

**RESOLUTIONS OF THE  
BEAUFORT COUNTY BOARD OF COMMISSIONERS**

The following Resolutions were duly adopted by the Beaufort County Board of Commissioners (the "Board"), the governing body of Beaufort County, a political subdivision of the State of North Carolina (the "County"), in a duly called regular meeting on the 25<sup>th</sup> day of August, 2011:

WHEREAS, the County is the owner of the land and facilities associated with the operation of the acute care hospital located in Washington, North Carolina, known as Beaufort County Medical Center (the "Hospital") (collectively, the land and facilities associated with the operation of the Hospital are referred to herein as the "Hospital Property");

WHEREAS, in the interest of public health and welfare and effective November 2, 2001, the Board, in order to delegate from the County the operation of the Hospital, established the Beaufort Regional Medical Authority, which is incorporated as a hospital authority in accordance with N.C. Gen. Stat. § 131E-19. Effective June 6, 2009, Beaufort Regional Medical Authority changed its name to Beaufort Regional Health System (the "Health System");

WHEREAS, since 2001, the County has leased the Hospital Property to the Health System, most recently pursuant to that certain Amended Lease, dated November 30, 2010, by and between the County and the Health System (the Health System is referred to in the Amended Lease as "Beaufort Regional Medical Authority"), through which the County has delegated the responsibility for the operation of the Hospital and the provision of health care services to the residents of the County;

WHEREAS, the Health System is governed by a Board of Commissioners ("the Health System Commissioners") appointed by the Board for purposes of operating the Hospital, and one Board member has served and continues to serve as a Health System Commissioner. The Health System was created to be an agent of the County for purposes of the provision of health care to the County's citizens and the operation of the Hospital;

WHEREAS, in June 2010, the Board became aware of serious fiscal and operational issues regarding the Hospital as well as the Health System's intention to initiate the procedural requirements set forth in N.C. Gen. Stat. § 131E-13 in order to explore the possibility of leasing the Hospital;

WHEREAS, N.C. Gen. Stat. § 131E-13(d) sets forth the procedural requirements by which the County and the Health System must lease, sell, or otherwise convey their requisite interests in the Hospital, including the Hospital Property, to a third party. These procedural requirements were promulgated to ensure that all interested parties, including, without limitation, the members of the general public, have the opportunity to comment about a potential conveyance of a public hospital facility, or part thereof;

WHEREAS, the Board directed the Health System Commissioners to proceed with discussions and then negotiations with third parties with respect to conveying the Health System's and the County's requisite interests in the Hospital, including the Hospital Property, to a third party. On June 29, 2010, the Board specifically directed the Health System Commissioners to bring a recommendation to the Board within 120 days from the proposals submitted by third parties;

WHEREAS, notwithstanding the public comments of the individual members of the Board from and after June 29, 2010, no vote was ever taken by the Board which would override either the initial delegation of the responsibility for the operation of the Hospital to the Health System or the direction by

the Board to the Health System Commissioners to undertake the review process pursuant to N.C. Gen. Stat. § 131E-13 for consideration of the conveyance of the Hospital to a third party;

WHEREAS, in July 2010, the Health System Commissioners performed a comprehensive review of: (i) the Health System's fiscal and operational circumstances; (ii) the Health System's position in the current health care environment; and (iii) the prospects for sustaining the Health System in the environment. After completing this review and conferring with representatives of the Board, the Health System Commissioners, on behalf of the Health System and the County, commenced the process of conveying the Health System's and the County's requisite interests in the Hospital, including the Hospital Property, to a third party;

WHEREAS, the Board monitored the actions of Health System Commissioners throughout the request for proposal process and negotiations with third parties, receiving regular reports and then recommendations from the Health System Commissioners;

WHEREAS, in recognition of the procedural requirements set forth under N.C. Gen. Stat. § 131E-13(d), and the delegated authority of the Health System to exercise such functions, on behalf of the Health System and the County, the Health System Commissioners conformed with the statutory procedures as follows:

(i) Notice was published in the *Washington Daily News*, that a meeting of the Health System Commissioners would be held to declare the intent to convey the Hospital;

(ii) A regular meeting was held on July 13, 2010, at which meeting a resolution was adopted declaring the intent to convey the Hospital (the "Resolution of Intent") and proposals for the conveyance of the Hospital by direct solicitation of at least five (5) prospective parties were requested, which proposals required information on charges, services, and indigent care at similar facilities owned and operated by each proponent;

(iii) Notice was published in the *Washington Daily News* on August 13, 2010, that a public hearing on the Resolution of Intent would be held to afford all interested parties the opportunity to be heard on the decision to convey the Hospital;

(iv) A public hearing on the Resolution of Intent was conducted on August 31, 2010, at which hearing all interested parties were given the opportunity to be heard on the decision to convey the Hospital;

(v) Notice was published in the *Washington Daily News* on October 17, 2010, that a public hearing on the proposals would be held to afford all interested parties the opportunity to be heard on such proposals; and

(vi) A public hearing was conducted on the proposals on October 27, 2010, at which hearing all interested parties were given the opportunity to be heard on the proposals, which proposals included the ability of the successful party to exercise an option to purchase the County's remainder interest in the Hospital Property.

After the public hearings on the proposals, the Health System Commissioners ultimately voted on January 18, 2011, to enter into negotiations with University Health Systems of Eastern Carolina, Inc., a North Carolina nonprofit corporation ("UHS"), which submitted a proposal to lease the Hospital and substantially all of the assets used in the operation of the Hospital, including the Hospital Property (the

“Hospital Assets”) for a term of thirty (30) years, with an option to purchase the County’s remainder interest in the Hospital Property;

WHEREAS, based on the Health System’s recommendation to enter into negotiations with UHS, the Board published notice in the *Washington Daily News* on January 30, 2011, of its intent to hold a public hearing on UHS’ proposal, and conducted such hearing on February 9, 2011, at which hearing all interested parties were given the opportunity to be heard on UHS’ proposal, which proposal specifically included the potential purchase of the County’s remainder interest in the Hospital Property;

WHEREAS, the terms and conditions of the proposed lease of the Hospital Assets to UHS have been reduced to writing in the form of an Amended and Restated Lease Agreement (the “Lease Agreement”) by and among the County, the Health System, Beaufort County Hospital Association, Inc., a North Carolina nonprofit corporation (the “Association”), Beaufort Regional Physicians, LLC, a North Carolina limited liability company (the “Physician Group”), and UHS, the form of which is attached hereto as Exhibit A. Additionally, an Assignment and Assumption Agreement by and among the County, the Health System, the Association, the Physician Group, and East Carolina Health-Beaufort, Inc. (“ECHB”), an affiliate of UHS (the “Assignment and Assumption Agreement”) has been reduced to writing, pursuant to which various tangible and intangible rights will be assigned to ECHB, the form of which is attached hereto as Exhibit B (collectively, the Lease Agreement and the Assignment and Assumption Agreement are referred to herein as the “Transaction Documents”);

WHEREAS, the terms of the Transaction Documents require or entail the consummation of other agreements, certificates, documents, and instruments by and among the parties, including, without limitation, a Lease Agreement by and between the County and East Carolina Health-Beaufort, Inc. (“ECHB”), a controlled affiliate of UHS, for the use of approximately 2,808 square feet within the Tideland Mental Health Building located at 1308 Highland Drive, Washington, North Carolina, the form of which is attached hereto as Exhibit C; a Lease Agreement by and between the County and ECHB for the use of approximately 5,048 square feet within the Ray G. Silverthorne Crisis Center building annex located at 1379 Cowell Farm Road, Washington, North Carolina, the form of which is attached hereto as Exhibit D; an Excluded Liabilities Escrow Agreement by and among the County, UHS, the Health System, the Association, the Physician Group, and First-Citizens Bank & Trust Company, as escrow agent, the form of which is attached hereto as Exhibit E; an Escrow Agreement by and between the County and Branch Banking and Trust Company, as escrow agent, the form of which is attached hereto as Exhibit F; a Memorandum of Lease and Purchase Option by and between the County and UHS, the form of which is attached hereto as Exhibit G; an Agreement Regarding Prepayment of Scheduled Indebtedness by and among the County, the Health System, the Association, the Physician Group and UHS, the form of which is attached hereto as Exhibit H; and an Agreement Regarding the Subdivision of the Aurora Property by and between the County and UHS, of form of which is attached hereto as Exhibit I (collectively, the “Ancillary Transaction Documents”);

WHEREAS, at least ten (10) days before this meeting, the County made copies of the Transaction Documents available to the public in accordance with the requirements of N.C. Gen. Stat. § 131E-13(d)(8) and a legal notice of this regular meeting of the Board was published in the *Washington Daily News* on August 14, 2011; and

WHEREAS, in accordance with the requirements of N.C. Gen. Stat. § 131E-13(d)(7), after considering whether the conveyance of the Hospital Assets to UHS, in accordance with the provisions of this Resolution, will meet the health-related needs of medically underserved groups, such as low income persons, racial and ethnic minorities, and handicapped persons, the Board finds that the conveyance of the Hospital Assets is in the public interest;

NOW, THEREFORE, BE IT RESOLVED that in accordance with N.C. Gen. Stat. § 131E-13(d), the Board hereby approves, ratifies, and accepts the Transaction Documents in the forms attached hereto as Exhibits A and B; and

BE IT FURTHER RESOLVED that the Board hereby approves, ratifies, and accepts all other agreements, documents, and certificates required by the terms of the Transaction Documents, including, without limitation, the Ancillary Transaction Documents in the forms attached hereto as Exhibits C, D, E, F, G, H, and I; and

BE IT FURTHER RESOLVED that the actions taken by the Health System and the Health System Commissioners, as the agents of the County and the Board, are hereby ratified, endorsed, and approved in all respects, *nunc pro tunc*; and

BE IT FURTHER RESOLVED that the Board hereby authorizes and directs the Chairman of the Board, and such other persons as may be required, on behalf of the County, to undertake the following actions:

1. Execute on behalf of the County the Transaction Documents, and any other agreements, certificates, documents, and instruments to be executed by the County in connection with the transactions described in these Resolutions, including, without limitation, the Ancillary Transaction Documents, in substantially the form presented previously to and approved by the Board together with such non-substantive changes, modifications and deletions as he may, with the advice of counsel, deem necessary or desirable, and with respect to any such documents requiring attestation, the Clerk of the Board is hereby authorized and directed to attest his execution and to affix the County's seal;

2. Execute a certificate, affidavit, or other official evidence of the taking of the actions recited herein for the purpose of permitting the County's special counsel, Smith Moore Leatherwood LLP "(Counsel)", to render a legal opinion regarding the transactions described in these Resolutions, with the specific understanding that Counsel will rely on the truth of the statements in such official evidence in the rendering of such opinion for the benefit of the County; and

3. Take such other and further actions and execute and deliver any other agreement, document, certificate, or other instrument as are not inconsistent with law that may be necessary or desirable to conclude and implement the transactions described in these Resolutions.

This the 25<sup>th</sup> day of August, 2011.

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Jerry E. Langley  
Chairman  
Beaufort County Board of Commissioners

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Sharon C. Singleton  
Clerk  
Beaufort County Board of Commissioners