

**Duke Response to the NHRMC Request for Proposal  
 Proposal Revisions, Additions, and/or Clarifications  
 May 1, 2020**

***The following is in response to the invitation received from the PAG Support Team on April 27, 2020 to submit revisions, additions, and/or clarifications to Duke’s proposal. This response is intended to be reviewed together with Duke’s comprehensive proposal submitted to NHRMC on March 16, 2020 and Duke’s responses to each of the prior clarifying questions and follow-up inquiries. All aspects of Duke’s proposal remain subject to change based on additional due diligence, further understanding of the impacts of the COVID-19 pandemic, and other applicable considerations.***

Reference: Duke’s March 16, 2020 response to RFP question 11.2.1 and response to NHRMC’s clarifying question (#2) submitted April 15, 2020.

Included in both of the 100% asset purchase options Duke presented for consideration (and any mix of capital commitment and cash at close in between) is an underlying commitment to continue to invest in clinical, operational, and infrastructure capabilities at NHRMC, as well as the pursuit of other strategic, growth, and optimization initiatives. While Duke’s original **all cash at close structure (“Alternate Option”)** did not specifically indicate such a commitment, Duke is reiterating that under any scenario it will support a path of advancing the role NHRMC plays in its community for the long-term through investment.

**As such, under the Alternate Option, Duke wishes to update its proposed economics to include a capital commitment of no less than \$400 million in the 5-year period following the closing of the strategic partnership. This capital commitment is in addition to the previously indicated purchase price of \$1.35 to \$1.40 billion dollars to be paid by Duke at closing and New Hanover County’s retention of NHRMC’s net cash.**

To further highlight Duke’s demonstrated history of investing in its affiliates, the table below outlines Duke’s investments in Duke Regional Hospital and Duke Raleigh Hospital during each of the past three fiscal years. The figures below imply a blended annual spending ratio of 2.21x over time, and represent a period inclusive of numerous strategic investments including new facilities.

| <b>RATIO OF CAPITAL SPEND TO DEPRECIATION</b><br><i>\$ in Millions</i> | <b>FY2017</b> | <b>FY2018</b> | <b>FY2019</b> | <b>3-Year<br/>Average</b> |
|--|---------------|---------------|---------------|---------------------------|
| Duke Regional  | 1.82x         | 1.13x         | 2.78x         | 1.91x                     |
| Duke Raleigh   | 1.54x         | 3.22x         | 2.76x         | 2.51x                     |
| Duke Regional/Raleigh Average  | 1.68x         | 2.17x         | 2.77x         | 2.21x                     |