

February 07, 2019

## NOTICE OF PENDING AFFILIATION NEGOTIATIONS

Notice is hereby given that Peninsula Regional Health System, Inc. (“PRHS”) is currently engaged in affiliation discussions with two other healthcare providers on the Delmarva peninsula. PRHS, a nonprofit corporation, is currently the sole corporate member of Peninsula Regional Medical Center, Inc. (“PRMC”), which owns and operates a 288 licensed bed acute tertiary care hospital in Salisbury, Maryland.

PRHS and the McCready Foundation, Inc. (“McCready”) have entered into a non-binding letter of intent dated July 5, 2018 (the “McCready LOI”). The McCready LOI contemplates an affiliation between PRHS and McCready under which PRHS would become the sole corporate member of McCready, which is also a nonprofit corporation. McCready currently owns and operates McCready Memorial Hospital, a 2 licensed bed facility in Crisfield, Maryland, as well as a skilled nursing facility, an assisted living facility and an intermediate care facility.

PRHS and Nanticoke Health Services, Inc. (“Nanticoke”) have entered into a non-binding letter of intent dated January 30, 2019 (the “Nanticoke LOI”) which contemplates an affiliation between PRHS and Nanticoke. Under the Nanticoke LOI, PRHS is expected to become the sole corporate member of Nanticoke. Nanticoke, also a nonprofit corporation, is currently the sole corporate member of Nanticoke Memorial Hospital, a 99 licensed bed hospital in Seaford, Delaware, serving the healthcare needs of Sussex County, Delaware.

Certain actions provided for in the McCready LOI and the Nanticoke LOI are expected to be memorialized in final agreements to be executed by the parties. The parties to the McCready LOI are working toward a July 1, 2019 closing date. The parties to the Nanticoke LOI have agreed to use their best efforts to cause a final agreement to be executed by May 31, 2019, and a closing to follow in October of 2019.

***This Notice is made by PRHS on behalf of itself and PRMC. The information contained herein is for informational purposes only, and does not include all information which may be of interest to an investor, nor does it purport to present full and fair disclosure with the meaning of the applicable securities laws. This document is not intended to contain complete information which is material to the issuance of or investment in any obligations of PRHS, PRMC, McCready or Nanticoke and their respective affiliates, nor does this document constitute an offer to sell or the solicitation of an offer to buy any such obligations. This Notice is not made by PRHS, PRMC, McCready or Nanticoke in connection with a purchase or sale of securities and accordingly is not intended to contain all information material to a decision to purchase or sell securities. The filing of this Notice does not constitute or imply any representation regarding any other financial or operating information about PRHS, PRMC, McCready or Nanticoke or any representation that no other circumstances or events have occurred which may have a bearing on PRHS’s, PRMC’s, McCready’s or Nanticoke’s financial condition or an investor’s decision to buy, sell or hold bonds.***

*There can be no assurance that the proposed transactions contemplated by the parties will be implemented as described in the letters of intent, or otherwise, or that the financial structures of PRHS, PRMC, McCready or Nanticoke will be changed in any particular respect. The effect of the proposed transaction, if any, is subject to future events and agreements, the impact of which on PRHS and PRMC and on McCready and Nanticoke cannot be predicted at this time, but which could be material.*

*This document contains forward-looking information within the meaning of the federal securities laws. The forward-looking statement include statements about the outlook for the future, as well as other statements of beliefs, future plans or strategies or anticipated events, and similar expressions concerning matters that are not historical facts. Forward-looking statements and information are subject to many risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, such statements. The reader is cautioned not to place undue reliance on forward-looking statements because actual results may differ materially from those expressed in, or implied by, such statements. The forward-looking statements contained in this document are applicable only as of their dates, and no obligation is undertaken by any person or entity to update any forward-looking statement, whether as a result of new information, future events or otherwise.*

*The information herein is subject to change without notice, and under no circumstance should it be implied that there has been no change in the affairs of any of PRHS, PRMC, McCready or Nanticoke or their respective affiliates. The posting or making available of disclosures by PRHS, PRMC, McCready or Nanticoke subsequent to the date hereof does not imply that there has been no change in the affairs of PRHS, PRMC, McCready or Nanticoke since the date hereof.*