

**To** Erlanger Management, Erlanger Board, HMC Board, Authority Board (HHA), Senator Jeff Mullis

**From** the Catoosa, Dade, and Walker County Governing Authorities (Counties)

All:

It has become clear to the Counties that any long term management and success of Hutcheson Hospital will require the support of the Counties, at least to the extent of pledging security for financing for hospital operations. We believe Erlanger's management and board both understand and agree with this proposition.

Based upon past management decisions and the need for additional support from the Counties, we do not believe that the HMC/HHE boards are in the best position to properly negotiate with the hospital's creditors and Erlanger to deliver a final product which would be satisfactory to the Counties and at the same time best for the Hospital and Erlanger. The HHA team has a team of legal and financial professionals available to it who have worked on these issues and problems for months (some for years) and who are ready to immediately provide assistance and advice in these negotiations. HMC has a very capable but brand new attorney who is not familiar with these issues and, to our knowledge HMC has no independent financial advisors. We have been told that HMC is still seeking advice from Alston Bird on how to deal with Regions and the bond issues. Recent e-mails from Ms. Attaway and Mr. Nelson limiting access to the Erlanger proposal, along with the continuing limitations placed on both HHA's and the Counties' access to information make it clear that the HHA Transition Team members and their professional advisors will not receive appropriate respect in the negotiation process. Prior to the first meeting of the Transition Team, HMC unilaterally added two members from the HMD Board to the Team. The 8 to 3 HHE/HMC/HMD vs. HHA membership will make it impossible for the HHA members to effectively assert any position or impact any decisions in the process.

Based upon the foregoing, the Counties feel it is time to make their position clear and firm. Millions of dollars of taxpayer funds from the Counties have been contributed to the Hospital over the years, in addition to private contributions from the citizens and businesses of the Counties. The Counties are willing to help to save their Hospital and to secure the investment of their citizens. At this point, all items are on the table and open for discussion. Given the appropriate business plan, hopefully with Erlanger, the Counties are willing to consider a pledge of appropriate security for a new financing plan. Any acceptable business plan must provide relative assurance that the credit pledge would never be called upon for actual tax revenues for operations shortfalls. However, the Counties are not in a position to discuss such a pledge or any other form of assistance until and unless the HHA board is primarily in charge of governance of the Hospital affairs and is firmly in charge of hiring and firing of all Hospital administration, at least until some other negotiated agreement is reached. The most efficient way to assure timely support from the Counties is for the HHA team and its professional support staff, on behalf of the HHA and the Counties, to be primarily in charge of the Erlanger negotiations, with a strong support role played by the HHE/HMC/HMD Board members. The Regions problems and other Hospital creditor issues must be addressed and resolved as a first step in any negotiations between the Counties and Erlanger.

Both the HHA and the Counties stand ready to give the highest priority to any plan Erlanger/HMC wishes to propose which will accomplish the conditions precedent as outlined above. In the interim, the Counties do not wish to share responsibility for issues out of our control. Therefore, we have asked our HHA board to not participate in any negotiations until our conditions are satisfied.

Thank you for your attention to this matter. Should you have any questions, comments or other potential solutions, please contact the HHA board attorney, Donald F. Oliver.

Respectfully,  
THE GOVERNING AUTHORITIES OF CATOOSA, DADE, AND WALKER COUNTIES