

LETTER OF INTENT

THIS LETTER OF INTENT (“**LOI**”) is entered into this 13th day of July, 2020 (“**Effective Date**”) by and among New Hanover County (“**County**”), New Hanover Regional Medical Center, a North Carolina nonprofit corporation, on behalf of itself and its affiliates (“**NHRMC**”) (County and NHRMC are each a “**Seller**” and together the “**Sellers**”) and Novant Health, Inc., a North Carolina nonprofit corporation (“**Buyer**”). Buyer and Sellers may be collectively referred to herein as the “**Parties**”, or individually as a “**Party**”. This LOI sets forth the current understanding of the Parties in principle with respect to the terms of the Proposed Transaction that are described in this LOI. This LOI is an expression of the Parties’ current intent and, except for the terms set forth in Part B, is not binding on the Parties.

RECITALS

WHEREAS, the County owns the Hospitals (as defined below), medical facilities, and other assets leased to NHRMC to operate as a healthcare system governed by the County-appointed NHRMC Board of Trustees (“**NHRMC Board**”); and

WHEREAS, certain industry trends, challenges, opportunities, and related discussions as to the best course forward for NHRMC have led to the County Commissioners of New Hanover County (“**County Commissioners**”) passing a resolution in September 2019 to move forward in exploring potential future options for NHRMC through a request for proposals process (“**RFP**”) in accordance with North Carolina law, and to the NHRMC Board passing a corresponding resolution endorsing such County and NHRMC exploration in that same month; and

WHEREAS, on March 16, 2020, six health care organizations, including Buyer (“**Respondents**”), responded to the comprehensive RFP with a variety of proposals, all of which have been well vetted by the Partnership Advisory Group (“**PAG**”), a Joint Subcommittee of the County Commissioners and NHRMC Board, with analyses and input from financial, legal, and strategic advisors; and

WHEREAS, in accordance with North Carolina law, a public hearing was held on June 22, 2020 regarding the proposals received in response to the RFP; and

WHEREAS, in conjunction with the PAG’s evaluation of the proposals, the corresponding due diligence and discussions with the finalists, the Parties have negotiated and prepared this LOI; and

WHEREAS, the PAG and NHRMC Board have recommended the County Commissioners approve and authorize the execution of this LOI, and the County Commissioners, having reviewed all of the work of the PAG and the proposals, and having considered the best interests of the County and the Community, concur with such recommendations; and

WHEREAS, the County Commissioners will use, invest, and manage the proceeds of the transactions described in this LOI exclusively for public benefit purposes; and

WHEREAS, the Parties each, respectively desire to enter into this LOI, pursuant to the

terms set forth herein.

NOW, THEREFORE, in consideration for the promises, covenants, and commitments set forth herein, and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties do hereby enter into this LOI.

## **PART A – NON-BINDING PROVISIONS**

The following sections of Part A of this LOI are non-binding.

1. Proposed Transaction. Buyer, directly or through one or more affiliated entities, will acquire the Purchased Assets (defined below) (collectively, the “**Proposed Transaction**”). The Parties may elect to pursue another fully integrated acquisition model by mutual agreement, and, with respect to the fully integrated acquisition, agree to explore structuring efficiencies.

2. Purchased Assets; Excluded Assets; Assumed Liabilities.

(a) Buyer will purchase all of the tangible and intangible assets, real property, rights, privileges and interests and working capital (as further defined in Schedule 3) of Sellers that are used or held for use as part of, or in conjunction with or in support of, the operations of (i) NHRMC and its affiliates, including, but not limited to, the facilities set forth on Exhibit A attached hereto (the “**Hospitals**”), which the Parties anticipate will include the Hospital Medicare and Medicaid provider agreements and numbers associated therewith, and (ii) the physician practices, urgent care centers, imaging centers, ambulatory surgical facilities, medical office buildings and other ancillary businesses that are used or held for use as part of, or in conjunction with or in support of, the operations of NHRMC and its affiliates, which the Parties anticipate will include the associated Hospital Medicare and Medicaid provider agreements and numbers thereof (such businesses, together with the Hospitals, the “**Business**”), including, but not limited to, (A) the real property listed on Exhibit B (the “**Real Property**”) and (B) NHRMC’s equity interests in or assets of the joint ventures and subsidiaries set forth on Exhibit C, all as shall be more particularly identified by the Parties in the Purchase Agreement (defined below) (collectively, the “**Purchased Assets**”). All Purchased Assets will be conveyed to Buyer free and clear of all liens, liabilities, encumbrances and defects in title, other than customary permitted exceptions, as agreed by the Parties.

(b) In addition, Buyer will assume certain specific liabilities of Sellers, which shall be limited to (i) liabilities arising after the Closing under contracts that are Purchased Assets, such as employed and contracted physician agreements and leases, but only to the extent that such liabilities thereunder are required to be performed after the Closing Date, were incurred in the ordinary course of business and do not relate to any failure to perform, improper performance, warranty or other breach, default or violation by any Seller on or before the Closing, (ii) any and all obligations arising after the Closing with respect to transferred Real Property, (iv) current liabilities that are included in the agreed upon calculation of Net Working Capital, which will include, but not be limited to, accrued paid time off obligations relating to transferred employees, subject to a cap to be agreed upon by the Parties, and (v) such other liabilities, if any, as shall be mutually agreed by the Parties in the Purchase Agreement (“**Assumed Liabilities**”).

(c) Notwithstanding the foregoing, the Purchased Assets shall not include any

excluded assets, which shall include, but not be limited to (i) cash, cash equivalents and investments, (ii) materials protected by the attorney-client privilege, work product doctrine or other similar privilege insofar as such materials relate to the Proposed Transaction or if the materials relate principally to Excluded Assets or Excluded Liabilities, (iii) restricted funds that are not capable of being transferred to the Buyer, (iv) third-party payor cost report settlements related to operations of the Business in or prior to September 30, 2020 and (v) such other assets as shall be mutually agreed by the Parties in the Purchase Agreement (“**Excluded Assets**”).

(d) The following liabilities of Sellers, to the extent such liabilities are not Assumed Liabilities, will be excluded from the Proposed Transaction: (i) all debts of, guarantees of debt by, accrued interest, or net interest rate swap liabilities of Sellers or their respective affiliates or otherwise relating to the Business, (ii) any liabilities related to any pension or supplemental retirement plan of the Business (funded or unfunded) and any unfunded other employee benefit obligations of the Business, (iii) liabilities relating to the Excluded Assets, (iv) liabilities and obligations associated with governmental programs administered in connection with COVID-19 pandemic relief, including but not be limited to (A) future repayments and/or offsets for funds received through the Medicare Advancement Payment program, (B) CARES Act HHS grants, (C) Federal Emergency Management Agency grants and (D) Federal Communications Commission funds (to the extent they are required to be refunded or repaid) and (v) such other liabilities as shall be mutually agreed by the Parties in the Purchase Agreement (“**Excluded Liabilities**”).

3. Purchase Price and Financial Commitments. The purchase price, capital commitments and other consideration and financial commitments to be paid and made by Buyer as part of the Proposed Transaction are set forth and detailed on Schedule 3, attached hereto and incorporated herein by reference.

4. Additional Covenants and Commitments of the Parties. In addition to the other covenants and commitments of the Parties set forth herein, the Definitive Documents shall also include certain additional post-Closing covenants and commitments of the Parties, including, but not limited to, those covenants and commitments set forth below in this Section 4. The Definitive Documents shall memorialize the particulars and standards regarding each Party’s performance of their respective post-Closing covenants and commitments set forth in the Definitive Documents, including those set forth in this Section 4, all of which shall be performed as promptly as practicable, and in any event, unless otherwise specifically stated herein, within not more than five years following the Closing. As applicable, some of the commitments may be subject to force majeure provisions, and the commitments shall also be subject to modification with the advance consent of the Board (defined herein).

(a) Improving Access to Care and Wellness: Buyer shall improve access to care and wellness in the Business’s primary and secondary service areas (presently, New Hanover, Pender, Brunswick, Columbus, Onslow, Duplin and Bladen Counties) and any other primary or secondary service areas in to which the Business expands post-Closing (“**Service Area**”), as further summarized in Schedule 4(a), attached hereto and incorporated herein by reference.

(b) Advancing the Value of Care: Buyer shall advance the value of care in the Service Area, as further summarized in Schedule 4(b), attached hereto and incorporated herein by reference.

(c) Achieving Health Equity. Buyer shall promote and advance the achievement of health equity in the Service Area, as further summarized in Schedule 4(c), attached hereto and incorporated herein by reference.

(d) Supporting and Maintaining Staff. Buyer shall maintain and support the Business's staff, as further set forth in Schedule 4(d), attached hereto and incorporated herein by reference.

(e) Partnering with Providers. Buyer shall develop, implement and continue to enhance provider relationships and partnerships associated with the Business, as further set forth on Schedule 4(e), attached hereto and incorporated herein by reference.

(f) Driving Quality Care Throughout the Continuum. Buyer shall drive and improve quality of care throughout the Business's care continuum in the Service Area, as further set forth in Schedule 4(f), attached hereto and incorporated herein by reference.

(g) Growing the Level and Scope of Care. Buyer shall grow the Business's level and scope of care in the Service Area, as further set forth in Schedule 4(g), attached hereto and incorporated herein by reference.

(h) Investing to Ensure Long-Term Financial Security. Buyer shall make investments to ensure the long-term financial viability and security of the Business, as further set forth in Schedule 4(h), attached hereto and incorporated herein by reference.

(i) Strategic Positioning. Buyer shall advance the Business's strategic position in the Service Area, as further set forth in Schedule 4(i), attached hereto and incorporated herein by reference.

(j) Governance. From and after the Closing, the Business, including, but not limited to, the Hospitals, shall be governed according to the terms set forth in Schedule 4(j), attached hereto and incorporated herein by reference. Similar to other subsidiaries of Buyer, the intention of the Parties is that Buyer retain sufficient control over the Business so that it may consolidate for accounting purposes.

(k) Statutory Requirements. Buyer shall comply in all material respects with all laws and regulations applicable to Buyer in the Proposed Transaction, including, but not limited to, the terms of NCGS 131E-13(a), as further set forth in Schedule 4(k), attached hereto and incorporated herein by reference. For clarity, all references to "corporation" in NCGS 131E-13(a) shall be read to include Buyer, notwithstanding any other statutory definitions.

(l) Corporate Administration Charges, Overhead Costs, and Other System Level Expenses. Prior to execution of the Definitive Documents, Buyer and Sellers shall mutually agree upon a methodology for Buyer's allocation of any administrative charges or overhead costs to the Hospitals during the integration period occurring within the first five years following the Closing. As part of this process and following the Effective Date of this LOI, Buyer shall provide Sellers with proposed estimates for the post-Closing phasing of such allocations over the five-year post-Closing integration period. Further, following the expiration of the integration period, Buyer agrees that any such allocations or charges applied to the Hospitals will be fairly apportioned and

consistent with the methodology used by Buyer for similar charges and allocations made to other operations, divisions or subsidiaries of Buyer.

(m) Tail Insurance. Sellers shall obtain, at Sellers' sole cost, tail insurance for any claims-made insurance policies that Sellers currently maintain.

Additionally, the Definitive Documents shall include a requirement that Buyer submit, on an annual basis, a report to the Sellers, or their designee, providing a high-level summary of progress on the post-Closing commitments undertaken by Buyer pursuant to the Definitive Documents, including, but not limited to, a summary of the projects funded by the Buyer's capital commitments; provided, that such reporting obligations shall only remain in effect through the first 12 years following Closing. The format of such summaries will be as agreed by the Parties from time to time.

5. Purchase Agreement; Definitive Documents. The first drafts of the purchase agreement ("**Purchase Agreement**") and documents ancillary thereto (together with the Purchase Agreement, the "**Definitive Documents**") shall be drafted and prepared by Sellers. The Definitive Documents will include customary terms and conditions, including, but not limited to, representations and warranties, covenants and certain indemnification obligations of the Sellers and Buyer. Buyer agrees that, except for the representations and warranties specifically set forth in the Purchase Agreement, the Purchased Assets shall be transferred on an "AS-IS" basis. Sellers' representations and warranties (other than customary fundamental representations, which shall be limited to the representations specifically addressing good standing, due authority, no conflict, title to assets, and no brokers (the "**Fundamental Representations**")) shall not survive Closing. Fundamental Representations shall survive the Closing for a 10-year period. On or before execution of the Definitive Documents, Buyer may at its option procure a buyer-side representation and warranty insurance policy ("**R&W Policy**") and, in such case, Sellers shall reasonably cooperate with such effort. Buyer and Sellers shall each be responsible for one-half of the retention amount under the R&W Policy. Under any R&W Policy, Buyer's portion of the retention shall be absorbed first and Sellers' portion shall be obtained from the Escrow Amount (as defined below)). In addition, for any portion of the retention payable by Buyer for a breach of a Fundamental Representation, such amount shall constitute a Buyer loss to be satisfied from the Escrow Account. Buyer's sole and exclusive remedy for any liability of Sellers arising from breach or inaccuracy of any representations or warranties (other than Fundamental Representations and with respect to Excluded Liabilities) in the Definitive Documents shall be the R&W Policy. For clarity, in the event Buyer elects not to procure the R&W Policy, Buyer shall have no recourse against Sellers with respect to any breach or inaccuracy of any representations or warranties of Sellers in the Definitive Documents (other than Fundamental Representations and with respect to Excluded Liabilities). At Closing, Sellers shall place One Hundred Million Dollars (\$100,000,000) ("**Escrow Amount**") into an escrow account ("**Escrow Account**") maintained by an escrow agent of national reputation mutually agreed by Sellers and Buyer. Buyer's sole remedy for any liability of Sellers arising from any (a) breach of any Fundamental Representation for which Buyer does not have recourse under the R&W Policy, if any, or (b) Excluded Liabilities (the "**Excluded Matters**") shall be a disbursement from the Escrow Account and only to the extent such funds remain available. The Escrow Account shall be maintained for a period of two years following Closing. There shall be no deductible or cap in respect of Buyer losses arising from Excluded Matters. The Definitive Documents shall include provisions setting forth certain mutually

agreeable remedial rights for, and accruing on behalf of, the Sellers in the event of a material breach by Buyer of the covenants set forth in the Definitive Documents; provided, however, that repatriation of the Purchased Assets to the County following appropriate cure periods and opportunities will be an available remedy for a limited number of certain material breaches similar to those set forth in N.C.G.S. 131E-13 and designated by the Parties in the Definitive Documents at a purchase price that reflects liabilities assumed and capital investments made by Buyer. Sellers shall be jointly and severally liable for any losses to Buyer arising from breach of any Definitive Document except with respect to the break fee set forth in Part A, Section 9, with respect to which the Sellers shall be severally, and not jointly, liable.

6. Closing. The Parties will use good faith, commercially reasonable efforts to finalize and execute the Definitive Documents no later than October 31, 2020. The closing of the Proposed Transaction (“**Closing**”) shall occur, unless otherwise mutually agreed, on the month end next following the satisfaction or waiver of the last condition to closing to be satisfied or waived. The Parties will use all commercially reasonable efforts to cause the Closing to occur within 180 days following the execution of the Purchase Agreement.

7. Closing Conditions. Prior to entering into a Purchase Agreement, each Party will obtain all internal approvals required to consummate the Proposed Transaction and effect the Closing. The Purchase Agreement will provide that the Closing will occur after receipt of any required regulatory approvals set forth in the Purchase Agreement and satisfaction of any other customary closing conditions. Buyer acknowledges that closing certainty is a material consideration for Sellers to enter into any Purchase Agreement and, therefore, (a) the Purchase Agreement shall contain no financing contingency and (b) the Closing shall not be conditioned upon the receipt of third-party approvals or estoppels other than required regulatory approvals and any third-party consents or estoppels that, if not obtained, would have a materially detrimental effect on the Business taken as a whole, which such third-party consents shall be identified and agreed to by the Parties within 60 days of signing this LOI. Notwithstanding the foregoing, Sellers will use commercially reasonable efforts to obtain other material required third-party consents and estoppels.

8. Regulatory Review; Cooperation. Sellers and Buyer will reasonably cooperate with each other in making such filings and in connection with responding to any investigation or other regulatory inquiry concerning the transaction contemplated by this LOI. To the extent practicable under the circumstances, no Party shall agree to participate in any substantive call, meeting or conference with any governmental entity, or any member of the staff of any governmental entity, in respect of any filing, proceeding, investigation (including any settlement of the investigation), litigation, or other governmental inquiry related to the Proposed Transaction unless such Party consults with the other Parties in advance and, where permitted, allows the other Parties to participate. Each Party shall also use commercially reasonable efforts to obtain any approval or review required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976. Each Party shall file any HSR filings required in conjunction with the Proposed Transaction as promptly as practicable after signing of the LOI and shall respond to any subsequent inquiries from any applicable government agency regarding such filing as quickly as practicable.

9. Break Fees. The Purchase Agreement shall contain a “break fee” equal to Twenty-Five Million Dollars (\$25,000,000.00). The break fee cannot be funded by any one Party to cover

another Party's break fee obligation, and it shall be payable (i) by Buyer to Sellers, collectively, in the event Sellers terminate the Purchase Agreement based on Buyer's material breach of the Purchase Agreement, after a commercially reasonable period of time to cure such breach, which will be mutually agreed by the Parties during negotiation of the Definitive Documents, (ii) by the County to Buyer in the event Buyer terminates the Purchase Agreement based on the County's material breach of the Purchase Agreement, after a commercially reasonable period of time to cure such breach, which will be mutually agreed by the Parties during negotiation of the Definitive Documents, or (iii) by NHRMC to Buyer in the event Buyer terminates the Purchase Agreement based on NHRMC's material breach of the Purchase Agreement, after a commercially reasonable period of time to cure such breach, which will be mutually agreed by the Parties during negotiation of the Definitive Documents. Such break fee is due, in full, within 30 days following such cure period if the breach remains uncured, and such amount is separate and apart from any and all damages resulting from such breach.

10. Due Diligence. Upon execution of this LOI, Buyer will commence, on a timely and expeditious basis, due diligence of the Business. In the course of this due diligence, Buyer and its employees, agents, consultants, appraisers and counsel may request certain financial and operating data, as well as other information related to the ownership and use of the Business. Such due diligence may include, but not be limited to, review and investigation of the operational, legal, financial, billing, coding, collecting, employment and other matters of the Business. Sellers will permit Buyer's employees, agents, consultants, appraisers and counsel to have reasonable access to its staff and facilities during normal working hours; provided, that all such access shall be coordinated through a designated representative of the Sellers and Buyer shall not and shall cause its representatives not to, disrupt the normal operations of Sellers or Sellers' affiliates; and provided, further, that such access may consist of virtual access in accordance with applicable state, federal, or local orders or regulations governing social distancing and related matters in light of COVID-19. The commitments set forth in this LOI assume the completion of Buyer's due diligence of the Business to Buyer's reasonable satisfaction. To the extent Buyer identifies any material concerns during the course of due diligence which could reasonably be expected to materially impact any of the commitments set forth herein (each, a "**Material Concern**"), Buyer shall promptly notify Sellers of such Material Concern and provide Sellers with a reasonable period to address, remedy or rectify such Material Concern. In the event Sellers are unable to address, remedy or rectify any Material Concern in such a manner that it would no longer reasonably be expected to materially impact the commitments set forth herein, the Parties acknowledge and agree that those commitments set forth herein that remain materially impacted may be modified in good faith upon mutual agreement of the Parties, subject to any and all limitations and restrictions set forth in this LOI; provided, that the Parties shall use good faith best efforts to modify any such commitments in as limited of a manner as possible in order to retain as much of the intended benefit of such commitments as is reasonably possible.

## **PART B – BINDING PROVISIONS**

The terms set forth in this Part B are intended to be legally binding on the Parties with respect solely and specifically to the matters contained and set forth in this Part B and the matters covered thereby.

1. Term. Unless terminated earlier by written agreement signed by the Parties, this

LOI shall remain in effect until the earlier of (a) the execution of the Definitive Documents, or (b) October 31, 2020 (“**Expiration Date**”). From the date of execution of this LOI by each of the Parties until the Expiration Date, the Sellers will not, without the approval of Buyer: (i) offer for sale the Business (or any material portion thereof) or any ownership interest in any entity owning or owned by NHRMC or its affiliates, (ii) solicit offers to buy all or any material portion of the Business or any ownership interest in any entity owning or owned by NHRMC or its affiliates, (iii) hold discussions with any party (other than the Buyer) looking toward such an offer or solicitation or looking toward a merger or consolidation of any entity owning NHRMC or its affiliates, or (iv) enter into any agreement with any party (other than the Buyer) with respect to the sale, lease, or other disposition of the Business (or any material portion thereof) or any ownership interest in any entity owning NHRMC or its affiliates or with respect to any merger, consolidation, or similar transaction involving any entity owning NHRMC or its affiliates. At the expiration of the term of this LOI, all provisions and obligations hereof shall terminate, except for the Binding Provisions (defined below), which are explicitly intended to survive expiration or termination of this LOI, as further set forth below.

2. Efforts. Buyer acknowledges that Buyer’s commitment to completing due diligence and negotiating and entering into Definitive Documents in good faith and in a timely manner is a material consideration for Sellers to enter into this LOI. Sellers acknowledge that Sellers’ commitment to providing due diligence material on a timely basis and negotiating and entering into Definitive Documents in good faith and in a timely manner is a material consideration for Buyer to enter into this LOI. The Parties agree to work together so that Buyer may complete its due diligence review of the Business, as described in Part A, Section 10 of this LOI, within approximately 90 days following the Effective Date.

3. Confidentiality. The Parties acknowledge and agree that, upon execution, this LOI shall be publicly available. The Parties further acknowledge and agree that Sellers shall make the final draft of the Purchase Agreement, as well as executed copies of the Definitive Documents, publicly available consistent with applicable law. Notwithstanding the foregoing, however, the Parties agree to keep confidential all information, communications, negotiations, draft documents and any other documents, information or materials exchanged that concern or relate in any way to, the Proposed Transaction and other actions of the Parties contemplated hereunder, all pursuant to the terms of that certain Confidentiality Agreement between Buyer and Seller, dated January 15, 2020, which shall remain in effect and shall be binding upon the Parties hereto in accordance with its terms. The provisions of this section shall survive expiration or termination of this LOI for any reason.

4. Expenses. Each Party will bear its own legal, accounting, financial advisor and other fees and expenses related to the Proposed Transaction, subject to the other terms below. Any unpaid transaction expenses of Sellers shall be Excluded Liabilities. Notwithstanding the foregoing, Buyer shall pay (a) all costs of title commitments and title policies (with endorsements), surveys and other site diligence, in each case with respect to the real property to be acquired, (b) any transfer, documentary or other taxes or assessments associated with the transfer of the real property or other assets to be acquired and (c) all filing fees under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. The provisions of this section shall survive expiration or termination of this LOI for any reason.

5. No Violation. Each of Buyer, on the one hand, and Sellers, on the other, represents and warrants that: (i) such Party is duly authorized to enter into this LOI and (ii) entering into this LOI will not conflict with any of its organizational documents or any commitment or contract to which it is a party.

6. Non-Binding. This LOI summarizes certain terms under discussion relating to the Proposed Transaction. The terms and conditions of this LOI shall be non-binding, in all respects; provided, however, that the terms set forth in Part B of this LOI (the “Binding Provisions”) shall be legally binding on all Parties with respect solely and specifically to the matters set forth therein. Except for the Binding Provisions, all other terms, including the terms set forth in the exhibits and schedules hereto, are for discussion purposes only. Each Party acknowledges that, except with respect to the Binding Provisions, neither this LOI nor any prior or subsequent course of conduct or dealing between the Parties, is intended to create or constitute any legally binding obligation, an enforceable contract or create any rights, express or implied, between any of the Parties. Except with respect to the Binding Provisions, no Party shall have any liability to any other Party based upon, arising from, relating to, or with respect to this LOI, or any term herein, unless and until such terms and provisions are included in Definitive Documents that are prepared, authorized, executed and delivered by each of the applicable Parties in their respective sole and unrestricted discretion. No Party, entity, or individual shall take any action, or refrain from taking any action, in reliance on any term set forth herein or upon any negotiation of such terms or other exchange between the Parties prior to the execution of Definitive Documents, if any. Any Party taking any action, or refraining from taking any action, in reliance upon the terms herein or any negotiation or exchange between the Parties related hereto, does so at their own risk. No subsequent oral agreement or consent of any Party (including partial performance) shall be deemed to impose any such obligation or liability.

7. Miscellaneous. This LOI has been negotiated at arms-length between the Parties and shall not be construed for or against any Party by virtue of draftsmanship. This LOI and all matters arising out of, or related in any way to, the terms or scope of this LOI shall be governed by and subject to the laws of the State of North Carolina, without application of any conflicts of laws principles. With respect to any and all claims, controversies, disputes or conflicts of any type and of any manner among the Parties regarding or relating to this LOI (each, an “**Action**”) the Parties agree to waive a jury trial. If a Party initiates an Action, it must be designated as a complex business case to be assigned to a special superior court judge of the North Carolina Business Court case to the fullest extent permitted by N.C. Gen. Stat. § 7A-45.4, Rules of General Practice 2.1 and 2.2 and the North Carolina Business Court Rules. This LOI may not be assigned by any Party without the prior written consent of the other Parties. This LOI may be executed in separate counterparts, including through the exchange of electronic signature or PDF copies, each of which, when taken together, shall constitute one instrument. The provisions of this section shall survive expiration or termination of this LOI for any reason.

[SIGNATURE PAGE ATTACHED]

Signature Page for Letter of Intent

ACCEPTED:

New Hanover County

By: [Signature]

Title: Chair New Hanover County

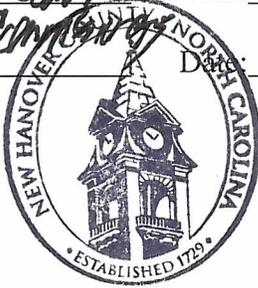
Date: 7/13/2020

New Hanover Regional Medical Center

By: [Signature]

Title: President + CEO

Date: 7/13/2020



Novant Health, Inc.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

*Signature Page for Letter of Intent*

**ACCEPTED:**

**New Hanover County**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**New Hanover Regional Medical Center**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**Novant Health, Inc.**

By: Carl S. Amato

Title: President & CEO

Date: 07/13/2020

## **Exhibit A**

### **Facilities**

1. New Hanover Regional Medical Center
2. Pender Memorial Hospital
3. Betty H. Cameron Women's & Children's Hospital
4. Behavioral Health Hospital
5. New Hanover Regional Medical Center Orthopaedic Hospital
6. New Hanover Regional Medical Center Rehabilitation Hospital

## **Exhibit B**

### **Real Property**

1. 2131 S. 17th Street, Wilmington, NC
2. 2221 S. 17th Street, Wilmington, NC
3. 2001 S. 17th Street, Wilmington, NC
4. 1923 Glen Meade Road, Wilmington, NC
5. 9104 Market Street, Wilmington, NC
6. Autumn Hall Medical Park, Wilmington, NC
7. 1415 Physicians Drive, Wilmington, NC
8. 1523 Physicians Drive, Wilmington, NC
9. 5301 Wrightsville Avenue, Wilmington, NC
10. 5302 Wrightsville Avenue, Wilmington, NC
11. 5313 Wrightsville Avenue, Wilmington, NC
12. 5305-D Wrightsville Avenue, Wilmington, NC
13. 5305-H Wrightsville Avenue, Wilmington, NC
14. 5305-K Wrightsville Avenue, Wilmington, NC
15. 5305-L Wrightsville Avenue, Wilmington, NC
16. 5305-M Wrightsville Avenue, Wilmington, NC
17. 2221 JR Kennedy Drive, Wilmington, NC
18. 151 Scott's Hill Medical Drive, Wilmington, NC
19. 1612 Medical Center Drive, Wilmington, NC
20. 2026 S. 16th Street, Wilmington, NC
21. 5220 Oleander Drive, Wilmington, NC
22. 2507 Delaney Avenue, Wilmington, NC
23. 2511 Delaney Avenue, Wilmington, NC
24. 2514 Delaney Avenue, Wilmington, NC
25. 2516 Delaney Avenue, Wilmington, NC
26. SENCA Property, including those certain Land Tracts of 8.03 acres, .87 acres, .71 acres, 4.22 acres, 3.53 acres, 2.44 acres in New Hanover County & Pender County
27. Parking lot at the corner of Glen Meade & Delaney Avenue, Wilmington, NC
28. Condominiums 1803, 1805, 1807, 1809, 1819, 1835, 1837, 1839, 1841, 1849, 1853, 1857, 1861, 1865 located in Savanna Court, Wilmington, NC

## **Exhibit C**

### **Acquired Subsidiaries**

1. New Hanover Regional Medical Center
2. Carolina Healthcare Associates, Inc. d/b/a NHRMC Physician Group
3. Physician Quality Partners, LLC
4. New Hanover Health, LLC
5. ASC, LLC
6. Pender Memorial Hospital, Inc.
7. New Hanover Home Care, Inc.
8. South Atlantic Radiation Oncology, LLC
9. Porters Neck Imaging, LLC
10. Doshier/NHRMC, LLC
11. Assuring Affordable Quality Healthcare in NC, LLC
12. Provider-Led Patient-Centered Care, LLC
13. Diagnostic Imaging Partners, PLLC
14. New Hanover Regional Medical Center Foundation, Inc.

## Exhibit D

### Use of Net Transaction Proceeds

As will be further set forth in the Definitive Documents, upon Closing, out of the aggregate net proceeds otherwise accruing to the County as a result of the Proposed Transaction, the Sellers will first allocate and distribute funds for the purposes and in the general amounts set forth in Attachment D-1, attached hereto (the “**Initial Allocations**”).

Following the Initial Allocations, the Sellers shall grant the entirety of the remaining net proceeds from the Proposed Transaction, which remaining amount is currently estimated to be approximately \$1.25 Billion (subject to adjustments) (“**Fund Assets**”), to a newly established public-benefit community foundation, which shall be organized as an independent tax-exempt, non-member, non-stock, nonprofit corporation (“**Foundation**”). The County will form and establish the Foundation prior to the Closing.

1. Purpose. The Foundation shall manage the assets and consider as such sacred and protected for the community in perpetuity. The Foundation will provide financial support to benefit the residents of New Hanover County (“**Defined Beneficiaries**”). The Foundation will establish an Endowment (as defined below), and the Endowment shall be designated to provide financial support in the following areas in furtherance of the mission and initiatives of the County: (i) public primary, secondary, and post-secondary education, (ii) health and social equity, (iii) community development, and (iv) community safety. Except for those monies required for the administration of the Foundation, all other Fund Assets shall be allocated to the Endowment.
2. Foundation Board of Directors. The Foundation will be governed by an 11-member Board of Directors (“**Foundation Board**”). The County Commissioners shall appoint five of the Directors, and the local Hospital Board (defined in Schedule 4(j)) shall appoint six of the Directors. All Foundation Board members shall be subject to satisfaction of applicable governance best practices, core competencies, and diversity considerations. No member of the Foundation Board may simultaneously hold an elected office. Routine actions of the Foundation Board shall require the vote of a majority of the Foundation Board. The adoption or modification of policies and procedures regarding the investment or distribution of Fund Assets (defined below), and the retention or termination of the Investment Manager (defined below) shall each require supermajority approval of the Foundation Board, which shall be defined as not less than 75% of the Foundation Board (“**Supermajority Vote**”). Further, the governing documents of the Foundation shall provide that the establishment or modification of the Endowment, or the amendment or modification of any governing or charter documents applicable to the Endowment, shall require a Supermajority Vote of the Foundation Board, as well as the affirmative vote of the County Commissioners. The Foundation shall not assign, transfer or otherwise convey any Foundation assets except as defined herein.
3. Administration and Fund Management. The daily operations of the Foundation shall be overseen by the Foundation Board. The Fund Assets shall be invested under the supervision and management of an experienced institutional investment manager (“**Investment**”).

**Manager**”) chosen by the Foundation Board, which Investment Manager role may, but does not have to be, contracted through a third-party firm.

4. **Endowment.** In conjunction with its formation, the Foundation will establish a single endowment (“**Endowment**”) consisting initially of the Fund Assets. In addition to the Fund Assets contributed by the Sellers, the Foundation may also accept donations. The Endowment will make annual Unitrust payments not to exceed Four Percent (4%) of the fair market value of the Endowment, based upon a rolling five (5) year average of the fair market value as of December 31 for the prior five (5) years, or until 2025, for as many prior years as the Endowment has existed. Distributions may be paid quarterly or monthly, as the Board may decide. Fund Distributions shall only be paid pursuant to the strictly prescribed purposes and rules to be a part of the Endowment charter and governing documents (“**Fund Distributions**”).

Fund Distributions shall take the form of grants and other financial support for projects and initiatives of non-profit, governmental, or community organizations that are specifically focused on, and shall use such funds exclusively in furtherance of, the explicit purposes of the Endowment. For the avoidance of doubt, 100% of all Fund Distributions shall be used exclusively for purposes benefiting the Defined Beneficiaries. The specific purposes of the Endowment shall be to make available Fund Distributions to support community wellbeing and other public purposes that are consistent with the then-current New Hanover County Strategic Plan and for the benefit of the Defined Beneficiaries. Notwithstanding the broad purposes described in this Section 4, it is intended that Fund Distributions shall be made only to supplement existing governmental programs that are primarily funded by a governmental agency, Fund Distributions shall not be used to replace governmental support of projects, and this limitation shall be incorporated into the Foundation’s governing documents. By way of further illustration, and subject to adjustment based on the then-current New Hanover County Strategic Plan, the initial Endowment shall support and promote the following focus areas:

- a. *Public Primary, Secondary and Post-Secondary Education.* The following are illustrations of possible initiatives:
  - i. High quality universal pre-kindergarten with wrap-around services
  - ii. Comprehensive, no-cost broadband connectivity county-wide
  - iii. Comprehensive access to modern technology for all learners
  - iv. NHC Teacher Fellows program for traditional and charter school graduates committed to returning to local public schools
  - v. Access to scholarships for post-secondary education attainment
  - vi. School facilities designed for mid-21st Century education delivery
- b. *Health and Social Equity.* The following are illustrations of possible initiatives:
  - i. Eradicate food deserts across the county
  - ii. Expand access to high quality, fair cost physical and mental health clinics for county residents
  - iii. Funding support to eliminate disparities in health outcomes focused initially on diabetes and obesity
  - iv. On-demand, cost effective transit system for dependent and choice riders

- v. Funding for new senior resource centers and other support for senior citizens based on the county's strategic master plan for aging adults
- c. *Community Development.* The following are illustrations of possible initiatives:
- i. Workforce housing trust fund
  - ii. Small business micro-loan program
  - iii. Minority and Women Owned Business support programs
  - iv. Open space and public water access preservation
- d. *Community Safety* The following are illustrations of possible initiatives:
- i. Next generation 911 services developed and deployed
  - ii. Rapid response fire rescue and emergency medical services
  - iii. Support and resources for community-led restorative justice programs
  - iv. Modern development and training of law enforcement, to include cultural competency and implicit bias
  - v. Comprehensive flood, storm surge and wind mitigation investments
5. Miscellaneous.
- a. In the event of dissolution of the Foundation, all net assets of the Foundation shall accrue solely to the benefit of the County.
  - b. The Foundation shall provide the County with an annual report summarizing the Foundation's activities and grants in the prior year.
  - c. With the exception of the appointment authority for Directors and the limited approval requirements explicitly set forth in Section 2, the Hospital shall not, nor shall any other third-party, have any reserved powers or governance rights or benefits associated with the Foundation. For clarity, notwithstanding the Hospital's appointment authority for Directors, the Foundation shall not be considered an affiliate, unit or division of the Hospital, and the Hospital shall not be permitted to consolidate.
  - d. The Fund Assets held in the Endowment shall never be used as collateral nor be pledged as any form of security for any type of loan or guarantee.
  - e. All Fund Distributions must be made pursuant to and accompanied by a plan of accountability to ensure that Fund Distribution is used in full for the designated purposes (the "Plan of Accountability" or "POA"). The POA shall be accepted, agreed to and signed by the individual at the recipient organization who will be responsible for the use of the funds and for accounting for the funds. The POA shall require that the individual provide an acceptable and complete accounting to the Foundation, submitted and signed under penalty of perjury. Further, the misuse of the funds by any person, or the failure of the responsible person to provide a complete accounting within six (6) months after the end of the year in which the Fund Distribution occurred, may result in both civil and criminal penalties.

- f. The Officers and Directors of the Foundation shall be subject to a Conflicts of Interest Policy and each such person will be required to sign the Policy annually to confirm his or her understanding and acceptance of the Policy's requirements.
- g. The Foundation's Articles of Organization shall provide for the broadest indemnification and reimbursement provisions for the actions of the Officers and Directors made in good faith and allowed under NC law.

## Attachment D-1

### **Initial Allocations**

Out of the aggregate net proceeds accruing from the Proposed Transaction, the Sellers shall make Initial Allocations at Closing as follows:

1. NHRMC Transition Stabilization Escrow. Funds in the aggregate estimated amount of approximately \$300 Million shall be deposited into an escrow account or reserve fund established and controlled by NHRMC to address transition stabilization initiatives associated with post-Closing matters, including, but not limited to:
  - a. A Team Investment and Resiliency Fund providing funds necessary to (i) administer NHRMC's existing pension plan following its transfer to the County, (ii) provide for certain payments to be made, over time, to affected NHRMC employees to mitigate adverse impacts associated with such employees' transition from NHRMC's existing pension plan to Buyer's retirement benefits plan, (iii) provide stabilization payments for NHRMC employees to facilitate the transition of the Business from Sellers to Buyer, and (iv) address the staff and provider resiliency funding needs of the organization; and
  - b. Payments for tail insurance associated with terminated NHRMC policies; and
  - c. The \$100 Million Escrow Amount required to be deposited in the Escrow Account, as further described in Part A, Section 5 of the LOI, with any escrowed amounts remaining at the end of the escrow period transferring at such time to the NHRMC Foundation and the community Foundation defined in Exhibit D - each Foundation shall receive 50 percent of any remaining escrowed amounts; and
  - d. Funding for certain support administrative services necessary to facilitate the wind-down of NHRMC, as well as other miscellaneous costs and expenses associated with the transition and wind-down.
2. County Revenue Stabilization Fund. Funds in the aggregate amount of \$300 Million shall be deposited into a reserve fund or escrow account established and controlled by the County for revenue stabilization purposes. Any initiative would require a supermajority vote, i.e., four out of 5 minimum, of the county commission.
  - a. The revenue stabilization initiatives may include:
    - i. Retirement of voter and non-voter approved debt;
    - ii. Establish pay-as-you-go financing for certain capital assets and projects;
    - iii. Reserve for unexpected emergency spending needs (e.g., natural disasters, pandemics);
    - iv. Reserve funds to address budget shortfalls during economic downturns; and
    - v. Minimize tax and fee increases in future years.
  - b. Distributions from the Revenue Stabilization Fund shall be made from interest earned on such funds, and draw-downs from the principal of the Revenue

Stabilization Fund shall only be for specifically defined purposes and shall be made only on the affirmative vote of the County Commissioners.

3. Mental and Behavioral Health Fund. Funds in the amount of \$50 Million shall be earmarked and allocated to the following mental and behavioral health initiatives:
  - a. Capital funding for long-term, residential substance abuse treatment programs;
  - b. Sustained grant funding commitments to support evidence-based programs, e.g., Tides, Inc.; and
  - c. Expanding access to mental health services independent of state assistance.

### Schedule 3

#### **Purchase Price and Other Financial Consideration**

In consideration for Buyer's purchase of the Purchased Assets and assumption of the Assumed Liabilities, Buyer agrees to pay to Sellers the Purchase Price and make those certain other funding and capital commitments as further set forth in this Schedule 3.

- a. Purchase Price: The purchase price for the Purchased Assets will be One Billion Five Hundred Million Dollars (\$1,500,000,000.00) (the "**Purchase Price**"), which amount the Parties acknowledge and agree is intended to be consistent with fair market value and subject to the adjustments set forth in Section 2 below. The Purchase Price shall be payable at the Closing by wire transfer of immediately available funds to an account(s) designated by Sellers. Other than as set forth in this LOI, no portion of the Purchase Price shall be withheld, offset against, or placed in escrow.
- b. Adjustments: The Purchase Price will be adjusted at Closing as follows (the "**Purchase Price Adjustment**"): (a) a reduction for the amount of any Excluded Liability that is assumed or paid by Buyer (which shall include any costs and expenses associated with the assumption or payment of any Excluded Liability), if any, (b) a reduction for the amount of any Seller transaction expenses associated with the Proposed Transaction that are assumed by Buyer, paid by Buyer, or unpaid by Sellers and (c) an increase (or reduction) to the extent Net Working Capital as of Closing exceeds (or is less than) a target amount to be mutually agreed upon in the Definitive Documents. For purposes of this Section, "**Net Working Capital**" means an amount equal to the difference between those current assets of Sellers to be purchased by Buyer as of the Closing (including patients account receivables, less allowance for bad debts, other receivables, usable inventories, assumable and useable prepaid expenses) and those current liabilities of Sellers to be assumed by Buyer as of the Closing (including accounts payable and other liabilities, accrued salaries and wages, including accrued paid time off obligations, subject to a cap to be agreed upon by the Parties, and other non-interest-bearing current liabilities to be mutually agreed by the Parties). Attachment A contains an exemplar calculation of Net Working Capital based on the Business's September 30, 2019 audited financial statements. In the Definitive Documents, the Parties will negotiate a mutually agreeable escrow, to be used solely for purposes of the Net Working Capital adjustment process and to be held until completion of the Purchase Price Adjustment process memorialized in the Definitive Documents.
- c. Additional Contributions to be made by Buyer.
  - i. One-Time Contribution to New Hanover Regional Medical Center Foundation. At the time of Closing, Buyer shall contribute a one-time, lump-sum payment in the total amount of Fifty Million Dollars (\$50,000,000.00) to the New Hanover Regional Medical Center Foundation ("**Foundation**").

- ii. Contribution of Novant Health Brunswick Medical Center. As soon as practicable following the Closing, and assuming approved by applicable regulatory authorities, Buyer shall contribute all, or substantially all, of the assets and operations of Novant Health Brunswick Medical Center (“**NHBMC**”) to the operations of the Business, and Buyer shall cause NHBMC to be operated as a component hospital and division of the Business following the Closing. Following the closing, NHBMC shall be governed by the Board (as defined in Schedule 4(j)). The Parties acknowledge that NHBMC will have some level of representation on the Board.
  
- d. Additional Funding Commitments. In addition to payment of the Purchase Price and the other commitments set forth in this Schedule 3, Buyer shall make the following Capital Expenditures to the Business from and after the Closing:
  - i. Routine Capital Commitment. Buyer agrees to make a commitment to spend no less than Six Hundred Million Dollars (\$600,000,000.00) during the 10-year period immediately following the date of Closing to fund routine Capital Expenditures of the Business (the “**Routine Capital Commitment**”) but, in all cases, such routine Capital Expenditures must be commercially reasonable; provided, further, that in the event the full amount of such Routine Capital Commitment cannot be expended within such 10-year period due to the lack of commercially reasonable routine Capital Expenditures, such Routine Capital Commitment period shall automatically extend for an additional five-year period.
  
  - ii. Strategic Capital Commitment. In addition to the Routine Capital Commitment, Buyer agrees to make a commitment to spend no less than Two Billion Five Hundred Million Dollars (\$2,500,000,000.00) in Capital Expenditures following the Closing to implement (i) the strategic projects set forth in, and in a manner materially consistent with the timeline established in, NHRMC’s Strategic Master Plan dated as of April 23, 2019 as further reflected in the PAG’s February 20, 2020 presentation (collectively, the “**Strategic Plan**”), (ii) such other capital-intensive projects similar to those in the Strategic Plan as may be approved by the Board from time to time, as well as (iii) any other strategic capital projects as may be agreed upon and set forth in the Definitive Documents. In conjunction with implementing the foregoing, the Parties agree to discuss opportunities to optimize the overall capital plan taking into consideration the contribution of NHBMC.
  
- e. Definition of Capital Expenditures. “Capital Expenditures” shall be defined in the Purchase Agreement to mean expenditures made in the Business or in the Service Area that are limited to: (i) those capitalized in accordance with generally accepted accounting principles, (ii) reasonable incremental operating losses associated with ambulatory growth strategies (including, physician practices), subject to certain limits to be defined in the Purchase Agreement, (iii) reasonable costs arising from information technology, data analytics and digital strategy integration, implementation and/or improvement, (iv) reasonable expenses for right-of-use assets related to NHRMC’s Strategic Master Plan, (v) reasonable expenses related to medical education in excess of those incurred by Sellers in the last full fiscal year prior to Closing, (vi) reasonable costs arising from deployment of value-based care arrangements and (vii) merger and acquisition and joint venture activity

entered into for the benefit of the Business. Notwithstanding the foregoing, Capital Expenditures: (A) shall not include routine day-to-day operating losses not associated with investment in the Business; (B) may include funding for operating losses solely to the extent such operating losses arise out of commercially reasonable working capital and operating expenses incurred in connection with implementing the capital projects described in subsections (ii)-(vi) of this Section 5 for the corresponding reasonable start-up period; and (C) shall be for the specific benefit of the Business and shall not include any allocation of corporate or system-wide capital expenses or overhead that is not incurred for the specific benefit of the Business.

- f. Capital Commitments. For purposes of this LOI, the obligations set forth in Sections 3 and 4 of this Schedule 3 shall be known as the “**Capital Commitments**”.

**Attachment A to Schedule 3**  
**Sample Net Working Capital Calculation**

[To Be Attached]

## Schedule 4(a)

### **Improving Access to Care and Wellness**

1. Continuation of Services. For a period of not less than 10 years following the Closing, Buyer shall use commercially reasonable efforts to ensure that the Business continues to expand and enhance the scope, level and areas of services, including, but not limited to, inpatient and outpatient Hospital services, as are offered by the Hospitals and Business as of the Closing. Further, Buyer shall commit not to perform any action set forth on Schedule 4(j), Section 3(a) at any time following the Closing without the prior written agreement of the Board. As of the Closing, Buyer shall implement a “hub-and-hub” model under which the Business shall retain primary responsibility for patient care within its Service Area and region, and Buyer shall make commercially reasonable efforts to make available specialty medical services and patient care support by consultation or otherwise in furtherance of such model.
2. Service Line Commitments. Buyer shall use commercially reasonable efforts to further develop, upgrade and expand the Business’s clinical service lines, which such expansion and development shall include, but not be limited to, the development and expansion of clinical service lines to fill needs identified in the Strategic Plan and the Business’s most recent provider needs assessment, upgrades to the Hospital campuses and expanding the Hospitals’ tertiary and quaternary capabilities.
3. Investment in Pender Memorial Hospital. Unless Pender (defined below) is sooner more fully-integrated into the Business, or NHRMC and Pender County otherwise agree to another structure with respect to Pender (subject to Buyer’s approval), for a period of not less than three years following the Closing, Buyer shall use commercially reasonable efforts to ensure the continued maintenance and further development of the existing arrangement with Pender Memorial Hospital (“**Pender**”), including, at a minimum, Buyer assumption of that certain Management Services Agreement between NHRMC and Pender (“**Pender MSA**”) and its corresponding contractual commitments regarding an investment of resources and capital into Pender operations, which such Pender MSA shall be assumed by Buyer at Closing. Following the Closing, Pender shall continue as part of the Business consistent with NHRMC’s and Pender County’s commitments, unless Pender County and NHRMC agree to a fuller integration of Pender or another appropriate structure (subject to Buyer’s approval).
4. Integration with Regional Hospitals. Buyer shall use commercially reasonable efforts to integrate the Hospitals into Buyer’s existing network of health facilities and hospitals within the region to improve patient access to care. Buyer shall further enhance and expand the Hospitals’ existing ambulatory network in accordance with the objectives and timelines identified in the Strategic Plan.
5. Consumer-Centric Platform Implementation. Within not more than 18 months following the Closing, Buyer shall deploy or otherwise provide the Hospitals and the Business access

to Buyer's or Buyer's affiliates' suite of electronic consumer-facing tools and shall cause and facilitate the Business's implementation of such tools.

6. Telemedicine Platform Implementation and Infrastructure. Within not more than 18 months following the Closing, Buyer shall use commercially reasonable efforts to implement Buyer's or Buyer's affiliates' existing telemedicine platform at the Hospitals and the Business. Buyer shall provide ongoing support and expertise to the Hospitals relating to such telemedicine program, which shall include, without limitation, the following: (i) technology infrastructure and support; (ii) coding, billing, reimbursement expertise and support; (iii) clinical workflows and protocols; and (iv) access to clinicians, providers and legislative leadership.
7. Telemedicine Reimbursement Support. With respect to telehealth services, Buyer shall use commercially reasonable efforts to integrate into the Business's existing contracted payer relationships coverage for on-demand and scheduled virtual visits and office visit parity for synchronous video visits. For patients without coverage, Buyer shall support the Business's development and implementation of an out-of-pocket payment solution. Buyer shall continue to work with legislators at the state and national levels in support of telehealth coverage, including expanded broadband access in rural communities within the Service Area. Buyer shall, through its physicians and leadership team, provide education on the benefits of telehealth to payer partners and work with the Hospitals' internal standing committees to ensure revenue cycle and compliance best practices with respect to telemedicine.
8. Regional Headquarters Development. Within not more than 18 months following the Closing, Buyer shall, in collaboration with the Board, develop and implement a plan establishing the Hospitals as a regional headquarters in the Service Area to service the Business. Buyer further agrees to share, develop and implement at the Business best practices, existing capabilities and innovative tools and dashboards during the development and implementation of the headquarters.
9. Price Transparency Tools. Buyer shall use commercially reasonable efforts to provide to the Business and cause and facilitate the Business's implementation of, the Buyer's and Buyer's affiliates' existing price transparency tools, including, without limitation, patient cost and point of care price estimation platforms and shall further collaborate with the Hospitals to develop and implement enhanced price transparency tools based on the needs within the Service Area.
10. Omni-Channel Consumer Experience. Buyer shall use commercially reasonable efforts to implement an omni-channel digital consumer platform at the Business, which is scalable and customizable based on consumer needs and shall include, at a minimum, online provider and location directories, virtual triage services, online patient scheduling, online bill payment and secure portals for sharing of information with patients.
11. Partnerships with Local Employers. Buyer shall use commercially reasonable efforts to develop and implement corporate health and wellness programs customized to meet the

various needs of local employers, including, but not limited to, the development and implementation of effective systematic approaches to bring employer services to market.

12. Post-Acute Development. Buyer shall use commercially reasonable efforts to create and enhance Buyer's existing partnerships in the region for post-acute care and optimize the current capabilities and practices of Pender and New Hanover Regional Medical Center Rehabilitation Hospital.
13. Use of Purchase Price. The Purchase Price shall be used by Sellers as set forth in Exhibit D.

## **Schedule 4(b)**

### **Advancing the Value of Care**

1. **Infrastructure to Enhance the Value of Care.** Buyer shall provide access to and shall use reasonable best efforts to integrate into the Business, shared infrastructure, value-based capabilities and corporate services, including, but not limited to, patient access solutions, care management, behavioral health and primary care integration, telepsychiatry, documentation excellence, clinical solutions and analytics.
2. **Value-Based Contracting and Access to System-Owned/Invested Health Plans.** Buyer shall use commercially reasonable efforts to apply Buyer's health plan and value-based contracting experience to advance NHRMC's strategy regarding value-based care options. To the extent applicable, Buyer shall use commercially reasonable efforts to provide the Business with access to health plans that are owned by Buyer or health plans in which Buyer has a material ownership interest and facilitate the Business's use of such plans.
3. **Expansion and Partnership Network Offering.** Buyer shall use commercially reasonable efforts to expand its partnership network offering within the Service Area.
4. **NHRMC Medicare Advantage Plan.** Buyer shall assume and use commercially reasonable efforts to further develop NHRMC's existing Medicare Advantage plan and continue to operate the Business in accordance with NHRMC's Medicare Advantage strategy.
5. **Inclusion in Enterprise ACO/CIN Infrastructure.** To the extent applicable, Buyer shall include and use commercially reasonable efforts to fully-integrate appropriate segments of the Business, including the Business's existing ACO, within Buyer's accountable care organization and clinically integrated network structures or through a new legal entity.
6. **Patient Satisfaction Programs.** Within not more than 18 months following the Closing, Buyer shall use commercially reasonable efforts to (i) provide the Business with full access to all of Buyer's and Buyer's affiliates' patient satisfaction programs and resources and (ii) upon the request of NHRMC, fully-integrate the Hospitals and Business, or applicable parts thereof, into Buyer's and Buyer's affiliates' existing patient satisfaction initiatives. Buyer shall use reasonable best efforts to position and maintain NHRMC in the top 10% nationally in patient satisfaction.

## **Schedule 4(c)**

### **Promoting Health Equity**

1. **Charity Care Policies.** Subject to changes in applicable law, Buyer shall use reasonable best efforts to expand, and in any event shall maintain, the Business's current policy on charity and indigent care and shall continue to increase and expand the scope and level of care provided to indigent and low-income patients beyond the scope and level historically provided by the Business, consistent with Buyer's policies on charity care.
2. **Prohibit the Use of Liens and Wage Garnishment.** Buyer shall not, with respect to any patients of the Business, engage in any extraordinary debt collection practices, including, without limitation, placing a lien on an individual's primary residence or real property, seizing of bank accounts or other personal property, bringing civil action against an individual or garnishing of wages.
3. **Teams and Infrastructure Focused on Expanding Health Equity.** Buyer shall use reasonable best efforts to fully develop and expand the Business's existing partnerships and to establish new partnerships focused on expanding health equity in the Service Area. Buyer shall use commercially reasonable efforts to collaborate with identified key stakeholders to determine optimal community benefit for local residents and to place social workers, case managers, or other care management professionals within clinics of the Business in accordance with demonstrated need for increased patient support. Buyer shall use commercially reasonable efforts to collaborate with identified key stakeholders to expand existing community outreach programs and social services partnerships in the region.
4. **Community Outreach Programs and Partnerships with Social Services Organizations.** Buyer shall expand and enhance the Business's community outreach efforts and engagement beyond historical levels and scope. Buyer shall continue to expand and enhance the Business's existing community benefit programs and partnerships, including, but not limited to those related to financial assistance and health education. The adoption, termination, or amendment of policies and procedures regarding community outreach programs, social services partnerships and other similar programs shall be subject to the approval of the Board for five years following the Closing.
5. **Anti-Discrimination and Diversity Programs.** Buyer shall continue and fully-fund and support, the Business's inclusion, anti-discrimination and diversity programs, or shall replace the Business's programs with Buyer's programs which shall be comparable or better in all material respects.
6. **Social Determinants of Health.** Buyer shall expand and enhance the Business's efforts to identify social determinants of health and the impacts thereof, in the Service Area. Buyer shall further develop and implement comprehensive strategies to address and mitigate the impacts of such social determinates of health, which shall include, but not be limited to, development and implementation of a data analytics platform and related solutions designed to facilitate the implementation, monitoring and improvement of such strategies.

## **Schedule 4(d)**

### **Supporting and Maintaining Staff**

1. **Employee Retention.** Buyer will offer employment to all employees of the Business, whether in active or leave of absence status, at their then-current salaries, job title, reporting structure and responsibilities, subject to compliance with Buyer's policies and procedures, including standard background and compliance checks. Other than with the consent of the Board, Buyer shall retain all such employees for a minimum of 24 months following the Closing, subject to Buyer's ability to terminate any such employee for cause, including, but not limited to, conviction of a felony, exclusion from participating in a federal health care program, loss of medical staff privileges (if applicable), or failure to comply with Buyer's policies and procedures.
2. **Enhance Compensation and Benefits.** For a minimum of three years following the Closing, Buyer shall (i) provide a comprehensive and competitive wage and benefits package that is, in the aggregate, at least comparable in all material respects to the wage and benefits package currently being provided by NHRMC to all such employees for each such employee's applicable job category, (ii) to the extent permitted under the applicable plan, recognize such employees' length of service for the purpose of benefits vesting in Buyer's benefit plans and (iii) accept assignment of, or otherwise honor the material terms of, employment, severance, or other contracts for those employees who have such agreements.
3. **Diversity Hiring Resources.** Buyer shall continue and further develop the Business's current policies and programs regarding diversity, inclusion and antidiscrimination. Buyer further agrees to expand the Business's efforts regarding diverse hiring, including but not limited to, access to Buyer's diversity related trainings, resources, programming and best practices.
4. **Nursing Education and Training.** Buyer shall at a minimum, for a period of not less than three years following the Closing, maintain all existing nursing education programs at the Hospitals and thereafter shall use commercially reasonable efforts to enhance and expand such programs. Within 18 months following the Closing, Buyer shall use reasonable best efforts to cause and facilitate the Hospitals' implementation of the Buyer's nursing education and training programs, including those through local partnerships or distance education and shall, as applicable, use its nursing education platform to enhance and expand the current training programs at the Hospitals.
5. **Nursing Staff Recruitment and Retention.** Buyer shall use commercially reasonable efforts to cause and facilitate the Business's adoption and implementation of Buyer's resources and tools focused on nursing staff recruitment and retention and continuing and enhancing a shared governance approach.
6. **General Recruiting Infrastructure.** Buyer shall use commercially reasonable efforts to cause and facilitate the Business's adoption and implementation of Buyer's resources and tools focused on staff recruitment and retention, including, as applicable and without limitation,

Buyer's career development programs, predictive hiring models, talent acquisition services and recruitment staff.

7. Leadership Recruiting Infrastructure. Buyer shall use commercially reasonable efforts to cause and facilitate the Business's adoption and implementation of Buyer's resources and tools focused on staff recruitment and retention.
8. Leadership Education and Professional Development Programs. Buyer shall ensure that all hired employees are eligible to participate in career and leadership development programs offered by Buyer and Buyer's affiliates to the same extent as any other similarly situated employees of Buyer or Buyer's affiliates.
9. Shared Services Located in Wilmington. On a timely basis and in any event within not more than three years following the Closing, Buyer shall, in collaboration with NHRMC, establish a shared services center and corporate department in the Service Area, which shall provide the Hospitals and Business with access to all of Buyer's enterprise shared services, technological capabilities, specialized knowledge and operational performance expertise.
10. Tuition Reimbursement Expansion. Buyer shall, for a three-year period, continue and enhance NHRMC's existing tuition reimbursement programs and thereafter shall, to the extent they offer advantages above and beyond NHRMC's current programs, extend Buyer's existing tuition reimbursement programs to any eligible employees of the Hospitals. Buyer shall not restrict or otherwise limit the ability of any active employee or medical staff member to participate in state and federal tuition forgiveness programs. To the extent practicable, Buyer shall reasonably support the efforts by employees or medical staff members to participate in such tuition reimbursement programs.
11. Retention Programs. Within not more than 12 months following the Closing, Buyer shall use commercially reasonable efforts to cause and facilitate the Business's adoption and implementation of Buyer's existing recruitment, retention, career development, health and wellness and leadership training programs and shall make all such programs available to all employees of the Business.

## Schedule 4(e)

### **Partnering with Providers**

1. Medical Group Management. Buyer shall provide comprehensive administrative and management services for the medical groups and practices associated with the Business. Buyer shall use commercially reasonable efforts to provide such services with minimal disruption to such medical groups and practices. The Parties agree to negotiate and enter into an appropriate written agreement(s) with a third-party for such management and support services to the extent required, including, but not limited to, as necessary to transition existing medical group management services from a third-party to Buyer.
2. APP Recruiting and Care Model Development. Buyer shall use commercially reasonable efforts to cause and facilitate the Business's adoption and implementation of Buyer's APP recruitment and retention resources, including, but not limited to, APP recruitment and retention programs and the deployment of team-based care practices emphasizing practice at the top of license for all APPs.
3. Provider Needs Assessment. Upon Closing, Buyer shall cause and facilitate the Business's adoption and implementation of Buyer's recruitment infrastructure in order to recruit physicians to fill positions identified in NHRMC's most recent provider needs assessment. Within not more than three years following the Closing, Buyer shall use commercially reasonable efforts to ensure the recruitment of physicians to fill at least 75% percent of the positions identified in NHRMC's most recent provider needs assessment.
4. Graduate Medical Education. From and after the Closing, Buyer shall (i) assume and maintain an academic affiliation with the University of North Carolina School of Medicine on behalf of the Hospitals pursuant to and consistent with that Term Sheet for Proposed Academic and Clinical Affiliation for the New Hanover Region between Novant Health, UNC Health, and UNC School of Medicine, dated June 23, 2020; (ii) continue to operate a Graduate Medical Education program ("**GME Program**") at the Hospitals, which GME Program shall be, at a minimum, commensurate in quality, size and scope with the Hospitals' current GME Program; and (iii) expand or otherwise make additions to the GME Program, as reasonably requested by NHRMC. Buyer shall further develop, implement and expand a comprehensive medical resident and fellow recruitment program, including, but not limited to, the establishment of appropriate fellowship programs at the Hospitals.
5. APP Graduate Medical Education Expansion. Buyer shall develop, implement and expand upon the Hospitals' existing APP graduate medical education program in accordance with the needs identified by NHRMC regarding the same.
6. Virtual Health Staff Augmentation. Within not more than 12 months following the Closing, Buyer shall provide and facilitate access to the Business Buyer's specialty physicians for electronic consultation on an as-needed basis and in accordance with applicable Business policies and procedures.

7. Process Improvements. Buyer shall cause and facilitate the Business's adoption and implementation of Buyer's process improvement policies, procedures and initiatives, including, but not limited to, by implementation of electronic health record system enhancements, clinical workflow management, clinician availability and room utilization and other clinical and administrative tools that operationalize new growth and drive quality.
8. Medical Staff. To ensure continuity of care in the Service Area, Buyer shall ensure that the Hospitals' medical staffs will be substantially unchanged as a result of the Proposed Transaction, subject to Buyer policies and procedures. The medical staff of the Hospitals shall remain an open medical staff and the Proposed Transaction shall not affect or materially change the medical staff privileges held by members of the medical staffs of the Hospitals as of the Closing; the medical staff bylaws, rules and regulations, or credentialing procedures of the Hospitals as of the Closing; or any agreements with members of the medical staffs, so long as all such relationships are in compliance with applicable state and federal laws.
9. Provider Leadership Development Programs. Buyer shall use commercially reasonable efforts to provide all eligible employees and medical staff members of the Hospitals with access to its provider and executive leadership development programs and shall facilitate such providers' utilization of such programs.
10. Maintenance of Provider Arrangements. Buyer shall, subject to compliance with applicable state and federal law and Buyer's compliance standards,: (i) assume all employment agreements for Sellers' directly-employed physicians and mid-level providers per existing terms and cause each such agreement to remain in place for a period of not less than three years following Closing and (ii) enter into new agreements, with initial terms of not less than three years, with those providers engaged by the Hospitals through agreements with third-parties on terms substantially similar to those terms included such providers' agreements with such third-parties. Further, Buyer shall not propose any material amendment to any such practitioner agreement, except for such amendments as are necessary to comply with applicable law or as are otherwise agreed to in writing by the applicable practitioner. Subject to compliance with applicable state and federal law and Buyer's compliance standards, Buyer shall, to the extent agreed to by the applicable third-party, assume, maintain, and enhance, all existing arrangements between the Hospitals and community providers, including (A) contracts with independent providers, for a period of not less than three years, and (B) joint venture arrangements for so long as such joint venture arrangements reasonably remain a net benefit to the Business.
11. Extension of ACO/CIN Participation to Independent Providers. Within not more than 12 months following the Closing and subject to reasonable due diligence, Buyer shall use commercially reasonable efforts to extend and facilitate, as applicable, the opportunity to participate in Buyer's accountable care organization or clinically integrated network to all independent providers who maintain an active arrangement with the Hospitals.
12. Support Infrastructure for Independent Providers. Subject to compliance with applicable state and federal law and Buyer's compliance standards, Buyer shall use commercially

reasonable efforts to cause and facilitate the Business's adoption and implementation of the Buyer's physician alignment models, including by making available to community providers in the Service Area opportunities for shared investments and co-management arrangements.

13. EMR Support to Independent Providers. Buyer shall use commercially reasonable efforts to cause and facilitate the Business's adoption and implementation of Buyer's electronic health record support services and connectivity capabilities, including but not limited to electronic health records connectivity, referral management connectivity, technical consulting and analytics to independent community providers in the Service Area.

## Schedule 4(f)

### **Driving Quality Care Throughout the Continuum**

1. Accreditation. Buyer shall cause the Hospitals to continue to be accredited by DNV GL Healthcare following the Closing.
2. Care Coordination and Management. From and after the Closing, Buyer shall use commercially reasonable efforts to deploy, cause and facilitate the Business's implementation of Buyer's care management coordination programs, capabilities and resources in accordance with a mutually agreed-upon work plan between the Parties.
3. Clinical Transformation Guidelines and Programs. Buyer shall, in coordination with the Board, use commercially reasonable efforts to assume and further develop and expand any existing quality improvement initiatives and best practices identified for continuation by NHRMC. Buyer shall, in addition to the foregoing, cause and facilitate the Business's adoption and implementation of the following: (i) Buyer's clinical transformation guidelines, including, but not limited to, preventive guidelines, evidence-based protocols and safety initiatives; (ii) Buyer's quality improvement infrastructure and resources, including, but not limited to, care redesign teams and quality analytics and scorecard; and (iii) other identified quality initiatives.
4. Access to Emerging Technologies. Buyer shall cause and facilitate the Business's adoption and implementation of available emerging technologies regarding the quality and safety of care.
5. Quality Metrics. Buyer shall use reasonable best efforts to cause the Hospitals to satisfy appropriate quality metrics, consistent with Buyer's system-wide quality and safety metrics, which shall include, but not be limited to, measures relating to patient safety, clinical effectiveness, patient-centeredness, timeliness, efficiency and equity as may be implemented in consultation with the Board from time to time. The Parties agree to discuss and memorialize in the Purchase Agreement approval for implementation of Buyer's system-wide quality and safety metrics to the extent such metrics materially differ from those currently in place at the Hospitals. Buyer further shall adopt and implement appropriate protocols for measuring and monitoring such measures and shall further implement appropriate technology infrastructure to facilitate such measurement and monitoring, which shall include providing a quality connection to its electronic medical records system to the Business and independent community physicians in the Service Area. Buyer shall use reasonable best efforts to position and maintain the Business in the top 10% nationally with respect to each such quality metric implemented for the Business.

## **Schedule 4(g)**

### **Growing the Level and Scope of Care**

1. **Access to Advanced Specialty Care and Transfer Infrastructure.** Buyer shall use commercially reasonable efforts to facilitate the Business's access to and adoption and implementation of, appropriate resources and infrastructure, including, but not limited to, a fully-staffed call center, to facilitate the transfer of patients among providers and to coordinate expedited transfers. Buyer shall ensure such resources and infrastructure are available to the Business consistent with Buyer's current operating hours.
2. **Innovating Care Solutions and Technologies.** Buyer shall use commercially reasonable efforts to cause and facilitate the Business's adoption and implementation of any existing and emerging innovative care solutions and technologies, subject to further definition in the Definitive Documents and shall further facilitate the Business's adoption and implementation of Buyer's current innovation infrastructure.
3. **Clinical Research Capabilities.** Except as otherwise set forth in the Definitive Documents, Buyer shall use commercially reasonable efforts to further develop and expand the Business's current clinical research capabilities and shall continue and further develop any existing clinical research efforts of the Business. In addition to the foregoing, Buyer shall facilitate the Business's access to and utilization of, Buyer's expertise, resources and infrastructure related to clinical trials and research. Buyer shall use commercially reasonable efforts to educate and inform providers within the Service Area of clinical trials in which Buyer is participating and, to the extent permitted by law, shall make available such clinical trials to patients of the Business. As appropriate, Buyer shall use commercially reasonable efforts to provide the Business the opportunity to participate as a clinical trial site in ongoing clinical trials to facilitate local access to treatments.
4. **Grant Funding Capabilities.** Buyer shall use commercially reasonable efforts to cause and facilitate the Business's adoption and implementation of Buyer's clinical research and grant-funding capabilities, including, without limitation, pre-award and post-award support for local investigators.

## **Schedule 4(h)**

### **Investing to Ensure Long-Term Financial Security**

1. Scalable Shared Services. Buyer shall cause and facilitate the Business's adoption and implementation of certain corporate services and economies of scale, to be further defined in the Definitive Documents, but to include, at a minimum, supply chain and access to group purchasing organizations.
2. Treatment of GME Expenses. For a period of no less than five years following the Closing, Buyer agrees that it shall not allocate to the Business any overhead expenses related to the maintenance and operation of Buyer's graduate or undergraduate medical education programs outside the Service Area, including any programs maintained through Buyer's partnership with an accredited medical school.

## **Schedule 4(i)**

### **Strategic Positioning**

1. **Integrated Health System.** Upon Closing and except as otherwise provided in the Definitive Documents, Buyer shall use commercially reasonable efforts to fully integrate the Business into Buyer's existing integrated health care system.
2. **Partnership with Regional Hospitals.** In furtherance of supporting the availability of quality care in the region and to position the Hospitals as a regional referral center, Buyer shall use commercially reasonable efforts to cause the Hospitals to develop and enter into appropriate and desirable clinical affiliations, partnerships and arrangements with unaffiliated hospitals, health systems and other facilities and providers in the region.
3. **Brand Enhancement.** Buyer shall not alter, modify or otherwise change the branding associated with the Hospitals or the Business without the prior consent and approval of the Board, except that Sellers acknowledge and anticipate that over time the Parties will brand the Business consistent with Buyer's current brand. Buyer shall work in collaboration with NHRMC to align branding strategies and marketing initiatives.

## Schedule 4(j)

### **Governance**

1. Local Governance. From and after Closing, the Business shall be governed by a local community-based, board of trustees (the “**Board**”). The Board shall be comprised of 15 trustees. No fewer than 12 trustees appointed to such Board shall be community residents of the Service Area. Of those 12, no fewer than three members of the Board shall be physicians with active privileges on the Hospital’s medical staff. The initial members of the Board shall be set forth in the Definitive Documents. All Board members shall be subject to satisfaction of applicable governance best practices, core competencies, and diversity considerations and ratification (not to be unreasonably withheld) by the Buyer’s Board of Trustees (“**Novant Board**”). Subject to the foregoing sentence, the Board shall retain sole power and authority to nominate and appoint all subsequent trustees to the Board. The Parties agree to amend or modify the governing documents of the Business, including, but not limited to the articles of incorporation and bylaws, as necessary to effectuate the covenants contained in this Section.
2. Appointment of Trustees to Buyer’s Governing Board. Within not more than 90 days after Closing, the Board shall nominate and Buyer shall appoint, subject to approval by the Buyer’s governing board, two of the Board’s then-current trustees to serve as trustees on Buyer’s parent governing board. Buyer agrees to amend or modify its governing documents, including, but not limited to its articles of incorporation and bylaws, as necessary to effectuate the covenants contained in this Section.
3. Appointment of Physician to Novant Health System Physician Leadership Council. Within not more than 90 days after the Closing, the Board shall nominate and Buyer shall appoint, one of the Board’s then-current physician members to serve on the Novant Health system physician leadership council or other similar system-level physician leadership body. Buyer agrees to amend or modify the governing documents and charter of such council as necessary to effectuate the covenants contained in this Section.
4. Board Powers. Subject to the terms and conditions of the Definitive Documents, following the Closing, the Board shall retain certain rights and powers associated with the Business (“**Reserved Powers**”) to include, at a minimum, the following:
  - (a) Approval of the elimination of core clinical service lines, which will be agreed upon in the Definitive Documents, and development and recommendation of (i) elimination of non-core clinical service lines, (ii) establishment of new clinical service lines or (iii) expansion of existing clinical service lines;
  - (b) Development and recommendation of major operational plans;
  - (c) Approval of the Business’s initial CEO immediately following the Closing, as well as (i) ongoing participation in the evaluation, as well as recommending employment and termination, of the CEO, and (ii) participation in the evaluation of candidates

and making recommendations for any CEO appointment subsequent to the initial CEO immediately following the Closing;

- (d) Oversight and recommendation of management accountability, evaluation, and succession;
- (e) Approval of any material workforce reduction that would qualify as a “plant closing” as defined in 29 U.S.C. § 2101;
- (f) Development and approval of annual operating and capital budgets, which budgets shall also be subject to the ratification and approval of Buyer;
- (g) Oversight and approval of medical staff matters, including credentialing, adverse actions, and adoption and amendment of medical staff bylaws and policies;
- (h) Development and recommendation of policies for physician compensation;
- (i) Development and recommendation of physician organization strategies, development, and recruitment;
- (j) Oversight of political and community interaction;
- (k) Selection and engagement of hospital-based physicians;
- (l) Approval and development of the Strategic Plan or any other strategic or development plans of the Business, including approval of any modifications thereto;
- (m) Approving modifications to the Business’s charity care and indigent care programs in consultation with Buyer;
- (n) Approving the termination or amendment (other than with respect to extension of the term) of the Pender MSA or any successor agreement thereto;
- (o) Approving the adoption, termination, or amendment of policies or procedures regarding community outreach programs, social services partnerships, and other similar programs in consultation with Buyer;
- (p) Oversight and approval of quality and accreditation matters in consultation with Buyer;
- (q) Approving any direct or indirect sale, transfer, or conveyance of all, or substantially all, of the assets then associated with, or the control of, the Business to a for-profit system or, for a 10-year period after Closing, to a buyer other than a for-profit system; provided, however, that approval of the Board shall not be required for any system-level change of control of Buyer;

- (r) Approving any modifications to any post-Closing commitments set forth in the Definitive Documents;
  - (s) Approving any alterations or modifications to the branding associated with the Business or any component thereof in consultation with Buyer; and
  - (t) Oversight of the Business's compliance program.
2. County Right of First Refusal. Following Closing, in the event Buyer at any time receives a bona fide offer to sell, transfer or assign all or substantially all of the assets or the control of the Business to a third-party purchaser, and wishes to effect such a sale or transfer, the County shall have a right of first refusal to purchase such assets or controlling interest of the Business, including the Purchased Assets and any improvements or additions made by Buyer thereto, upon the same terms and conditions as are offered by the third-party purchaser, subject to any additional terms set forth in the Definitive Documents regarding the same. For the avoidance of doubt, the foregoing shall not apply to any potential transaction involving a system-level change in control of Buyer.

## Schedule 4(k)

### **Statutory Requirements**

A municipality or hospital authority as defined in G.S. 131E-16(14), may lease, sell, or convey any hospital facility, or part, to a corporation, foreign or domestic, authorized to do business in North Carolina, subject to these conditions, which shall be included in the lease, agreement of sale, or agreement of conveyance:

1. The corporation shall continue to provide the same or similar clinical hospital services to its patients in medical-surgery, obstetrics, pediatrics, outpatient and emergency treatment, including emergency services for the indigent, that the hospital facility provided prior to the lease, sale, or conveyance. These services may be terminated only as prescribed by Certificate of Need Law prescribed in Article 9 of Chapter 131E of the General Statutes, or, if Certificate of Need Law is inapplicable, by review procedure designed to guarantee public participation pursuant to rules adopted by the Secretary of the Department of Health and Human Services.
2. The corporation shall ensure that indigent care is available to the population of the municipality or area served by the hospital authority at levels related to need, as previously demonstrated and determined mutually by the municipality or hospital authority and the corporation.
3. The corporation shall not enact financial admission policies that have the effect of denying essential medical services or treatment solely because of a patient's immediate inability to pay for the services or treatment.
4. The corporation shall ensure that admission to and services of the facility are available to beneficiaries of governmental reimbursement programs (Medicaid/Medicare) without discrimination or preference because they are beneficiaries of those programs.
5. The corporation shall prepare an annual report that shows compliance with the requirements of the lease, sale, or conveyance. The corporation shall further agree that if it fails to substantially comply with these conditions, or if it fails to operate the facility as a community general hospital open to the general public and free of discrimination based on race, creed, color, sex, or national origin unless relieved of this responsibility by operation of law, or if the corporation dissolves without a successor corporation to carry out the terms and conditions of the lease, agreement of sale, or agreement of conveyance, all ownership or other rights in the hospital facility, including the building, land and equipment associated with the hospital, shall revert to the municipality or hospital authority or successor entity originally conveying the hospital; provided that any building, land, or equipment associated with the hospital facility that the corporation has constructed or acquired since the sale may revert only upon payment to the corporation of a sum equal to the cost less depreciation of the building, land, or equipment.

This section shall not apply to leases, sales, or conveyances of nonmedical services or commercial

activities, including the gift shop, cafeteria, the flower shop, or to surplus hospital property that is not required in the delivery of necessary hospital services at the time of the lease, sale, or conveyance.