



August 31, 2018

Colleagues,

I am writing today with news about the future of our organization. Before I share this, I want to thank you from the bottom of my heart for the dedication you've shown through your hard work for our patients and families with the high-quality care they've come to expect and deserve. This remains our top priority.

This morning, Verity announced that it has voluntarily filed for protection under Chapter 11 of the United States Bankruptcy Code. Please understand, this was not an easy decision, or one made lightly, but this action allows for protection of our important historic institutions and our dedicated employees. As you all know, over the last two decades, we have suffered financial losses year after year. Today, this action allows us to obtain critical funding offered only under Chapter 11 protection, allowing a smooth and stable transition. **The press release is attached.**

While this was an incredibly difficult decision for our Boards, they all agreed, this is the best possible outcome for our patients, employees and the communities we serve, and will allow us to establish a long-term, sustainable path forward.

**Here's why:**

1. **This does NOT mean close-of-business.**

In fact, this action provides the essential protection and additional financing, which has already been secured, to ensure critical operations like providing patient care and funding employee wages can continue through this entire process.

2. ***Chapter 11 protection is a proven strategy.***

Other hospitals and health systems in California and across the U.S. that have completed this process are now in improved financial and operational health. We carefully examined many examples before making this decision.

Our employees are vital to the success of our system. The protection and funding provided under Chapter 11 ensures that our employees will continue to be paid and receive health benefits. We will make retirement plan contributions and

payments to retirees should be uninterrupted. Equally important is we will continue to be able to pay our vendors, so we can continue to deliver exceptional care.

**3. *This reorganization is designed to improve the financial and operational obstacles facing the System, and we have a carefully planned strategy to proceed.***

The purpose of this filing is to facilitate a court-supervised sale of some or all of the hospitals. We are seeking protection and pursuing a sale process in order to preserve the original mission of these hospitals - providing high-quality care to patients in underserved communities. In addition, after the sales, Verity will propose a plan of reorganization, which will address claims and debt that have accumulated over the past two decades.

To close, I wanted to reiterate that Verity's Boards and management team have explored and continue to explore every option on the table. If the System continued down its previous path, we would not have been able to keep our doors open and our patients, employees and communities would be left without a plan.

I ask that you continue to focus on serving our patients and their families who are in a time of need and thank you for your patience as we enter this new phase.

Thanks for all you do every day,



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