimbursement	$ 2,142,405	
Taxes		$ 82,651,864
Estimated property and other taxes	$ 46,763,556	
Local and state sales tax	$ 35,888,308	

These tax dollars help support local communities and the state, including schools, development of roads, recruitment of business and industry, funding for indigent care and other needed services.

2014 TOTAL* **$ 298,333,336**

** Monetary totals do not reflect financial data from Conemaugh Memorial Medical Center, Conemaugh Miners Medical Center, Conemaugh Meyersdale Medical Center, Conemaugh Nason Hospital, Harris Regional Hospital, Haywood Regional Medical Center, Rutherford Regional Health System, Swain Community Hospital and Wilson Medical Center, which were acquired in 2014 and 2015.*




LifePoint Health
330 Seven Springs Way
Brentwood, TN 37027
615-920-7000
LifePointHealth.net

"Charity and other uncompensated care" includes hospital costs not covered by Medicaid reimbursements and supplemental payments, as well as charity care and bad debt. "Physician recruitment costs" include recruitment costs and support of new physicians' initial practice establishment in the community. Payroll includes consolidated salaries, wages, benefits and contract labor costs. "Capital investments" include facility expansions/renovations, equipment purchases, technology replacement, information technology additions/updates, and routine facility upkeep and maintenance.

All references to "LifePoint," "LifePoint Health," or the "Company" used in this release refer to LifePoint Health and its affiliates.

Duke LIFEPOINT HEALTHCARE

Exhibit 3

BIOGRAPHIES

PARTNERSHIP EXECUTIVES

William J. Fulkerson, Jr., MD
Executive Vice President for Duke University Health System & Professor of Medicine in the Duke University School of Medicine

As Executive Vice President, Dr. Fulkerson is responsible for the health system clinical enterprise.

Dr. Fulkerson is a graduate of the University of North Carolina School of Medicine and Duke University Fuqua School of Business. He has served previously as Senior Vice President of Clinical Affairs for DUHS, CEO of Duke University Hospital, and VP of the Duke University Health System.

Dr. Fulkerson is a nationally recognized specialist in pulmonary and critical care medicine, is active in clinical research, and has authored/co-authored numerous books, chapters, and peer reviewed publications. He is past Chairman of the Board of Trustees, North Carolina Hospital Association.

William F. Carpenter, III
Chairman and Chief Executive Officer, LifePoint

William F. Carpenter III is Chairman and CEO of LifePoint Health. He has served as CEO since 2006 and assumed the additional position of Chairman of the Board in 2010. He is a founding employee of LifePoint, which was established in 1999, having previously served in various roles as executive vice president, senior vice president, general counsel, secretary and corporate governance officer. From November 23, 1998 until May 11, 1999, Mr. Carpenter served as general counsel of the America Group of HCA. Mr. Carpenter was a member of the law firm of Waller Lansden Dortch & Davis, LLP through December 31, 1998.

Mr. Carpenter is a trustee and past board chair for the Federation of American Hospitals, the national public policy organization for investor-owned hospitals. He is chairman of the Nashville Health Care Council Board of Directors. He is a member of the board of directors of Nashville Area Chamber of Commerce and the Tennessee Governor's Foundation for Health and Wellness. Mr. Carpenter has appeared on *Modern Healthcare* magazine's annual "100 Most Influential People in Healthcare" list numerous times.

LEADERSHIP TEAM

DUKE UNIVERSITY HEALTH SYSTEM:

Harry R. Phillips, III, MD, FACC, FSCAI
Chief Medical Officer, Network Services, Duke University Health System

Dr. Phillips is Professor of Medicine, Chief Medical Officer, Network Services, and Associate Director of the Duke Heart Center. He graduated from Duke University School of Medicine and completed internal medicine and cardiology training in the Harvard affiliated program at the Massachusetts General Hospital. Dr. Phillips is board-certified in Internal Medicine, Cardiovascular Medicine, and Interventional Cardiology. He is a member of the American Heart Association's Scientific Council, a Fellow of the American College of Cardiology, and a Fellow of the Society for Cardiovascular Angiography and Interventions.

Dr. Phillips has been an investigator in the field of interventional cardiology throughout his career and has authored or coauthored over 100 articles in peer-reviewed journals. As Associate Director of the Duke Heart Center, Dr. Phillips has had a leadership role in developing the cardiovascular outreach strategy in the region. In addition, he has supported the management of the Duke community-based cardiology practices.

As Chief Medical Officer, Network Services, Dr. Phillips has provided physician leadership in developing affiliated clinical programs in multiple specialties at community hospitals throughout the country. His efforts have been focused on program development, quality oversight, and physician engagement at the affiliated hospitals of the Duke Heart Network.

Since the founding of Duke LifePoint Healthcare in 2011, Dr. Phillips has served as the Chief Medical Officer representing Duke in Duke LifePoint Healthcare. He has also been part of the team responsible for developing and supporting the Duke Quality Network and has served on hospital boards and physician advisory councils at Duke LifePoint hospitals.

Paul Lindia
Vice President, Network Services, Duke University Health System

Paul Lindia is Vice President for Network Services for Duke University Health System. In his role, he oversees Duke University Health System's clinical affiliations with community hospitals, focusing on areas such as cardiovascular and oncology services, throughout the Southeastern United States. He began working for Duke in 1988.

Before moving into his current role with Duke University Health System in 2001, Lindia served as Chief Operating Officer at Duke Raleigh Hospital in Raleigh, North Carolina. He directed hospital operations and a staff of more than 800 FTEs, with an annual budget in excess of $100 million.

Prior to his work in Duke's first owned community hospital in the health system, Lindia was Senior Director, Hospitals' Operations Integration in 1998. During his tenure in this position, he led the organization through restructuring initiatives which included the system-wide alignment of various operational departments. He also led efforts to integrate major clinical and departmental systems and programs across the health system using business plans and business case reports to support the integration projects.

Previously, Lindia was Assistant Chief Operating Officer for Surgical and Professional Services at Duke University Hospital. He was responsible for leading operational efforts in all areas of surgical and peri-operative services along

with traditional hospital non-clinical departments. During his tenure at Duke Hospital he negotiated and managed numerous corporate alliances to reduce cost, and fund education, research, and philanthropic projects. He also led efforts to establish a wound management program, and centralize various hospital functions such as the admission process, dictation, and transcription and case management.

Lindia is a graduate of Yale University, receiving a Master of Public Health, in Health Care Administration. He received his Bachelor of Science in Business Administration/Accounting from Central Connecticut State University.

Lois R. Pradka, MSN, RN
Senior Director, Duke Quality Network

Lois Pradka has held a variety of roles within Duke Hospital and Duke University Health System since 1975, and currently serves as Senior Director of the Duke Quality Network. Pradka has a long history of Advanced Practice Nursing roles, including Orthopedic Clinical Nurse Specialist and Cardiovascular Clinical Nurse Specialist. She has served on numerous national committees and boards and is a founding member of the Preventive Cardiovascular Nursing Association.

With a extensive experience in program development, Pradka provides expertise in the areas of quality oversight, metrics development, and team faciliation. She recently served as Director of the Duke Heart Network, leading the efforts to expand its reach throughout the Southeast United States. She is now responsible for developing the Duke Quality Network which will provide the infrastructure and support for comprehensive quality oversight to Duke LifePoint Hospitals with continuous focus on methods to improve the safety and reliability of patient care in community hospitals.

Pradka is a graduate of St. Mary's School of Nursing in Lewiston, Maine. She completed her BSN at UNC-Chapel Hill and her MSN at the Duke School of Nursing.

Karen Frush, MD
Professor of Medicine
Chief Patient Safety Officer, Duke University Health System
Vice President, Quality, LifePoint

Karen Frush, MD, is the chief patient safety officer for the Duke University Health System and Vice President, Quality for LifePoint Health.

A native of Pennsylvania, she graduated summa cum laude from the University of Pittsburgh School of Nursing in 1981, and from the Duke University School of Medicine in 1986. She trained in pediatrics and served as chief resident in the Department of Pediatrics at Duke, then went to the Children's Hospital Medical Center in Cincinnati where she served as junior faculty in the Emergency Department.

Frush returned to Duke in 1992, where she is currently associate professor of pediatrics and assistant professor in the Duke University School of Nursing. She has served as medical director of Pediatric Emergency Services and chief medical officer of Children's Services. She completed the National Patient Safety Leadership Fellowship program and was named chief patient safety officer of the Duke University Health System in November 2004.

Frush serves on numerous committees and councils to improve patient safety and the emergency care of children. She was the first pediatrician to be named to the North Carolina State Emergency Medical Services (EMS) Advisory Board and served on the board for 11 years. She was appointed to the executive committee of the North Carolina Pediatric

Society in 1998, and she currently serves on the American Academy of Pediatrics (AAP) Committee on Pediatric Emergency Medicine, as well as the AAP's Safer Healthcare for Kids Project Advisory Committee.

Frush was appointed to the advisory board of the North Carolina Hospital Association Center for Patient Safety and Hospital Quality in 2005. She is a master trainer for the U.S. Department of Defense TeamSTEPPS (Team Strategies & Tools to Enhance Performance & Patient Safety) program and serves on the Pediatric Patient Safety Expert Panel for Joint Commission Resources.

She has been principal investigator of numerous grants and initiatives to improve patient safety and pediatric emergency care.

LIFEPOINT HEALTH:

Leif Murphy
Executive Vice President and Chief Financial Officer, LifePoint

Leif Murphy is Executive Vice President and Chief Financial Officer for LifePoint Health. He joined LifePoint in 2011 as Executive Vice President and Chief Development Officer and was named CFO in 2013.

In addition to providing corporate and healthcare finance leadership, Mr. Murphy oversees the company's strategic growth and development efforts to acquire new hospitals, lead in-market growth and development initiatives, and pursue strategic alliances that drive organizational growth and enhance the quality of care provided at LifePoint hospitals nationwide. He also is responsible for all activities related to physician practice management and medical staff development for all LifePoint hospitals.

Mr. Murphy brings a unique combination of healthcare, business development and finance expertise to LifePoint. He has nearly 20 years of healthcare finance and development experience, including tenures as president and CEO of DSI Renal, Inc. and senior vice president and treasurer of Caremark, Inc. Mr. Murphy also previously held leadership positions at Renal Care Group, Inc., National Nephrology Associates, Inc. and HealthSouth Corporation.

Russell L. Holman, M.D.
Chief Medical Officer, LifePoint

Russell L. Holman, M.D., is Chief Medical Officer (CMO) for LifePoint Health.

Prior to joining LifePoint in February 2013, Dr. Holman was chief clinical officer of Cogent HMG, where he served in executive leadership roles for eight years. Previously, he served as medical director of hospital services for HealthPartners Medical Group & Clinics in Bloomington, Minn., and assistant director of the Internal Medicine Residency Program at the University of Minnesota.

Among Dr. Holman's professional accomplishments, in 1996 he founded one of the earliest hospitalist programs for Regions Hospital in St. Paul, Minn. In 2000, he created one of the nation's first postgraduate Fellowship Programs in Hospital Medicine for HPMG&C. In 2007, he co-authored and edited the textbook, Comprehensive Hospital Medicine. He is a Past-President of the Society of Hospital Medicine (SHM), which in 2002 honored him with the

Outstanding Service Award in Hospital Medicine and in 2011 appointed him one of only 10 Masters in Hospital Medicine in the U.S.

Jeff Seraphine
President, Eastern Group, LifePoint

Jeff Seraphine oversees LifePoint Health's Eastern Group, which focuses primarily on hospitals that are recent acquisitions to the company. He is a founding employee of LifePoint Health and, since 1998, has served as CEO of several of its hospitals, including Georgetown Community Hospital, Georgetown and Bluegrass community hospitals (Market CEO), and Lake Cumberland Regional Hospital.

Prior to joining LifePoint, Mr. Seraphine served in hospital administration roles with HCA in Florida. He holds Master of Health Administration and Bachelor of Business Administration/Marketing degrees from the University of Kentucky.

Roxana Pool, MPH, RN
Chief Nursing Officer, Eastern Group, LifePoint

Roxana Pool serves as the Chief Nursing Officer for LifePoint Health's Eastern Group, overseeing the clinical operations of LifePoint's hospitals in Michigan, North Carolina, Pennsylvania and Virginia, including those within Duke LifePoint Healthcare. She plays a lead role in each hospital's strategic planning and annual budget planning processes. Ms. Pool also supports each facility on issues including improving quality measures, patient outcomes, and constituency satisfaction, and enhancing program development and regulatory compliance. Ms. Pool is a founding employee of LifePoint Health, which was established in 1999, and has more than 30 years of healthcare industry experience. Before assuming the role of Group CNO in 2012, Ms. Pool served various leadership positions at LifePoint hospitals including Hillside Hospital in Pulaski, Tennessee and Southern Tennessee Medical Center in Winchester, Tennessee. She offers expertise in building strong operational and nursing teams, service line development, employee and patient satisfaction, and physician relations and recruitment.

Ms. Pool holds a master's degree in public health from the University of South Florida and a bachelor's degree in nursing from the University of Kentucky.

Paul Hannah
Senior Vice President, Strategic Growth and Development, LifePoint

Paul Hannah joined LifePoint Health as Vice President of Development in January of 1999. He was later promoted to Senior Vice President in 2005. As part of his development responsibilities, Mr. Hannah oversees all merger and acquisition transactions, in-market transactions and network joint ventures. Prior to joining LifePoint, Mr. Hannah spent over 14 years in development and mergers and acquisitions positions with HCA, ImageAmerica, Inc. and Princeps Inc.

Prior to his experience in healthcare acquisitions and development, Mr. Hannah served as a management consultant with Arthur Andersen & Co. Mr. Hannah holds a Master's degree in Business Administration from The Owen School at Vanderbilt University.

Exhibit 4

LifePoint 2012 10-K

http://www.sec.gov/Archives/edgar/data/1301611/000114420413009737/v334525_10k.htm

LifePoint 2013 10-K

http://www.sec.gov/Archives/edgar/data/1301611/000114420414010035/v367766_10k.htm

LifePoint 2014 10-K

http://www.sec.gov/Archives/edgar/data/1301611/000114420415008393/v400796_10k.htm

Exhibit 5

LIFEPOINT HEALTH

SUPPORT CENTER SERVICES

Strategic Planning and Growth Initiatives

- Market Data Analytics/Service Line Development
- Hospital Strategic Planning
- Capital Project Analysis
- In-market acquisitions and joint ventures

Clinical Operations Resources

- Emergency Department Services
- Surgical Services
- Obstetrical Services
- Home Health/Hospice Oversight
- HCAPPS and Core Measures Tracking
- Quality/Resource/Case Management
- Regulatory Compliance/Joint Commission

Operations Excellence

- Managed Care Contracting
- Revenue Cycle Strategies
- Business Office Management Services
- Radiology/Laboratory/Surgical/Pharmacy Subject Experts
- Supply Chain Management

Medical Staff Development

- Physician Needs/Demand Analysis
- Physician Recruiting
- Physician On-Boarding and Retention Strategies
- Practice Management Support
- Professional Services Contracting

Government Relations and Reimbursement Services

Employee and Talent Development

- Compensation Analysis
- Employee Benefits Management
- Human Resources Experts
- Hospital Executive Recruitment
- Clinical Staffing Resources

Information Technology

- Electronic Medical Record (EMR)
- "Meaningful Use" Integration
- Information Systems Evaluation and Support
- IS Conversion Resources

Other Corporate Support Functions

- Marketing/Advertising/Public Relations
- Community Benefits Reporting
- Patient/Employee/Physician Satisfaction Community Surveys
- Coding and Compliance
- Facilities Maintenance/Safety and Construction Management
- Financial Reporting & Sarbanes-Oxley
- Insurance Programs/Risk Management
- Legal Services
- Office of the Chief Medical Officer

LifePoint Foundation

LIFEPOINT HEALTH

SUPPORT CENTER SERVICES

The LifePoint Health Support Center ("HSC") provides significant added value and resources for quality and compliance programs, a partial listing of subject area experts includes:

- Joint Commission/CMS Conditions of Participation
- Emergency Services
- Obstetrical Services/L&D-Nursery
- Surgical Services
- Case Management/Utilization Management
- Infection Control, Health Information Management
- Coding Operations
- HIPPA Privacy and Security
- Home Health and Hospice Operations
- Clinical Informatics
- Physician Recruitment, Contracting & Practice Management
- Master Facility Planning

These subject area experts are responsible for the development and provision of:

- Interpreting new federal/state legislative and regulatory changes and providing direction to the hospitals on any required policy & procedure revisions required for compliance
- Training programs – in a variety of formats including web-based, self-study, and live
- Resource materials for staff and patients
- Tracking and reporting systems
- Facilitating peer councils throughout our hospitals and throughout many functional areas
- On-site audits and oversight of corrective actions, if required
- Assisting hospitals in the implementation of new service lines
- Identification of and sharing best practices
- Ensuring that their programs are consistent with and integrate into similar initiatives of the other functional areas within our hospitals and across the organization

Exhibit 6

Wilkes Regional
Consolidated Balance Sheet

As of June 30, 2015	Total	Acquired by LifePoint	Working Capital	Retained by WRMC Parties
ASSETS				
Cash	$ 6,844,338	$ -	$ -	$ 6,844,338
Net Patient Receivables	9,705,806	9,705,806	9,705,806	-
Other Accounts Receivable	17,500,437	17,500,437	17,500,437	-
Inventories	2,231,699	2,231,699	2,231,699	-
Prepaid Expenses	1,187,212	1,187,212	1,187,212	-
Total Current Assets	**37,469,492**	**30,625,154**	**30,625,154**	**6,844,338**
Property, Plant, and Equipment	$ 45,708,442	$ 45,708,442	$ -	$ -
Assets Limited to Use - Designated as Funded Depreciation	14,095,664	-	-	14,095,664
Other Assets	821,463	821,463	-	-
TOTAL ASSETS	**$ 98,095,061**	**$ 77,155,059**	**$ 30,625,154**	**$ 20,940,002**
LIABILITIES				
Acounts Payable	$ 1,966,166	$ 1,966,166	$ 1,966,166	$ -
Salaries and Benefits Payable	3,887,324	3,887,324	3,887,324	-
Other Liabilities and Accruals	17,236,062	17,236,062	17,236,062	-
Estimated third-party Reserves	4,597,083	-	-	4,597,083
Current Portion of Long-Term Debt	680,551	680,551	-	680,551
Total Current Liabilities	**$ 28,367,186**	**$ 23,770,103**	**$ 23,089,552**	**$ 5,277,634**
Long Term Debt, Less Current Portion	22,684,933	-	-	22,684,933
Pension Plan Liability	3,281,939	-	-	3,281,939
TOTAL LIABILITIES	**$ 54,334,058**	**$ 23,770,103**	**$ 23,089,552**	**$ 31,244,506**
TOTAL ASSETS - TOTAL LIABILITIES	**$ 43,761,003**	**$ 53,384,956**	**$ 7,535,602**	**$ (10,304,504)**
Estimated Assets Retained by WRMC Parties				20,940,002
Estimated Liabilities Retained by WRMC Parties				(31,244,506)
Estimated Net Assets/(Liabilities) Retained				**$ (10,304,504)**

Exhibit 7

Duke LIFEPOINT HEALTHCARE

Schedule of Major IT Systems

- Hospital Information System
  - McKesson
  - Meditech
  - HMS
- HR/Payroll
  - Lawson
  - Kronos (timekeeping)
- General Ledger
  - HOST (HCA)
- Accounts Payable
  - HOST (HCA)
- Patient Accounting
  - HOST (HCA)
  - HMS
- Purchasing/Materials Management
  - SMART
- Physician Practices
  - eCW
  - athenaCollector (athenahealth)
  - Practice Partners
- Pharmacy
  - Accudose
  - MedSelect
  - Pyxis

Exhibit 8

STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

Research

Making The Rounds: Fourth-Quarter 2014 U.S. For-Profit Acute-Care Hospital Results And 2015 Outlook

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Making The Rounds: Fourth-Quarter 2014 U.S. For-Profit Acute-Care Hospital Results And 2015 Outlook

For the past several years, the U.S. acute-care hospital sector has had a relatively tough time, facing stagnant organic growth and ongoing margin pressure. According to the American Hospital Assn., total inpatient admissions to community hospitals declined each year from 2008 through 2012 (the most recent year for which data are available), reflecting the ongoing shift toward outpatient services. Reimbursement pressure has also intensified over the past few years as payors seek to control costs, and the rapid growth of the physician employment model has contributed to further margin pressure. The 12 for-profit acute-care hospital operators that Standard & Poor's Ratings Services rates were no exception to this trend, with most operators reporting stagnant same-facility growth in 2012 and 2013.

By nearly all measures, 2014 was a better year for the for-profit acute-care hospital operators that we rate. Beginning in the second quarter of 2014, operators began to report lower uncompensated care and stronger adjusted admission trends, reflecting expanded insurance coverage due to the U.S. Affordable Care Act and, to a lesser extent, an improving economy. (Watch the related CreditMatters TV segment titled, "Stronger Admission And Payor Mix Trends Drive Fourth-Quarter For-Profit Hospital Performance," dated March 18, 2015.)

Overview

- U.S. for-profit acute-care hospitals faced stagnant organic growth and margin compression over the past few years, due to a shift toward outpatient services and reimbursement pressure.
- The sector took a turn for the better beginning in the second quarter of 2014, with operators reporting lower uncompensated care and stronger adjusted admissions trends.
- We think these companies will continue to benefit from an improved payor mix, but expect some variability in individual results.

In 2015, we expect the for-profit acute-care hospital companies to continue to benefit from improving payor mix trends as some previously uncompensated care is reimbursed, but we believe some variability in individual issuer results based on market focus, payor mix, and presence in Medicaid expansion states will be evident. Overall, we expect low- to mid-single-digit organic growth for the sector in 2015. Over the longer term, however, we expect that persistent downward pressure on reimbursement rates, declining Medicare and Medicaid disproportionate share (DSH) payments, growth in value-based reimbursement methodologies, and intensifying competition from narrow networks will meaningfully limit prospects for revenue growth or margin expansion.

Fourth-Quarter Highlights

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A clear improvement in volume trends

Overall, publicly traded hospital operators reported a strong fourth-quarter 2014, reflecting easy year-over-year volume comparisons and a reasonably strong flu season that boosted patient volumes. On a full-year basis, most of the public for-profit acute-care operators reported positive same-facility adjusted admissions trends, in contrast to 2013, when the majority of public hospitals we rate reported declining volumes.

Following a weak first quarter because of harsh weather in much of the U.S., most issuers saw improving volume trends beginning in the second quarter of 2014. Trends continued to strengthen throughout the year, which most companies attribute to the impact of higher insurance coverage levels under the Affordable Care Act. Fourth-quarter 2014 volumes were meaningfully stronger than 2013, which was a poor quarter for volumes because of a weak flu season.

Table 1

Same-Store Adjusted Admissions Trends

(Year-over-year % change)

Company	Rating	4Q 14	3Q 14	2Q 14	1Q 14	FY 14	FY 13
HCA Inc.	BB/Stable/--	5.6%	4.1%	2.2%	(0.3%)	2.9%	0.1%
Community	B+/Stable/--	2.7%	0.0%	(1.2%)	(5.3%)	(0.9%)	(4.6%)
Universal Health	BB/Positive/--	5.5%	4.1%	3.6%	(0.5%)	3.1%	1.0%
Tenet	B/Stable/--	4.5%	4.7%	(0.4%)	(1.1%)	3.5%	(0.5%)
LifePoint	BB-/Stable/--	5.0%	2.0%	(1.9%)	(2.7%)	2.7%	(2.7%)
IASIS*	B/Stable/--	4.0%	2.6%	3.1%	(0.2%)	0.8%	0.9%

*IASIS' fiscal year ends Sept. 30. Fiscal 2014 data for IASIS are for the year ended Sept. 30, 2014, but the quarterly data are based on calendar (not fiscal) quarters. Universal Health figures are for acute-care hospitals only. Source: Company filings.

Payor mix shift was a headwind in 2014

In 2014, most of the companies we rate saw a reduction in self-pay revenues and an increase in Medicaid revenues, reflecting coverage expansion. In addition, almost all reported a rise in the proportion of revenues coming from commercial contracts, which likely reflects higher rate increases than other payors and more employer-based coverage as well as the impact of 8.4 million individuals gaining coverage through the new health care exchanges in 2014.

Table 2

Hospital Payor Mix Trends--2014 Versus 2013

	FY 2014				FY 2013			
Company/Rating	Commercial	Medicare	Medicaid	Self-Pay	Commercial	Medicare	Medicaid	Self-Pay
HCA Inc. (BB/Stable--)	51.7%	30.9%	9.7%	7.7%	50.4%	31.5%	8.3%	9.8%
Community (B+/Stable/--	51.5%	24.7%	10.8%	13.0%	51.9%	24.8%	9.7%	13.6%
Universal Health (BB/Positive/--)	61.0%	24.0%	8.0%	7.0%	59.0%	27.0%	8.0%	6.0%
Tenet (B/Stable/--	58.6%	21.8%	9.4%	10.2%	56.0%	22.5%	10.2%	11.3%
LifePoint (BB-/Stable/--)	55.2%	30.4%	13.8%	18.6%	51.0%	32.6%	14.1%	22.7%
IASIS (B/Stable/--)	30.8%	42.1%	21.2%	5.9%	29.6%	42.7%	20.8%	6.9%

Note: Data for HCA are for U.S. operations only. Data for UHS are for acute-care hospitals only. IASIS fiscal year ends Sept. 30. Source: Company filings.

Uninsured admissions decrease, particularly in Medicaid expansion states.

Publicly reporting acute-care hospitals reported meaningful reductions in uninsured admissions in the fourth quarter, primarily reflecting the expansion of insurance coverage under the ACA. In those states that expanded Medicaid to individuals making up to 138% of the federal poverty level, operators reported reductions in uninsured admissions ranging from 62% to 73%, indicating the tremendous impact that coverage expansion is having on uninsured admissions in those states. Most operators also saw low-single-digit declines in uninsured admissions in nonexpansion states, which likely partly reflects higher insurance coverage levels due to a healthier economy, as well as higher Medicaid enrollment by eligible individuals (despite no changes in eligibility rules).

Table 3

Fourth-Quarter 2014 Year-Over-Year % Change In Uninsured Admissions

	Medicaid expansion states	All states
HCA Inc.	(65.0)	(8.8)
Community	(73.0)	(29.8)
Tenet	(62.4)	(21.0)
LifePoint	(71.0)	(42.0)
IASIS	(67.0)	(21.1)

Note: Data are on a same-hospital basis for Community and Tenet. Source: Company filings.

DSH reductions are looming, and higher patient cost sharing is here

Legislation subsequent to the ACA delayed implementation of cuts to Medicare and Medicaid DSH payments intended to financially assist hospitals that treat many uninsured low-income individuals. Following ACA implementation, hospitals expected to see a significant reduction in uncompensated care, reducing the need for these payments. However, with only 28 states and the District of Columbia electing to expand Medicaid, hospitals in nonexpansion states could start to see DSH reductions, even as uncompensated care reductions are smaller than originally expected.

In fiscal 2015 (the fiscal year ending Sept. 30, 2015) eligible hospitals will receive $7.65 billion in Medicare DSH payments, down from $9.05 billion in 2014. Medicaid DSH reductions have been delayed until 2016. Only some of the acute-care hospitals that we rate break out the total annual amount of DSH funds they receive. However, we estimate that DSH represents 1.5% to 5% of 2014 revenues for most of the publicly reporting acute-care hospital providers.

While higher insurance coverage levels are clearly a boon for hospital operators, most of the newly insured have gained coverage through Medicaid, and Medicaid is generally the lowest-reimbursing of payors. In addition, high deductible health plans (HDHPs), which require greater patient responsibility for copays and deductibles, cover most of those recently insured through the exchanges and an increasing proportion of individuals with commercial insurance in general. Hospital operators have had mixed success in collecting these payments. LifePoint Hospitals Inc., for example, reported that it increased its provision for doubtful accounts on copay and deductible revenue to 52% in 2014 from 44% in 2013, reflecting difficulty in collecting on these amounts. Likewise, Tenet Healthcare Corp. indicated that it may see HDHPs contributing to greater seasonality in revenues, with patients being more likely to schedule procedures later in the year if they have already met their deductible.

Operating Highlights And 2015 Guidance

In general, most companies' guidance indicates they expect volume will continue to increase. Some have explicitly mentioned the favorable impact of the Affordable Care Act on 2015 projections. For example:

- HCA Inc. noted that its 2015 EBITDA guidance includes a 6% to 7% favorable EBITDA impact from the ACA.
- Universal Health Services Inc. indicated that it expected the ACA impact to contribute 6% to 7% to 2015 earnings.
- Community Health Systems Inc. expects a $100 million to $175 million incremental EBITDA bump from the ACA (with the higher end of the range reflecting the possibility that one or two incremental states might expand Medicaid in 2015).
- LifePoint expects a $7 million incremental EBITDA contribution from the ACA in 2015 (on top of the $45 million EBITDA contribution realized in 2014, primarily as a result of Medicaid expansion).

Table 4

Fiscal Year 2015 Guidance, Public Filers

(Mil. $)

Company	Revenue		EBITDA		CFO		Adj. Admissions	
	2014A	2015 Guidance	2014A	2015 Guidance	2014A	2015 Guidance	2014A (%)	2015 Guidance (%)
HCA Inc.	$36,918	$38,500 - $39,500	$7,428	$7,350 - $7,650	$4,448	N.A.	2.9	2.0-3.0
Community Health	$18,639	$19,600 - $20,600	$2,777	$3,000 - $3,200	$1,615	$1,650 - $1,850	(0.9)	0-2
UHS	$8,065	$8,700 - $8,800	$1,415		$1,036	N.A.	3.1	N.A.
Tenet	$16,615	$17,400 - $17,700	$1,952	$2,050 - $2,150	$687	$1,130 - $1,240	3.5	2.5-3.5
LifePoint	$4,483	$5,050 - $5,150	$634	$690 - $720	$412	N.A.	2.7	0.5-2.5

Note: Data for HCA are for U.S. operations only. Data for UHS are for acute-care hospitals only. IASIS' fiscal year ends Sept. 30. N.A.--Not available. Source: Company filings.

S&P's Base-Case Expectations For the Acute-Care Hospital Sector In 2015

We expect for-profit hospitals to perform in line with the health care services sector as a whole and in line with U.S. GDP growth. For-profit hospital companies' payor mix has improved, which they attribute to the early impact of the ACA. Most companies have reported reduced uninsured patient volume due to Medicaid expansions and, to a lesser extent, patient volume from the exchanges. Coupled with private insurance company rate increases that remain in the mid-single-digit range, we expect modest increases in net revenue per adjusted admission.

We expect the improving payor mix trends to continue into 2015, with some variability in individual issuer results based on market focus, payor mix, and presence in Medicaid expansion states. Overall, we expect low- to mid-single-digit organic growth for the hospital sector.

Over the next few years, we expect hospitals will face ongoing reimbursement and margin pressure, notwithstanding the temporary tailwind for hospitals in 2014 and 2015 as they reap the benefits of insurance expansion before the likely

reductions to hospital subsidies follow.

For our complete outlook for health care services, please see our industry report card, "The U.S. For-Profit Health Care Sector Outlook Remains Stable, With A Slightly Negative Slant From M&A And Isolated Operating Weakness," published Dec. 18, 2014.

Events To Watch

King v. Burwell oral arguments

On March 4, the U.S. Supreme Court began to hear oral arguments in the King v. Burwell case, which challenges tax subsidies for moderate income individuals buying insurance coverage through federally run exchanges in 34 states. A decision is expected by June 30. Our base-case forecasts for all acute-care hospitals we rate assume that the Court will not overturn subsidies. If the challenge were to prevail, however, we would expect the impact on creditworthiness to be muted, notwithstanding the fact that several of the companies we rate have significant exposure to states using federal exchanges. (For our complete thoughts on the impact of a potential adverse ruling in King v. Burwell, please see "The ACA Subsidy Cloud: Modest Potential Increase In Event Risk For Insurers And Providers," published July 25, 2014.)

While subsidies are at risk for individuals in 34 states that have elected not to build state-level exchanges, over half of the individuals this could affect live in just five states—Florida, Georgia, North Carolina, Pennsylvania, and Texas. The issuers we rate have significant exposure to these five states, especially HCA and Universal Health Services Inc., which have over 50% and around 45% of their respective acute-care beds in Florida and Texas.

Table 5

Rated Acute-Care Hospital Exposure To Adverse Outcome Under King Vs. Burwell

State	Est. subsidized enrollees in 2016*	Rated acute-care hospitals affected (% of beds in state)§
Florida	2,545,469	HCA (25.4%), Tenet (17.2%), UHS (12%)§, Community (10.7%)
Texas	1,750,688	IASIS (55%), UHS (33.3%)§, HCA(25.4%), Tenet (25.4%), Community (9.8%)
North Carolina	926,023	LifePoint (11.5%)
Georgia	784,381	Tenet (5.8%)
Pennsylvania	736,178	Community Health (9.8%), LifePoint (6.4%)
32 other states	6,660,150	
Total	13,402,889	

*Based on Kaiser Family Foudation estimates of Congressional Budget Office projections §Acute-care beds only Sources: Company filings, UBS, The Henry J. Kaiser Family Foundation.

While an adverse ruling in King v. Burwell could cause us to revise our forecasts for the acute-care hospital industry in general and for individual issuers, we do not believe that the loss of subsidies to federal exchange participants alone would be sufficient to prompt any near-term ratings downgrades. This largely reflects the relative level of ratings stability in this sector: Of the 12 issuers we rate, 10 have stable rating outlooks and two have positive rating outlooks (see table 7).

Medicare announces Alternative Payment Arrangements transition

On Jan. 26, 2015, the Department of Health and Human Services (HHS) announced a plan to speed the transition to alternative payment models (including payments to Accountable Care Organizations [ACOs] and bundled payments) under Medicare. The plan established the goal of tying 30% of payments to alternative arrangements by the end of 2016 and 50% of payments to alternative arrangements by the end of 2018. Currently, about 20% of payments are made under these alternative payment arrangements.

Several companies have set up ACOs or have otherwise positioned themselves for the transition away from traditional fee-for-service arrangements. For example, IASIS Healthcare Corp. (B/Stable/--) operates two ACOs and a health plan, and, from a strategic perspective, has significant experience managing Medicaid lives. Steward Health Care System LLC (B-/Stable/--) operates a Medicare Pioneer ACO, and already has significant exposure to global payments through its contracts with Medicare and commercial payers, and Tenet Healthcare Corp. (B/Stable/--) reports that it has ACOs established in over half of its markets, with several more under development. Because the transition to bundled payments relies on teams of providers working together to coordinate care, for-profit acute-care health care companies that have already formed strong networks of providers within a specified geography (including most of the large issuers we rate) will be in a better position relative to less integrated competitors.

Table 6

Current Ratings Profile--Acute-Care Hospitals

	--Business risk profile--					
	Excellent	**Strong**	**Satisfactory**	**Fair**	**Weak**	**Vulnerable**
Financial risk profile						
Minimal						
Modest						
Intermediate				Universal Health Services (BB/Positive/--)		
Significant					LifePoint (BB-/Stable/--)	
Aggressive			HCA (BB/Stable/--)		Prime Health (B/Positive/--)	
Highly leveraged				Community (B+/Stable--)	AHS (B/Stable/--) IASIS (B/Stable/--) Capella (B/Stable/--) Tenet (B/Stable/--)	Prospect (B/Stable--) RegionalCare (B/Stable/--) Steward (B-/Stable/--) LHP (B-/Stable/--)

Table 7

Ratings And Outlooks--Rated For-Profit Acute-Care Hospitals

Issuer	Rating	Outlook	Last publishing date
HCA Inc.	BB/Stable/--	Our stable outlook reflects our expectation that HCA's financial policies will remain shareholder friendly, but that EBITDA expansion over the past few quarters should allow the company to pursue its return objectives while maintaining leverage below 5x over time. We could lower the rating in the unlikely event that EBITDA margins contract by about 450 basis points, to around 14.5%. For this to occur, we believe there would need to be a significant negative shift in reimbursement rates. We could also lower the rating if the company becomes significantly more aggressive in its growth objectives, pursuing debt-financed share buybacks or acquisitions that result in leverage sustained above 5x for an extended period of time. Assuming no acquired EBITDA, we estimate that there is around $9 billion of debt capacity at the current rating. We could raise the rating if HCA adopts more conservative financial policies, highlighted by a commitment to sustain debt to EBITDA around 3.5x over time. While we believe that HCA could achieve these metrics over the next year by prepaying about $3 billion of debt, we believe that the company is likely to use some of the debt capacity created by an increase in EBITDA to reward shareholders and to grow its market position in a consolidating industry.	1/13/2015
Community Health Systems Inc.	B+/Stable/--	Our stable rating outlook on Community Health reflects our belief that the integration of HMA is on track, and that acquisition synergies, coupled with modest improvements to the payor mix as a result of the Affordable Care Act implementation, will allow the company to reduce leverage to the low- to mid-5x range by the end of 2015, consistent with historical levels prior to the HMA acquisition. It also incorporates our expectation that the company will not undertake any large-scale acquisitions or share repurchase activity until leverage is closer to 5x. We could lower the rating if we believe the company is likely to sustain debt leverage in excess of 6x on an extended basis because this might cause us to believe that credit quality was no longer comparable to 'B+' rated peers. In our view, this could happen if margins contract about 200 basis points, most likely due to adverse changes in reimbursement, or if the company becomes significantly more acquisitive. We could raise the rating if we believe that Community will sustain debt leverage in the mid-4x range. We view this as unlikely given the company's history of using cash flow for acquisitions and business reinvestment. In our view, the company would need to prepay about $3 billion in debt (on top of its mandatory amortization) to reduce leverage to this level within the next year.	1/29/2015
Tenet Healthcare Corp.	B/Stable/--	Our stable rating outlook on Tenet Healthcare Corp. considers our expectation that operating trends will remain relatively sluggish and that Tenet's margins will continue to be under pressure because of constrained reimbursement. While the same pressures apply to recently acquired Vanguard, we expect reported leverage to improve to under 6x by the end of 2014. We would consider a downgrade if efforts to realize synergies and control working capital use and capital spending do not materialize as we anticipate. Specifically, about a 300–basis-point (bp) drop in margin from our expectation would likely equate to debt to EBITDA of about 7x, prompting a lower rating. We could also consider a lower rating if share repurchase activity remained elevated even in the face of weakening cash flow. We could consider raising the rating only if Tenet can increase and sustain free cash flow of at least $200 million annually. We believe this is possible if Tenet's margin increases by about 100 bps from its current level.	4/23/2014
Universal Health Services	BB/Positive/--	The positive outlook reflects the potential for an upgrade within one year if we gain further confidence in the company's commitment to generally maintaining debt leverage below 3x. We would consider raising the rating if the company continues to demonstrate a commitment to a financial policy maintaining leverage below 3x and assuming the company continues to successfully weather health care reform and reimbursement pressures. We could revise the outlook to stable if the company pursues debt-financed acquisitions or share buybacks more aggressively than we expect, leading to an increase in leverage approaching 3x.	7/28/2014

Table 7

Ratings And Outlooks--Rated For-Profit Acute-Care Hospitals (cont.)			
IASIS	B/Stable/--	Our rating outlook on IASIS is stable, reflecting our expectation that cash flow will continue to improve, but will remain modestly negative in 2015 due to heavy capital spending. Assuming no debt repayment from IPO proceeds, we expect leverage will decline to the mid-6x range in 2015 from 6.9x at Sept. 30, 2014. We could consider a lower rating if deployment of the company's sizable cash resources fails to improve cash flow, especially if cash flow deficits are higher than we currently project. This could occur as the result of adverse changes in health care regulation or reimbursement policies that result in revenue declines and about 300 basis points of margin erosion. In our view, this could reduce the company's ratio of FFO to debt to the low single-digits, which, absent a sizable liquidity reserve, would be more consistent with 'B-' versus 'B' rated peers. A higher rating would require IASIS to reduce leverage below 5x while generating a track record of consistent positive free operating cash flow. In our view, this would require at least $300 million in debt reduction from IPO proceeds. Equally importantly, we would need to be convinced that cash flows were likely to be consistently positive going forward.	2/3/2015
Capella Healthcare Inc.	B/Stable/--	Our stable rating outlook on Capella Healthcare Inc. reflects our expectation that, despite pressures from a challenging reimbursement environment, the company will continue to generate steady EBITDA as a result of modest volume growth, receipt of government incentive payments (subsequent to the incurrence of expenses), and cost-cutting initiatives. We also expect Capella to be acquisitive in the highly competitive acute-care industry. We would consider lowering our rating if Capella's cash flow deteriorates, without prospects for rapid improvement. For example, if the company experiences negative organic revenue growth trends and gross margins decline by 200 basis points, we would expect persistent, negative discretionary cash flow to result. Under this scenario, a downgrade is probable. Key factors that could contribute to such a result include an unexpected cut in Medicare reimbursement, a Medicaid rate cut in one or more of its key states, or lower rate increases from commercial insurance companies. Given our view of ongoing operating pressure, including regulatory uncertainty, and the presence of a financial sponsor, we do not envision a scenario for a higher rating over the next year.	3/3/2015
AHS Medical Holdings LLC	B/Stable/--	The outlook on AHS Medical Holdings LLC is stable, reflecting our expectation for the company to maintain modest organic growth and relatively steady margins. We also expect the company to generate positive free cash flow (before acquisitions) and to pursue disciplined acquisition activity. We expect leverage to remain above 5x for the next few years. We could lower the rating if the company is unable to generate free cash flow. This could result from debt-financed acquisitions acquired at a premium, or as a result of adverse regulatory or competitive changes in the company's markets. In our view, the company's ability to generate positive free cash flow would be imperiled if margins decline more than 250 basis points from current run-rate levels. Although improving operating trends could result in better credit metrics, resulting in adjusted leverage to below 5x and FFO to debt to above 12%, we consider an upgrade unlikely unless we are convinced the company is committed to sustaining those metrics on an ongoing basis. Given financial sponsor ownership and our belief that acquisitions are a core element of the company's growth strategy, we view this as unlikely over the next year.	3/5/2015

Table 7

Ratings And Outlooks--Rated For-Profit Acute-Care Hospitals (cont.)			
RegionalCare Hospital Partners	B/Stable/--	Our stable rating outlook on RegionalCare reflects our view that the company has adequately addressed its operating difficulties, giving us greater confidence that operating results will be in line with our base-case scenario. This includes our expectation that the company will use only a modest amount of cash in 2014 and will generate modest positive free operating cash flow in 2015. A lower rating is possible if RegionalCare does not achieve results close to our base-case scenario, including a nearly 300–basis-point (bp) improvement in EBITDA margin. We believe that if the company falls short of this expectation, cash flow may be insufficient to meet operating and capital needs, and this deficiency might not be temporary. If the company fails to achieve the margin improvement forecast, we might view the company's intermediate-term business prospects less favorably relative to peers, resulting in a lower rating. We believe factors that might lead to such an outcome could include underachievement on its cost reduction plan, unmet patient volume expectations from its recent successes in physician recruiting, and any unanticipated adverse reimbursement or competitive developments. A higher rating would require RegionalCare to reduce leverage below 5x. Given current leverage above 10x, financial sponsor ownership, and the company's aggressive growth strategy, we view this as highly unlikely over the next year.	12/3/2014
Prospect Medical Holdings Inc.	B/Stable/--	The rating outlook on Prospect Medical Holdings Inc. is stable. We expect low-double-digit revenue growth driven primarily by acquisitions. We expect EBITDA margins to come under pressure from reimbursement headwinds. Leverage at the strong end of the range for an "aggressive" financial risk profile and good levels of profitability provide moderate downside cushion to the rating. We could lower our rating if Prospect's financials deteriorate to the point where leverage rises above 5x, or if the company stops generating positive free cash flow. We believe this could occur if margins decline about 300 basis points (bps) below our expectations. Sharp cuts to disproportionate share payment programs and/or Medicare without offsetting factors, could cause this to occur. Although unexpected, we could raise our rating if the company adopted a more conservative financial policy such that we would expect the company to maintain leverage below 4.0x, despite reimbursement pressures from Medicare and from disproportionate share payment programs.	5/9/2014
Prime Healthcare Services Inc.	B/Positive/--	The positive rating outlook on Prime Healthcare Services Inc. indicates our base-case expectation that Prime will quickly improve operating performance at the hospitals it acquired in 2013, resulting in a greater than 20% EBITDA improvement in 2014 relative to 2013. However, it also reflects our view that there is some execution risk to this strategy, and we will need to see the company make progress in turning around recently acquired hospitals before raising the rating. We could revise our outlook to stable if we believe the company is likely to sustain leverage above 4x. This could occur if the company encounters difficulty in quickly improving margins at acquired facilities, undertakes significant additional debt-financed acquisitions, or pursues an aggressive financial policy that includes dividends. We could consider a higher rating if the company's financial risk profile improves to the point that we consider it to be significant rather than aggressive. The path to achieve this revision is likely to include a moderation of its currently aggressive growth trajectory via acquisitions such that its expanding EBITDA allows leverage to fall and remain comfortably below 4x. We would also expect Prime to continue making progress in improving EBITDA margins at acquired hospitals before considering a higher rating.	5/15/2014

Table 7

Ratings And Outlooks--Rated For-Profit Acute-Care Hospitals (cont.)			
Steward Health Care System LLC	B-/Stable/--	Our stable rating outlook on Steward Health Care System LLC is based on our expectation that recent cost-cutting actions, including the announced closure of one hospital, will allow the company to generate at least modest positive free operating cash flow in 2015. We could lower the rating if we believe that Steward will be unable to generate at least $115 million per year in unadjusted EBITDA on a sustainable basis, which we believe could result in ongoing cash flow deficits and an inability to refinance its debt when it becomes due. In our view, this could occur if the company is unable to sustain recent margin improvements, which largely reflect an improving cost structure. Based on our current expectations, margins would need to contract about 200 basis points from current run-rate for this to occur. We could raise the rating if we gain greater confidence that Steward can generate consistently positive cash flow over time, allowing the company to expand the cushions on its financial covenants and rely less on its revolver for seasonal working capital needs. Under this scenario, we would also need to be comfortable that the company's financial policies would be unlikely to jeopardize its free cash flows. In this case, we might view credit risk as more consistent with 'B' rated peers, and raise the rating accordingly.	1/26/2015
LHP Hospital Group Inc.	B-/Stable/--	Our stable rating outlook on LHP reflects our view that the sale of an underperforming hospital combined with cost rationalization activities begun in 2014 will result in about 200 basis points of margin improvement in 2015, resulting in about $20 million in cash usage (inclusive of high expansionary capital expenditures) and at least a 15% cushion to the company's financial covenants over the next year. We could revise our outlook to negative or lower the rating if the company is unable to improve operating performance, resulting in persistent, meaningful cash flow deficits and a tightening margin of compliance on its debt covenants. In our view, this could occur if the company is unable to generate sufficient cash EBITDA to cover its fixed charges, which we estimate at least $65 million on a recurring basis. A higher rating would require the company to generate meaningful discretionary cash flow on a recurring basis, as this could cause us to view credit quality as more consistent with 'B' (rather than 'B-') rated peers. In our view, LHP would need to expand EBITDA margins by over 600 basis points to meet this target, which we believe is highly unlikely over the next year.	2/5/2015

Sector Trends Will Likely Stay Healthy In 2015

The rated for-profit hospital companies exited 2014 on a strong note, with improving volume and payor mix trends that we expect will continue into 2015. Notwithstanding our expectation that 2015 will be another good year, we believe that the long-term focus on controlling U.S. health care costs will lead to persistent pressure on reimbursement rates over the longer term. Moreover, we believe that industry trends, including increasing outpatient procedures and narrow networks, are likely to lead to a rise in acquisition activity, which could affect credit measures for companies that participate in larger, debt-financed transactions.

Related Criteria And Research

Related Criteria

- Key Credit Factors For The Health Care Services Industry, April 16, 2014

Related Research

- Summary: AHS Medical Holdings LLC, March 5, 2015
- Summary: Capella Healthcare Inc., March 2, 2015
- Community Health Systems Inc.'s Term Loan F Assigned 'BB' Rating (Recovery: '1'), Feb. 27, 2015
- Research Update: LHP Hospital Group Inc. Outlook Revised To Stable From Negative; 'B-' Corporate Credit Rating

Affirmed, Feb. 5, 2015
- Research Update: IASIS Healthcare Corp. 'B' Corporate Credit Rating Affirmed, Feb. 3, 2015
- Research Update: Community Health Systems Inc. 'B+' Rating Affirmed, Outlook Revised To Stable On Acquisition Integration Progress, Jan. 29, 2015
- Summary: Steward Health Care System LLC, Jan. 26, 2015
- Credit FAQ: What's Behind The Two-Notch Upgrade On U.S. Hospital Provider HCA? Jan. 16, 2015
- Bulletin: Tenet Healthcare Corp.'s 2015 Guidance Does Not Affect Ratings Or Outlook, Jan. 15, 2015
- Research Update: HCA Inc. Corporate Credit Rating Raised To 'BB' From 'B+', Outlook Stable; New Debt Rated, Jan. 13, 2015

Under Standard & Poor's policies, only a Rating Committee can determine a Credit Rating Action (including a Credit Rating change, affirmation or withdrawal, Rating Outlook change, or CreditWatch action). This commentary and its subject matter have not been the subject of Rating Committee action and should not be interpreted as a change to, or affirmation of, a Credit Rating or Rating Outlook.

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Research

LifePoint Hospitals Inc. 'BB-' Rating Outlook Revised To Stable From Negative On Improving Performance Trends

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- Brentwood, Tenn.-based LifePoint Hospitals Inc. has reported improved operating trends for the first half of 2014.
- Standard & Poor's is revising its outlook to stable from negative and affirming its 'BB-' corporate credit rating.
- We are also affirming our 'BB-' issue-level ratings on both the first-lien debt and the unsecured notes.
- Our stable outlook reflects expectations of modest organic revenue growth, the successful integration of acquisitions, stable operating margins, improved cash flow generation, and the maintenance of debt leverage in the 3x to 4x range.

NEW YORK (Standard & Poor's) Aug. 26, 2014--Standard & Poor's Ratings Services today revised its outlook on Brentwood, Tenn.-based LifePoint Hospitals Inc. to stable from negative. In addition, we affirmed our 'BB-' corporate credit rating on the company.

At the same time, we affirmed our 'BB-' issue-level ratings on the company's first-lien debt and its unsecured notes. The '4' recovery ratings remain unchanged. The ratings on the first-lien and unsecured notes are the same because we view the credit facility and senior unsecured notes as pari-passu because of the weak security pledge on the first-lien debt.

"The ratings on LifePoint incorporate Standard & Poor's Ratings Services'

assessment that the hospital chain operates in rural communities and has to contend with a significant reimbursement risk, competition for its business including outmigration to larger communities, weak patient volume trends, and an extended period of an adverse payor mix shift notwithstanding a favorable shift in the second quarter of 2014," said credit analyst David Peknay.

Our stable rating outlook on LifePoint reflects our view that the positive impact of the Affordable Care Act will enable the company to weather a renewal of weak patient volume trends and ongoing reimbursement pressure. Our outlook is also predicated on our expectation that the company will size its share repurchases to maintain leverage within a range that is consistent with a "significant" financial risk profile (for example, 3x to 4x).

Upside Scenario
An upgrade is unlikely in the foreseeable future. Notwithstanding the positive impact of the Affordable Care Act, considering industry pressures, we would not expect that the company would be able to maintain any meaningful operating improvements suggestive of a better business risk profile. Also, given our view of the company's financial policy which favors share repurchases over debt repayment, we do not expect LifePoint's financial risk profile to deviate from "significant" to "intermediate".

Downside Scenario
A downgrade would be predicated on operating challenges that would prevent LifePoint from maintaining credit metrics consistent with a "significant" financial risk profile. This might include sustained organic revenue declines of even modest size, caused by a chronic reduction in admissions and adverse reimbursement changes that cause margins to contract at least 100 basis points. An increase in debt-financed acquisitions could also contribute to a lower rating.

RELATED CRITERIA AND RESEARCH
Related Criteria
- Key Credit Factors For The Health Care Services Industry, April 16, 2014
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Jan. 2, 2014
- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Corporate Methodology, Nov. 19, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Criteria Guidelines For Recovery Ratings On Global Industrials Issuers' Speculative-Grade Debt, Aug. 10, 2009

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.