

September 16, 2015

The Honorable Terry Kilgore
Chairman
Southwest Virginia Health Authority
c/o Appalachian College of Pharmacy
1060 Dragon Road
Oakwood, VA 24631

with a copy to:

Dr. Sue Cantrell
Co-Chairman
Southwest Virginia Health Authority
By email at: Sue.cantrell@vdh.virginia.gov

and

Ms. Delilah McFadden
Interim Contact
Southwest Virginia Health Authority
By email at: Delilah.long@vdh.virginia.gov

Dear Delegate Kilgore,

This letter will serve as notice to the Southwest Virginia Health Authority (the "Authority") of the intent of Mountain States Health Alliance ("Mountain States") and Wellmont Health System ("Wellmont") (collectively, the "Parties") to submit an application pursuant to Section 15.2-5384.1 of the Code of Virginia (the "Application") for the issuance of a Letter of Recommendation from the Authority with respect to a proposed cooperative agreement between the Parties. Under the proposed cooperative agreement, a new parent entity will be created that will become the sole member of both Mountain States and Wellmont. This letter of intent is submitted on behalf of both Mountain States and Wellmont.

This letter of intent is submitted pursuant to the Authority's Policies and Procedures for Receipt and Review of Cooperative Agreement Applications (the "Policy").

Each element required by the Policy to be included in this letter of intent is addressed below.

1. A brief description of the proposed Cooperative Agreement, including the physical location of the entities and parties to the Cooperative Agreement

The proposed Cooperative Agreement will be titled the "Master Affiliation Agreement and Plan of Integration." At this time, Wellmont and Mountain States have signed a non-binding term sheet. The Parties are completing negotiation of the Cooperative Agreement and conducting due diligence. The Parties intend to sign the proposed Cooperative Agreement prior to submitting the Application.

Pursuant to the Cooperative Agreement, the Parties will cause a new, independent public benefit not for profit, tax-exempt corporation to be incorporated in Tennessee (the "Parent Entity"). The Parent Entity will be governed by a self-perpetuating Board of Directors. The Parties will amend their respective articles and bylaws to designate the Parent Entity as the sole corporate member of each of the Parties.

Wellmont operates six hospitals and numerous outpatient care sites, primarily serving communities in Northeast Tennessee and Southwest Virginia. Wellmont's corporate offices are located at 1905 American Way, Kingsport, Tennessee 37660.

Mountain States operates thirteen hospitals and numerous outpatient care sites across a twenty-nine county, four-state region. Mountain States' corporate offices are located at 303 Med Tech Parkway, Suite 300, Johnson City, Tennessee 37604.

2. A list that includes the assets, ownership interests, subsidiaries and affiliated businesses currently owned or operated, in whole or in part, directly or indirectly, by any party to the Cooperative Agreement that the parties propose to be included in the application or any assets, ownership interests, subsidiaries and affiliated businesses currently owned or operated, in whole or in part, by any party to the Cooperative Agreement that will be divested, sold or affected as a result of the Cooperative Agreement

The Parties intend for the Cooperative Agreement to include all assets, ownership interests, subsidiaries and controlled affiliated businesses currently owned or operated, in whole or in part, directly or indirectly, by the respective Parties, and none are intended to be divested, sold or otherwise affected as a result of the Cooperative Agreement. An organizational chart identifying all of the subsidiaries and affiliates of Mountain States is attached as Exhibit A. An organizational chart identifying all of the subsidiaries and affiliates of Wellmont is attached as Exhibit B.

3. A list of all business interests or units for which each party to the Cooperative Agreement has any ownership interest or a management contract that is not proposed to be included in the Cooperative Agreement

Please see response to item 2 above.

4. The name, address and contact information of the parties to the proposed Cooperative Agreement including the executive officers, each party's respective board members and each party's general counsel

Mountain States Health Alliance
303 Med Tech Parkway, Suite 300
Johnson City, Tennessee 37604

Wellmont Health System
1905 American Way
Kingsport, Tennessee 37660

Mountain States Executive Officers

- Alan Levine, President & CEO
- Marvin Eichorn, Executive Vice President and Chief Operating Officer
- Lynn Krutak, Senior Vice President/Chief Financial Officer
- Tim Belisle, Senior Vice President – Compliance Officer and General Counsel

Mountain States Board Members

- Barbara Allen, Chair
- Bob Feathers, Vice Chair
- Joanne Gilmer, Secretary
- Michael Christian, Treasurer
- Clem Wilkes, Jr., Past Chair
- Alan Levine
- David May, MD
- Gary Peacock
- Jeff Farrow, MD
- Linda Garceau
- Rick Storey
- Sandra Brooks, MD

Wellmont Executive Officers

- Bart Hove, President & CEO
- Eric Deaton, Executive Vice President and Chief Operating Officer
- Alice Pope, Executive Vice President and Chief Financial Officer
- Gary Miller, Senior Vice President, Legal Affairs, and General Counsel

Wellmont Board Members

- Roger Leonard, Chair
- Julie Bennett, Vice Chair
- Wayne Kennedy, Secretary
- Roger Mowen, Treasurer
- Terry Begley
- R. David Crockett Sr.
- Dr. Stan Gall
- Dr. D. Nelson Gwaltney
- Mary Dean Hall
- Ravan Krickbaum
- David Lester
- Glen "Skip" Skinner
- Dr. William Smith
- Dr. David Sparks
- Dr. Doug Springer
- Dr. David Thompson
- Keith Wilson
- Ted Wood

5. A description of the entities' governing structure under the Cooperative Agreement

The Parent Entity will be led by a board of directors and a management team composed of current executives from both organizations. The board of directors of the Parent Entity will be comprised of fourteen (14) voting members, as well as two (2) ex-officio voting members and one (1) ex-officio non-voting member. Wellmont and Mountain States will each designate six (6) members to serve on the initial board of the Parent Entity. Wellmont and Mountain States will jointly select two (2) members of the initial Parent Entity board, who will not be incumbent members of either Party's board of directors. The two ex-officio voting members will be the Parent Entity Executive Chairman/President and the Parent Entity Chief Executive Officer. The ex-officio non-voting member will be the then current President of East Tennessee State University. The new organization will be managed by an executive team with representatives from each organization serving in the following agreed upon roles—Executive Chairman/President Alan Levine, CEO Bart Hove, COO Marvin Eichorn and CFO Alice Pope. Other senior management positions will be determined over time.

6. The anticipated date of submission of the Application; and the anticipated effective date of the proposed Cooperative Agreement

The Parties anticipate submitting the Application on or about November 1, 2015. At this time, the Parties anticipate that the effective date of the proposed Cooperative Agreement will be on or about November 1, 2015 (projected).

7. The geographic service area and Population covered by the Cooperative Agreement

The geographic service area covered by the Cooperative Agreement is expected to include the following counties: Carter, Cocke, Greene, Hamblen, Hancock, Hawkins, Johnson, Sullivan, Unicoi, and Washington in Tennessee; Ashe, Avery, Madison, Mitchell, Watauga, and Yancey in North Carolina; Harlan and Letcher in Kentucky; and Buchanan, Dickenson, Grayson, Lee, Russell, Scott, Smyth, Tazewell, Washington, Wise, and Wythe in Virginia as well as the cities of Bristol and Norton in Virginia. The Population covered by the Cooperative Agreement is expected to include the entirety of the human population residing or domiciled in this geographic service area.

We would be happy to discuss any of this information or any questions that you, or your staff, may have. Please direct any questions you may have to Mountain States' representative, Jim Daniel at jdaniel@hdjn.com, (804) 967-9604. We look forward to submitting our formal Application soon.

Sincerely,

Mountain States Health Alliance
Board Chair


Barbara Allen

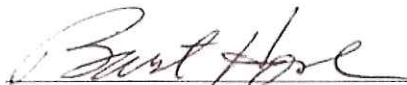
Wellmont Health System
Board Chair


Roger Leonard

Mountain States Health Alliance
President & Chief Executive Officer


Alan Levine

Wellmont Health System
President & Chief Executive Officer


Bart Hove

cc: Allyson K. Tysinger
David B. Irvin
Jim Daniel

Exhibit A

See attached.

Mountain States Health Alliance

Legal Structure

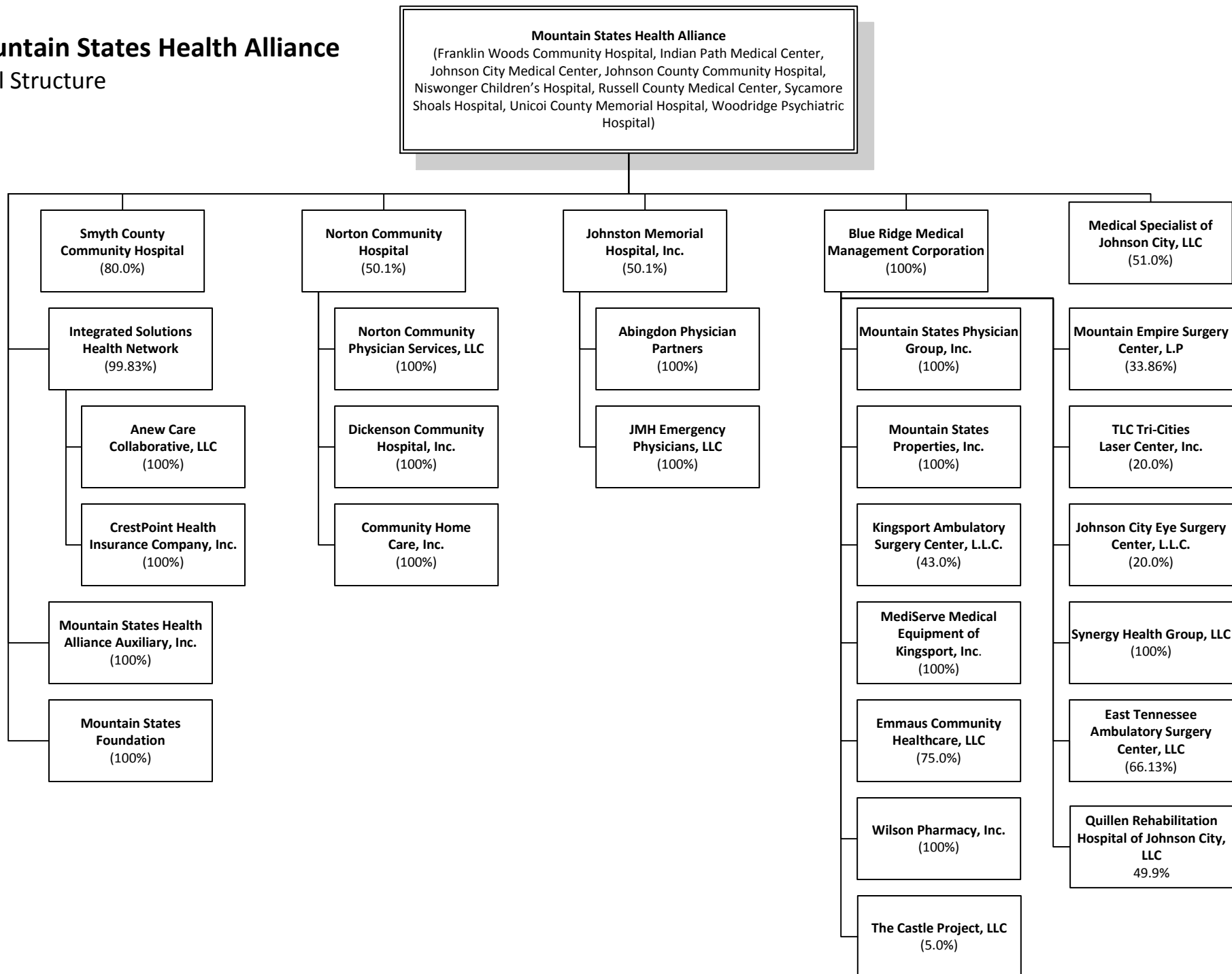


Exhibit B

See attached.

