

PREFILED WRITTEN TESTIMONY
DR. PETER BEILENSON, PRESIDENT AND CHIEF EXECUTIVE OFFICER
EVERGREEN HEALTH

I serve as President and Chief Executive Officer of Evergreen Health, Inc. (“Evergreen Health” or the “Company”) and have served in the role of President and Chief Executive Officer of Evergreen Health since the Company began operations in 2012 as a qualified non-profit health insurance issuer (“CO-OP”) under the CO-OP program established by the Affordable Care Act of 2010 (the “ACA”). As an ACA CO-OP, the Company received loan amounts of approximately \$65 million through the Centers for Medicare and Medicaid Services (“CMS”), which the Company used to meet its required surplus and operating costs.

Evergreen Health began exploring options to raise additional sources of capital in the spring of 2016 after CMS took an unexpected position with respect to the risk adjustment payment aspect of the ACA, resulting in the Company receiving a risk adjustment assessment of approximately \$24.2 million. The risk adjustment assessment and other factors, including unanticipated setbacks in the implementation of the ACA, caused the Company to be unable to comply with minimum risk-based capital requirements of the CMS loan and threatened its ability to meet its minimum surplus and risk based capital (“RBC”) requirements under Maryland law.

In approximately June 2016, Evergreen Health undertook efforts to obtain relief from the risk adjustment assessment, to negotiate a reduced loan repayment amount with CMS and to obtain an external source of financing to enable the Company to continue to meet its minimum surplus and RBC requirements. On July 12, 2016, Evergreen Health retained River Corporate Advisors (“RCA”), to assist the Company in connection with a potential financing or strategic transaction.

In an effort to obtain financing for Evergreen Health, RCA and Evergreen Health management contacted over 60 parties from mid-July through September 2016, including private equity investors and strategic acquirers. During that time, Evergreen Health performed due diligence on the potential investors and was awaiting proposed term sheets from the potential investors.

Evergreen Health received proposals for two potential transactions for the Board to consider at its October 3, 2016 meeting. After receiving comprehensive information from RCA and management on each potential investor group, the Board unanimously approved moving forward with the transaction recommended by management.

Prior to consideration of the transaction proposal and deciding to move forward with a transaction, the Board was also presented with information concerning the process it would have to undergo to obtain regulatory approval for a conversion to a for-profit entity and the acquisition of the Company. The Board received: (i) a valuation report from an independent valuation expert (Calvin Swartley of Moss Adams); (ii) information on the financial and community impact of the proposed transaction from a financial and

community impact expert (Donna Novak of NovaRest); and (iii) a report of the antitrust implications of the transaction that were addressed by an antitrust expert (Michael Brockmeyer of Haug Partners).

Subsequent to the October 3, 2016 Board meeting, Evergreen Health was unable to reach a final acquisition agreement with the investor group that the Board approved for the proposed transaction. Evergreen Health was separately approached by a consortium of investors expressing a desire to put forth the bridge loan financing needed by Evergreen Health and then to become acquirers of Evergreen Health.

An Evergreen Health Board meeting was held on October 14, 2016, at which time information was provided to the Board with respect to the new investors and their proposal to put forward bridge loan financing and acquire Evergreen Health. Management recommended moving forward with the new investors as they were considered to be better suited to complete the transaction with Evergreen Health. The Board approved resolutions to terminate the term sheet with the prior investor group and move forward with the new investors. The new investors included initial members of JARS Health Investments, LLC (“JARS”).

Negotiations continued with the new investors and the Evergreen Health Board next met on October 28, 2016, at which time the Board was updated on the progress of the negotiations with the new investors. CMS had determined at that time that it wanted to move forward the deadline for Evergreen Health to pay off the CMS loan and the new investors were willing to increase the amount of bridge loan financing to include the \$3.25 million necessary to pay off the CMS loan prior to closing on a transaction to acquire Evergreen Health. The Board approved the increase in the loan amount to be received from the investors to enable the CMS loan to be paid off in the 4th quarter of 2016.

Evergreen Health negotiated with CMS through November and December of 2016, resulting in a settlement agreement that included repayment of the CMS loan and other consideration. Evergreen Health also continued to negotiate with the proposed investors.

Evergreen Health determined that additional investors were needed in order to establish financing on terms acceptable to the Company. In late November and December, RCA and Evergreen Health management contacted approximately 25 additional investors, including re-contacting Anne Arundel Health System, Inc. (“Anne Arundel”) and LifeBridge Health, Inc. (“LifeBridge”), which were among the potential investors contacted in the initial round.

Beginning in December 2016, Evergreen Health negotiated the terms of a transaction with the three investors comprised of JARS, Anne Arundel and LifeBridge (the “Acquirers”).¹ Negotiations continued through April of 2017.

The Evergreen Health Board met on April 4, 2017 to consider the proposed acquisition of Evergreen Health by the Acquirers (the “Acquisition”). At the April 4, 2017 Board meeting, the Board determined that the Acquisition is in the best interest of Evergreen Health, its policyholders, and the public, that the Acquisition is necessary for Evergreen Health to meet its obligations to creditors, policyholders and other third parties, and to be able to continue to provide health insurance coverage to Maryland residents. The Board approved the Acquisition and authorized Evergreen Health’s officers to take steps to negotiate the final Acquisition agreement.

Prior to approving the Acquisition at the April 4, 2017 meeting, the Board was presented with information regarding the terms of the proposed Acquisition and due diligence performed by RCA beginning with its initial retention in July 2016 and specific due diligence performed on the Acquirers prior to the Board meeting. The Board was presented with information regarding the selected experts and the process undertaken to select the experts. The Board was also presented with an updated independent valuation analysis by Calvin Swartley of Moss Adams, an updated financial and community impact analysis by Donna Novak of NovaRest and an antitrust opinion by Michael Brockmeyer of Haug Partners. Information was presented to the Board regarding potential conflicts of interest with regard to the experts and consultants retained by Evergreen Health as well as potential conflicts of interest of executives and the Board. It was determined by Evergreen Health that there were no conflicts of interest with respect to the experts or consultants, executives or the Board. Confirmation has been received by each Evergreen Health executive, Board member, expert and consultant that no proposed conflicts of interest exist except for those that were disclosed to the Board and determined not to be conflicts.

The final terms of the transaction were negotiated with the Acquirers following the April 4, 2017 Board meeting. The Evergreen Health Board met again on April 25, 2017, at which time the Board was presented with the proposed Stock Purchase Agreement to be entered into with the Acquirers. The Board approved execution of a Stock Purchase Agreement and authorized appropriate officers of Evergreen Health to negotiate the final Stock Purchase Agreement and execute the Stock Purchase Agreement on behalf of the Company. The final Stock Purchase Agreement was executed effective May 1, 2017.

Detailed information with regard to the potential investors approached in the mid-July – September round and the December – January round has been provided to the Maryland Insurance Administration on a confidential basis. Many of these potential investors signed Non-Disclosure Agreements with Evergreen Health, and Evergreen

¹ LifeBridge Health, Inc. later formed a new entity in its holding company system – LBH Evergreen Holdings, LLC - to acquire Evergreen Health. Reference to the Acquirers in this testimony will include LBH Evergreen Holdings, LLC, as appropriate.

Health is not able to disclose the names publicly. Evergreen Health's Board and management have concluded that the number of potential investors considered, the diligence performed on these potential investors, and the final transaction approved by the Evergreen Health Board demonstrate the care and diligence applied to this proposed conversion, serving the best interest of Evergreen Health's policyholders and the public interest.

The Stock Purchase Agreement is structured to ensure that, after Acquisition, Evergreen Health will possess surplus in an amount sufficient to comply with the surplus required under law and provide for the security of Evergreen's certificate holders and policyholders. The transaction to be effected through the Stock Purchase Agreement does not include a management contract; management of Evergreen Health will remain and, with the new board elected by the Acquirers, will manage the Company. The transaction does not provide for any officer or director of Evergreen Health to receive any immediate or future remuneration as a result of the Acquisition except in the form of compensation paid for continued employment with Evergreen Health. The transaction also does not provide for a break-up fee. Finally, it is my understanding that Evergreen Health does not have any public or charitable assets and, in any event, no assets from the Acquisition will inure directly or indirectly to an officer or director of Evergreen Health.

Respectfully Submitted,

Dr. Peter Beilenson, President
and Chief Executive Officer
Evergreen Health, Inc.