



August 20, 2020

Dear Mayor Copping,

On behalf of StoneBridge Healthcare, LLC., we are pleased to present you with a nonbinding Letter Of Intent (LOI) to acquire the Erlanger Health System. To be clear, you have not asked us to submit this offer, and we did so on our own without your knowledge beforehand. We are doing so because we believe we can offer an urgent and lasting solution to you and the people you serve, and we appreciate this chance to explain why.

StoneBridge is a new healthcare company formed to buy, save and turn around deeply financially distressed hospitals in the cities and suburbs of America. StoneBridge is capitalized through a multi-layered composite finance group that includes Medical Properties Trust (MPT), Oaktree Capital Management and other nationally known debt and equity sources. The company features a nationally recognized team of experts in healthcare operations, finance, acquisitions and turnarounds.

StoneBridge has been tracking the situation at Erlanger Health System for over a year and we believe that now is the time for us to act and offer our assistance to you and the citizens of Hamilton County and surrounding areas. It is clear to us that Erlanger is in financial trouble and needs help. We are aware that the health system has incurred significant losses over the past year which have further depleted their cash reserves. And we are aware that the system has been unable to fund the employee's pension plan and that has resulted in an \$80 million unfunded pension liability.

In addition, in an article published on June 2, 2020, Erlanger indicated that it had received capital improvement requests from departments across the health system valued at \$110 million; it identified \$75 million as necessary expenditures, but only had \$20 million available to spend. As you will see from our proposal, StoneBridge is prepared to fund the entire \$75 million budget and will also invest an additional \$200 million over the next four years to further transform the health system.

Our offer is a transaction value of \$475 million that will allow the health system to pay off all of its liabilities and have substantial reserves of cash remaining that may be used by Hamilton County for many of the much-needed services that have arisen out of the COVID-19 pandemic. Our offer is not subject to any financing contingency, and we can lock into a binding agreement with you in a very short period of time once due diligence is completed.



Erlanger Health System is a well-respected organization and provides outstanding care to area residents. Its financial situation was not optimal before the pandemic hit and has deteriorated in the past six months. Hamilton County is a highly competitive marketplace. Erlanger is competing against Nashville-based HCA Healthcare, a \$50 billion healthcare system, as well as CommonSpirit Health, a \$20 billion national Catholic health system. In order for Erlanger to survive and thrive against these systems they need significant resources. StoneBridge Healthcare can help. We have the expertise, the resources, and the financial strength to provide all of the things that Erlanger needs to compete and succeed.

With the backing of MPT, Oaktree Capital and additional sources, StoneBridge Healthcare is well-positioned to purchase Erlanger. We are committed to continuing the legacy of Erlanger Health System and ensuring the community is afforded the high-quality patient care it deserves.

Sincerely,

DocuSigned by:

A handwritten signature in blue ink that reads "Joshua Nemzoff". The signature is written in a cursive style.

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Joshua Nemzoff

Chief Executive Officer, StoneBridge Healthcare, LLC.