

## AMENDED AND RESTATED LEASE AGREEMENT

THIS AMENDED AND RESTATED LEASE AGREEMENT (this "Lease"), is made and entered into as of the \_\_\_\_ day of August, 2011 (the "Effective Date") by and among the COUNTY OF BEAUFORT (the "County"), a political subdivision of the State of North Carolina, BEAUFORT REGIONAL HEALTH SYSTEM (the "Health System"), a North Carolina hospital authority organized under N.C. Gen. Stat. § 131E-16 *et seq.*, BEAUFORT COUNTY HOSPITAL ASSOCIATION, INC. (the "Association"), a North Carolina nonprofit corporation, and BEAUFORT REGIONAL PHYSICIANS, LLC (the "Physician Group"), a North Carolina limited liability company (collectively the County, the Health System, the Association, and the Physician Group referred to herein as "Landlords"), and UNIVERSITY HEALTH SYSTEMS OF EASTERN CAROLINA, INC. ("Tenant"), a North Carolina nonprofit corporation.

### WITNESSETH:

WHEREAS, the County is the owner of the land and facilities as identified by legal description and pictorially on Exhibit A hereto;

WHEREAS, the Health System, through the Association, is the owner and operator of an acute care hospital facility, including certain equipment, supplies, and fixtures associated therewith, known as Beaufort County Medical Center, located in Washington, North Carolina (the "Hospital");

WHEREAS, the County is the owner of the land and facilities at the additional locations as identified by legal description and pictorially on Exhibit B hereto;

WHEREAS, the Health System Entities (as defined herein) are, each in their individual, respective capacity, the lessees of the land and facilities at the additional locations identified on Exhibit C hereto;

WHEREAS, the Health System Entities are, each in their individual, respective capacity, the owners of the equipment, supplies, and fixtures at the locations identified on Exhibit B and Exhibit C hereto (collectively with the land and facilities identified on Exhibit B and Exhibit C, referred to herein as the "Clinics");

WHEREAS, the Association and the Physician Group are wholly owned or controlled subsidiaries of the Health System;

WHEREAS, the County currently leases the land and facilities identified on Exhibits A and B to the Health System 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") (the "Hospital Authority Lease"), and the Health System, through the Health System Entities, in turn operates the Hospital and the Clinics;

WHEREAS, the County and the Health System have determined together that it is in the best interest of the citizens of Beaufort County, North Carolina, and the surrounding communities, that the Health System assign, and the County consent to such assignment of, the Hospital Authority Lease to Tenant, and that operation of the Hospital and the Clinics be leased to Tenant, which is a nonprofit corporation experienced in the operation and management of hospital and other health care related activities, and that the County's remainder interest in the property described on Exhibit A and Exhibit B be conveyed to Tenant, at Tenant's option, upon the conclusion of the term of this Lease;

WHEREAS, Pamlico Medical Equipment, LLC, f/k/a DME Ventures, LLC (“PME”), is a North Carolina limited liability company in which the Association has a fifty percent (50%) membership interest, and which owns and operates a licensed durable medical equipment company operating in Washington, North Carolina and the surrounding area;

WHEREAS, EastPointe Health, LLC (“Eastpointe”) is a North Carolina limited liability company in which the Association and Pitt County Memorial Hospital, Inc. (“PCMH”), a controlled affiliate of Tenant, each has a fifty percent (50%) membership interest, and which owns and operates a diagnostic imaging center with a Magnetic Resonance Imaging (“MRI”) scanner operating as a department of the Hospital;

WHEREAS, the Health System has determined that it is in the best interest of the citizens of Beaufort County, North Carolina, and the surrounding communities, that the Association’s interests in PME and Eastpointe be assigned to Tenant’s controlled affiliate, East Carolina Health–Beaufort, Inc. (“ECHB”), and Tenant will in turn cause PCMH to contribute its interest in Eastpointe to ECHB;

WHEREAS, the Health System and Tenant have previously entered into that certain Letter of Intent, dated as of January 31, 2011, and that certain Amended and Restated Letter of Intent, dated as of April 2, 2011 (the “Amended and Restated Letter of Intent”), under which such parties have operated during the negotiation of this Lease;

WHEREAS, Landlords wish to enter into this Lease for the purpose of assigning the Hospital Authority Lease to Tenant and amending and restating the same for the purpose of leasing the assets of the Hospital and Clinic Operations (as defined herein) to Tenant upon the terms and conditions hereinafter set forth;

WHEREAS, effective as of the Closing Date (as defined herein), Tenant will in turn enter into subleases with ECHB, HealthAccess, Inc. (“HealthAccess”) and UHS Physicians, LLC (“UHSP”), each a controlled affiliate of Tenant, and sublease, delegate, or otherwise assign to ECHB or UHSP all of its rights and obligations under this Lease;

WHEREAS, Landlords and ECHB will also enter into that certain Assignment and Assumption Agreement, to be executed effective as of the Closing Date (the “Assignment Agreement”; collectively with this Lease, the “Transaction Documents”) pursuant to which various intangible rights, including the right to lease, use, and operate the real property associated with the Assigned Leased Property, as defined and identified on Exhibit C, are being transferred to Tenant’s controlled affiliate, ECHB (provided however, that ECHB will enter into new leases for certain properties leased by the Health System, which are identified on Exhibit C, including new leases for certain separately leased properties from the County under Paragraph 5(a)(ii) hereof), and which sets forth additional rights and responsibilities of Landlords and ECHB with respect to the transition of operations of the Hospital and Clinic Operations to ECHB; and

WHEREAS, under the Constitution and laws of the State of North Carolina, the County, the Health System, and Tenant each is authorized to enter into and perform this Lease, including pursuant to N.C. Gen. Stat. § 131E-13, and the execution and delivery of this Lease has been duly authorized by resolutions adopted by the Board of Commissioners of the County, the Board of Commissioners of the Health System, and the Board of Trustees of Tenant.

NOW, THEREFORE, in consideration of the premises and the mutual undertakings and representations herein contained, and other good and valuable consideration, receipt of which is hereby acknowledged, Landlords and Tenant hereby covenant, contract, and agree as follows:

1. DEFINITIONS. All capitalized terms not defined elsewhere in this Lease and used herein shall have the following meanings, unless a different meaning clearly appears from the context:

“Assigned Leased Property” means Landlords’ respective leasehold interest in certain Leased Property identified on Exhibit C.

“Audited Balance Sheets” means the audited balance sheets of the Health System Entities as of September 30, 2009 and September 30, 2010, including the notes thereto, and the related audited statements of income and changes in cash flows for the fiscal years then ended, including in each case the notes thereto, together with the report, certified by the Health System’s Chief Financial Officer.

“Buildings” means those structures that currently house the Hospital and Clinic Operations identified on Exhibit A and Exhibit B.

“Cancer Center” means the Marion L. Shepard Cancer Center.

“Community General Hospital” means a short-term healthcare facility which provides diagnostic and therapeutic services to patients for a variety of medical conditions, both surgical and nonsurgical, certain services including urgent/emergent care being available on a twenty-four (24) hour basis, for use primarily by residents of the community in which it is located, and which is licensed by the State of North Carolina as an acute care general hospital.

“Consent” means any approval, consent, ratification, waiver, or other authorization.

“Contract” means any agreement, contract, lease, consensual obligation, promise, or undertaking (whether written or oral and whether express or implied).

“Eastpointe Interest” means the fifty percent (50%) membership interest held by the Association in Eastpointe and all other interests, rights, privileges, and obligations it may hold independently or appurtenant thereto in or relating to Eastpointe.

“Environment” means soil, land surface or subsurface strata, surface waters (including navigable waters and ocean waters), ground waters, drinking water supply, stream sediments, ambient air (including indoor air), plant and animal life, and any other environmental medium or natural resource.

“Environmental and Safety Requirements” means all applicable federal, state, and local laws, statutes, codes, regulations, rules, ordinances, orders, standards, permits, licenses, actions, policies, and requirements (including consent decrees, judicial decisions, and administrative orders) relating to the protection of the environment and to public or worker health and safety, all as amended, hereafter amended or reauthorized, including, but not limited to: the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), 42 U.S.C. § 9601 et seq., the Resource Conservation and Recovery Act (“RCRA”), 42 U.S.C. § 6901 et seq., the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq., the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq., the Clean Air Act, 42 U.S.C. § 7401 et seq., the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq., the Emergency Planning and Community Right to Know Act, 42 U.S.C. § 11001 et seq., and the Safe Drinking Water Act, 42 U.S.C. § 300f et seq.

“Excluded Assets” means any Land, Building, or Personal Property expressly excluded in writing by the parties to this Lease and set forth in Exhibit D to this Lease.

“Governmental Authorization” means any Consent, license, registration, or permit issued,

granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement. For purposes of clarification and not as a limitation, Governmental Authorization shall include all zoning reclassifications, permits for utilities, regulatory, and other governmental approvals and permits, including, but not limited to, certificates of need, licensures, certifications, and Provider Agreements, as may be required for the operation of the Hospital or the Clinics.

“Governmental Body” means any:

- (i) nation, state, county, city, town, borough, village, district, or other jurisdiction;
- (ii) federal, state, local, municipal, or other government;
- (iii) governmental or quasi-governmental authority of any nature (including any agency, branch, department, board, commission, court, tribunal, or other entity exercising governmental or quasi-governmental powers);
- (iv) body exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power; or
- (v) official of any of the foregoing.

“Hazardous Activity” means the distribution, generation, handling, importing, management, manufacturing, processing, production, refinement, release, storage, transfer, transportation, treatment, or use (including any withdrawal or other use of groundwater) of Hazardous Materials in, on, under, about, or from the Hospital or the Clinics, or any part thereof into the Environment.

“Hazardous Materials” means: (i) hazardous substances, as defined by CERCLA; (ii) hazardous wastes as defined by RCRA; (iii) petroleum, including, without limitation, crude oil or any fraction thereof which is liquid at standard conditions of temperature and pressure; (iv) any radioactive material, including, without limitation, any source, special nuclear, or by-product material as defined in 42 U.S.C. §2011 et seq.; (v) asbestos in any form or condition; (vi) polychlorinated biphenyls; and (vii) any other material, substance, or waste to which liability or standards of conduct are under any Environmental and Safety Requirements.

“Health System Entities” means the Health System, the Association, and the Physician Group.

“Hospital and Clinic Operations” means the operations and interest of the Health System Entities on the date of this Lease in the businesses located at or comprising the Hospital and the Clinics.

“Hospital’s Directors’ Council” means a body appointed by ECHB for the Hospital, in a manner consistent with the terms of Paragraph 3(d) herein, which shall provide advice to ECHB regarding the Hospital and Clinic Operations as described herein.

“Interim Balance Sheet” means the unaudited balance sheet of the Health System Entities as of June 30, 2011 and the related unaudited statements of income, and changes in cash flows for the nine (9) months then ended, including the notes thereto, certified by the Health System’s Chief Financial Officer.

“Land” or “Leased Property” means the real property described in Exhibit A and Exhibit B, attached hereto and incorporated herein by reference, together with the Buildings and all rights, privileges, easements, appurtenances, and immunities belonging to or in any way pertaining to the Land

and improvements described herein.

“Leased Assets” means the Land, Buildings, and Personal Property.

“Legal Requirement” means any federal, state, local, municipal, foreign, international, multinational or other constitution, law, ordinance, principle of common law, code, regulation, statute, or treaty.

“Liability” means with respect to any Person, liability, or obligation of such Person of any kind, character, or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person.

“No Further Action Letters” means written correspondence from the North Carolina Department of Environment and Natural Resources (“DENR”) and/or any other applicable Governmental Body confirming that the UST Releases incident has been “closed” and no further actions are required by any party with respect to the UST Releases (including any monitoring activities) under applicable laws and regulations.

“Permitted Exceptions” means any liens, encumbrances, restrictions, exceptions, and other matters disclosed on Schedule 2.e. or Schedule 2A.e. attached hereto, to which title to the Leased Assets may be subject on the Closing Date.

“Person” means an individual, partnership, corporation, business trust, limited liability company, limited liability partnership, joint stock company, trust, unincorporated association, joint venture, or other entity or a Governmental Body.

“Personal Property” means all tangible personal property, of every kind and nature, whether owned or leased by any of Landlords, in their individual, respective capacity, and used in relation to the Hospital and Clinic Operations on the Closing Date, unless shown as an Excluded Asset on Exhibit D, including, without limitation: (i) all instruments; (ii) medical equipment, trade fixtures, and other improvements; (iii) office equipment; (iv) vehicles; (v) patient and prospective patient lists; (vi) patient files and records; (vii) all other documents, instruments, papers, books and records, including, without limitation, medical documentation, payor verification, mailing lists, and related documentation, telephone numbers, facsimile numbers, electronic addresses, and passwords used in connection with the Hospital and Clinic Operations.

“PME Interest” means the fifty percent (50%) membership interest held by the Association in PME and all other interests, rights, privileges, and obligations it may hold independently or appurtenant thereto in or relating to PME.

“Primary Service Area” means Beaufort County, North Carolina.

“Proceeding” means any action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, judicial, or investigative, whether formal or informal, whether public or private) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Body or arbitrator.

“Provider Agreements” means the Health System Entities’ Medicare provider agreements and Medicaid participation agreements with the Centers for Medicare and Medicaid Services and the North

Carolina Division of Medical Assistance, including any agreements or requirements related to the maintenance of Medicare and Medicaid billing numbers.

“Replacement Hospital” means a facility that is constructed or otherwise operated by Tenant or any of its affiliates as a Community General Hospital in the Primary Service Area, as a replacement for the Hospital.

“Scheduled Indebtedness” means the Liabilities of any of Landlords incurred to finance the Hospital and Clinic Operations as may be disclosed on Schedule 2.i. or Schedule 2A.i. attached hereto.

“Substantial Part of the Leased Property” means at least seventy-five percent (75%) of the Leased Property that if not able to be used by Tenant would prevent or materially interfere with the use of the Leased Assets by Tenant for the purposes provided herein.

“Tax” means any income, gross receipts, license, payroll, employment, excise, stamp, occupation, premium, property, environmental, windfall profit, customs, vehicle, or other title or registration, capital stock, franchise, employees’ income withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, value added, alternative, add-on minimum and other tax, fee, assessment, levy, charge, or duty of any kind whatsoever and any interest, penalty, addition or additional amount thereon imposed, assessed, or collected by or under the authority of any Governmental Body or payable under any tax-sharing agreement or any other Contract.

“Tax Return” means any return (including any information return), report, statement, schedule, notice, form, declaration, claim for refund, or other document or information filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection, or payment of any Tax or in connection with the administration, implementation, or enforcement of or compliance with any Legal Requirement relating to any Tax.

“Tenant’s Property” means any additional machinery, inventory, equipment, fixtures, or other personal property associated with the Hospital and Clinic Operations that Tenant has constructed, installed or otherwise acquired, at its expense, at any time during the Term (as defined herein) of this Lease.

“Title Company” means First American Title Insurance Company.

“Title Policy” means the 2006 ALTA Leasehold Owner's Form Policy of Title Insurance to be issued by the Title Company on the basis shown in those certain Title Insurance Commitments Nos. 475787-01 commitment date of March 01, 2011 at 8:00 a.m., No. 475787-02 commitment date of March 01, 2011 at 8:00 a.m., and No. 475787-03 commitment date of March 01, 2011 at 8:00 a.m.

“UHS Eastpointe Interest” means the fifty percent (50%) membership interest held by Tenant in Eastpointe and all other interests, rights, privileges, and obligations it may hold independently or appurtenant thereto in or relating to Eastpointe.

“UST Releases” means documented releases of petroleum based substances from underground storage tank systems that have impacted soil and groundwater at, on, and beneath the Leased Property and are described in the following documents: (i) Phase I Environmental Site Assessment, Main Hospital Properties, dated February 25, 2011, Terracon Project No 72177008 – Task 1; (ii) 20 Day/Initial Abatement Action Report – Tank 2, 628 East 12th St., Washington, NC, dated July 15, 2011, Terracon Project No 72117032; (iii) 20 Day/Initial Abatement Action Report – Tank 3, 628 East 12th St., Washington, NC, dated July 15, 2011, Terracon Project No 72117032; (iv) 20 Day/Initial Abatement

Action Report – Tanks 4, 5, 6 & 7, 604 East 12th St., Washington, NC, dated July 15, 2011, Terracon Project No 72117032; (v) Report of Additional Soil Sampling Services (Tank 1), 628 East 12th St., Washington, NC, dated July 7, 2011, Terracon Project No 72117032; (vi) NCDENR Notice of Regulatory Requirements, 628 East 12th Street, Washington, NC, UST Section Incident Number 38182, dated March 16, 2011; (vii) NCDENR Notice of Regulatory Requirements, 628 East 12th Street, Washington, NC, UST Section Incident Number 38183, dated March 16, 2011; (viii) NCDENR Notice of Regulatory Requirements, 628 East 12th Street, Washington, NC, UST Section Incident Number 38184, dated March 16, 2011; (ix) NCDENR Notice of Regulatory Requirements, 628 East 12th Street, Washington, NC, UST Section Incident Number 38185, dated March 16, 2011.

2. WARRANTIES, REPRESENTATIONS, AND COVENANTS OF THE HEALTH SYSTEM ENTITIES. The Health System Entities hereby make material representations, warranties, and covenants as follows:

(a) Title; Sufficiency of Assets.

(i) Exhibit A is a true, correct, accurate, and complete description of all real property used in the operation of the Hospital. There is no other real property (whether owned or leased) necessary for the operation of the Hospital.

(ii) The Health System Entities have good and marketable title or a valid leasehold interest to the Personal Property used in the Hospital and Clinic Operations.

(iii) The Health System Entities have a valid leasehold interest to the Assigned Leased Property described on Exhibit C. Except for clinics that are located in the Buildings identified on Exhibit A, Exhibit B and Exhibit C are a true, correct, accurate, and complete description of all real property (whether owned or leased) used in the operation of the Clinics. There is no other real property (whether owned or leased) necessary for the operation of the Clinics.

(b) Authority.

(i) The Health System is a hospital authority under N.C. Gen. Stat. § 131E-16 *et seq.*, tax exempt under Section 170(c)(1) of the Internal Revenue Code of 1986, as amended (the “Code”), and in good standing under its certificate of incorporation and the laws of North Carolina, and is duly authorized and empowered to enter into the transactions contemplated by this Lease and to carry out its obligations hereunder, and by proper action of the Board of Commissioners of the Health System has been duly authorized to execute and enter into the Transaction Documents.

(ii) The Association is a nonprofit corporation tax exempt under Section 501(a) of the Code, as an organization described in Section 501(c)(3) of the Code, and in good standing under its articles of incorporation and the laws of North Carolina, and by proper corporate action of the Board of Trustees of the Association has been duly authorized to execute and enter into the Transaction Documents.

(iii) The Physician Group is a limited liability company duly organized under the laws of the State of North Carolina, treated for federal income tax as a disregarded entity of the Health System, and in good standing under its articles of organization and the laws of North Carolina, and by proper company action and by proper action of the sole member of the Physician Group has been duly authorized to execute and enter into the Transaction Documents.

(iv) All acts, conditions, and things necessary or required by the Constitution and

laws of the State of North Carolina or otherwise to exist, happen, and be performed precedent to the execution and delivery of this Lease do exist, have happened, and have been performed, including, but not limited to, such actions as are necessary to comply with N.C. Gen. Stat. § 131E-13 relating to the transactions contemplated by the Transaction Documents, including, but not limited to, the lease and future sale of the Hospital pursuant to the purchase option set forth in Paragraph 7 hereof.

(c) **Mortgages, Liens, Permitted Exceptions.** Except for the Permitted Exceptions set forth on Schedule 2.c., the Health System Entities have not created any mortgages, liens, restrictions, agreements, claims, or other encumbrances which cause title to the Leased Assets to be unmarketable or which will materially interfere with this Lease and use by Tenant of the Leased Assets in a manner consistent with the current use by the Health System Entities. Except as otherwise set forth herein, neither Tenant, its successors and assigns, or any of its or their rights to the use and possession of the Hospital and Clinic Operations shall be disturbed or otherwise extinguished. Tenant shall not be joined as a defendant in any exercise of any rights and remedies arising upon a default under any Permitted Exception or other Liability (including, without limitation, in connection with any default under the Scheduled Indebtedness). In the event any person takes title to any portion of the Leased Assets (including, without limitation, the Land) whether by power of sale (judicial or non-judicial) or other foreclosure under process of law or by any other exercise by such person of its rights and remedies in connection with the Permitted Exceptions, Scheduled Indebtedness, or any other Liability, including by bankruptcy law or by delivery by the Health System Entities to such person (or its designee or nominee) of a deed or other conveyance of the Health System Entities' interest in the Leased Assets in lieu of any of the foregoing (a "Foreclosure Event") then, so long as no default on the part of Tenant exists under the terms of this Lease, the Foreclosure Event shall not terminate this Lease or any other Transaction Document or otherwise adversely affect Tenant's or its successor and assigns' rights under this Lease or such Transaction Documents or any other rights of possession or use of the Hospital and Clinic Operations. After a Foreclosure Event, any such person shall be bound to Tenant under all the terms and conditions of the Transaction Documents, which shall continue in full force and effect, in accordance with their terms as between such person and Tenant. The Health System Entities hereby further covenant and agree that they shall not permit or create any mortgages, liens, restrictions, agreements, claims, or other encumbrances on the Leased Assets, or enter into or execute any amendment, modification, or supplement thereto and further covenant and agree that they shall not amend, modify, supplement, waive or otherwise alter any terms of any lease, license, agreement, instrument, or other document to which the Leased Assets are subject without the prior written consent of Tenant. Notwithstanding the foregoing or anything herein to the contrary, the Health System Entities agree that they shall not further directly or indirectly sell, convey, pledge, hypothecate or otherwise transfer their ownership interest in the Leased Assets, except to the County, after the Closing Date. It shall be a material breach of the Health System Entities' obligations and covenants under the terms of this Lease and an immediate event of default under the terms of Paragraph 5(c) herein upon the occurrence of any such transfer, except to the County, of the Health System Entities' ownership interest in the Leased Assets (including without limitation upon the occurrence of any Foreclosure Event).

(d) **Governmental Authorizations.**

(i) Schedule 2.d. contains a complete and accurate list of each Governmental Authorization held by the Health System Entities that relates to or is necessary for the Hospital and Clinic Operations or the Leased Assets. Each Governmental Authorization listed or required to be listed in Schedule 2.d. is valid and in full force and effect, except as set forth or referenced in Schedules 2.d. or 2.e.;

(ii) The Health System Entities are, and at all times since June 1, 2008, have been, in material compliance with all of the terms and requirements of each Governmental Authorization



identified or required to be identified in Schedule 2.d., except as set forth or referenced in Schedules 2.d. or 2.e.;

(iii) Except as set forth or referenced in Schedules 2.d. or 2.e., no event has occurred or circumstance exists that may (with or without notice or lapse of time) (A) constitute or result directly or indirectly in a violation of or a failure to comply with any term or requirement of any Governmental Authorization listed or required to be listed in Schedule 2.d. or (B) result directly or indirectly in the revocation, withdrawal, suspension, cancellation, or termination of, or any modification to, any Governmental Authorization listed or required to be listed in Schedule 2.d.;

(iv) Except as set forth or referenced in Schedules 2.d. or 2.e., the Health System Entities have not received, at any time since June 1, 2008, any notice or other communication (whether oral or written) from any Governmental Body or any other Person regarding (A) any actual, alleged, possible or potential violation of or failure to comply with any term or requirement of any Governmental Authorization or (B) any actual, proposed, possible, or potential revocation, withdrawal, suspension, cancellation, termination of, or modification to any Governmental Authorization;

(v) All applications required to have been filed for the renewal of the Governmental Authorizations listed or required to be listed in Schedule 2.d. have been duly filed on a timely basis with the appropriate Governmental Bodies, and all other filings required to have been made with respect to such Governmental Authorizations have been duly made on a timely basis with the appropriate Governmental Bodies; and

(vi) The Governmental Authorizations listed in Schedule 2.d. collectively constitute all of the Governmental Authorizations necessary to permit the Health System Entities to lawfully conduct and operate the Hospital and the Clinics in the manner in which the Health System Entities currently conduct and operate such businesses and to permit the Health System Entities to own and use the Leased Assets in the manner in which it currently owns and uses such assets.

(e) Health Care Matters. Except as set forth in Schedule 2.e. or directly referenced in a document identified therein:

(i) The Health System Entities are, and at all times since June 1, 2008, have been, in compliance with each Legal Requirement that is or was applicable to it or to the conduct or operation of the Hospital or the Clinics, or the ownership or use of the Leased Assets;

(ii) No event has occurred or circumstance exists that (with or without notice or lapse of time) (A) may constitute or result in a violation by the Health System Entities of, or a failure on the part of the Health System Entities to comply with, any Legal Requirement that is or was applicable to it or to the conduct or operation of the Hospital or the Clinics, or the ownership or use of the Leased Assets, including, but not limited to, any violations of the federal physician self-referral prohibition, 42 U.S.C. 1395nn, or (B) may give rise to any obligation on the part of the Health System Entities to undertake, or to bear all or any portion of the cost of, any remedial action of any nature related to a Legal Requirement associated with the Hospital and Clinic Operations;

(iii) The Health System Entities have not received, at any time since June 1, 2008, any notice or other communication (whether oral or written) from any Governmental Body or any other Person regarding (A) any actual, alleged, possible, or potential violation of, or failure to comply with, any Legal Requirement, or (B) any actual, alleged, possible, or potential obligation on the part of the Health System Entities to undertake, or to bear all or any portion of the cost of, any remedial action of any nature;

(iv) The Health System Entities have timely filed all cost reports and other reports required to be filed by them prior to the date hereof with respect to Medicare and Medicaid. All such reports are complete and accurate and have been prepared in compliance with Legal Requirements and principles governing reimbursement and payment claims. True and complete data pertaining to the cost reports filed by the Health System Entities for the most recent cost-reporting year have been provided to Tenant. The Health System Entities have paid or caused to be paid or have properly reflected in the Audited Balance Sheet or the Interim Balance Sheet all known and undisputed refunds, overpayments, discounts or adjustments which have become due pursuant to such reports or related to the Hospital and Clinic Operations and have no Liability to Medicare, Medicaid, or any other governmental or private payor for any refund, overpayment, discount, or adjustment for services provided, and no interest or penalties are accruing with respect thereto. There is no basis for any claim or request for recoupment or reimbursement by any Governmental Body or other provider reimbursement entity relating to the Medicare and Medicaid programs in connection with the Hospital and Clinic Operations. There are no pending appeals, adjustments, challenges, audits, litigation, or notices of intent to reopen any closed cost reports filed with respect to the Hospital or Clinic Operations. There are no other reports required to be filed by the Health System Entities in order to be paid under Medicare, Medicaid, or any other governmental or private third party payor program for services rendered by the Hospital or the Clinics, except for cost reports not yet due.

(f) Other Contracts. Neither the execution and delivery of this Lease, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Lease conflict with or result in a breach of any terms, conditions, or provisions of any restrictions or agreements to which any of the Health System Entities is now a party or to which the Leased Assets are subject.

(g) Litigation. Except as set forth on Schedule 2.g., there are no claims, actions, suits, Proceedings, or investigations pending against or affecting the Health System Entities for the operation of the Hospital and Clinic Operations, at law or in equity, or before any Governmental Body.

(h) Required Notices. Except as set forth in Schedule 2.h., the Health System Entities are not required to give any notice to or obtain any Consent from any Person in connection with the execution and delivery of this Lease or the Assignment Agreement, or the transactions contemplated thereby.

(i) Financial Matters.

(i) Health System has delivered to Tenant the Audited Balance Sheets and the Interim Balance Sheet. Such financial statements fairly present the financial condition and the results of operations, changes in cash flows of the Health System Entities as at the respective dates of and for the periods referred to in such financial statements. The Audited Balance Sheets and the Interim Balance Sheet were prepared in accordance with generally accepted accounting principles throughout the periods involved, except as disclosed in the notes to such financial statements.

(ii) Except as set forth or referenced in Schedule 2.i. and Schedule 2.e., the Health System Entities have no Liability except for Liabilities reflected or reserved against in the Audited Balance Sheets or the Interim Balance Sheet and current liabilities incurred in the ordinary course of business of Health System Entities since the date of the Interim Balance Sheet.

(iii) The outstanding principal balance due as of the date of this Lease under the Scheduled Indebtedness held by the Health System Entities is as set forth on Schedule 2.i. attached hereto. Schedule 2.i. contains a full and accurate description of all instruments, documents, and agreements evidencing the Scheduled Indebtedness and a true, correct, and complete copy of any such

instruments, documents, and agreements has been delivered to Tenant as of the date hereof. The amounts due with respect to the Scheduled Indebtedness have been fully disclosed in Schedule 6.a.i. Schedule 6.a.i. contains a true, correct and complete description of all pay off amounts related to the Scheduled Indebtedness held by the Health System Entities.

(j) Taxes. The Health System Entities are exempt from filing, or have filed or caused to be filed on a timely basis, all Tax Returns and all reports with respect to Taxes that are or were required to be filed pursuant to applicable Legal Requirements. All Tax Returns and reports filed by the Health System Entities relating to the Leased Assets are true, correct, and complete in all material respects. The Health System Entities have paid, or made provision for the payment of, all Taxes that have or may have become due for all periods covered by the Tax Returns or otherwise, or pursuant to any assessment received by the Health System Entities, except such Taxes, if any, as are listed in Schedule 2.j. and are being contested in good faith. All Taxes that the Health System Entities are or were required by Legal Requirements to withhold, deduct or collect have been timely withheld, deducted, and collected and, to the extent required, have been paid to the proper Governmental Body or other Person.

(k) Employment Matters.

(i) The Health System Entities employ or contract with all persons necessary to the operation of the Hospital and Clinic Operations, and are in compliance with all federal, state, and local laws, statutes, rules, and regulations with regard to employment and employment practices, terms, and conditions, and wages and hours and other compensation matters. There is no action, suit, or Proceeding by any Person pending or, to the best knowledge of management of the Health System Entities threatened, against the Health System Entities (or any of its employees), involving employment discrimination, sexual harassment, wrongful discharge or similar claims, except as set forth on Schedule 2.k.

(ii) The Health System Entities have previously disclosed and have delivered or made available to Tenant prior to execution of this Lease copies, in each case, of any pension, severance pay, vacation, bonus, or other incentive plans, all other written employee programs, arrangements, or agreements, all medical, vision, dental, or other health plans, all life insurance plans, and all other employee benefit plans or fringe benefit plans, including "employee benefit plans" as that term is defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), currently adopted, maintained by, sponsored in whole or in part by, or contributed to by the Health System Entities for the benefit of employees, retirees, dependents, spouses, directors, independent contractors, or other beneficiaries and under which employees, retirees, dependents, spouses, directors, independent contractors, or other beneficiaries are eligible to participate (collectively, the "Beaufort Benefit Plans"). The Beaufort Benefit Plans are exempt from or in compliance with the applicable terms of ERISA, the Code, and any other applicable law, rules or regulations, the breach or violation of which are reasonably likely to have, individually or in the aggregate, a material adverse effect on Tenant. To the knowledge of the Health System Entities, no fiduciary of any of the Beaufort Benefit Plans has engaged in a transaction with respect to any of the Beaufort Benefit Plans that, assuming the taxable period of such transaction expired as of the date hereof, would subject such fiduciary to a tax imposed by either Section 4975 of the Code or Section 502(i) of ERISA in amounts which are reasonably likely to have, individually or in the aggregate, a material adverse effect on Tenant. There has been no breach of fiduciary duty with respect to any Beaufort Benefit Plan which could result in liability to, Landlords, Tenant, or any of their employees. No action, suit, proceeding, hearing, government audit, or investigation relating to any Beaufort Benefit Plan (other than routine claims for benefits) is pending or has been threatened, and neither the Health System Entities nor any of their employees has knowledge of any fact that would reasonably be expected to form the basis for such action, suit, proceeding, hearing, or investigation, except as provided on Schedule 2.k. No matters are currently pending with respect to any Beaufort Benefit Plan under the Employee Plans Compliance Resolution System maintained by the

Internal Revenue Service or any similar program maintained by any other government authority.

(iii) Except as set forth on Schedule 2.k., (A) full payment has been made of all amounts that are required under the terms of each Beaufort Benefit Plan to be paid as contributions with respect to all periods prior to and including the last day of the most recent fiscal year of such Beaufort Benefit Plan ended on or before the date of this Lease and all periods thereafter prior to the Closing Date, and no accumulated funding deficiency or liquidity shortfall (as those terms are defined in Section 302 of ERISA and Section 412 of the Code to the extent applicable) has been incurred with respect to any such Beaufort Benefit Plan, whether or not waived; (B) the value of the assets of each Beaufort Benefit Plan exceeds the amount of all benefit liabilities (determined on a plan termination basis using the actuarial assumptions applicable to such Employee Plan as of the Closing Date). The Health System Entities are not required to provide security to a Beaufort Benefit Plan under Section 401(a)(29) of the Code; and (C) the Health System Entities have paid in full all required insurance premiums, subject only to normal retrospective adjustments in the ordinary course, with regard to the Beaufort Benefit Plans for all policy years or other applicable policy periods ending on or before the Closing Date.

(l) Environmental. Except as set forth on Schedule 2.l.:

(i) With respect to the Hospital and the Clinics, the Health System Entities are, and at all times have been, in material compliance with, and have not been and are not in material violation of any Environmental and Safety Requirements. The Health System Entities have no reasonable basis to expect, nor has any Health System Entity received, any actual or threatened order, notice, or other communication from (A) any Governmental Body or private citizen acting in the public interest, or (B) the current or prior owner or operator of the Leased Property, of any actual or potential violation or failure to comply with any Environmental and Safety Requirements, or of any actual or threatened obligation to undertake or bear the cost of any Environmental and Safety Requirements with respect to the Hospital or the Clinics, or with respect to any property or the facilities at or to which Hazardous Materials were generated, manufactured, refined, transferred, used, or processed by the Health System Entities or from which such Hazardous Materials have been transported, treated, stored, handled, transferred, disposed, recycled, or received.

(ii) There are no pending or, to the knowledge of the Health System Entities, threatened claims or encumbrances resulting from any Environmental and Safety Requirements or arising under or pursuant to any Environmental and Safety Requirements with respect to or affecting the Hospital, the Clinics, or Personal Property.

(iii) The Health System Entities have no knowledge of or any reasonable basis to expect, nor have the Health System Entities received, any citation, directive, inquiry, notice, order, summons, warning, or other communication that relates to Hazardous Activity, Hazardous Materials, or any alleged, actual, or potential violation or failure to comply with any Environmental and Safety Requirements, or of any alleged, actual, or potential obligation to undertake or bear the cost of any Environmental and Safety Requirements with respect to the Hospital or the Clinics or with respect to any property or facility to which Hazardous Materials generated, manufactured, refined, transferred, used, or processed by the Health System Entities have been transported, treated, stored, handled, transferred, disposed, recycled, or received.

(iv) None of the Health System Entities nor, to the knowledge of the Health System Entities, any other Person for whose conduct they are or may be held responsible has any material liabilities regarding Environmental and Safety Requirements with respect to the Hospital or the Clinics.

(v) Except as in material compliance with Environmental and Safety Requirements,

(A) no Hazardous Materials are present on, in, or under the Hospital or the Clinics; (B) no Hazardous Materials are or have been generated, transported, treated, stored, disposed of, or otherwise handled by the Health System Entities or third parties arranged by the Health System Entities, in connection with the Hospital and Clinic Operations, or at the Hospital or the Clinics, including any Hazardous Materials contained in barrels, above or underground storage tanks, landfills, land deposits, dumps, equipment (whether moveable or fixed) or other containers, either temporary or permanent, and deposited or located in land, water, sumps, or any other part of the Hospital and the Clinics, or incorporated into any structure therein or thereon; (C) no underground storage tanks (“USTs”) are or have been located at the Hospital and the Clinics, and any USTs identified in Schedule 2.1. are and have been maintained, monitored, and upgraded in material compliance with all applicable Environmental and Safety Requirements, or have otherwise been, or are in the process of being, properly redressed by the Health System Entities; and (D) no release, spill, or discharge of any Hazardous Materials has occurred on, in, or under the Hospital and the Clinics.

(vi) There has been no release or, to the knowledge of the Health System Entities, threat of release, of any Hazardous Materials at or from the Hospital or the Clinics, or to the knowledge of the Health System Entities, at any other location where any Hazardous Materials were generated, manufactured, refined, transferred, produced, imported, used, or processed from or by the Hospital or the Clinics, or to the knowledge of the Health System Entities from or by any property geologically or hydrologically adjoining the Hospital or the Clinics, whether by the Health System Entities or any other Person.

(vii) The Health System Entities have delivered to Tenant true and complete copies and results of any reports, studies, analyses, tests, or monitoring possessed or initiated by the Health System Entities pertaining to Environmental and Safety Requirements or Hazardous Materials in, on, or under the Hospital and the Clinics, or concerning compliance by the Health System Entities, with Environmental and Safety Requirements.

(viii) There are and have been no conditions, events, occurrences, circumstances, activities, practices, incidents, or actions which could reasonably be expected to interfere with or prevent continued compliance with Environmental and Safety Requirements, give rise to any common law or statutory liability or otherwise form the basis of any claim, action, suit, proceeding, hearing, or investigation against the Health System Entities, under any Environmental and Safety Requirements.

(ix) Schedule 2.1. sets forth the name and principal place of business of every offsite waste disposal enterprise engaged now or in the preceding five (5) years by the Health System Entities to dispose or otherwise handle Hazardous Materials at any offsite waste disposal location on behalf of any of the Hospital and Clinic Operations.

(m) **Covenant Related to Prior Approvals.** Health System Entities, individually and collectively, shall not at any time seek to avoid the transactions contemplated by this Lease on the grounds of the failure of Landlords, individually or collectively, to comply with the provisions of N.C. Gen. Stat. § 131E-13.

**2A. WARRANTIES, REPRESENTATIONS AND COVENANTS OF THE COUNTY.** The County hereby makes the material representations, warranties and covenants as follows:

(a) **Title; Sufficiency of Assets.** The County has good, marketable, and insurable title in fee simple absolute to the real estate and improvements listed on Exhibit A and Exhibit B.

(b) **Authority.**

(i) The County is a local political subdivision tax exempt under Section 170(c)(1) of the Code and is duly authorized and empowered to enter into the transactions contemplated by this Lease and to carry out its obligations hereunder, and by proper action of the Board of Commissioners of the County, has been duly authorized to execute and enter into the Transaction Documents.

(ii) All acts, conditions, and things necessary or required by the Constitution and laws of the State of North Carolina or otherwise to exist, happen, and be performed precedent to the execution and delivery of this Lease do exist, have happened, and have been performed, including, but not limited to, such actions as are necessary to comply with N.C. Gen. Stat. § 131E-13 relating to the transactions contemplated by the Transaction Documents, including, but not limited to, the lease and potential future sale of the Hospital pursuant to the purchase option set forth in Paragraph 7 hereof.

(c) **Mortgages, Liens, Permitted Exceptions, Transfer of Leased Assets.** Except for the Permitted Exceptions set forth on Schedule 2A.c., the County has not created any mortgages, liens, restrictions, agreements, claims, or other encumbrances which cause title to the Leased Assets to be unmarketable or which will materially interfere with this Lease and use by Tenant of the Leased Assets in a manner consistent with the current use by the Health System Entities. Except as otherwise set forth herein, neither Tenant, its successors and assigns, or any of its or their rights to the use and possession of the Hospital and Clinic Operations shall be disturbed or otherwise extinguished. Tenant shall not be joined as a defendant in any exercise of any rights and remedies arising upon a default under any Permitted Exception or other Liability (including, without limitation, in connection with any default under the Scheduled Indebtedness). In the event any person takes title to any portion of the Leased Assets (including, without limitation, the Land) whether by power of sale (judicial or non-judicial) or other foreclosure under process of law or by any other exercise by such person of its rights and remedies in connection with the Permitted Exceptions, Scheduled Indebtedness, or any other Liability, including by bankruptcy law or by delivery by the County to such person (or its designee or nominee) of a deed or other conveyance of the County's interest in the Leased Property in lieu of any of the foregoing (a "County Foreclosure Event") then, so long as no default on the part of Tenant exists under the terms of this Lease, the County Foreclosure Event shall not terminate this Lease or any other Transaction Document or otherwise adversely affect Tenant's or its successor and assigns' rights under this Lease or such Transaction Documents or any other rights of possession or use of the Hospital and Clinic Operations. After a County Foreclosure Event, any such person shall be bound to Tenant under all the terms and conditions of the Transaction Documents, which shall continue in full force and effect, in accordance with their terms as between such person and Tenant. The County hereby further covenants and agrees that it shall not permit or create any mortgages, liens, restrictions, agreements, claims, or other encumbrances on the Leased Assets, or enter into or execute any amendment, modification, or supplement thereto, and further covenants and agrees that it shall not amend, modify, supplement, waive or otherwise alter any terms of any lease, license, agreement, instrument, or other document to which the Leased Property is subject without the prior written consent of Tenant. Notwithstanding the foregoing or anything herein to the contrary, the County agrees that it shall not further directly or indirectly sell, convey, pledge, hypothecate or otherwise transfer its ownership interest in the Leased Assets after the Closing Date. It shall be a material breach of the County's obligations and covenants under the terms of this Lease and an immediate event of default under the terms of Paragraph 5(c) herein upon the occurrence of any such transfer of the County's ownership interest in the Leased Assets (including without limitation upon the occurrence of any County Foreclosure Event).

(d) **Governmental Authorizations.** There are no Governmental Authorizations held by the County that relate to or are necessary for the Hospital and Clinic Operations or the Leased Assets.

(e) Intentionally omitted.

(f) Other Contracts. Neither the execution and delivery of this Lease, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Lease conflict with or result in a breach of any terms, conditions, or provisions of any restrictions or agreements to which the County is now a party or to which the Leased Assets are subject.

(g) Litigation. Except as set forth on Schedule 2A.g., there are no claims, actions, suits, Proceedings, or investigations pending against or affecting the County for the operation of the Hospital and Clinic Operations, at law or in equity, or before any Governmental Body.

(h) Required Notices. Except as set forth in Schedule 2A.h., the County is not required to give any notice to or obtain any Consent from any Person in connection with the execution and delivery of this Lease or the Assignment Agreement or the transactions contemplated thereby.

(i) Financial Matters. The outstanding principal balance due as of the date of this Lease under the Scheduled Indebtedness held by the County is as set forth on Schedule 2A.i. attached hereto. Schedule 2A.i. contains a full and accurate description of all instruments, documents, and agreements evidencing the Scheduled Indebtedness and a true, correct, and complete copy of any such instruments, documents, and agreements has been delivered to Tenant as of the date hereof. The amounts due with respect to the Scheduled Indebtedness have been fully disclosed in Schedule 6.a.i and Schedule 6.a.iii. Schedule 6.a.i and Schedule 6.a.iii. contain a true, correct and complete description of all pay off amounts and debt service payments related to the Scheduled Indebtedness held by the County.

(j) Taxes. The County is exempt from payment, filing, and reports with respect to all Taxes and Tax Returns material to the transactions contemplated by this Lease.

(k) Employment. No Person is employed by or otherwise under contract with the County to provide items or services related to the Hospital and Clinic Operations.

(l) Environmental. Except as set forth on Schedule 2A.l.:

(i) The County has no reasonable basis to expect, nor has the County received, any actual or threatened order, notice or other communication from (A) any Governmental Body or private citizen acting in the public interest or (B) the current or prior owner or operator of the Hospital or Clinics, of any actual or potential violation or failure to comply with any Environmental and Safety Requirements, or of any actual or threatened obligation to undertake or bear the cost of any Environmental and Safety Requirements with respect to the Hospital or Clinics or with respect to any property or the facilities at or to which Hazardous Materials were generated, manufactured, refined, transferred, used or processed by the County or from which such Hazardous Materials have been transported, treated, stored, handled, transferred, disposed, recycled or received.

(ii) There are no pending or, to the knowledge of the County, threatened claims or encumbrances resulting from any Environmental and Safety Requirements or arising under or pursuant to any Environmental and Safety Requirements with respect to or affecting the Land or the Leased Property.

(iii) The County has no knowledge of or any reasonable basis to expect, nor has the County received, any citation, directive, inquiry, notice, order, summons, warning, or other communication that relates to Hazardous Activity, Hazardous Materials, or any alleged, actual, or potential violation or failure to comply with any Environmental and Safety Requirements, or of any alleged, actual, or potential obligation to undertake or bear the cost of any Environmental and Safety Requirements with respect to the Land or the Leased Property, or with respect to any such property or facility to which Hazardous Materials generated, manufactured, refined, transferred, used, or processed by

the County has been transported, treated, stored, handled, transferred, disposed, recycled, or received.

(iv) Neither the County nor, to the knowledge of the County, any other Person for whose conduct it is or may be held responsible has any material liabilities regarding Environmental and Safety Requirements with respect to the Land or the Leased Property.

(v) Except as in material compliance with Environmental and Safety Requirements, to the knowledge of the County (A) no Hazardous Materials are present on, in, or under the Land or the Leased Property; (B) no Hazardous Materials are or have been generated, transported, treated, stored, disposed of, or otherwise handled by the County or third parties arranged by the County, in connection with the Land or the Leased Property, including any Hazardous Materials contained in barrels, above or underground storage tanks, landfills, land deposits, dumps, equipment (whether moveable or fixed) or other containers, either temporary or permanent, and deposited or located in land, water, sumps, or any other part of the Land or the Leased Property, or incorporated into any structure therein or thereon; (C) no USTs are or have been located at the Land or the Leased Property, and any USTs identified in Schedule 2A.1 are and have been maintained, monitored, and upgraded in material compliance with all applicable Environmental and Safety Requirements, or have otherwise been, or are in the process of being, properly redressed by the Health System Entities; and (D) no release, spill, or discharge of any Hazardous Materials has occurred on, in, or under the Land or the Leased Property.

(vi) There has been no release or, to the best knowledge of the County, threat of release, of any Hazardous Materials at or from the Land or the Leased Property, or to the knowledge of the County, at any other location where any Hazardous Materials were generated, manufactured, refined, transferred, produced, imported, used, or processed from the Land or the Leased Property, or to the knowledge of the County from or by any property geologically or hydrologically adjoining the Land or the Leased Property, whether by the County or any other Person.

(vii) The County has delivered to Tenant true and complete copies and results of any reports, studies, analyses, tests, or monitoring possessed or initiated by the County pertaining to Environmental and Safety Requirements or Hazardous Materials in, on, or under the Land or the Leased Property, or concerning compliance by the County with Environmental and Safety Requirements.

(viii) The County has no knowledge that there are and have been any conditions, events, occurrences, circumstances, activities, practices, incidents, or actions which could reasonably be expected to interfere with or prevent continued compliance with Environmental and Safety Requirements, give rise to any common law or statutory liability or otherwise form the basis of any claim, action, suit, proceeding, hearing, or investigation against the County, under any Environmental and Safety Requirements.

(ix) Schedule 2A.1 sets forth the name and principal place of business of every offsite waste disposal enterprise engaged now or in the preceding five (5) years by the County to dispose or otherwise handle Hazardous Materials at any offsite waste disposal location related to the Land or the Leased Property.

(m) **Covenant Related to Prior Approvals.** The County shall not at any time seek to avoid the transactions contemplated by this Lease on the grounds of the failure of Landlords, individually or collectively, to comply with the provisions of N.C. Gen. Stat. § 131E-13.

3. **WARRANTIES, REPRESENTATIONS, AND COVENANTS BY TENANT.** Tenant hereby makes the material representations, warranties and covenants as follows:



(a) Authority.

(i) Tenant is a nonprofit corporation duly incorporated under the laws of the State of North Carolina, tax exempt under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code, and in good standing under its articles of incorporation and the laws of North Carolina, and by proper corporate action has been duly authorized to execute and enter into the Transaction Documents.

(ii) ECHB is a nonprofit corporation organized as a controlled affiliate of Tenant, duly incorporated under the laws of the State of North Carolina, not subject to federal income tax as a subordinate of ECH pursuant to a group exemption letter, and in good standing under its articles of incorporation and the laws of North Carolina, and, prior to the Closing Date, by proper corporate action will be duly authorized to sublease or be otherwise assigned a portion of Tenant's rights and obligations under the Transaction Documents.

(iii) UHSP is a limited liability company organized as an owned affiliate of Tenant, duly incorporated under the laws of the State of North Carolina, tax exempt under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code, and in good standing under its articles of organization and the laws of North Carolina.

(iv) HealthAccess is a nonprofit corporation organized as a controlled affiliate of Tenant, duly incorporated under the laws of the State of North Carolina, tax exempt under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code, and in good standing under its articles of incorporation and the laws of North Carolina.

(v) ECH is a nonprofit corporation organized as a controlled affiliate of Tenant, duly incorporated under the laws of the State of North Carolina, tax exempt under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code, and in good standing under its articles of incorporation and the laws of North Carolina.

(b) Other Contracts. Neither the execution and delivery of this Lease, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Lease conflict with or result in a breach of any terms, conditions, or provisions of any corporate restrictions or agreements to which Tenant, ECHB, HealthAccess, or UHSP is now a party.

(c) Operational Covenants.

(i) Tenant agrees that (A) Tenant or its affiliates shall maintain in full force and effect during the Term (as defined herein) of this Lease, all necessary licenses, certifications, and permits, and other approvals required by applicable local, state, and federal laws with respect to the Hospital and Clinic Operations, its personnel and all equipment used therein, including, but not limited to, accreditation by The Joint Commission; (B) the Hospital will during the Term of this Lease, be certified to participate in the Medicare program under Title XVIII of the Social Security Act, 42 U.S.C. § 1395k; (C) the Hospital during the Term of this Lease will remain a certified provider for Medicaid under regulations promulgated by the North Carolina Division of Medical Assistance pursuant to N.C. Gen. Stat. § 108A, Art. 2, Part 6 and Title XIX of the Social Security Act; (D) Tenant will provide to the Health System and the County copies of any such licenses, certifications, permits, or approvals upon request; and (E) Tenant will promptly notify the Health System and the County of any revocation or suspension of, or the imposition of any material restriction to, any such licenses, certificates, permits, or approvals. Notwithstanding any provision of this Lease, Landlords acknowledge and agree that Tenant will not be in compliance with the covenants set forth in this Paragraph 3(c)(i) until Tenant's affiliates are

initially licensed and certified, which shall not constitute a violation of this provision or any other provision of this Lease to the extent Tenant or Tenant's affiliates are undertaking commercially reasonable efforts to obtain such initial licensure and certification, and achieve such licensure and certification within 365 days following the Closing Date.

(ii) Tenant, working with representatives of the Health System Entities, will develop a strategic and financial plan for the operation of the Hospital and Clinic Operations (including conversion of the information system with electronic medical record, emergency department expansion and renovation, renovation of patient rooms, expansion or renovation of the Cancer Center) in the first six (6) months of the Term.

(iii) Upon occupancy of a Replacement Hospital, Tenant shall return to the County any Leased Property which in Tenant's sole discretion is deemed to be no longer necessary for or used by Tenant for health care related purposes. Upon return of the Leased Property to the County, the County shall be solely responsible for payment of all capital and operating expenses (including upfitting, utilities, and maintenance) for any such Leased Property.

(d) ECHB. Tenant has caused ECHB to be incorporated as a nonprofit corporation responsible for subleasing, managing, or operating any hospitals and health-related facilities which Tenant leases, manages, or operates in the Primary Service Area other than the assets of the home health agency that shall be subleased, managed, or operated by HealthAccess and the Physician Group that shall be subleased, managed, or operated by UHSP. ECHB is governed by a Board of Directors elected by the Board of Trustees of Tenant in accordance with ECHB's corporate articles and bylaws. Non-voting, *ex officio* members of the ECHB Board of Directors will include the chairman of the Hospital's Directors' Council and the Hospital's Chief of Staff. The County Board of Commissioners shall nominate two (2) of the eight (8) members of the Hospital's Directors' Council. Such nominations shall be subject to review and approval by ECHB; in the event that ECHB does not approve a County nominee, the County Board of Commissioners shall name an alternative nominee for review by ECHB until a nominee is approved by ECHB. The remainder of the Hospital's Directors' Council shall be residents of the Primary Service Area who are both nominated and appointed by ECHB. The Hospital's Directors' Council shall provide advice to ECHB. Notwithstanding any other provision herein, to the extent the Hospital's Director's Counsel lacks eight (8) members for any reason, ECHB may operate the Hospital's Director's Counsel with less than eight (8) members and fulfill the duties set forth herein. The specific duties of the Hospital's Directors' Council in advising ECHB will include, but not be limited to, the following:

(i) Makes recommendations to ECHB's governing board related to medical credentialing, quality of patient care, new programs/new services, performance improvement, risk management, and financial management, including budget;

(ii) Receives and reviews current financial reports, quality dashboard indicators and bench-marking data, claims and lawsuit reports, physician recruitment and other growth statistics, patient satisfaction scores, community service updates, and similar operational reports. Identifies and addresses related issues and concerns with ECHB's President;

(iii) Receives regular reports from the Hospital's Chief of Staff regarding the activities of the Hospital Medical Staff, including any recommendations from the Medical Staff regarding improving patient care at the Hospital;

(iv) Participates in an annual review of performance of the terms of this Lease;

(v) Through its *ex officio* representation on ECHB's board, supports collaboration

among the Hospital, other ECH community hospitals, and Tenant; and

(vi) Hears and takes action on the recommendations of the Medical Staff Executive Committee in any physician disciplinary matter pursuant to the Medical Staff Bylaws. Such action must receive approval by ECHB's governing body.

The Board of Directors of ECHB will retain all final authority with respect to the management of the Hospital and Clinic Operations in accordance with ECHB's corporate articles and bylaws. Notwithstanding any provision of this Lease to the contrary, Tenant may assign, delegate, or transfer any right or obligation conferred upon ECHB, HealthAccess or UHSP by this Lease to Tenant or any other subsidiary or controlled affiliate of Tenant, but Tenant shall remain ultimately responsible for its rights and obligations hereunder. Each reference to ECHB, HealthAccess, or UHSP in this Paragraph 3(d) shall also include the successor in interest to ECHB, HealthAccess, or UHSP respectively.

(e) Cooperation with Health System Entities. Tenant shall cooperate with the Health System Entities for purposes of allowing the Health System Entities to carry out their obligations under this Lease, including without limitation, matters involving resolution of Excluded Liabilities. Such cooperation shall include providing copies to professionals engaged by the Health System Entities, including via the Professional Services Escrow Fund (as herein defined), of documents and records related to Hospital and Clinic Operations prior to the Closing Date.

(f) Obstetrical Services. Tenant agrees that following the Closing Date it will assess coordination of obstetrical and maternity services with the County Health Department and continue to treat obstetrical patients arriving in the Hospital emergency department regardless of such patients' ability to pay.

(g) Covenant Related to Prior Approvals. Tenant shall not at any time seek to avoid the transactions contemplated by this Lease on the grounds of the failure of Landlords, individually or collectively, to comply with the provisions of N.C. Gen. Stat. § 131E-13.

#### 4. LEASE OF LAND, BUILDINGS, AND PERSONAL PROPERTY.

(a) In consideration of the obligation of Tenant to pay rent as herein provided, and in consideration of the other terms, provisions, and covenants hereof, as of the Closing Date, the Health System hereby assigns the Hospital Authority Lease, as amended and restated herein, to Tenant, the County hereby consents to such assignment on such terms, and Tenant hereby leases from Landlords the Leased Assets.

(b) On the Closing Date and thereafter, Tenant shall have the right to receive and retain consistent with the terms of this Lease, all revenues generated by and payments received from the Hospital and Clinic Operations and the Leased Assets.

#### 5. TERM.

(a) TO HAVE AND TO HOLD the same for a term commencing on the Closing Date and ending on the date thirty (30) years from the Closing Date (the "Term"). The Closing Date shall be the date four (4) business days following the date upon which Landlords represent to Tenant that each of the following have occurred and Landlords are ready to deliver to Tenant each of the following items, unless waived in writing by Tenant.

(i) The Assignment Agreement in the form of Exhibit E;

(ii) Leases in the form of Exhibit F and Exhibit G by and between the County and ECHB regarding the property more particularly described therein located at 1308 Highland Drive consisting of approximately 2,808 sq. feet within the Tideland Mental Health Building and located at 1379 Cowell Farm Road consisting of 5,048 sq. feet within the Ray G. Silverthorne Crisis Center building annex;

(iii) Documentation in a form acceptable to Tenant, of the filing of all notices and obtaining of all consents listed in Schedule 2.h. and Schedule 2A.h. and all other consents of any Governmental Body necessary to effect the transactions contemplated in the Transaction Documents;

(iv) Certificates executed by each Landlord as to the accuracy of their representations and warranties as of the date of this Lease and as of the Closing Date and as to their compliance with and performance of their covenants and obligations to be performed or complied with at or before the Closing Date;

(v) Certificates of each Landlord's Secretary or clerk certifying, as complete and accurate as of the Closing Date, attached copies of the governing documents of such Landlord, certifying and attaching all requisite resolutions or actions of such Landlord's respective governing board approving the execution and delivery of this Lease and the consummation of the transactions contemplated by the Transaction Documents and certifying to the incumbency and signatures of the board and/or officers of such Landlord executing this Lease and any other document relating to the transactions contemplated by the Transaction Documents;

(vi) As to any Permitted Exception or Scheduled Indebtedness that is not paid off as of the Closing Date pursuant to Paragraph 6(a)(i) hereof (i) a written statement providing that the holder of any such Permitted Exception or Scheduled Indebtedness consents to this Lease and the option to purchase contained in this Lease, that there is no default by Landlords under the applicable Permitted Exception or Scheduled Indebtedness, and the amount of the Scheduled Indebtedness; and (ii) a subordination, nondisturbance, and attornment agreement satisfactory to Tenant and in recordable form;

(vii) An opinion of Health System Entities' legal counsel in the form of Exhibit H;

(viii) An opinion of County's legal counsel in the form of Exhibit I;

(ix) Such bills of sales, assignments, certificates and affidavits from the Health System Entities, in a form acceptable to Tenant, as may be reasonably required to effectuate the purchase option and to be held in escrow pending the exercise of such option all as set forth in more detail in Paragraph 7 hereof;

(x) A release in a form acceptable to Tenant of each of the liens related to the Scheduled Indebtedness;

(xi) Acceptance of the Association and the Report into the applicable Centers for Medicare and Medicaid Services ("CMS") protocol;

(xii) The Excluded Liabilities Escrow Agreement (as hereinafter defined) in the form of Exhibit J;

(xiii) The Professional Services Escrow Agreement (as hereinafter defined) in the form of Exhibit K.

(xiv) The Memorandum of Lease and Purchase Option in the form of Exhibit L.

(xv) Leasehold title to the Leased Assets subject only to the Permitted Exceptions as evidenced by the irrevocable commitment of the Title Company to issue the Title Policy to the Tenant insuring the Tenant's leasehold interest in the Leased Property (including delivery and satisfaction of all applicable Title Company requirements by Landlord such as receipt of customary affidavits and any lien waivers or other documentation required by the Title Company).

(b) In the event that each of the items set forth in Section 5(a) are not delivered to Tenant prior to December 31, 2011 (or upon such earlier date to the extent it is clear such item will not be able to be delivered prior to December 31, 2011), Tenant shall have the right in its sole and absolute discretion to terminate this Lease and any moneys paid under Section 6 hereof shall be refunded by Landlords to Tenant.

(c) Tenant may terminate this Lease for cause based upon a material breach of any representation, warranty, or covenant contained within the terms of this Lease or the Assignment Agreement, after giving written notice to the applicable Landlord and such Landlord's subsequent failure to cure the breach within one hundred (100) days' notice of the breach (to the extent such representation, warranty, or covenant is capable of being cured); provided, however, that a longer period shall be allowed if such Landlord has commenced (to the extent such breach is capable of being cured) to cure in good faith or has otherwise provided adequate protection or security to protect Tenant's interest hereunder within one hundred (100) days' notice of the breach and is proceeding with due diligence to effect a cure but the cure cannot be reasonably effectuated within that time period. In the alternative, Tenant may, in its sole discretion, elect to exercise the purchase option under Paragraph 7 hereof at the time of such uncured breach in conjunction with termination of this Lease. For purposes of this paragraph, the parties acknowledge and agree that a "material breach" shall not mean a failure to properly schedule an item under Paragraph 2 or Paragraph 2A of this Lease or Paragraph 7 of the Assignment and Assumption Agreement to the extent such failure would otherwise constitute a breach of the representation set forth therein unless such breach results in an additional liability to Tenant or its affiliate(s) of more than \$100,000 individually or \$250,000 in the aggregate as to all such immaterial breaches. Landlords acknowledge and agree that nothing in this Paragraph 5 shall impact their indemnification obligations under Paragraph 21 hereof, including but not limited to the obligation to indemnify Tenant for breaches of their respective representations and warranties regardless of whether such breach constitutes a material breach under this Paragraph 5(c).

## 6. LEASE PAYMENTS.

(a) In consideration for benefits attributable to Tenant under this Lease, Tenant shall pay an aggregate rental amount equal to Twenty-Five Million Dollars (\$25,000,000.00) less the Lock Up Fee, as that term is defined in the Amended and Restated Letter of Intent, which payment shall be structured as follows:

(i) Cash payment of \$5,597,715.58 on the Closing Date payable to, or at the direction of, Landlords to be applied on such date to prepay in whole the Scheduled Indebtedness identified on Schedule 6.a.i. (the "Loan Payoff Amount"), which amount represents the outstanding principal, prepayment premium, if any, and accrued interest on such Scheduled Indebtedness to the Closing Date. Such Loan Payoff Amount shall be credited against the \$25,000,000.00 rental payment amount owed by Tenant, except for \$6,261.99 representing the prepayment penalties associated with such Scheduled Indebtedness (which prepayment penalties shall not be deducted from Tenant's rental payment pursuant to this Lease).

(ii) Cash payment of \$6,073,686.46 on the Closing Date to be delivered to and deposited with an escrow agent designated by Tenant (the “Excluded Liabilities Escrow Agent”) to be held in an account (the “Excluded Liabilities Escrow Fund”) and disbursed pursuant to the terms of an escrow agreement in substantially the form attached hereto as Exhibit J (the “Excluded Liabilities Escrow Agreement”). The Excluded Liabilities Escrow Agreement shall provide that the Excluded Liabilities Escrow Fund will be held by the Excluded Liabilities Escrow Agent for a period of five (5) years from the Closing Date to secure the Health System Entities’ indemnification obligations hereunder (the “Excluded Liabilities Escrow Period”). Upon expiration of the Excluded Liabilities Escrow Period, any amounts remaining in the Excluded Liabilities Escrow Fund shall be delivered to the Health System (or its successor in interest) by the Excluded Liabilities Escrow Agent pursuant to the Excluded Liabilities Escrow Agreement.

(iii) Cash payment on the Closing Date payable to, or at the direction of, the County, to be deposited on such date with an escrow agent designated by the County pursuant to an escrow deposit agreement in form and substance acceptable to the County and Bank of America, N.A. (the “BOA Escrow Agreement”) in an amount sufficient, together with interest earnings thereon as specified in the BOA Escrow Agreement, to pay the principal of, premium if any, and interest on the Scheduled Indebtedness identified on Schedule 6.a.iii as such becomes due and payable, which amount shall not exceed \$13,324,243.40 (the “BOA Escrow Amount”). Such Escrow Amount shall be credited against the \$25,000,000.00 rental payment amount owed by Tenant, except for \$218,418.29 representing the prepayment penalties associated with such Scheduled Indebtedness and \$270,965.16 representing accrued interest on such Scheduled Indebtedness from the Closing Date to the respective dates on which such interest is paid (which prepayment penalties and accrued interest shall not be deducted from Tenant’s rental payment pursuant to this Lease). The BOA Escrow Agreement shall provide that the BOA Escrow Fund will be held by the BOA Escrow Agent solely to pay the Scheduled Indebtedness identified on Schedule 6.a.iii. Any amounts remaining in the escrow fund established under the BOA Escrow Agreement after payment in full of the Scheduled Indebtedness identified on Schedule 6.a.iii. shall be retained by the County.

(iv) Cash payment of \$100,000.00 on the Closing Date to be delivered and deposited with an escrow agent designated by the Tenant (the “Professional Services Escrow Agent”) to be held in an account (the “Professional Services Escrow Fund”) and disbursed pursuant to the terms of an Escrow Agreement in substantially the form attached hereto as Exhibit K, (the “Professional Services Escrow Agreement”). The Professional Services Escrow Agreement shall provide that the Professional Services Escrow Fund will be held by the Professional Services Escrow Agent to pay for costs and fees associated with Professional Services (i.e. including, but not limited to: accountants, attorneys and consultants) incurred by the Health System Entities on or after the Closing Date that arise out of or relate to the Health System Entities’ compliance with any obligations under the Transaction Documents, including without limitation, matters involving resolution of Excluded Liabilities. Any amounts remaining in the Professional Services Escrow Fund after payment in full of all Professional Services described herein, shall be delivered to the Health System (or its successor in interest) by the Professional Services Escrow Agent pursuant to the Professional Services Escrow Agreement.

(b) In addition to rent, Tenant agrees to make Twenty-One Million Dollars (\$21,000,000.00) in capital expenditures, less any Excluded Liabilities (as defined in the Assignment Agreement, except to the extent that the Audited Balance Sheet of September 30, 2010 sets forth a reserve related to such Excluded Liabilities) paid by Tenant on Landlords’ behalf under Paragraph 6(b) of the Assignment Agreement or any amounts subject to Landlords’ indemnification under Paragraph 21(c) and (d) hereof and unpaid to Tenant, except to the extent paid out of the Excluded Liabilities Escrow Fund (the “Capital Expenditure Commitment”) during the first five (5) years of the Term, including conversion of the information system with electronic medical record, emergency department expansion and renovation,

renovation of patient rooms, expansion or renovation of the Cancer Center, and annual normal capital expenditures, including asbestos abatement and removal (if necessary). Tenant will use best efforts to supplement expenditures for the Cancer Center with revenue generated through fundraising. Tenant further commits to initiating the planning for the information system, emergency department, patient room renovation, and Cancer Center expansion/renovation projects within the first six (6) month period following the Closing Date.

(c) In addition to rent, Tenant will contribute the UHS Eastpointe Interest to ECHB on the Closing Date. In this regard, Landlords acknowledge and agree that in conjunction with such contribution Tenant is forgiving a debt equal to \$669,883 (the "Eastpointe Debt") owed by the Health System to PCMH, a controlled affiliate of Tenant. As such, the amount of the Eastpointe Debt shall not be credited against the amount owed as cash or debt assumption under Paragraph 6(a) and shall be included in the Assumed Liabilities under Paragraph 5 of the Assignment Agreement.

(d) In addition to rent, Tenant agrees to obtain insurance on the Health System Entities' behalf to cover prior unknown and unreported professional Liability claims against the Health System Entities.

(e) In addition to rent, Tenant agrees to make a cash payment to Valic of \$2,100,570.00, being the estimated amount due as of June 30, 2011 on or before December 31, 2011 along with such other amounts accrued in the ordinary course of business, or as otherwise required by law, related to the Association's 403(b) benefit plan between June 30, 2011 and such payment date; Tenant expressly disclaims and shall not assume any other obligation or liability associated with such plan other than the payment obligation set forth in this Paragraph 6(e).

(f) In addition to rent, Tenant shall cause ECHB to assume, pursuant to Paragraph 5 of the Assignment Agreement, Assumed Liabilities (as defined in the Assignment Agreement).

(g) In addition to rent, on the Closing Date, Tenant shall place (i) Five Hundred Thousand Dollars (\$500,000.00) of the Health System Entities' cash, cash on hand, cash on deposit, cash equivalents, investment securities, or undeposited checks ("Cash") and (ii) an additional Four Hundred Thousand Dollars (\$400,000) being the amount equal to the Lock Up Fee into the Excluded Liabilities Escrow Fund for purposes of payment of the Health System Entities' Excluded Liabilities.

(h) Sixty (60) days after the second (2<sup>nd</sup>) anniversary of the Closing Date, Tenant shall pay to the Health System (or its successor in interest) an additional payment equal to fifty percent (50%) of the amount, if any, which Tenant or its affiliate(s) actually receives, in conjunction with the Health System Entities' accounts receivable transferred to Tenant or Tenant's assignee as part of the Health System Entities' working capital, during the two (2) year period immediately following the Closing Date and which collections are in excess of the Baseline (the "Additional Accounts Receivable Payment"). For purposes of this Paragraph 6(h), "Baseline" shall mean Ten Million Five Hundred Forty-One Thousand Four Hundred and Sixty-Three Dollars (\$10,541,463.00). "Excess of Baseline" shall mean collections on the Health System Entities' patient accounts receivable as of September 30, 2010 which are included in the September 30, 2010 Audited Financial Statements and which are collected from October 1, 2010 through May 31, 2013. Tenant shall prepare and submit to the Health System, with supporting documentation, a statement which calculates the Additional Accounts Payable Payment, if any. At the Health System's election, the methodology used and the appropriateness of the calculations shall be subject to review by LarsonAllen, LLP or other audit firm acceptable to the parties.

(i) No further payments shall be due and owing from Tenant to Landlords, and such payments shall include all charges by Landlords for the use by Tenant of the Leased Assets.

## 7. PURCHASE OPTION.

(a) Upon the expiration of the Term or upon termination by Tenant upon Landlords' default under Paragraph 5(c) hereof, Tenant shall have an option to purchase the Leased Assets and any other assets associated with the Hospital and Clinic Operations not previously conveyed pursuant to Paragraph 3(a) of the Assignment Agreement (the "Purchased Assets") for an amount equal to Ten Million Dollars (\$10,000,000) less any Excluded Liabilities (as defined in the Assignment Agreement, except to the extent that the Audited Balance Sheet of September 30, 2010 set forth a reserve related to such Excluded Liability) paid by Tenant on Landlords' behalf under Paragraph 6(b) of the Assignment Agreement or any amounts subject to Landlords' indemnification under Paragraph 21(c) and (d) hereof and unpaid to Tenant, except to the extent already credited against the Capital Expenditure Commitment or paid out of the Excluded Liabilities Escrow Fund (the "Option Purchase Price"). Prior to making payment of such Excluded Liabilities that shall be used to offset the Option Purchase Price, Tenant shall provide notice to County of the same and provide an opportunity for County and Tenant to discuss the same; provided however that Tenant shall be permitted to take such action and pay such Excluded Liabilities as it deems necessary in its sole and absolute discretion and provided further that, to the extent County does not object to such payment of the Excluded Liability at the time such notice is provided, County acknowledges and agrees and it shall be barred from objecting to the same upon exercise of the Purchase Option by Tenant.

(b) If Tenant elects to purchase the Purchased Assets, Tenant shall give the County written notice of its election not less than twenty four (24) months prior to the termination date of this Lease, unless the purchase option is being exercised upon Landlords' default under Paragraph 5(c), in which case Tenant shall provide such notice within one hundred twenty days (120) days of the end of Landlords' cure period under Paragraph 5(c) hereof.

(c) Upon closing of the purchase option, the County shall deliver good and marketable fee simple title to all of the Purchased Assets, subject only to the Permitted Exceptions and to the usual and customary reciprocal warranties and covenants between the Parties.

(d) Health System Entities have delivered to Tenant on the Closing Date such bills of sales, assignments, certificates and affidavits to Tenant in furtherance of same to be held in escrow and released to Tenant on 12:00 PM EST on the expiration date of the Term and upon payment of the Option Purchase Price.

(e) In the event that the purchase option is exercised upon Landlords' default, the parties shall close on the sale of the Purchased Assets on a date mutually agreed upon by the parties but in no event more than one hundred eighty (180) days from Tenant's notice to Landlords of its intent to exercise the purchase option.

(f) In the event Tenant is deemed to not own any leasehold interest in the Leased Assets notwithstanding the terms hereof or in the event the purchase option granted hereunder is otherwise deemed to be an option in gross with respect to an interest in the Leased Assets or a preemptive right with respect to the Leased Assets which may become invalid within a date certain in accordance with the provisions of N.C. Gen. Stat. § 41-29 (or any successive or other law or statute either now or hereafter requiring a date certain for the exercise of such rights in order for such rights to be valid), the Landlords agree to take such further action to cause the purchase option to be renewed or otherwise reinstated (including for successive periods) and agree to take such further action (including without limitation the entering into of such agreements or acknowledgments of such instruments) as Tenant may reasonably request to evidence same on or prior to such date to give continuing effect to the purchase option granted



herein. If Landlords fail to take such action then, to the extent the purchase option may otherwise be deemed invalid or set to expire, Tenant's rights hereunder shall be considered vested and Tenant shall exercise such right to receive good marketable fee simple title to the Purchased Assets not later than December 31, 2041.

(g) All Scheduled Indebtedness shall be repaid by Landlords in full in connection with such purchase and Landlords shall deliver or cause to be delivered such further cancellations, releases, and terminations of any mortgage, deed of trust, fixture filing or such other security instruments, including all Permitted Exceptions, encumbering the Leased Assets as Tenant may reasonably request in connection with such payment.

## 8. COVENANTS AS TO SERVICE AND OWNERSHIP; REVERSION.

(a) Tenant or its affiliate shall:

(i) Continue to provide at least the same or similar clinical hospital services to the Hospital's patients in the areas of medical-surgery, obstetrics, pediatrics, outpatient and emergency treatment, including emergency services to the indigent, that the Health System provided at the Hospital prior to this Lease. Any of these services may only be terminated upon the Hospital's Directors' Council approval and as prescribed by North Carolina Certificate of Need ("CON") Law, N.C. Gen. Stat. § 131E-175 *et seq.*, or if the CON Law is inapplicable, by a review procedure designed to guarantee public participation pursuant to rules adopted by the Secretary of the North Carolina Department of Health and Human Services; provided in all circumstances, however, that the termination, if it were to occur, of one (1) or more of the above listed services shall not result in the elimination or closure of a Community General Hospital in the Primary Service Area without triggering the remedies described in Paragraph 8(b) hereof;

(ii) Ensure that indigent care is available to the population of the Primary Service Area at levels related to need, as previously demonstrated and determined mutually by the Health System and Tenant;

(iii) 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;

(iv) Ensure that admission to and services of the Hospital and Clinic Operations are available, including, but not limited to, during any period allowed for herein prior to Tenant's Medicare/Medicaid certification, to the beneficiaries of governmental reimbursement programs (Medicaid/Medicare) without discrimination or preference because they are beneficiaries of those programs;

(v) Provide the Health System (or its successor in interest) an annual report that shows compliance with the requirements of this Lease; provided however, that Health System, prior to its dissolution shall provide written notice to Tenant of such dissolution and identify therein to whom such future reports should be delivered in compliance with this paragraph;

(vi) Operate the Hospital 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;

(vii) Maintain access to primary care services to residents of the Primary Service

Area;

(viii) Use good-faith, best efforts to maintain the operation of the Hospital and Clinic Operations within the Primary Service Area and ensure the maintenance and upkeep of such facilities; and

(ix) Locate any Replacement Facility within the Primary Service Area ((i)-(ix) above collectively referred to as the “Service Level Covenants”).

(b) Except as set forth in Paragraph 9, Tenant agrees that (i) if it fails to comply with the Service Level Covenants set forth in Paragraph 8(a) or (ii) if it dissolves without a successor to carry out the terms and conditions of this Lease, the Leased Assets and any improvements (capital or otherwise) made to the Leased Assets, and any equipment or other personal property associated with the Leased Property, that Tenant or any of its subsidiaries or affiliates has constructed or acquired since the Closing Date (which, for the purpose of clarity, expressly excludes a Replacement Hospital, all improvements thereto, and all tangible and or intangible personal property or equipment associated therewith or located therein at the time), shall revert to Landlords; provided further, that upon a reversion and transfer hereunder, indebtedness of Tenant or Tenant’s affiliate shall be assumed by the County if (i) the indebtedness is secured by a lien on property reverting or being transferred to the County (including any lien on accounts receivable), (ii) the indebtedness and the lien were permitted by the terms of Paragraph 24 hereof, and (iii) the County receives the benefit of, or has assigned to it, all security for the indebtedness, including any assets, contract rights, or letters of credit that secure such indebtedness.

(c) In the event that the Leased Assets revert to Landlords or upon early termination of this Lease for cause by Landlords or upon termination at any other time if Tenant does not exercise the purchase option set forth in Paragraph 7 hereof, Tenant and Landlords shall cooperate to achieve an orderly turnover of the Hospital and Clinic Operations to the Landlords and to ensure that such facilities are fully operational as of the earliest date (the “Effective Reversion Date”) on which the Landlords or its designee can effectively operate the Hospital and Clinic Operations and provide continuity of patient care in compliance with all applicable laws, regulations, licensing, accreditation and contractual requirements. Upon the Effective Reversion Date, all rights and benefits belonging to Tenant, as lessee, to the Land, Leased Property, and Buildings under this Lease shall revert back to the Health System (or its successor in interest) and, following such reversion, the Health System (or its successor in interest) shall be considered the lessee of such Land, Leased Property, and Buildings from the County, as landlord. In addition, on the Effective Reversion Date, Tenant shall transfer to the Health System (or its successor in interest):

(i) consumables, inventories, and supplies, at the current level maintained by Tenant;

(ii) accounts receivable and accounts payable regarding items or services provided to, by, at the Hospital or the Clinics which shall be assigned by Tenant and assumed by the Health System Entities or their respective successors in interest; and

(iii) to the extent permitted by contract or law, all rights under Contracts, permits, licenses, and other intangible assets as are necessary to allow the continued operation of the Hospital as a Community General Hospital.

9. REPLACEMENT HOSPITAL AND AFFILIATED OPERATIONS. Notwithstanding anything contained in this Lease to the contrary, in the event of termination of this Lease for any reason or a reversion pursuant to Paragraph 8, or in any other event, Tenant shall under no circumstances be

required to transfer to Landlords a Replacement Hospital, any improvements thereto, or any tangible or intangible personal property or equipment associated therewith or located therein at the time of such termination or reversion regardless of whether such is a Leased Asset or Tenant's Property.

#### 10. EMPLOYEES.

(a) Tenant or its affiliate shall employ all of the existing employees of the Health System Entities whose employment is associated with the Hospital or Clinic Operations who agree to such employment by the Closing Date ("Transitioned Employees"). In the event such offer of employment to an existing employee of the Health System Entities is not accepted by the Closing Date, Tenant shall have no further obligation to employ such employee, and the employment of such employee shall be terminated effective as of the Closing Date. Each Transitioned Employee shall be eligible to participate in the following Tenant benefits plans to the extent they meet the eligibility requirements of such plans and such plans are generally available to Tenant's employees: medical plan, dental plan, vision plan, basic life insurance, additional life insurance, dependent life insurance, basic long-term disability insurance, tuition assistance, defined contribution, credit union, wellness services, employee pharmacy, hospital discount, cafeteria discount, on-call pay, holiday pay, shift differential, paid time off, health and dependent reimbursement accounts, NC College Fund-529 plan, and leave and voluntary shared vacation leave. The foregoing notwithstanding, Tenant may, in its sole discretion, exclude Transitioned Employees from one or all of its benefit plans and provide separate benefit plans to Transitioned Employees for a period after the Closing Date that Tenant, in its sole discretion, deems necessary or desirable. Notwithstanding the above, nothing set forth herein shall be construed to require Tenant or its affiliate (i) to continue to make all of the foregoing benefits available to its employees or (ii) to continue to employ any Transitioned Employee. All future hiring and firing decisions related to the Hospital and Clinic Operations, including as to Transitioned Employees, shall be in Tenant's sole and absolute discretion.

(b) Effective as of the Closing Date, Tenant agrees to provide the continuation of coverage required by section 2201 of the Public Health Service Act ("PHSA") ("COBRA continuation coverage") to each qualified beneficiary (as defined in section 2208 of the PHSA) currently covered under the Beaufort Benefit Plans. Tenant further agrees to provide COBRA continuation coverage to each employee of the Health System Entities who does not accept employment with the Tenant or its affiliates and therefore becomes a qualified beneficiary (as defined in section 2208 of the PHSA) under the Beaufort Benefit Plans. The Health System Entities shall use their best efforts to provide expeditiously to the person(s) designated by Tenant all information that such person(s) deem necessary to provide such COBRA continuation coverage. Such information shall include, without limitation, the identification of all covered employees (as defined in section 2208 of the PHSA) and their qualified beneficiaries (as defined in section 2208 of the PHSA), the identification of all qualifying events with respect to such covered employees or qualified beneficiaries (as defined in section 2203 of the PHSA), and information otherwise demonstrating compliance with all of the continuation coverage requirements of section 2201 of the PHSA. For purposes of this provision, references to the PHSA shall include references to any provisions of such statutes as they may be amended from time to time.

11. REPAIRS AND MAINTENANCE. Tenant shall at its own cost and expense maintain, repair, and replace, as reasonably determined to be necessary for the operation of the Hospital and Clinic Operations, (i) the Buildings, including, but not limited to, the roof, downspouts, gutters, foundation, slab, walls, doors, sidewalks, parking areas, all utility and electrical lines, and the HVAC and plumbing systems in good repair, reasonable wear and tear excepted; (ii) the interior of the Leased Property, including, but not limited to, windows, glass and plate glass, doors, walls and ceilings, finish work, floors and floor covering; and (iii) the equipment, furniture, and fixtures owned by Landlords, which Tenant shall keep in good repair and operating condition subject to ordinary wear and tear and insured casualty event.

12. **ADDITIONS, ALTERATIONS AND IMPROVEMENTS.** Tenant shall have the right to make additions to, alterations, additions, and improvements to the Leased Property, structural or otherwise, and to install, construct or attach Tenant Property on the Leased Property, at its expense.

13. **INSTALLATION AND REMOVAL OF MACHINERY AND FIXTURES BY TENANT.** Tenant, at its expense, may at any time during the Term of this Lease, install or commence the installation of Tenant's Property to such extent as Tenant may deem desirable. Tenant may also remove any Tenant's Property so installed by it after notifying Landlords of its intent to remove at least thirty (30) days prior to the actual date of removal. Tenant's Property shall remain the property of Tenant unless purchased by Landlords pursuant to this Paragraph 13. Except as set forth in Paragraph 7, Landlords shall have, at their option, the right to purchase Tenant Property installed at the termination of this Lease for a sum equal to Tenant's cost less ordinary depreciation of Tenant's Property. Tenant shall immediately remove such machinery, fixtures, and equipment if purchase is not made by Landlords.

14. **ALTERATION, IMPROVEMENT, AND MODIFICATIONS OF EQUIPMENT BY TENANT.** Tenant shall have the right to alter, improve, and modify any Leased Assets, from time to time as it may determine is desirable for its use and purposes, provided that the same are necessary, desirable, or convenient for the use and operation of the Hospital and Clinic Operations. The cost of all such alterations, improvements, and modifications shall be borne by Tenant.

15. **REMOVAL AND DISPOSITION OF INADEQUATE, WORN-OUT, OR OBSOLETE EQUIPMENT.** In the event Tenant determines that any Leased Assets have become inadequate, obsolete, worn-out or no longer useful and the removal thereof is necessary, desirable, or convenient for the use and operation of the Hospital and Clinic Operations and so long as Tenant is not in default hereunder, Tenant may remove such Leased Assets and (on behalf of Landlords) sell, trade-in, exchange, or otherwise dispose of them, provided that Tenant substitutes and installs similar assets having a market value not less than the then market value of the Leased Assets being removed. All such substituted assets shall become part of the Leased Assets owned by Landlords and subject to the provisions hereof and shall be held by Tenant on the same terms and conditions as items originally comprising the equipment.

16. **SIGNS.** Tenant shall have the right to install signs upon the exterior of the Leased Property regarding the conduct of its business, subject to any applicable governmental laws, ordinances, regulations, and other requirements.

17. **UTILITIES.** Tenant shall be responsible for ensuring that all utilities are billed to Tenant and shall pay for its usage of utilities at the Leased Property.

18. **ASSIGNMENT AND SUBLETTING.** Tenant shall not sublet the Leased Property in whole or in any manner transfer this Lease or assign or delegate the management or permit the use or occupancy of the Land or any Building by anyone other than Tenant without the prior written consent of Landlords; provided, however, that Tenant may sublet, transfer, assign, or delegate any portion of its rights or obligations under this Lease (i) to ECHB, HealthAccess, UHSP, or to any other controlled affiliate or subsidiary of Tenant, or to any controlled affiliate or subsidiary thereof at any time without the consent of Landlords, in accordance with Tenant's representations and warranties set forth in this Lease or (ii) to a third party under a sublease arrangement to lease only a portion of the Leased Property. Regardless of any permitted assignment or sublease hereunder, Tenant shall remain ultimately responsible for its rights and obligations under this Lease.

19. **NON-COMPETITION.** Landlords each agree that as a result of this Lease with Tenant, Tenant has the right and responsibility to conduct the Hospital and Clinic Operations in accordance with

the terms of this Lease. Therefore, during the Term, Landlords shall not own, manage, operate, market, or engage in any business, enterprise, or other activity relating to the operation of a hospital, home care, or home health agency, physicians' offices or medical clinics, or any other health-care-related activity in which Tenant or an affiliate thereof is engaged, within the Primary Service Area; provided that this Paragraph 19 shall not be construed as prohibiting the Beaufort County Health Department from providing public health services, or any other federally or state-mandated or required health care services.

Landlords further acknowledge and agree that enforcement of the provisions of this paragraph would not unduly impact the availability of medical services within the Primary Service Area, or otherwise pose a threat of harm to the public health, or promote monopolization of medical services at the public's expense. Landlords further agree that if any of Landlords should engage in a health-care-related activity in which Tenant or an affiliate thereof is engaged in violation of the provisions of this paragraph, then such activity shall constitute a material breach of this Lease and afford Tenant its full rights of termination and the purchase option pursuant to Paragraphs 5 and 7 of this Lease.

## 20. FIRE AND CASUALTY DAMAGE; WAIVER OF SUBROGATION.

(a) Tenant agrees to maintain standard fire and extended coverage insurance covering the Leased Assets and Tenant's Property in an amount not less than full replacement cost, insuring against special causes of loss, including the perils of fire, and lightning, such coverages and endorsements to be as defined, provided and limited in the standard bureau forms prescribed by the insurance regulatory authority for the State of North Carolina. Subject to the provisions of Paragraphs 20(c) and 21(a) below, such insurance shall name the County and Tenant as insured parties, beneficiaries, or loss payees as their interests may appear.

(b) If the Leased Assets or any Tenant Property should be damaged or destroyed by any peril covered by the insurance to be provided by Tenant under Paragraph 20(a) above, Tenant shall promptly notify Landlords of such damage.

(c) If any Substantial Part of the Leased Property should be destroyed by any peril covered by the insurance to be provided by under Paragraph 20(a) above, or if it should be so damaged thereby that rebuilding or repairs cannot be completed within two hundred (200) days after the date of such damage, as mutually agreed to by Tenant and the County, then Tenant may elect to give notice of its intent to exercise its option to purchase the Leased Assets in accordance with the provisions of Paragraph 7 of this Lease. If Tenant elects not to exercise its option to purchase the Leased Assets, then (a) the Leased Assets, excluding all accounts receivable, shall be transferred back to Landlords and this Lease shall terminate and be of no further force and effect; and (b) any proceeds received from the insurance provided under Paragraph 20(a) above shall be distributed to the County.

(d) If any Leased Assets should be damaged by any peril covered by the insurance to be provided by Tenant under Paragraph 20(a) above, but only to such extent that rebuilding or repairs can, as mutually agreed to by Tenant and the County, be completed within two hundred (200) days after the date of such damage, this Lease shall not terminate, and Tenant shall, at its sole cost and expense, thereupon proceed with reasonable diligence to rebuild and repair the Leased Assets to substantially the condition in which they existed prior to such damage. The fact that the Leased Property may be untenable in whole or in part following such damage shall not relieve Tenant from its obligation to make the Capital Expenditure Payments due pursuant to Paragraph 6 without abatement during the period in which the Leased Property is untenable.

## 21. LIABILITY, INSURANCE, AND INDEMNIFICATION.

(a) Each Landlord and Tenant hereby waives all rights to recover against each other, for any loss or damage arising from any cause or risk which would be covered in whole or in part, by insurance of the type required to be carried by each of them pursuant to this Lease, or any other insurance actually carried by either of them or reasonably and customarily carried by similarly situated parties to the extent such insurance would cover such loss or damage incurred by such party. Landlords and Tenant shall cause their respective insurers to issue waiver of subrogation rights endorsements to all policies of insurance carried in connection with the Leased Assets, and any cost for the issuance of such endorsements shall be borne by the original insured under such policies consistent with the terms of this Lease.

(b) Subject to the terms and provisions of Paragraph 21(a) above, Tenant hereby covenants and agrees that it will at all times indemnify, defend, and hold safe and harmless Landlords (including, without limitation, their managers, directors, trustees, Commissioners, officers, employees, and agents) from, and pay or reimburse Landlords for, any loss, liability, claims, suits, costs, expenses, including without limitation attorneys' fees and damages, both real and alleged, incurred by Landlords, or their agents, employees, officers, partners, invitees, or licensees arising out of or resulting from (i) any breach of any of the representations or warranties of Tenant contained in or made pursuant to this Lease or the Assignment Agreement or other document delivered by Tenant pursuant to this Lease or this Assignment Agreement, (ii) any failure by Tenant to perform or observe, or to have performed or observed, in full, any covenant, agreement, obligation or condition to be performed or observed by it pursuant to this Lease or the Assignment Agreement, or (iii) any liability arising from or related to the operation of the Hospital or the Clinics during the Term of this Lease.

(c) Subject to the terms and provisions of Paragraph 21(a), to the extent permitted by law, the Health System Entities jointly and severally hereby covenant and agree that they will at all times indemnify, defend, and hold safe and harmless Tenant (including, without limitation, its managers, trustees, officers, employees, and agents) from, and pay or reimburse Tenant for, any loss, liability, claims, suits, costs, expenses, including without limitation attorneys' fees and damages, both real and alleged, incurred by Tenant arising out of or resulting from (i) any breach of any of the representations or warranties of the Health System Entities contained in or made pursuant to this Lease or the Assignment Agreement or other document delivered by the Health System Entities pursuant to the Assignment Agreement or this Lease, (ii) any failure by the Health System Entities to perform or observe, or to have performed or observed, in full, any covenant, agreement, obligation, or condition to be performed or observed by it pursuant to this Lease or the Assignment Agreement, or (iii) any liability arising from or related to the Excluded Liabilities under the Assignment Agreement, including, but not limited to, any liability related to the operation of the Hospital and Clinic Operations prior to the Closing Date of this Lease (except to the extent covered by insurance purchased by Tenant on the Health System Entities' behalf). Nothing in this Agreement shall be construed to waive, limit, or impair the sovereign or governmental immunity of the Health System Entities, to the extent such sovereign or governmental immunity exists; provided, further, that, notwithstanding any other term herein, should such sovereign or governmental immunity exist with respect to any Health System Entity for any respective liability under this paragraph, no other Health System Entity shall assume such liability.

(d) Subject to the terms and provisions of Paragraph 21(a), to the extent permitted by law, the County covenants and agrees that it will at all times indemnify, defend, and hold safe and harmless Tenant (including, without limitation, its managers, trustees, officers, employees, and agents) from, and pay or reimburse Tenant for, any loss, liability, claims, suits, costs, expenses, including without limitation attorneys' fees and damages, both real and alleged, incurred by Tenant arising out of or resulting from (i) any breach of any of the representations or warranties of the County contained in or made pursuant to this Lease or other document delivered by the County pursuant to this Lease, (ii) any failure by the County to perform or observe, or to have performed or observed, in full, any covenant, agreement, obligation, or

condition to be performed or observed by it pursuant to this Lease or the Assignment Agreement, or (iii) any liability arising from or related to the Excluded Liabilities under the Assignment Agreement. Nothing in this Agreement shall be construed to waive, limit, or impair the sovereign or governmental immunity of the County to the extent such sovereign or governmental immunity exists.

(e) Notwithstanding any other term herein, Tenant and Landlords hereby expressly waive any and all rights to recover against any of the individual officers, directors, trustees, Commissioners, employees, or agents of each other as to any action regarding this Lease or the Assignment and Assumption Agreement.

(f) Tenant shall procure and maintain throughout the Term of this Lease a policy or policies of insurance, at its sole cost and expense, naming Landlords as additional insureds, and insuring both Landlords and Tenant against all claims, demands, or actions arising out of or in connection with: (i) the Leased Assets; (ii) the condition of the Leased Assets; (iii) Tenant's operations in and maintenance and use of the Leased Assets; (iv) any Tenant Property or Replacement Hospital; (v) any interruption in the conduct of the business of Tenant on the Leased Property; and (vi) Tenant's Liability assumed under this Lease or the Assignment Agreement, including but not limited to prior unknown and unreported professional liabilities of Landlords for the period prior to the Closing Date. The limits of coverage maintained by Tenant for (a) commercial general liability shall be not less than Five Million Dollars (\$5,000,000) with respect to each occurrence, not less than Five Million Dollars (\$5,000,000) with respect to personal injury or death of a single person, not less than Five Million Dollars (\$5,000,000) general aggregate, and not less than Five Million Dollars (\$5,000,000) with respect to products and completed operations hazard aggregate; (b) professional liability insurance shall not be less than One Million Dollars (\$1,000,000) with respect to each occurrence and not less than Three Million Dollars (\$3,000,000) in general aggregate; (c) business interruption insurance shall be not less than coverage for actual loss; and (d) for replacement of the equipment, personal property and fixtures of tenant shall be not less than full replacement value.

(g) All such policies shall be procured from responsible insurance companies satisfactory to each additional insured party. Certified copies of such policies, together with receipts evidencing payments of premiums thereof, shall be delivered to the additional insured party upon request. Landlords shall have the right to procure at Tenant's expense all such policies that Tenant is required to maintain by this Paragraph 21 not obtained by Tenant. Such policies shall further provide that not less than thirty (30) days prior written notice shall be given to Landlords before such policy may be canceled or changed to reduce the insurance provided thereby.

(h) Tenant shall maintain and pay for "tail coverage" or comparable insurance coverage, on behalf of the Health System Entities, if needed to prevent any gap in insurance coverage for any Liability arising from the Health System Entities' actions or occurrences prior to the Closing Date. Such insurance shall have limits of Liability in the amount of at least One Million Dollars (\$1,000,000) per incident or Three Million Dollars (\$3,000,000) in the aggregate, with excess coverage of up to Five Million Dollars (\$5,000,000).

## 22. CONDEMNATION.

(a) If a Substantial Part of the Leased Property should be taken for any public or quasi-public use under governmental law, ordinance, or regulation, or by right of eminent domain, or by private purchase in lieu thereof, then Tenant may elect to give notice of its intent to exercise its option to purchase the Leased Assets in accordance with the provisions of Paragraph 7 of this Lease. If the Parties mutually agree to terminate this Lease and Tenant elects not to exercise its option to purchase the Leased Assets, then (a) the Leased Assets, excluding all accounts receivable, shall be transferred back to

Landlords, and (b) any proceeds received from the Proceedings referenced by this Paragraph 22(a) shall be distributed to Tenant.

(b) If part of the Leased Property shall be taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain, or by private purchase in lieu thereof, and this Lease is not terminated as provided in Paragraph 22(a) above, this Lease shall not terminate but the fact that rentable square footage has been removed from Tenant's use by the taking shall not relieve Tenant from its obligation to fulfill its obligations under Paragraph 6 without abatement for the time in which the Leased Property is untenable.

(c) In the event of any such taking or private purchase in lieu thereof, all awards as may be awarded in any condemnation Proceedings shall be awarded to Tenant and Tenant shall be exclusively entitled to pursue such awards by instituting such Proceedings as it may desire in its sole and absolute discretion with counsel selected by Tenant.

23. QUIET ENJOYMENT. Landlords covenant severally and not jointly that they now have, or will acquire before Tenant takes possession of the Leased Assets, good title to the Leased Assets of which they are seized and as their respective interests may appear as of the Closing Date, free and clear of all liens and encumbrances, excepting only the Permitted Exceptions. Landlords represent and warrant that they have full right and authority to enter into this Lease and that Tenant, upon paying the rental herein set forth and performing its other covenants and agreements herein set forth, shall peaceably and quietly have, hold, and enjoy the Leased Assets for the Term without hindrance or molestation from Landlords, subject to the terms and provisions of this Lease.

24. LIENS. Tenant shall have no authority, express or implied, to create or place any lien or encumbrance of any kind or nature whatsoever upon, or in any manner to bind, the interest of Landlords in the Leased Property or to charge the rentals payable hereunder for any claim in favor of any person dealing with Tenant, including those who may furnish materials or perform labor for any construction or repairs, and each such claim shall affect and each such lien shall attach to, if at all, only the leasehold interest granted to Tenant by this instrument. Tenant covenants and agrees that it will pay or cause to be paid all sums legally due and payable by it on account of any labor performed or materials furnished in connection with any work performed on the Leased Property on which any lien is or can be validly and legally asserted against its leasehold interest, in the Leased Property or the improvements thereon, and that it will save and hold Landlords harmless from any and all loss, cost or expense based on or arising out of asserted claims or liens against the leasehold estate or against the right, title and interest of Landlords in the Leased Property or under the terms of this Lease. The foregoing terms shall not be construed as preventing or forbidding Tenant from placing any lien or encumbrance of any kind or nature whatsoever upon Tenant's leasehold interest in the Leased Assets, Tenant's Property, accounts receivable of Tenant or ECHB, or a Replacement Hospital.

25. NO ASSUMED LIABILITIES.

(a) Except as expressly provided in the Assignment Agreement, Tenant hereby assumes no liabilities whatsoever of Landlords or any previous tenant including, but not limited to, Liability for any claims, demand, action, or suit arising from an occurrence prior to the Closing Date of this Lease.

(b) Landlords hereby assume no liabilities whatsoever of Tenant including, but not limited to, Liability for any claims, demand, action, or suit arising from an occurrence subsequent to the Closing Date.

26. RECORDING AND FILING. This Lease and every supplement, assignment, and



modification hereof shall be recorded in such public office or offices as may be at the time provided by law as the proper place for the recordation of a deed conveying the Leased Property or the parties may record a memorandum of the same, in the form described by Exhibit L.

27. ENVIRONMENTAL COVENANTS. Tenant and Health System Entities acknowledge that certain parcels of the Land are the sites of UST Releases. Health System Entities covenant to (a) remove from the Property all of the USTs with the exception of the 3,000 diesel emergency generator UST (Tank 1) and dispose of such USTs in accordance with Environmental Safety Requirements; (b) close and abandon any and all water supply wells on the Leased Property in accordance with Environmental Safety Requirements; and (c) fully remediate the UST Releases and any and all migration of the UST Releases as required by Environmental Safety Requirements and any Governmental Body and to conduct all activities necessary to obtain No Further Action Letters, including, but not limited to, investigation, assessment, corrective action plan preparation, corrective action plan implementation, fulfillment of notice requirements, operation and maintenance of any required remediation efforts or remediation system, and any required monitoring related to the UST Releases. The No Further Action Letters shall not, by their terms or through associated deed notices or restrictions or a Notice of Residual Petroleum, limit the use of the Leased Property for use as a hospital, clinic or other health care facility. Further, Health System Entities must take any and all actions necessary to make such No Further Action Letters fully effective without contingencies or conditions that would affect the use of the Leased Property as a hospital, clinic or other health care facility. Health System Entities shall conduct all activities required by this paragraph as promptly as practicable, but in any event in accordance with all deadlines established by Environmental Safety Requirements or Governmental Body. Health System Entities shall provide promptly to Tenant all correspondence and submittals to Governmental Bodies concerning activities conducted pursuant to this paragraph. Tenant shall grant reasonable access to Health Systems Entities upon prior advance notice to the Leased Property to the extent necessary to perform activities relating to the UST Releases as required by Environmental Safety Requirements and any Governmental Body.

28. NOTICES. Each provision of this instrument or of any applicable governmental laws, ordinances, regulations, or other requirements with reference to the sending, mailing, or delivery of any notice by Landlords to Tenant or with reference to the sending, mailing, or delivery of any notice or the making of any payment by Tenant to Landlords shall be deemed to be complied with when and if the following steps are taken:

Any notice or document required or permitted to be delivered hereunder shall be deemed to be delivered whether actually received or not when deposited in the United States Mail, postage prepaid, Certified or Registered Mail, return receipt requested, or sent by Federal Express or other nationally recognized overnight courier, addressed to the parties hereto at the respective addresses set out below, or at other such addresses as they have heretofore specified by written notice delivered in accordance therewith.

THE COUNTY:	County of Beaufort
	Attn: County Manager
	121 W. 3 <sup>rd</sup> Street
	Washington, North Carolina 27889
With a Copy To:	Smith Moore Leatherwood LLP
	Attn: Robert L. Wilson, Jr.
	434 Fayetteville Street, Suite 2800
	Raleigh, North Carolina 27601

THE HEALTH SYSTEM ENTITIES	Beaufort Regional Health System Attn: Chair of the Board of Commissioners c/o County of Beaufort 121 W. 3 <sup>rd</sup> Street Washington, North Carolina 27889
With a Copy To:	Nexsen Pruet, PLLC Attn: Joseph M. Kahn 4141 Parklake Avenue, Suite 200 Raleigh, North Carolina 27612
TENANT:	University Health Systems of Eastern Carolina, Inc. Attn: Chief Executive Officer 2100 Stantonsburg Road Post Office Box 6028 Greenville, North Carolina 27835-6028

All parties included within the terms “Landlords” and “Tenant”, respectively, shall be deemed to have received notices in accordance with the provisions of this paragraph with the same effect as if each had received such notice.

29. MISCELLANEOUS.

(a) Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires.

(b) The terms, provisions, and covenants and conditions contained in this Lease shall apply to, inure to the benefit of, and be binding upon the parties hereto and upon their respective heirs, legal representatives, successors, and permitted assigns, except as otherwise herein expressly provided. Landlords shall not have the right to assign any of their rights and obligations under this Lease without Tenant’s consent. Each party agrees to furnish to the other, promptly upon demand, a resolution, or other appropriate documentation evidencing the due authorization of such party to enter into this Lease.

(c) The captions inserted in this Lease are for convenience only and in no way define, limit, or otherwise describe the scope or intent of this Lease, or any provision hereof, or in any way affect the interpretation of this Lease.

(d) Each party hereto agrees from time to time, within ten (10) days after request of another party hereto, to deliver to said other party hereto, an estoppel certificate stating that this Lease is in full force and effect, the date to which the lease payments have been paid, the unexpired term of this Lease and such other matters pertaining to this Lease as may be requested by a party hereto.

(e) This Lease may not be altered, changed, or amended except by an instrument in writing signed by all parties hereto or their successors in interest.

(f) If any clause or provision of this Lease is illegal, invalid, or unenforceable under present or future laws effective during the Term of this Lease, then and in that event, it is the intention of the

parties hereto that the remainder of this Lease shall not be affected thereby, and it is also the intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid, or unenforceable, there be added as a part of this Lease a clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible and be legal, valid, and enforceable.

(g) Time is of the essence of this Lease.

(h) No party hereto shall have any Liability for any incidental or consequential damages of another party hereto, or anyone claiming by, through, or under a party hereto, for any reason whatsoever.

(i) This Lease does not create the relationship of partner or joint venturer between Landlords and Tenant. This Lease shall not result in the creation of an estate for years in Tenant. Landlords and Tenant acknowledge that neither is the agent, employee, or servant of the other, and the relationship of independent parties exists between them.

(j) The laws of the State of North Carolina shall govern the interpretation, the validity, performance, and enforcement of this Lease.

(k) No remedy conferred herein is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or thereunder or now or hereafter existing at law or in equity or by statute or otherwise.

[SIGNATURES TO FOLLOW ON SUCCEEDING PAGE.]

IN WITNESS WHEREOF, the parties hereto have executed this Lease under seal as of the day and year first above written.

LANDLORDS:

COUNTY OF BEAUFORT

ATTEST:

By:  
Clerk of the Board of Commissioners

By:  
Print Name:  
Chairman of Board of Commissioners

BEAUFORT REGIONAL HEALTH SYSTEM

ATTEST:

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

By:  
Print Name:  
Title:

BEAUFORT COUNTY HOSPITAL  
ASSOCIATION, INC.

ATTEST:

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

By:  
Print Name:  
Title:

[CORPORATE SEAL]

BEAUFORT REGIONAL PHYSICIANS, LLC

ATTEST:

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

By:  
Print Name:  
Title:

TENANT:

UNIVERSITY HEALTH SYSTEMS OF  
EASTERN CAROLINA, INC.

ATTEST:

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

By:  
Print Name:  
Title:

[CORPORATE SEAL]

EXHIBIT A

**MAIN FACILITY**

In the City of Washington, Beaufort County, North Carolina, more particularly described as follows:

Beginning at an iron pipe at the point of intersection of the Northwestern line of the right of way of U.S. Highway No. 264 and the Northeastern line of the right of way of Twelfth Street Extended; and running thence North 63 degrees 12 minutes East with the right of way of U.S. Highway No. 264, 568.6 feet to an iron pipe; thence North 31 degrees 37 minutes West 740 feet to an iron pipe; thence South 58 degrees 23 minutes West 262.6 feet to an iron pipe; thence South 32 degrees 5 minutes West 567 feet to an iron pipe in the Northeastern line of Twelfth Street; thence with the Northeastern line of Twelfth Street South 56 degrees 8 minutes East 478 feet to the point of beginning, containing 10 acres as surveyed by W.B. Duke, July 1, 1955 and being the same shown on map of record in the Office of the Register of Deeds of Beaufort County in Map Book 9, page 94, and being the same as was conveyed to Beaufort County by Deed of Correction dated December 12, 1955 of record in Book 458, Page 573, Beaufort County Registry, to which map and deed reference is herein made and incorporated for a more complete and detailed description.

But saving and excepting that portion therein conveyed by the County of Beaufort to the Department of Transportation, an agency of the State of North Carolina, by Deed dated March 18, 1992 of record in Book 960, Page 591, Beaufort County Registry

## EXHIBIT B

### HOSPITAL AUTHORITY SUBDIVISION PARCELS

TOGETHER WITH All those certain tracts or parcels of land lying and being situate in Beaufort County, North Carolina and being more particularly described as follows:

Tract One:

Being all of Lots Nos. 11, 12, 13, 14, 15, 16, 17 and 18 and the "30' Private R/W" depicted as Wexham Road as same are shown and delineated on a map entitled "Final Subdivision & Recombination Plat for Beaufort Regional Medical Authority," said map being recorded in Plat Cabinet H, Slide 6-6 in the office of the Register of Deeds of Beaufort County, reference to said map being hereby made for a more perfect description of said property.

Tract Two:

Being all of Lots Nos. 6, 7, 8, 9 and 10 as same are shown and delineated on a map entitled "Final Subdivision & Recombination Plat for Beaufort Regional Medical Authority," said map being recorded in Plat Cabinet H, Slide 6-6 in the office of the Register of Deeds of Beaufort County, reference to said map being hereby made for a more perfect description of said property.

Tract Three:

Being all of Lots Nos. 3 and 4 as same are shown and delineated on a map entitled "Final Subdivision & Recombination Plat for Beaufort Regional Medical Authority," said map being recorded in Plat Cabinet H, Slide 6-6 in the office of the Register of Deeds of Beaufort County, reference to said map being hereby made for a more perfect description of said property.

Tract Four:

Being all of Lot No. 19 as same is shown and delineated on a map entitled "Final Subdivision & Recombination Plat for Beaufort Regional Medical Authority," said map being recorded in Plat Cabinet H, Slide 6-6 in the office of the Register of Deeds of Beaufort County, reference to said map being hereby made for a more perfect description of said property.

Tract Five:

Being all of Lot No. 1 as same is shown and delineated on a map entitle "Final Subdivision & Recombination Plat for Beaufort Regional Medical Authority," said map being recorded in Plat Cabinet H, Slide 6-6 in the office of the Register of Deeds of Beaufort County, reference to said map being hereby made for a more perfect description of said property.

The above Tract 5 is conveyed together with a non-exclusive right to use that certain "40' Ingress/Egress, Utility & Fire Access Easement" as same in shown and delineated on a map entitled "Final Subdivision & Recombination Plat for Beaufort Regional Medical Authority," said map being recorded in Plat Cabinet H, Slide 6-6 in the office of the Register of Deeds of Beaufort County, and a non-exclusive right to use

that certain "40' Private Access & Utility Easement" as same is shown and delineated on a map entitled "Map of Property of Beaufort County Hospital Assoc. Inc.," said map being recorded in Plat Cabinet G, Slide 44-6 in the office of the Register of Deeds of Beaufort County, reference to said maps being hereby made for a more perfect description of said easement.

**OTHER PARCELS:**

Tract Six:

Being all of Lots Nos. 6 and 7, Block 3 as same are shown and delineated on a map of "Washington Heights," said map being recorded in Book 140, Page 552 and Plat Cabinet C, Slide 277 in the office of the Register of Deeds of Beaufort County, reference to said maps being hereby made for a more perfect description of said property.

Tract Seven:

Being all of "Area: 0.59 Ac." as same is shown and delineated on a map entitled "Map of Survey for Washington Ob-Gyn Realty Associates, LLC," said map being recorded in Plat Cabinet E, Slide 55-10 in the office of the Register of Deeds of Beaufort County, reference to said map being hereby made for a more perfect description of said property.

Tract Eight:

Being all of Lot B (containing 0.31 acres) as same is shown and delineated on a map entitled "Property of Guy G. Shavender & Marya M. Shavender," said map being recorded in Book 1017, Page 947-B in the office of the Register of Deeds of Beaufort County, reference to said map being hereby made for a more perfect description of said property.

Tract Nine:

BEGINNING AT A POINT (the "Beginning Point") evidenced by a 3/4 inch, 2 inch deep existing iron pipe located in the western edge of the right-of-way of West Third Street, a sixty (60) foot wide public right-of-way, said pipe being located North 01 degree 48 minutes 55 seconds West 200.10 feet from a 1/2 inch, 3 inch deep existing iron pipe located at the intersection of the western edge of the right-of-way of the above-referenced West Third Street with the northern edge of the right-of-way of North Carolina Highway 33, an eighty (80) foot wide public right-of-way, and said Beginning Point also being the northeast corner of the now or formerly Beaufort County Alcoholic Beverage Control Board property described in Deed Book 918, Page 749, Beaufort County Registry, and shown on plat of survey recorded in Plat Cabinet A, Slide 81, Beaufort County Registry, and running thence from said Beginning Point and with the northern property line of said Beaufort County Alcoholic Beverage Control Board property South 87 degrees 38 minutes 17 seconds West 267.69 feet to a 3/4 inch, 3 inch deep existing iron pipe, the northwest corner of the said Beaufort County Alcoholic Beverage Control Board property; thence continuing South 87 degrees 38 minutes 17 seconds West 19.74 feet to a 1/2 inch set rebar & cap – flush; thence North 02 degrees 04 minutes 02 seconds West 179.67 feet to a point located in a ditch and passing through a reference 1/2 inch set rebar & cap – flush at 167.51 feet; thence along a line running in a ditch North 87 degrees 51 minutes 14 seconds East 288.21 feet to a point located in the western edge of the right of way of West Third Street, a sixty (60) foot wide public right-of-way, and said point being located North 01 degree 48 minutes 55 seconds West 12.00 feet from a reference 1/2 inch set rebar & cap – flush; thence with said right-of-way of West Third Street South 01 degree 48 minutes 55 seconds East 178.59 feet, passing through a reference 1/2 inch set rebar & cap – flush at 12.00 feet, to the Beginning Point, containing 1.184 acres, as shown on plat of survey entitled "Survey For: Beaufort County, Aurora



Medical Center, Portion of D.B. 1731, PG. 62 (Tract 9), 151 West 3rd Street, Aurora, NC” dated July 13, 2011, prepared by Richard Allen Maye, Jr., Professional Land Surveyor, of Mayo and Associates, P.A., Land Surveying which plat is referenced for a more particular description and being a portion of that certain 5.09 acre tract or parcel of land shown on plat of survey recorded in Plat Cabinet A, Slide 81, Beaufort County Registry.

Tract Ten:

BEGINNING AT A POINT (the “Beginning Point”) evidenced by a set 1/2 inch rebar/cap (flush) at bent 1 1/2 inch iron pipe located in the southwestern edge of the right-of-way of Cowell-Farm Road, a 60 (sixty) foot wide public right-of-way, and said Beginning Point being a corner with Lot 11 of the Beaufort Regional Medical Authority Subdivision as shown on plat of survey recorded in Plat Cabinet H, Slide 6-6, Beaufort County Registry, and being further located South 36 degrees 42 minutes 16 seconds East 161.87 feet from Control Point “A” and South 72 degrees 59 minutes 51 seconds West 63.70 feet from Control Point “B” as shown on the hereinafter referenced plat of survey and running thence from said Beginning Point and with the southwestern edge of the above-referenced Cowell-Farm Road right-of-way South 36 degrees 41 minutes 50 seconds East 361.39 feet to a set 1/2 inch rebar/cap (flush), a corner with Lot “B” as shown on the hereinafter referenced plat of survey; thence with the property line of said Lot “B” South 53 degrees 45 minutes 19 seconds West 272.73 feet to a set 1/2 inch rebar/cap (flush), located in the property line of the now or formerly Beaufort County property described in Deed Book 453, Page 237, Beaufort County Registry; thence with the property line of said Beaufort County property North 36 degrees 38 minutes 49 seconds West 354.39 feet to 2 inch outside diameter, 1 inch deep existing iron pipe designated as Control Point “C” as shown on the hereinafter referenced plat of survey and located in the property line of the above-referenced Lot 11 of the Beaufort Regional Medical Authority Subdivision; thence with the property line of said Lot 11 North 52 degrees 17 minutes 03 seconds East 272.45 feet to the Beginning Point, designated as Lot “A”, containing 2.239 acres, as shown on plat of survey entitled “Tract “A” & Tract “B”, Survey For: Beaufort County, Cowell-Farm Road, Washington, NC 27889” dated July 12, 2011, prepared by Norwood Martin Mayo, Professional Land Surveyor, of Mayo and Associates, P.A., Land Surveying which plat is referenced for a more particular description and being a portion of that certain 4.70 acre tract or parcel of land described in Deed recorded in Book 623, Page 395, Beaufort County Registry.

Tract Eleven:

BEGINNING AT A POINT located in the northern edge of the right-of-way of Brown Street Extension, a sixty (60) foot wide public right-of-way, said point being the southwestern corner of that certain tract or parcel of land designated as "Portion of Lot 3" containing 0.76 acres as shown on plat of survey recorded in Plat Cabinet G, Slide 44-6, Beaufort County Registry, and running thence North 41 degrees 00 minutes 16 Seconds East 202.18 feet to a point; thence North 58 degrees 55 minutes 21 seconds East 20.30 feet to a point; thence South 41 degrees 00 minutes 16 seconds East 201.39 feet to a point located in the northern edge of the right-of-way of the above-referenced of Brown Street Extension; thence with said right-of-way of Brown Street Extension South 56 degrees 43 minutes 05 seconds West 20.18 feet to the POINT AND PLACE OF BEGINNING, and designated as Tract 1, containing 0.093 acres, as shown on plat of survey entitled "Survey For: Easley Respass Properties, LLC & Beaufort County Hospital Association, Inc." dated January 24, 2005 prepared by Michael West Baldwin, Professional Land Surveyor, of Baldwin and Associates, a copy of which is attached to Deed from Easley Respass Properties, LLC to Beaufort Regional Medical Authority recorded in Book 1494, Page 76, Beaufort County Registry, which plat is referenced for a more particular description.

EXHIBIT C

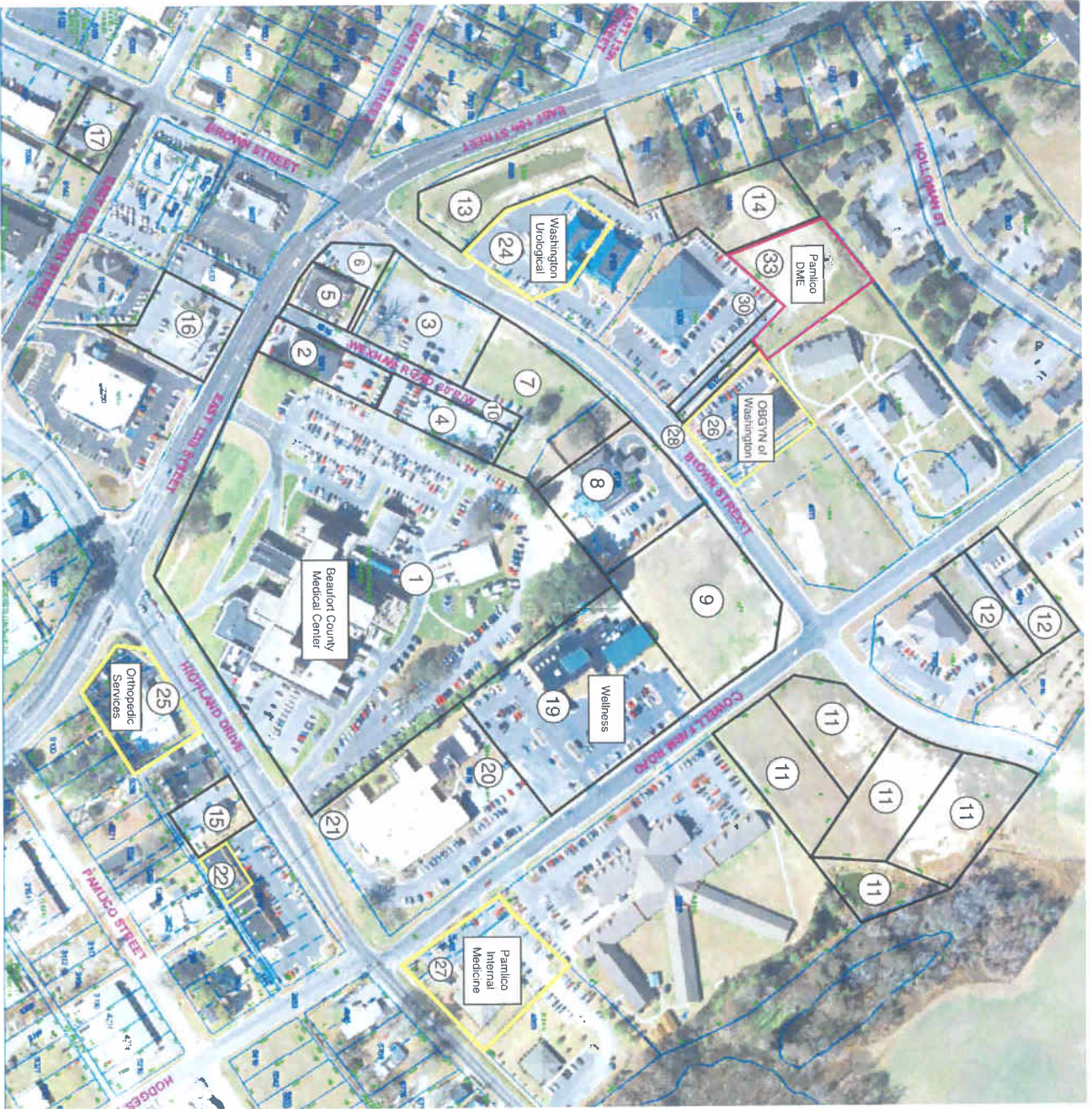
LEASED PROPERTY

	Street Address/Legal	[Prior] Occupant Description	Landlord/Vesting Title Information
<b>Assigned Leased Property</b>			
1.	210 W. Liberty, Williamston	Martin County - health dept. space	Title information unavailable as date hereof due to lack of search of grantor/grantee index in real estate register's office
2.	1129 Main Street, Swanquarter	Health dept. space	Title information unavailable as date hereof due to lack of search of grantor/grantee index in real estate register's office
3.	1208 US Hwy. 64, Columbia 3.1 acres, Map Cabinet B, Slide 140(b)	Tideland Mental Health	Tyrell County Book 213, Page 643 from Tideland Mental Health Center recorded 08-14-2007
<b>Leased properties subject to new direct lease by and between ECHB and Third Party Landlord</b>			
4.	501 W. 15 <sup>th</sup> Street, Washington 0.84 acres, located at Southwest corner of W. 15 <sup>th</sup> St. and Bridge St.	Washington Family Medicine Center	Washington Primary Care, LLC Book 1398, Page 175
5.	1202 N. Brown St., Washington Outlot 2B, Plat Cabinet F, Slide 53-2	Washington Urological Associates	Three Plumbers, L.L.C. Book 1157, Page 732 (from Beaufort County Hospital Association, Inc.)
6.	1207 Highland Dr., Washington Tracts A, B & C, 0.864 combined acres, Plat Cabinet E, Slide 73-4 located at Southwest corner of Highland Dr. 7 12th St.	George Miller Orthopedics and Birdsong Orthopedic Group	MAB Partners, LLC Book 1057, Page 509

	<b>Street Address/Legal</b>	<b>[Prior] Occupant Description</b>	<b>Landlord/Vesting Title Information</b>
7.	1210 N. Brown St., Washington 0.749 acres, being Lot 3 Plat Cabinet G, Slide 44-6, less westernmost 0.093 acres, plus 0.082 acres adjoining Lot 3 on East	Obstetrics & Gynecology of Washington	Easley Respass Properties, LLC Book 1423, Page 528; and Book 1494, Page 81 (less land in Deed at Book 1494, Page 76)
8.	1380 Cowell Farm Road, Washington 2.266 acres, Plat Cabinet E, Slide 81-7	Pamlico Internal Medicine	Pamlico Physicians Properties I, LLC Book 1454, Page 56
9.	740 Bragaw Lane, Chocowinity Tract B-1, 0.602 acres Plat Cabinet H, Slide 30-5	Chocowinity Family Care	PMC, Inc. Book 1668, Page 702 and correction deed in Book 1670, Page 873
10.	804 Washington Street, Plymouth 0.37 acres shown on plat in Book 401, Page 384	Tideland Mental Health	M. C. Brewer and wife, Mary K. Brewer Book 401, Page 382
Leased properties subject to new direct lease by and between ECHB and the County pursuant to Paragraph 5(a)(ii)			
11.	1379 Cowell Farm Rd, Washington	BRHS – Ray G. Silverthorne Crisis Center	County of Beaufort, Book 623, Page 395
12.	1308 Highland Drive, Washington	BRHS – Tideland Mental Health	County of Beaufort, Book 623, Page 395

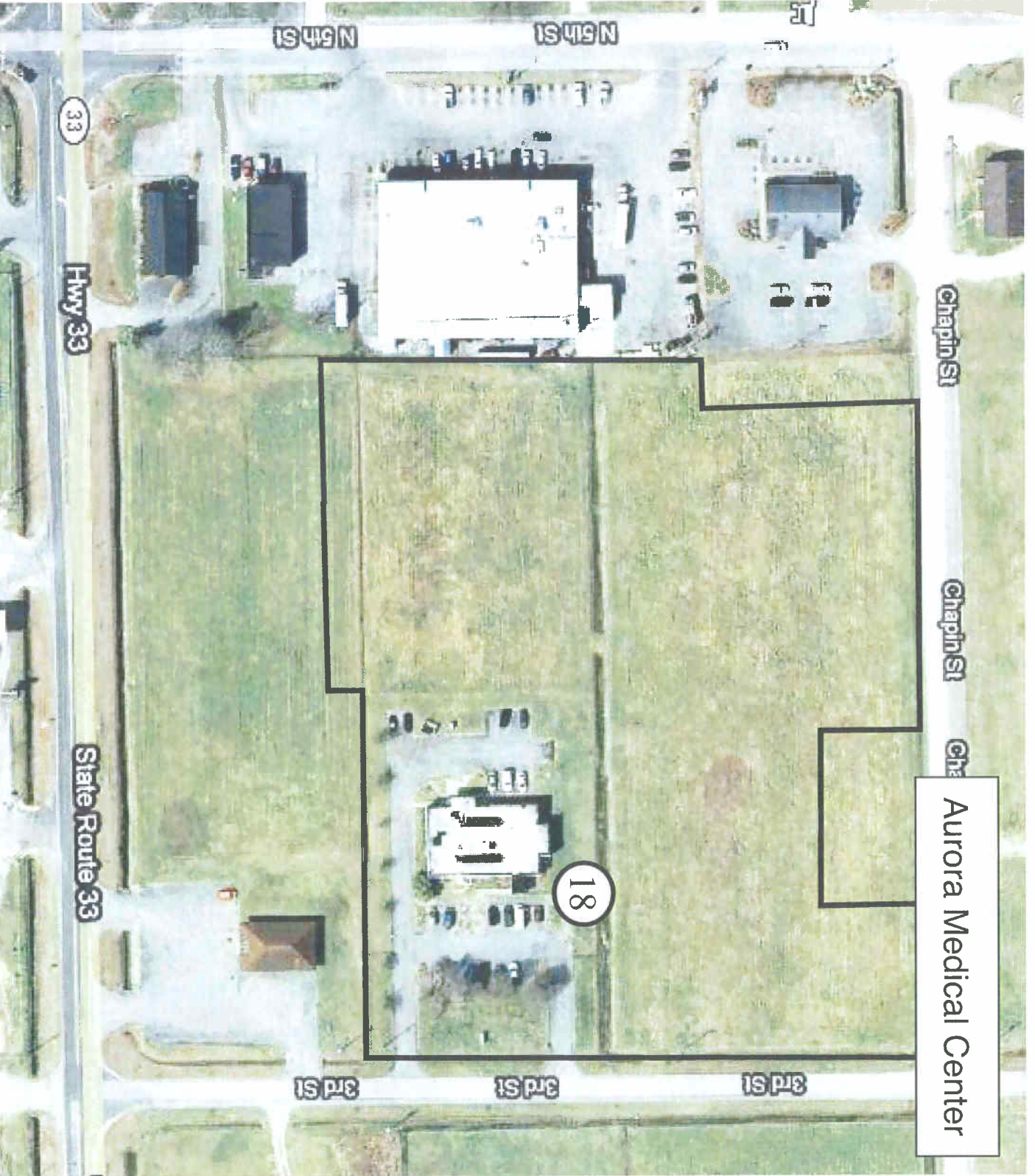
SUPPLEMENT TO EXHIBITS A-C – AERIAL MAP REFERENCE

[See attached]



- County Owned
- Leased Property
- Joint Venture  
Beaufort County Medical Center &  
Lenoir Memorial

Exhibit A, B and C  
(continued)  
for  
Aerial Map Reference



Aurora Medical Center



Washington Family  
Medicine

23

Evans Mauli  
Plns Agcy

N Bridge St

N Bridge St

500  
W 15th St





Chocowinity Family Care

28

Bragew Ln

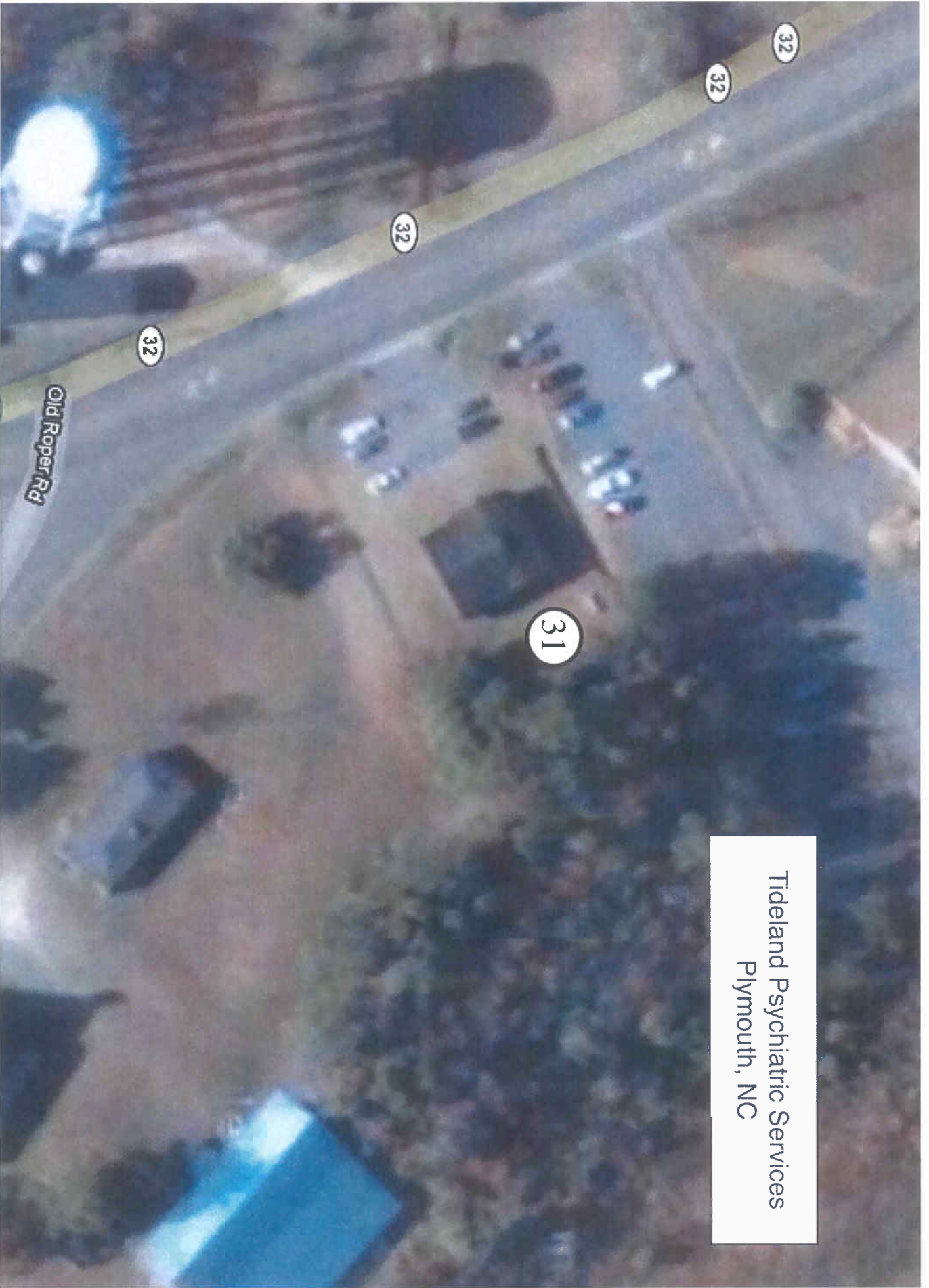
3



Tideland Psychiatric Services  
Williamston, NC



Tideland Psychiatric Services  
Swan Quarter, NC



Tideland Psychiatric Services  
Plymouth, NC

Tideland Psychiatric Services  
Columbia, NC



**EXHIBIT D**  
**EXCLUDED ASSETS**

None

**EXHIBIT E**  
**ASSIGNMENT AND ASSUMPTION AGREEMENT**

[See attached]

## ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment Agreement"), is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 2011 (the "Effective Date") by and among the COUNTY OF BEAUFORT (the "County"), a political subdivision of the State of North Carolina, BEAUFORT REGIONAL HEALTH SYSTEM (the "Health System"), a North Carolina hospital authority organized under N.C. Gen. Stat. § 131E-16 *et seq.*, BEAUFORT COUNTY HOSPITAL ASSOCIATION, INC. (the "Association"), a North Carolina nonprofit corporation, and BEAUFORT REGIONAL PHYSICIANS, LLC (the "Physician Group"), a North Carolina limited liability company, (collectively the County, the Health System, the Association, and the Physician Group referred to herein as the "Landlords"), and EAST CAROLINA HEALTH-BEAUFORT, INC. ("ECHB"), a North Carolina nonprofit corporation.

### WITNESSETH:

WHEREAS, the County is the owner of the land and facilities associated with the Health System located in Washington, North Carolina;

WHEREAS, the County currently leases certain land and facilities to the Health System pursuant to that certain Lease, dated November 30, 2010, by and between the County and the Health System (the "Hospital Authority Lease"), and the Health System in turn owns and operates, through the Association, an acute care hospital facility, including the equipment, supplies and fixtures associated therewith, known as Beaufort County Medical Center (the "Hospital");

WHEREAS, the Landlords are collectively or individually the owner or lessee of the land, facilities, equipment, supplies and fixtures at the additional locations operated by the Health System, the Association, or the Physician Group (collectively such locations referred to herein as the "Clinics");

WHEREAS, the Association and the Physician Group are wholly owned or controlled subsidiaries of the Health System (collectively, the Health System, the Association, and the Physician Group are referred to herein as the "Health System Entities");

WHEREAS, the County and the Health System have determined together that it is in the best interest of the citizens of Beaufort County, North Carolina, and the surrounding communities that the Health System assign, and the County consent to such assignment of, the Hospital Authority Lease to University Health Systems of Eastern Carolina, Inc. ("Tenant") and that operation of the Hospital and the Clinics be leased to Tenant, which is a nonprofit corporation experienced in the operation and management of such Hospital and Clinic activities;

WHEREAS, Landlords and Tenant have entered into that certain Amended and Restated Lease dated as of August \_\_\_\_, 2011 (the "Lease"; collectively with this Assignment Agreement, the "Transaction Documents") for the purpose of effecting assignment of the Hospital Authority Lease and amending and restating the same for purposes of leasing to Tenant the Leased Assets associated with the Hospital and Clinic Operations, and for conveying (at Tenant's option) Landlords' remainder interest in the Leased Assets at the conclusion of the Lease;

WHEREAS, as of even date hereof, Tenant has in turn entered into subleases with ECHB, HealthAccess, Inc. ("HealthAccess") and UHS Physicians, LLC ("UHSP"), each a controlled affiliate of Tenant, and has subleased, delegated or otherwise assigned to ECHB, HealthAccess or UHSP all of its rights and obligations under the Lease;



WHEREAS, as set forth in the Lease, Landlords desire to assign certain assets, rights, and obligations to ECHB, including but not limited to the PME Interest and the Eastpointe Interest (as defined in the Lease), and ECHB desires to assume such assets, rights and obligations as set forth herein;

WHEREAS, ECHB will in turn assign certain assets, rights, and obligations to HealthAccess or UHSP, and HealthAccess or UHSP will assume such assets, rights and obligations pursuant to an assignment and assumption agreement dated as of even date herewith between ECHB, HealthAccess, and UHSP; and

WHEREAS, under the Constitution and laws of the State of North Carolina, the County, the Health System and ECHB each is authorized to enter into and perform this Assignment Agreement, including pursuant to N.C. Gen. Stat. § 131E-13, and the execution and delivery of this Assignment Agreement have been duly authorized by resolutions adopted by the Board of Commissioners of the County and by the Board of Commissioners of the Health System, and the Board of Directors of ECHB.

NOW THEREFORE, in consideration of the premises and the mutual undertakings and representations herein contained and other good and valuable consideration, receipt of which is hereby acknowledged, Landlords and ECHB hereby covenant, contract, and agree as follows:

1. DEFINITIONS.

(a) Unless otherwise defined herein, all capitalized terms, not otherwise defined, shall be defined as provided in the Lease.

(b) For purposes of this Assignment Agreement, the following terms and variations thereof have the meanings specified or referred to in this Paragraph 1:

“Intellectual Property Assets” means all intellectual property owned or licensed (as licensor or licensee) by Health System Entities in which Health System Entities have a proprietary interest which is related to the Hospital and Clinic Operations, including: (a) names, all assumed fictional business names, trade names, registered and unregistered trademarks, service marks and applications; (b) all patents, patent applications and inventions and discoveries that may be patentable; (c) all registered and unregistered copyrights in both published works and unpublished works; (d) all know-how, trade secrets, confidential or proprietary information, customer lists, software, technical information, data, process technology, plans, drawings and blue prints; and (e) all rights in internet web sites and internet domain names presently used by Health System Entities.

2. LEASE AGREEMENT. The parties acknowledge and agree that neither would have entered into this Assignment Agreement but for the agreement of Landlords and Tenant to assign the Hospital Authority Lease through the execution of the Lease, which sets forth the terms on which the Leased Assets owned, collectively or individually, by the Landlords and used by the Health System Entities in the conduct of the Hospital and Clinic Operations shall be leased by Tenant and in turn subleased to ECHB, HealthAccess or UHSP, and the parties hereto have consented to such assignment as provided in the Lease. This Assignment Agreement is hereby executed contemporaneously with the Lease, which is hereby incorporated as if fully set forth herein.

3. TRANSFER AND ASSIGNMENT OF PERSONAL PROPERTY.

(a) Effective as of the Closing Date of the Lease, the Health System Entities hereby assign, transfer and convey unto ECHB, its successors and assigns, all of the Health System Entities’ right, title and interest in and to the personal property described herein, including, without limitation, the following

described personal property (the “Personal Property”), which is intended to include all of Health System Entities’ Personal Property, wherever located, belonging to Health System Entities and which relate to or are used in the operation of the Hospital and Clinic Operations as going concerns, including the following (but excluding the Leased Personal Property as defined in the Lease):

(i) except as set forth in Paragraph 6(g) of the Lease, all cash, cash on hand, cash on deposit, cash equivalents, investment securities, and undeposited checks;

(ii) all rights under the agreements, contracts, leases, and licensing agreements listed on Schedule 3.a.ii., attached hereto (collectively, the “Assumed Contracts”), all warranty rights, all Intellectual Property Assets, going concern value, and goodwill;

(iii) the PME Interest and the Eastpointe Interest;

(iv) those rights relating to security deposits and prepaid expenses and refund claims and rights to offset in respect thereof listed in Schedule 3.a.iv attached hereto;

(v) all inventories wherever located, including without limitation, all disposable and consumable items, food, drugs, janitorial and office supplies;

(vi) all accounts receivable, deposits, notes receivable, prepaid expenses, refunds, claims or rights to offset in respect thereof, and to the extent set forth on Schedule 3.a.vi., causes of action and judgments in favor of the Health System Entities relating to the Hospital and Clinic Operations and the operation thereof (the “Accounts Receivable”); provided, that ECHB may elect to not receive any Accounts Receivable to the extent it so elects in its sole and absolute discretion;

(vii) all Governmental Authorizations and all pending applications therefor or renewals thereof, in each case to the extent transferable to ECHB, including those listed on Schedule 2.d. of the Lease, but excluding the Provider Agreements (including but not limited to Medicare Nos. 340038, 34S038 and 347115);

(viii) all insurance proceeds, arising from or relating to the Assumed Liabilities under Paragraph 5 hereof; and

(ix) all claims of Health System Entities against third parties relating to the Hospital and Clinic Operations, whether choate or inchoate, contingent or noncontingent, listed in Schedule 3.a.ix attached hereto.

(b) The transfer of the Personal Property pursuant to this Assignment Agreement shall not include the assumption of any Liability (including without limitation any Scheduled Indebtedness) related to the Hospital and Clinic Operations unless ECHB expressly assumes that Liability pursuant to Paragraph 5 hereof.

4. TRANSFER AND ASSIGNMENT OF THE CONTRACTS; DEFERRED CONSENTS. Notwithstanding Paragraph 3(a)(ii), this Assignment Agreement shall not constitute an agreement to assign or transfer any Assumed Contract, if an attempted assignment or transfer thereof, without the consent of a third party thereto, would constitute a breach thereof or in any way materially and adversely affect the rights of ECHB thereunder. If such consent (“Deferred Consent”) is not obtained prior to the Closing Date, or if an attempted assignment or transfer thereof would be ineffective or would materially and adversely affect the rights thereunder so that ECHB would not receive all such material rights, then (i) the Health System Entities and ECHB will cooperate, in all reasonable respects, to obtain such

Deferred Consents as soon as practicable; provided however, that the Health System Entities shall have no obligation (y) to expend funds to obtain any Deferred Consent, other than the Health System Entities' out of pocket expenses to its attorney or other agents incurred in connection with obtaining any Deferred Consent and reimbursable from the Professional Services Escrow Fund, or (z) to agree to any adverse change in any Assumed Contract in order to obtain a Deferred Consent, and (ii) until such Deferred Consent is obtained, the Health System Entities and ECHB will cooperate in all reasonable respects, to the extent permitted under the law and/or under any applicable agreement, to provide to ECHB the benefits under the Assumed Contract to which such Deferred Consent relates. In particular, in the event that any such Deferred Consent is not obtained, then ECHB and Health System Entities shall, to the extent reasonably permitted under the law and/or under any applicable agreement, enter into such arrangements (including subleasing or subcontracting if permitted) to provide to ECHB the economic and operational equivalent of obtaining such Deferred Consent and assigning or transferring such Assumed Contract, including enforcement for the benefit of ECHB of all claims or rights arising thereunder, and the performance by ECHB of the obligations thereunder on a prompt and punctual basis; provided, however, that, in the event the implementation of such arrangements is not permitted or reasonably achieved, ECHB shall not be responsible for the obligations or liabilities associated with such contract(s).

5. ASSUMPTION AND AGREEMENT TO PAY. ECHB hereby assumes and agrees to pay, discharge, and perform the existing obligations of Landlords as of the Closing Date listed or referenced on Schedule 5, in addition to unpaid obligations accruing to or incurred by Health System Entities in the ordinary course of business of the Health System Entities since June 30 related to the accounts specifically identified or referenced on Schedule 5 (collectively the "Assumed Liabilities"). ECHB agrees to pay, discharge, or dispute such obligations arising under this Section as they become due; provided, however, that any obligations which arose prior to the Closing Date shall be paid, discharged or disputed in a commercially reasonable period following the Closing Date. Landlords acknowledge and agree that Schedule 5 shall not contain any interparty or similar liabilities by and among Landlords, including but not limited to any accounts payable by Health System to County related to the Leased Property, which accounts shall be paid in full through the Closing Date prior to the Closing Date.

6. EXCLUDED LIABILITIES.

(a) Notwithstanding any other term herein, ECHB shall not assume, and hereby expressly disclaims all Excluded Liabilities. "Excluded Liabilities" shall mean every Liability of the Landlords, respectively, other than the Assumed Liabilities covered under Section 5, including:

(i) any Liability under any Assumed Contract assumed by ECHB pursuant to Paragraph 3 that arises out of or relates to any breach that occurred prior to the Closing Date;

(ii) any Liability for taxes for any period (or portion of any period) ending on or before the Closing Date, including any taxes arising as a result of the Health System Entities' operation or ownership of the Hospital and Clinic Operations prior to the Closing Date;

(iii) any Liability or obligation under any Contract not assumed by ECHB under Paragraph 3;

(iv) any environmental, health and safety Liabilities arising out of or relating to the Health System Entities' leasing, ownership or operation of the Hospital and Clinic Operations prior to the Closing Date, including but not limited to those items disclosed on Schedule 2.1 and Schedule 2A.1 of the Lease; provided however, ECHB shall be responsible for (A) costs associated with removal or abatement of asbestos at any Hospital or Clinic location or facility, and (B) the replacement of underground storage tanks should ECHB in its discretion elect to replace same;

(v) any Liability under the Beaufort Benefit Plans or relating to payroll, vacation, sick leave, workers' compensation, unemployment benefits, pension benefits, employee stock option or profit-sharing plans, health care plans or benefits or any other employee plans or benefits of any kind for Health System Entities employees or former employees or both, including but not limited to any claims related to Health System Entities retirees, unless such Liability is set forth in Schedule 5 and thereby covered by Section 5;

(vi) any Liability under any employment, severance, retention or termination agreement with any employee of the Health System Entities, including but not limited to those employees with change of control provisions;

(vii) any Liability arising prior to the Closing Date out of or relating to any Health System Entities employee grievance whether or not the affected employees are hired by ECHB;

(viii) any Liability to indemnify, reimburse or advance amounts to any trustee, director, Commissioner, employee or agent of any Health System Entity;

(ix) any Liability arising out of any Proceeding pending as of the Closing Date;

(x) any Liability arising out of any Proceeding commenced after the Closing Date and arising out of or relating to any occurrence or event happening with respect to the Hospital or the Clinic Operations prior to the Closing Date, including but not limited to any obligation or liability associated with the Provider Agreements;

(xi) any Liability arising out of or resulting from Health System Entities' compliance or noncompliance with any Legal Requirement or order, injunction, judgment, decree, ruling, assessment or arbitration award of any Governmental Body prior to the Closing Date;

(xii) any Liability of the Health System Entities under this Assignment Agreement or the Lease or any other document executed in connection with this Assignment Agreement or the Lease;

(xiii) any Liability of any Health System Entity based upon the Health System Entities' acts or omissions occurring after the Closing Date;

(xiv) any Liability of the Health System Entities arising out of or resulting from the Health System Entities' compliance or noncompliance with the Provider Agreements, including any Medicare, Medicaid, or other third party payor programs' attempt to recapture or recoup previously paid or reimbursed expenses;

(xv) any Liability related to an Excluded Asset;

(xvi) except as set forth in Paragraph 6 of the Lease, any Liability related to the Scheduled Indebtedness; and

(xvii) any other Liability relating to the Hospital or Clinic Operations or Leased Assets occurring prior to the Closing Date and not expressly assumed by ECHB under Paragraph 5 hereof.

(b) Notwithstanding the foregoing, ECHB shall obtain insurance coverage on the Health System Entities' behalf, payable (y) to the Health System Entities, or (z) to Tenant, in the event such covered Liabilities are paid for by Tenant on the Health System Entities' behalf, for professional Liabilities for unknown and unreported claims related to or arising out of the Health System Entities' acts

or omissions occurring prior to the Closing Date pursuant to Paragraph 6(d) of the Lease. The Health System Entities shall only be obligated to indemnify ECHB for Excluded Liabilities for amounts in excess of or not covered by such insurance. Further, to the extent that the Health System Entities' Audited Balance Sheet as of September 30, 2010 sets forth a reserve related to any Excluded Liabilities, such reserve shall be credited or applied toward the Health System Entities' payment or settlement of such Excluded Liabilities.

(c) Landlords shall, severally but not jointly, pay or make adequate provision for the payment in full of all of the Excluded Liabilities applicable to either the Health System Entities or the County, respectively, under this Assignment Agreement. If any such Excluded Liabilities are not so paid or provided for (including via the Excluded Liabilities Escrow Fund), or if ECHB reasonably determines that failure to make any payments will impair ECHB's operation, use or enjoyment of the Hospital and Clinic Operations, ECHB may, at any time, elect to make all such Excluded Liabilities payments directly (but shall have no obligation to do so) and set off against and deduct the full amount of all such payments from any obligation under the Lease, including the Capital Expenditure Commitment, or this Assignment Agreement or set off against such amounts from the Option Purchase Price.

7. REPRESENTATIONS, WARRANTIES, COVENANTS OF HEALTH SYSTEM ENTITIES. The Health System Entities hereby, to the best of the Health System Entities' knowledge and belief, make material representations, warranties and covenants as follows:

(a) The Health System Entities shall use their best efforts to assist ECHB to obtain consents to effect a valid assignment of their rights and obligations under the Assumed Contracts.

(b) Upon request and consistent with law, the Health System Entities shall execute all necessary consents and withdraw all business name filings as may be required to allow ECHB to conduct the Hospital and Clinic Operations using the names or trade names used by the Health System Entities as part of the Hospital and Clinic Operations, or in the name of any other current trade name used or reserved by the Health System Entities.

(c) Except as may be implicated and/or restricted in conjunction with circumstances associated with the Report, all Accounts Receivable that are reflected on the Interim Balance Sheet or on the accounting Records of the Health System Entities as of the Closing Date represent or will represent valid obligations arising from services actually performed by the Health System Entities in the ordinary course of business. Except to the extent paid prior to the Closing Date, such Accounts Receivable are as of the Closing Date current and collectible net of the respective contractual reductions and reserves; provided, however, that the Health System Entities do not guarantee that ECHB will collect any particular Account Receivable. Health System Entities will take such actions as are necessary to transfer Accounts Receivable from Health System Entities bank accounts to ECHB upon notice from ECHB as to which Accounts Receivable it elects to receive pursuant to Paragraph 3.a.iv.

(d) Schedule 7.d. contains an accurate and complete list, and the Health System Entities have delivered to ECHB accurate and complete copies, of:

(i) each Contract that involves performance of services or delivery of goods or materials by or to the Health System Entities of an amount or value in excess of \$10,000;

(ii) each Contract that was not entered into in the ordinary course of business and that involves expenditures or receipts of the Health System Entities in excess of \$10,000;

(iii) each Contract involving the purchase of an ownership or equity interest in another party, or the formation of a joint venture between a Health System Entity and one or more third parties;

(iv) each Contract affecting the ownership of, leasing of, title to, use of or any leasehold or other interest in any real or personal property (except personal property leases and installment and conditional sales agreements having a value per item or aggregate payments of less than \$10,000 and with a term of less than one year);

(v) each power of attorney of the Health System Entities that is currently effective and outstanding;

(vi) each Contract entered into, other than in the ordinary course of business by the Health System Entities, that contains or provides for an express undertaking by the Health System Entities to be responsible for consequential damages;

(vii) each Contract for capital expenditures in excess of \$10,000;

(viii) each written warranty, guaranty and/or other similar undertaking with respect to contractual performance extended by the Health System Entities other than in the ordinary course of business;

(ix) each Contract, whether written or verbal under which a Health System Entity makes payment to or from or otherwise has a Financial Relationship with a Physician, each as defined by 42 C.F.R. 411.351 *et seq.*; and

(x) each amendment, supplement and modification (whether oral or written) in respect of any of the foregoing.

**(e) Except as a result of acts or omissions referenced in the Report, no event has occurred or circumstance exists under or by virtue of any Contract that (with or without notice or lapse of time) would cause the creation of any encumbrance affecting any of the Leased Assets.**

**(f) Except as set forth in Schedule 7.f.:**

(i) each Assumed Contract is in full force and effect and is valid and enforceable in accordance with its terms;

(ii) each Assumed Contract is assignable by the Health System Entities to ECHB subject to required consents;

(iii) The Health System Entities are, and at all times have been, in material compliance with all applicable terms and requirements of each Assumed Contract, except for any non-compliance which might relate to past due accounts payable under an Assumed Contract;

(iv) each other Person that has or had any obligation or liability under any Assumed Contract is, and at all times since has been, in material compliance with all applicable terms and requirements of such Assumed Contract;

(v) no event has occurred or circumstance exists that (with or without notice or lapse of time) may contravene, conflict with or result in a breach of, or give the Health System Entities or other Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or payment under, or to cancel, terminate or modify, any Assumed Contract, except for any non-compliance which might relate to any past due accounts payable under an Assumed Contract;

(vi) The Health System Entities have not given to or received from any other Person, at any time any notice or other communication (whether oral or written) regarding any actual, alleged, possible or potential violation or breach of, or default under, any Assumed Contract, except for notices related to any past due accounts payable under an Assumed Contract; and

(vii) there are no renegotiations of, attempts to renegotiate or outstanding rights to renegotiate any material amounts paid or payable to the Health System Entities with respect to the Hospital or Clinics under current or completed Assumed Contracts with any Person having the contractual or statutory right to demand or require such renegotiation and no such Person has made written demand for such renegotiation.

**8. NOTICES. Notice under this Assignment Agreement shall be provided consistent with terms of Paragraph 28 of the Lease.**

9. ASSIGNMENT. This Assignment Agreement shall not be assigned, transferred or delegated in whole or in part; provided however ECHB may assign its rights and obligations hereunder in whole or in part as permitted under Paragraph 18 of the Lease.

10. INDEMNIFICATION. The parties' indemnification rights related to this Assignment Agreement are set forth in Paragraph 21 of the Lease.

11. COVENANTS AND REMEDIES. In the event Tenant breaches any covenant set forth in Section 8 of the Lease, then ECHB shall also be deemed to be in breach of this Assignment Agreement, and, without limiting any other remedy available under this Assignment Agreement or applicable law, Landlords shall have all rights hereunder reasonably necessary to effect the remedies set forth in Sections 8 and 9 of the Lease.

12. MISCELLANEOUS.

(a) Words of any gender used in this Assignment Agreement shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires.

(b) The terms, provisions and covenants and conditions contained in this Assignment Agreement shall apply to, inure to the benefit of, and be binding upon the parties hereto and upon their respective heirs, legal representatives, successors and permitted assigns, except as otherwise herein expressly provided. Each party agrees to furnish the other, promptly upon demand, a resolution, or other appropriate documentation evidencing the due authorization of such party to enter into this Assignment Agreement.

(c) The captions inserted in this Assignment Agreement are for convenience only and in no

way define, limit or otherwise describe the scope or intent of this Assignment Agreement, or any provision hereof, or in any way affect the interpretation of this Assignment Agreement.

(d) This Assignment Agreement may not be altered, changed or amended except by an instrument in writing signed by all parties hereto or their successors in interest.

(e) If any clause or provision of this Assignment Agreement is illegal, invalid or unenforceable under present or future laws effective during the term of this Assignment Agreement, then and in that event, it is the intention of the parties hereto that the remainder of this Assignment Agreement shall not be affected thereby, and it is also the intention of the parties to this Assignment Agreement that in lieu of each clause or provision of this Assignment Agreement that is illegal, invalid or unenforceable, there be added as a part of this Assignment Agreement a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

(f) No party hereto shall have any liability for any incidental or consequential damages of another party hereto, or anyone claiming by, through or under a party hereto, for any reason whatsoever.

(g) This Assignment Agreement does not create the relationship of partner or joint venturer between Landlords and ECHB. Landlords and ECHB acknowledge that neither is the agent, employee, or servant of the other, and the relationship of independent parties exists between them.

(h) The laws of the State of North Carolina shall govern the interpretation, the validity, performance and enforcement of this Assignment Agreement.

(i) No remedy conferred herein is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or thereunder or now or hereafter existing at law or in equity or by statute or otherwise.

(j) Landlords and ECHB each agree to cooperate with each other and to execute such additional documents as may be necessary to carry out the provisions of this Assignment Agreement and the Lease. This provision shall survive the termination of this Assignment Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK—

SIGNATURES ON FOLLOWING PAGE]



IN WITNESS WHEREOF, the parties hereto have executed this Assignment and Assumption Agreement under seal as of the day and year first above written.

LANDLORDS:

COUNTY OF BEAUFORT

ATTEST:

By:  
Clerk of the Board of Commissioners

By:  
Print Name:  
Chairman of Board of Commissioners

BEAUFORT REGIONAL HEALTH SYSTEM

ATTEST:

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

By:  
Print Name:  
Title:

BEAUFORT COUNTY HOSPITAL  
ASSOCIATION, INC.

ATTEST:

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

By:  
Print Name:  
Title:

[CORPORATE SEAL]

BEAUFORT REGIONAL PHYSICIANS, LLC

ATTEST:

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

By:  
Print Name:  
Title:

ECHB:

EAST CAROLINA HEALTH-BEAUFORT

ATTEST:

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

By:  
Print Name:  
Title:

[CORPORATE SEAL]

EXHIBIT F

**LEASE FOR RAY G. SILVERTHORNE CRISIS CENTER**

[See attached]

**LEASE AGREEMENT**

**BETWEEN**

**Landlord**

**AND**

**Tenant**

THIS LEASE AGREEMENT (hereinafter referred to as "Lease") is entered into by and between the COUNTY OF BEAUFORT, a political subdivision of the State of North Carolina (hereinafter referred to as "Landlord") and EAST CAROLINA HEALTH-BEAUFORT, INC. ("Tenant"), a North Carolina nonprofit corporation, this the \_\_\_ day of \_\_\_\_\_ 2011.

**WITNESSETH**

In consideration of the rents hereinafter agreed to be paid and in consideration of the mutual covenants and agreements hereinafter recited, Landlord does hereby lease and demise unto Tenant and Tenant does hereby lease and take as tenant from Landlord, the right to the exclusive use of a portion of space consisting of 5,794 square feet of space located at 1379 Cowell Farm Road, Washington, NC and commonly referred to as the Ray G. Silverthorne Crisis Center building annex (the "Building"). A sketch of the leased space within the Building is shown on Exhibit A attached hereto and is called the "Premises."

TO HAVE AND TO HOLD the said Premises unto Tenant upon the following terms and conditions:

1. **TERM.** The term of this Lease shall begin on the \_\_\_ day of \_\_\_\_\_, 2011, and shall end at 12:00 midnight on the \_\_\_ day of \_\_\_\_\_, 2021 (the "Initial Term"). The term of this Lease shall automatically renew at the expiration of the Initial Term for an additional period of five (5) years (the "Renewal Term") on the same terms and conditions unless terminated by Tenant or Landlord by the giving of ninety (90) days prior written notice of termination to the other party. (The Initial Term and the Renewal Term, as applicable shall be referred to herein collectively as the "Term")
2. **RENT.**
  - a. For the first five (5) years of the Initial Term, the Tenant shall pay to Landlord the sum of Fifty-One Thousand One Hundred Sixty Three and 20/100 Dollars (\$51,163.20) per year payable in monthly installments of Four Thousand Two Hundred Sixty One and 35/100 Dollars (\$4,261.35), each due on the first day of the month, in advance, during the term of this Lease, and payment for the first month of the Lease shall be made upon the date the Landlord shall have made the Premises available for possession by Tenant. Rent for any partial month shall be paid in advance at a rate prorated to the number of days of possession.
  - b. Upon the five (5) year anniversary of the Initial Term, the rent shall be adjusted and Tenant shall pay to Landlord the sum of Fifty-One Thousand One Hundred Sixty Three and 20/100 Dollars (\$51,163.20) plus an additional amount equal to

the CPI Adjustment Amount (as defined below) per year payable in monthly installments (the "Revised Base Rent Amount") .

- c. For the Renewal Term, Tenant shall pay to Landlord the sum of Revised Base Rent Amount plus an additional amount equal to the CPI Adjustment Amount.
  - d. The "CPI Adjustment Amount" means an additional amount of rent equal to the rent during the immediately preceding prior year of the Term multiplied by the percentage increase or decrease in the Consumer Price Index in that same year of the Term. The term "Consumer Price Index" as used herein shall be the index number in the above-stated month in the column "All Items" in the table entitled "Consumer Price Index – All Urban Consumers – U.S. City Average 1982-84=100" as published in the Monthly Labor Review by the Bureau of Labor Statistics of the U.S. Department of Labor.
  - e. Any payment of rent that is not received, in full, within five (5) days after it is due will incur a late charge equal to 5% of the total rent due and owing from Tenant to Landlord on such date. In addition, if any rent or other sum due Landlord in accordance with any provision of this Lease shall not be paid within five (5) days after the date when due, the same shall, unless Landlord shall waive the same, bear interest at the rate of eighteen percent (18%) per year (or, if less, the highest rate allowed by law) from such due date until such sum and all such interest accrued thereon shall have been paid. Interest accrued as aforesaid shall be deemed to be additional rent hereunder due on demand and failure to pay the same shall constitute an Event of Default (hereafter defined). All rent and any other sums due Landlord in accordance with any provision of this Lease shall be paid without notice or demand and without set-off or deduction of any kind, except as otherwise expressly provided in this Lease.
  - f. The parties acknowledge and agree that the rent set forth in this Lease represents fair market value for the space leased under this Lease. Further, the parties acknowledge and agree that the space leased is reasonable and is necessary for legitimate business purposes. This Lease has been negotiated in an arms length transaction, has not been determined in a manner which takes into account the volume or value of referrals or business that may otherwise be generated between the parties, and the items and services to be provided as set forth herein reflect the commercially reasonable needs of the parties. Further, the parties represent and agree that this Lease does not violate anti-kickback or any state or federal law governing billing or claim submission and does not involve the counseling or promotion of a business arrangement or other activity that violates the law.
3. DELIVERY OF POSSESSION. Landlord will deliver possession of the Premises to Tenant at the commencement of the Term, provided however, if Landlord for any reason whatsoever cannot deliver possession of the Premises to Tenant at the commencement date of the Term as above specified, this Lease shall not be void or voidable; nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom; but in that event, there shall be a proportionate reduction of all rent for the period between the said specified date for commencement of the Term and the date when the Landlord does in fact deliver possession to Tenant. No such failure to give possession on the date of commencement of the Term shall be construed in any way to extend the Term of this Lease. The other provisions of this paragraph to the contrary notwithstanding, it is

provided that if for any reason beyond the control of Landlord the possession of the Premises is not delivered to Tenant within thirty (30) days of the beginning of the Term as specified in Paragraph 1 hereof, then this Lease may be terminated by Tenant and shall be deemed to be terminated upon the receipt by Landlord of written notice from the Tenant to such effect and thereupon neither party hereto shall have any further liability to each other.

4. DEFAULT. The occurrence of one or more of the following events shall constitute a default:
- a. Tenant defaults in the due and timely payment of rent and such default continues for 5 days after notice from the Landlord, however, Tenant will not be entitled to more than two (2) notices for monetary defaults during any twelve (12) month period, and if after such two (2) notices any rent is not paid when due, an event of default will be considered to have occurred without further notice.
  - b. Tenant vacates or abandons premises.
  - c. Tenant files a petition in bankruptcy or insolvency or a petition for dissolution of Tenant is instituted against Tenant, or a receiver or trustee is appointed for all or substantially all of the property of Tenant, and such proceedings are not dismissed or such receivership or trusteeship vacated within 60 days after such institution or appointment.
  - d. Tenant fails to take possession of the Premises within 60 days of the date upon which Landlord delivers possession of the Premises to Tenant.
  - e. Failure to perform any other provision of this Lease if the failure to perform is not cured within thirty (30) days after written notice thereof has been given to the defaulting party by the other party.
5. END OF TERM, HOLDING OVER. Upon expiration of the Term or the sooner termination of this Lease, Tenant shall quit and surrender to Landlord the Premises, in good order and in a condition substantially similar to the condition of the Premises that existed on the commencement date of this Lease, ordinary wear and tear and casualty excepted, and Tenant shall remove from the Premises all of its property. To the extent any Tenant property has become a fixture, Tenant shall either not remove such property or shall pay the cost of removal, including any costs necessary to restore the Premises to a condition substantially similar to the condition of the Premises that existed on the commencement date. If Tenant shall hold over after the expiration of the Term or earlier termination of this Lease, by such holding over Tenant shall be deemed to be a tenant at will and to have agreed to be bound by all of the terms and conditions of this Lease except those as to the term thereof. Rent due and payable to Landlord from Tenant during any such period of holding over shall be increased to an amount equal to 120% of the amount of Rent set forth in this Lease for the period immediately prior to such expiration or termination. At the end of the Term or expiration of the term of Tenant holding over, or upon sooner termination hereof, Tenant will voluntarily vacate the Premises or upon failure to do so, Landlord at its election, may take all necessary action to remove the Tenant from the Premises. In no event shall the holdover tenancy at will last longer than six (6) months.

6. LANDLORDS REMEDIES UPON DEFAULT BY TENANT. Landlord shall have the following remedies upon a default. These remedies are not exclusive, and they are cumulative and in addition to any remedies now or later allowed by law.
- a. Landlord shall have the right to continue this Lease in full force and effect, and the right to enter the Premises without notice to vacate (any right to which is hereby waived by Tenant) and relet them, changing any or all locks on the Premises all without being liable for forcible entry, trespass, or other tort. Tenant shall be liable immediately to Landlord for all costs (including attorney's fees), and any late fees and interest Landlord shall incur in reletting the Premises and Tenant shall pay to Landlord the rent and all costs (including attorney's fees), and any late fees and interest due under this Lease on the date that the same is due, less the rent Landlord receives from any reletting.
  - b. Landlord shall have the right to terminate this Lease without notice to vacate (any right to which is hereby waived by Tenant) and Tenant's right to possession of the Premises at any time, and re-enter the Premises and Landlord shall have the right to pursue its remedies at law or in equity to recover of Tenant all amounts of rent then due or thereafter accruing and such other damages as are caused by Tenants default.

No course of dealing between Landlord and Tenant or any delay on the part of Landlord in exercising any rights it may have under this Lease shall operate as a waiver of any of the rights of Landlord hereunder nor shall any waiver of a prior default operate as a waiver of any subsequent default or defaults and no express waiver shall affect any condition, covenant, rule or regulation other than the one specified in such waiver and that one only for the time and in the manner specifically stated.

7. USE OF PREMISES, SIGNS. Tenant shall use the Premises for hospital, clinic, or other health care services purposes or administrative services related to the same and no other purpose without Landlord's prior written consent, such consent to be granted or denied in Landlord's sole and exclusive discretion. Tenant shall not use the Premises or any portion thereof for any illegal or unlawful purpose and will not cause or permit a nuisance to be created or maintained therein. Tenant shall have the right to erect, affix or display on the exterior or interior walls, or doors and windows of the building, such sign or signs advertising the profession of its physicians, and the presence and location of its offices, at such places as Landlord and Tenant shall mutually agree, subject to all regulations and ordinances with respect thereto.
8. DANGEROUS MATERIALS; ENVIROMENTAL WARRANTY. Tenant shall not keep or have on the leased Premises any article or thing of a dangerous, flammable, or explosive character that might unreasonably increase the danger of fire on the leased Premises or that might be considered to create a hazard. Tenant agrees, represents, and warrants that it will not cause or permit any hazardous materials, (defined below), to be brought upon, kept or used in or about the Premises. All bio-hazardous materials will be properly disposed of in accordance with law. Hazardous materials means any materials controlled, regulated, or prohibited under the Resource, Conservation and Recovery Act, 42 USC 6901 ET. SEQ.; the Comprehensive Environmental Response Compensation and Liability Act, 42 USC 9601 ET. SEQ.; Hazardous Materials Transportation Act, 49 USC 801 ET. SEQ.; Federal Water Pollution Control Act, 33 USC 1321 ET. SEQ.; the Toxic Substances Control Act, 15 USC 2601 ET. SEQ., and the Occupational Safety and Health

Act, 29 USC 651 ET. SEQ. Tenant will indemnify, defend, and hold harmless Landlord from any and all claims, judgments, damages, fines, penalties, liabilities, costs including reasonable attorney fees, or losses that result from the presence of any such hazardous materials on the Premises.

9. ASSIGNMENT AND SUBLETTING. Tenant shall not assign this Lease, or sublet the Premises or any part thereof, or license to a third party an interest in the Lease or the Premises or any part thereof.
10. UTILITIES, ELECTRICITY, JANITORIAL, ETC. Landlord shall be responsible for all electric power, gas (natural or LP), water, sewer, and other utilities at the Premises. Landlord shall be responsible for all janitorial services and supplies provided to the Premises. Landlord shall be responsible for the cost of trash pick-up and removal, and fire alarm monitoring if the Premises is so equipped. Landlord shall be responsible for all common area maintenance, including parking lot and green areas maintenance, and including but not limited to grass mowing, shrubbery grooming, debris removal, snow removal, parking lot stripping and patching as necessary.
11. ALTERATIONS BY TENANT. Tenant shall make no alterations, additions or improvements to the Premises without the prior written consent of Landlord. All alterations, additions or improvement made by, for, or at the direction of Tenant shall, when made become the property of Landlord and shall remain upon and be surrendered with the Premises as a part thereof at the expiration or earlier termination of this Lease. Upon the expiration or any earlier termination of this Lease, Tenant shall promptly reimburse Landlord for any expense or cost incurred by Landlord restoring the Premises to the condition in which the Premises were at the time Tenant shall have occupied the same, ordinary wear and tear excepted, fire or other casualty not caused by Tenant, additions and improvements to the Premises consented to in writing by Landlord excepted. Tenant shall promptly pay and discharge any and all licenses, taxes, liens or other charges arising out of or in connection with the performance of any act required of or permitted Tenant hereunder and shall keep the Premises free and clear from any and all such liens or charges.
12. PROPERTY OF TENANT. All property placed on the Premises by, at the direction of, or with the consent of Landlord, its employees, agents, licensees or invitees, shall be at the risk of the Tenant or the owner thereof and Landlord shall not be liable for any loss or damage to said property resulting from any cause whatsoever unless such loss or damage is the result of Landlords proven acts of negligence.
13. TAXES. Landlord shall pay all ad valorem real estate taxes, if any, as they become due, and Tenant shall pay taxes assessed against its personalty in the Building or Premises.
14. REPAIRS AND MAINTENANCE. Landlord shall be responsible for the replacement of filters on the heating and air conditioning equipment. Landlord shall maintain and perform routine and regular maintenance on the heating and air conditioning equipment through out the term of this Lease, including but not limited to belts, refrigerant, compressor, and any and all parts and the entire unit if and when required. Further, Landlord shall make as and when necessary, all repairs, whether interior or exterior to the electrical, plumbing, and other mechanical installations in or on the Premises, the roof, supporting walls, foundation, and to all plate glass doors and windows.



15. LANDLORDS RIGHT OF ENTRY. Landlord shall have the right to enter and to grant licenses to enter the Premises at any time and for such lengths of time as Landlord shall deem reasonable (a) to inspect the Premises, (b) for any purpose which Landlord shall deem necessary for the operation and maintenance of the Building and the general welfare and comfort of its tenants, or (c) to abate any condition of this Lease which constitutes a violation of any covenant or condition of this Lease. No such entry shall of itself without affirmative proof of negligence on the part of Landlord render Landlord liable for any loss or damage to the property of Tenant.
  
16. INDEMNIFICATION OF LANDLORD. Tenant will neither hold nor attempt to hold Landlord or its tenants, licensees, invitees, agents, servants and employees liable for, and Tenant agrees to and will indemnify, hold harmless, and defend Landlord, and the tenants, licensees, invitees, agents, servants and employees of Landlord against and from any and all demands, claims, causes of action, fines, penalties, damages, liabilities, judgments, and expenses (including without limitation attorneys fees), by or on behalf of any person, firm or corporation incurred in connection with or arising from: (1) injury to person or property occurring on the Premises or in the Building occasioned in whole or in part by any act, omission or negligence on the part of Tenant or any employee, agent, assignee or subtenant of Tenant, or (2) the use or occupancy or manner of use or occupancy of the Premises by Tenant or any person claiming under Tenant whether such use is a lawful or an unlawful use of the Premises, or (3) any breach, violation or non-performance of any covenant in this Lease on the part of Tenant to be observed or performed, or (4) any activity, work, or thing done, permitted, or suffered by Tenant in or about the Premises, or (5) any matter or thing growing out of the occupancy or use of the Premises by Tenant or anyone holding under Tenant, or (6) any act, omissions, or negligence of Tenant or any person claiming under Tenant or the contractors, agents, employees, invitees, or visitors of Tenant, or (7) any breach, violation, or nonperformance by Tenant or any person claiming under Tenant or the employees, agents, contractors, invitees, or visitors of Tenant of any term, covenant, or provision of this Lease or any law, ordinance, or governmental requirement of any kind, and (8) any injury or damage to the person, property, or business of Tenant or its employees, agents, contractors, invitees, visitors, or any other person entering upon the premises under the express or implied invitation of Tenant. Tenant agrees to pay Landlord promptly for all damage to the Building or the Premises and for all damage to tenants or occupants of the Building caused by Tenants misuse or neglect of the Building or Premises or its or their apparatus and appurtenances and Tenant agrees in any event to reimburse and compensate Landlord as an additional rent within five (5) days of rendition of any statement to Tenant by Landlord for expenditures made by Landlord for repairs, damages, fines, costs (including attorney's fees) sustained or incurred by Landlord due to nonperformance or noncompliance with or breach or failure to observe any term, covenant, or condition of the Lease upon Tenants part to be kept, observed, performed or complied with.
  
17. ANIMALS. Tenant shall keep no domestic or other animal on or about the leased premises.
  
18. INSURANCE AND INSURANCE RATES. Throughout the term of this Lease, Tenant shall carry fire and extended coverage insuring its interest in the personal property in the Building and Premises, including but limited to its interest in its office furniture, equipment, supplies and other property. Landlord shall throughout the term of this Lease carry fire and extended coverage insurance insuring its interest in the Building and

Premises by insurance companies in such amounts as will adequately insure its interest for the full replacement costs value of the Building and Premises. Tenant shall carry public liability insurance with limits of One Million Dollars (\$1,000,000.00) per occurrence and Three Million Dollars (\$3,000,000.00) aggregate, insuring against all liability of Tenant and its authorized representatives arising out of and in connection with Tenants use or occupancy of the Premises, which will show the Landlord as an additional insured. Tenant hereby waives any claim of right of action which it may have against Landlord for any loss or damage covered by such insurance. Tenant shall carry Workers Compensation insurance insuring against and satisfying Lessee's obligations and liabilities under the workers compensation laws of the state. Tenant will provide to Landlord prior to taking possession of the Premises certificates of insurance evidencing all required coverage under this Lease is properly in force as required by this Lease. Tenant shall not do or cause to be done or permit on the Premises or in the Building anything deemed extrahazardous on account of fire and Tenant shall not use the Premises or the Building in any manner which will cause an increase in the premium rate for any insurance in effect on the building or a part thereof. If, because of anything done, caused to be done, permitted or omitted by Tenant its agents, servants or employees the premium rate for any kind of insurance in effect on the Building or any part thereof shall be raised, Tenant shall pay Landlord on demand, the amount of any such increase in premium which Landlord shall pay for such insurance and if Landlord shall demand that Tenant remedy the condition which caused any such increase in an insurance premium rate, Tenant shall remedy such condition within five days after receipt of such demand.

19. FIRE OR OTHER CASUALTY. In case of damage by fire or other casualty to the Building, if the damage is so extensive as to amount practically to the total destruction of the Building or to otherwise render the Building untenable by Tenant, this Lease shall cease, and the rent shall be apportioned pro-rata on a calendar year basis to the time of the damage. In all other cases where the Building is damaged by fire or other casualty, Landlord shall repair the damage with reasonable dispatch, and if the damage has rendered the Building untenable, in whole or in part, there shall be an apportionment of the rent prorated on a calendar year basis until the damage has been repaired. The above notwithstanding, in the event repairs have not been substantially completed within 60 days of such partial destruction, or cannot reasonably be expected to be fully completed within 120 days from the date of such partial destruction, Tenant has the right to cancel this Lease by providing written notice to the Landlord, such cancellation effective immediately. If Landlord shall elect to repair such damage, such repairs shall be commenced within fifteen days of notice to Tenant of such election and such repairs shall be completed within 120 days of notice to Tenant of such election. During the period of repair, the rent shall be reduced to an amount, which bears the same ratio to the rate as the portion of the Building then available for use bears to the entire Building. Upon completion of the repairs, the rent shall thereafter be paid as if no fire or other casualty had occurred. The other provisions of this paragraph notwithstanding, Landlord shall have no obligation to replace or repair any property in the Building or on the Premises belonging to Tenant or to any one claiming through or under Tenant, which such property Landlord shall have the right to require Tenant to remove from the Premises before any repairs are made to the Premises.
20. CONDEMNATION. If the Premises is totally condemned or otherwise totally taken by the exercise of any governmental power, this Lease shall terminate on the date the condemnor has the right to possession of the property being taken. If a portion of the Premises, the Building or appurtenances thereto (such as parking) shall be condemned or

otherwise taken by the exercise of any governmental power so as to render the Premises substantially unfit for use by Tenant, then Tenant can elect to terminate this Lease as of the date the condemnor has the right to possession of the property being taken. If there is a partial taking, then the rent due hereunder will be abated pro rata, but the lease shall continue in full force and effect.

21. QUIET ENJOYMENT. Landlord agrees that Tenant on paying the rent and performing all the terms and conditions of this Lease shall quietly have, hold and enjoy the Premises for the term aforesaid.
22. ABANDONMENT. If at any time during the term of this lease Tenant abandons the demised Premises or any part thereof, Landlord may, at its option, enter the demised Premise by any means without being liable for a prosecution thereof, and without becoming liable to Tenant for damages or for any payment of any kind whatever, and may at its discretion, as agent for Tenant, re-let the demised Premises, or any part hereof, for the whole or any part of the then un-expired term, and receive and collect all rent payable by virtue of such re-letting, and at Landlord's option, hold Tenant liable for any difference between the rent, late fees, interest, and costs (including attorney's fees) that would have been payable under this Lease during the balance of the un-expired term, if this Lease had continued in force, and the net rent for such period realized by Landlord by means of such re-letting. If Landlord's right of reentry is exercised following abandonment of the Premises by Tenant and any property of Tenant is left on the Premises, it is deemed to have been abandoned, in which case Landlord may dispose of all such personal property in any manner Landlord shall deem proper and is hereby relieved of all liability for doing so.
23. NOTICE. Any notice required or permitted to be given hereunder shall be in writing and shall be given by personal delivery or by certified mail, return receipt requested, postage prepaid, to the following addresses:

To Landlord:

County of Beaufort  
Attn: County Manager  
121 W. 3rd Street  
Washington, North Carolina 27889

To: Tenant

East Carolina Health-Beaufort, Inc.  
c/o University Health Systems of Eastern North Carolina, Inc.  
Office of Legal Affairs  
Attn: Nancy Aycock  
P.O. Box 6028  
Greenville, NC 27835

or at such other place or places as shall from time-to-time be designated in a notice similarly given. Notice shall be deemed given upon personal delivery or upon signing, or refusal to sign, of the return receipt. Each party shall at all times keep the other party informed of its current address and shall promptly notify the other party of any change specifying such changed address.

24. SUCCESSORS, HEIRS AND ASSIGNS. The provisions of this Lease shall bind and inure to the benefit of Landlord and Tenant, and their respective successors, heirs, legal representatives and assigns.
25. COMPLIANCE BY TENANT WITH GOVERNMENTAL REGULATIONS. In the performance of any acts required of or permitted Tenant under this Lease, Tenant shall obey and comply with all lawful requirements, rules, regulations and ordinances of all legally constituted authorities, existing at any time during the continuance of such performance in any way affecting the Premises or the use of the Premises by Tenant. Without limiting the generality of the foregoing, Landlord and Tenant shall comply with all state and federal laws, including, but not limited to, 42 U.S.C. § 1320a-7b(b) and the regulations promulgated with respect thereto (commonly known as the "Anti-kickback Statute"), 42 U.S.C § 1395nn and the regulations promulgated with respect thereto (commonly known as the "Stark Law"), and Article 28 of Chapter 90 of the North Carolina General Statutes, and P.L. 109-171 section 6032 and the regulations promulgated with respect thereto (commonly known as the "False Claims Act") being a part of the Social Security Act. In the event of any legislative or regulatory change or determination, whether federal or state, that has or would have a significant adverse impact on either party hereto in connection with this Agreement, or should either party be deemed for any reason in violation of any statute or regulation arising from this Agreement, then this Agreement shall be renegotiated to comply with then current law. Neither party shall make or receive any payment that would be prohibited under state or federal law.
26. CLIA CERTIFICATION. Tenant shall be solely responsible for complying with the certification requirements of the Clinical Laboratory Improvement Amendments of 1988 (CLIA), found at 42 D.S.C. 263a, if Tenant is required by CLIA to obtain such certification.
27. CONTROLLED SUBSTANCES. Tenant shall be solely responsible for all Tenant's drugs and controlled substances located within the Premises by Tenant, which Tenant shall keep under lock and key and in accordance with all applicable rules and regulations pertaining to same.
28. RECORDING. At the request of either party, Landlord and Tenant agree to execute a memorandum of lease for recording in the County where the Premises is located, and agree that the entire Lease shall not be recorded.
29. ENTIRE AGREEMENT AND AMENDMENTS. This Lease contains the entire understanding between the parties with respect to the subject matter hereof and supersedes all prior written negotiations or agreements and all prior or contemporaneous oral negotiations or agreements between them regarding the subject matter hereof. This Lease may be amended only in writing which writing must be signed by both of the parties. Any prior lease covering the Premises in effect as of the date of this Lease between the parties is terminated by the execution of this Lease.
30. SEVERABILITY. If any provision, or portion thereof, of this Lease shall for any reason be adjudged by any court of competent jurisdiction to be illegal, invalid or otherwise unenforceable, such judgment shall not affect, impair or invalidate the remainder of this Lease but shall be limited in its operation to the provision of this Lease directly involved and only the illegal, invalid or unenforceable provision shall be deemed struck.

31. OBRA COMPLIANCE. The parties agree that upon request they will make their books, documents and records available to the Secretary of Health and Human Services, the Comptroller General, or their duly authorized representative to the extent required by Section 952 of the Omnibus Budget Reconciliation Act of 1980 and will obtain a similar agreement from any related sub-contractor whom they engage to perform on their behalf.
32. JURISDICTION. This Lease has been entered into in the State of North Carolina and all questions with respect to the construction of this Lease and the rights and liabilities of the parties shall be governed by the laws of the State of North Carolina.
33. THIRD PARTY BENEFICIARY. The parties do not intend to confer any rights, privileges or benefits upon any other individual(s) or entity(ies), not signatories to this Lease, arising out of this Lease. The parties agree that nothing in this Lease shall be construed or interpreted to confer any such rights, privileges or benefits upon any individual or entity not a signatory to this Lease.
34. NO REQUIREMENT TO REFER. Nothing in this Lease, whether written or oral, nor any consideration in connection herewith, contemplates or requires the referral of any patient by Tenant to the Landlord or to any other entity affiliated in any way with the Landlord. This Lease is not intended to influence the judgment of Tenant in choosing medical specialists or medical facilities appropriate for the proper care and treatment of patients. Neither Tenant nor its employees or agents shall receive any compensation or remuneration for referrals, if any, to the Landlord or any affiliate. This Lease has been negotiated as an arms-length transaction by independent parties, and the parties hereto agree that any and all rents, compensation and remuneration provided herein is at prevailing market rates.
35. HEADINGS AND SECTION NUMBERS. The headings and numbers of sections and paragraphs contained in the Lease are for reference purposes only and shall not affect in any way the meaning or interpretation of this Lease.
36. DEFICIT REDUCTION ACT OF 2005. As specified in 42 U.S.C. § 1396a(a)(68), Tenant adopts, as it relates to the provision of services to Hospital as set forth herein, Hospital's written policies regarding compliance with the federal False Claims Act, 31 U.S.C. 3729-3733, administrative remedies for false claims and statements, 31 U.S.C. Chapter 38, state laws pertaining to civil or criminal penalties for false claims and statements, and whistleblower protections under such federal and state false claims laws, as well as detailed information regarding Hospital's policies and procedures for detecting and preventing fraud, waste, and abuse. Our policy(ies) is available at: <http://www.uhseast.com> for your review.
37. ELECTRONIC SIGNATURE. The parties represent and warrant that they have read and understand the Uniform Electronic Transactions Act, as adopted in North Carolina General Statutes Chapter 66, including but not limited to the provisions governing electronic signatures as it is applicable to this Agreement, and the parties agree to and adopt the terms and conditions of the same. As such, this Agreement is "signed" if it includes a digital signature, symbol and/or action that is adopted or performed by either party or party's Electronic Agent with the present intent to authenticate or manifest assent to this Agreement, including via email, fax, photocopy, or other electronic means.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals, the day and year first above written.

TENANT

EAST CAROLINA HEALTH-BEAUFORT, INC., a  
North Carolina nonprofit corporation

By: \_\_\_\_\_(SEAL)  
Print Name  
Title

LANDLORD

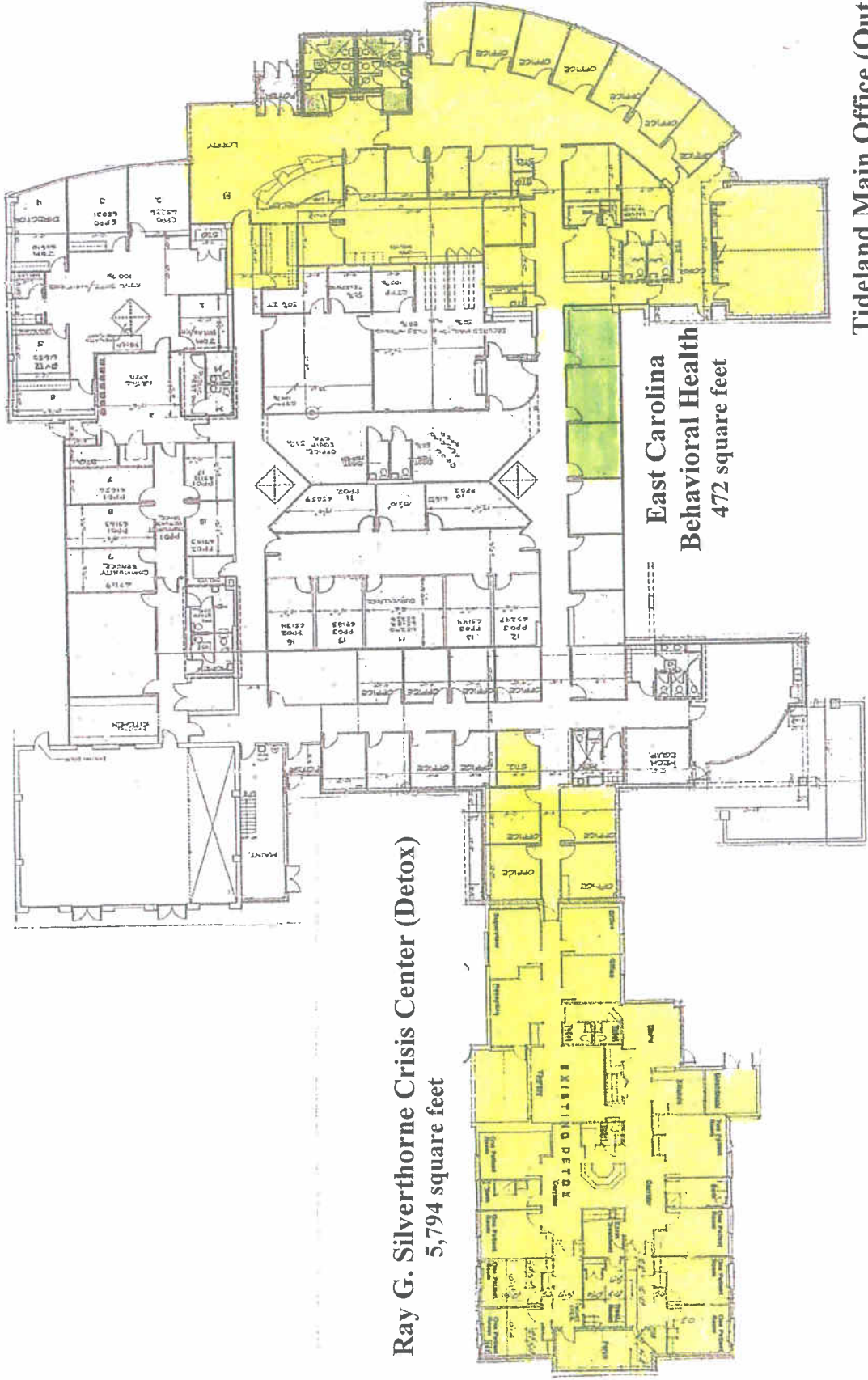
COUNTY OF BEAUFORT, a political  
subdivision of the State of North Carolina

By: \_\_\_\_\_(SEAL)  
Print name  
Chairman of Board of Commissioners

EXHIBIT A

Sketch of the Premises

Attached.



**Ray G. Silverthorne Crisis Center (Detox)**  
5,794 square feet

**East Carolina Behavioral Health**  
472 square feet

**Tideland Main Office (Outpatient)**  
6,663 square feet



EXHIBIT G

**LEASE FOR TIDELAND MENTAL HEALTH**

[See attached]

**LEASE AGREEMENT**

**BETWEEN**

**Landlord**

**AND**

**Tenant**

THIS LEASE AGREEMENT (hereinafter referred to as "Lease") is entered into by and between the COUNTY OF BEAUFORT, a political subdivision of the State of North Carolina (hereinafter referred to as "Landlord") and EAST CAROLINA HEALTH-BEAUFORT, INC. ("Tenant"), a North Carolina nonprofit corporation, this the \_\_\_ day of \_\_\_\_\_ 2011.

**WITNESSETH**

In consideration of the rents hereinafter agreed to be paid and in consideration of the mutual covenants and agreements hereinafter recited, Landlord does hereby lease and demise unto Tenant and Tenant does hereby lease and take as tenant from Landlord, the right to the exclusive use of a portion of space consisting of 6,663 square feet of space located at 1308 Highland Drive, Washington, NC and commonly referred to as the Tideland Mental Health building (the "Building"). A sketch of the leased space within the Building is shown on Exhibit A attached hereto and is called the "Premises."

TO HAVE AND TO HOLD the said Premises unto Tenant upon the following terms and conditions:

1. TERM. The term of this Lease shall begin on the \_\_\_ day of \_\_\_\_\_, 2011, and shall end at 12:00 midnight on the \_\_\_\_\_ day of \_\_\_\_\_, 2021 (the "Initial Term"). The term of this Lease shall automatically renew at the expiration of the Initial Term for an additional period of five (5) years (the "Renewal Term") on the same terms and conditions unless terminated by Tenant or Landlord by the giving of ninety (90) days prior written notice of termination to the other party. (The Initial Term and the Renewal Term, as applicable shall be referred to herein collectively as the "Term")
2. RENT.
  - a. For the first five (5) years of the Initial Term, the Tenant shall pay to Landlord the sum of Fifty Eight Thousand Eight Hundred Thirty Four and 29/100 Dollars (\$58,834.29) per year payable in monthly installments of Four Thousand Nine Hundred Two and 86/100 Dollars (\$4,902.86), each due on the first day of the month, in advance, during the term of this Lease, and payment for the first month of the Lease shall be made upon the date the Landlord shall have made the Premises available for possession by Tenant. Rent for any partial month shall be paid in advance at a rate prorated to the number of days of possession.
  - b. Upon the five (5) year anniversary of the Initial Term, the rent shall be adjusted and Tenant shall pay to Landlord the sum of Fifty Eight Thousand Eight Hundred Thirty Four and 29/100 Dollars (\$58,834.29) plus an additional amount equal to

the CPI Adjustment Amount (as defined below) per year payable in monthly installments (the "Revised Base Rent Amount") .

- c. For the Renewal Term, Tenant shall pay to Landlord the sum of Revised Base Rent Amount plus an additional amount equal to the CPI Adjustment Amount.
  - d. The "CPI Adjustment Amount" means an additional amount of rent equal to the rent during the immediately preceding prior year of the Term multiplied by the percentage increase or decrease in the Consumer Price Index in that same year of the Term. The term "Consumer Price Index" as used herein shall be the index number in the above-stated month in the column "All Items" in the table entitled "Consumer Price Index – All Urban Consumers – U.S. City Average 1982-84=100" as published in the Monthly Labor Review by the Bureau of Labor Statistics of the U.S. Department of Labor.
  - e. Any payment of rent that is not received, in full, within five (5) days after it is due will incur a late charge equal to 5% of the total rent due and owing from Tenant to Landlord on such date. In addition, if any rent or other sum due Landlord in accordance with any provision of this Lease shall not be paid within five (5) days after the date when due, the same shall, unless Landlord shall waive the same, bear interest at the rate of eighteen percent (18%) per year (or, if less, the highest rate allowed by law) from such due date until such sum and all such interest accrued thereon shall have been paid. Interest accrued as aforesaid shall be deemed to be additional rent hereunder due on demand and failure to pay the same shall constitute an Event of Default (hereafter defined). All rent and any other sums due Landlord in accordance with any provision of this Lease shall be paid without notice or demand and without set-off or deduction of any kind, except as otherwise expressly provided in this Lease.
  - f. The parties acknowledge and agree that the rent set forth in this Lease represents fair market value for the space leased under this Lease. Further, the parties acknowledge and agree that the space leased is reasonable and is necessary for legitimate business purposes. This Lease has been negotiated in an arms length transaction, has not been determined in a manner which takes into account the volume or value of referrals or business that may otherwise be generated between the parties, and the items and services to be provided as set forth herein reflect the commercially reasonable needs of the parties. Further, the parties represent and agree that this Lease does not violate anti-kickback or any state or federal law governing billing or claim submission and does not involve the counseling or promotion of a business arrangement or other activity that violates the law.
3. DELIVERY OF POSSESSION. Landlord will deliver possession of the Premises to Tenant at the commencement of the Term, provided however, if Landlord for any reason whatsoever cannot deliver possession of the Premises to Tenant at the commencement date of the Term as above specified, this Lease shall not be void or voidable; nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom; but in that event, there shall be a proportionate reduction of all rent for the period between the said specified date for commencement of the Term and the date when the Landlord does in fact deliver possession to Tenant. No such failure to give possession on the date of commencement of the Term shall be construed in any way to extend the Term of this Lease. The other provisions of this paragraph to the contrary notwithstanding, it is

provided that if for any reason beyond the control of Landlord the possession of the Premises is not delivered to Tenant within thirty (30) days of the beginning of the Term as specified in Paragraph 1 hereof, then this Lease may be terminated by Tenant and shall be deemed to be terminated upon the receipt by Landlord of written notice from the Tenant to such effect and thereupon neither party hereto shall have any further liability to each other.

4. DEFAULT. The occurrence of one or more of the following events shall constitute a default:
- a. Tenant defaults in the due and timely payment of rent and such default continues for 5 days after notice from the Landlord, however, Tenant will not be entitled to more than two (2) notices for monetary defaults during any twelve (12) month period, and if after such two (2) notices any rent is not paid when due, an event of default will be considered to have occurred without further notice.
  - b. Tenant vacates or abandons premises.
  - c. Tenant files a petition in bankruptcy or insolvency or a petition for dissolution of Tenant is instituted against Tenant, or a receiver or trustee is appointed for all or substantially all of the property of Tenant, and such proceedings are not dismissed or such receivership or trusteeship vacated within 60 days after such institution or appointment.
  - d. Tenant fails to take possession of the Premises within 60 days of the date upon which Landlord delivers possession of the Premises to Tenant.
  - e. Failure to perform any other provision of this Lease if the failure to perform is not cured within thirty (30) days after written notice thereof has been given to the defaulting party by the other party.
5. END OF TERM, HOLDING OVER. Upon expiration of the Term or the sooner termination of this Lease, Tenant shall quit and surrender to Landlord the Premises, in good order and in a condition substantially similar to the condition of the Premises that existed on the commencement date of this Lease, ordinary wear and tear and casualty excepted, and Tenant shall remove from the Premises all of its property. To the extent any Tenant property has become a fixture, Tenant shall either not remove such property or shall pay the cost of removal, including any costs necessary to restore the Premises to a condition substantially similar to the condition of the Premises that existed on the commencement date. If Tenant shall hold over after the expiration of the Term or earlier termination of this Lease, by such holding over Tenant shall be deemed to be a tenant at will and to have agreed to be bound by all of the terms and conditions of this Lease except those as to the term thereof. Rent due and payable to Landlord from Tenant during any such period of holding over shall be increased to an amount equal to 120% of the amount of Rent set forth in this Lease for the period immediately prior to such expiration or termination. At the end of the Term or expiration of the term of Tenant holding over, or upon sooner termination hereof, Tenant will voluntarily vacate the Premises or upon failure to do so, Landlord at its election, may take all necessary action to remove the Tenant from the Premises. In no event shall the holdover tenancy at will last longer than six (6) months.

6. LANDLORDS REMEDIES UPON DEFAULT BY TENANT. Landlord shall have the following remedies upon a default. These remedies are not exclusive, and they are cumulative and in addition to any remedies now or later allowed by law.
- a. Landlord shall have the right to continue this Lease in full force and effect, and the right to enter the Premises without notice to vacate (any right to which is hereby waived by Tenant) and relet them, changing any or all locks on the Premises all without being liable for forcible entry, trespass, or other tort. Tenant shall be liable immediately to Landlord for all costs (including attorney's fees), and any late fees and interest Landlord shall incur in reletting the Premises and Tenant shall pay to Landlord the rent and all costs (including attorney's fees), and any late fees and interest due under this Lease on the date that the same is due, less the rent Landlord receives from any reletting.
  - b. Landlord shall have the right to terminate this Lease without notice to vacate (any right to which is hereby waived by Tenant) and Tenant's right to possession of the Premises at any time, and re-enter the Premises and Landlord shall have the right to pursue its remedies at law or in equity to recover of Tenant all amounts of rent then due or thereafter accruing and such other damages as are caused by Tenants default.

No course of dealing between Landlord and Tenant or any delay on the part of Landlord in exercising any rights it may have under this Lease shall operate as a waiver of any of the rights of Landlord hereunder nor shall any waiver of a prior default operate as a waiver of any subsequent default or defaults and no express waiver shall affect any condition, covenant, rule or regulation other than the one specified in such waiver and that one only for the time and in the manner specifically stated.

7. USE OF PREMISES, SIGNS. Tenant shall use the Premises for hospital, clinic, or other health care services purposes or administrative services related to the same and no other purpose without Landlord's prior written consent, such consent to be granted or denied in Landlord's sole and exclusive discretion. Tenant shall not use the Premises or any portion thereof for any illegal or unlawful purpose and will not cause or permit a nuisance to be created or maintained therein. Tenant shall have the right to erect, affix or display on the exterior or interior walls, or doors and windows of the building, such sign or signs advertising the profession of its physicians, and the presence and location of its offices, at such places as Landlord and Tenant shall mutually agree, subject to all regulations and ordinances with respect thereto.
8. DANGEROUS MATERIALS; ENVIROMENTAL WARRANTY. Tenant shall not keep or have on the leased Premises any article or thing of a dangerous, flammable, or explosive character that might unreasonably increase the danger of fire on the leased Premises or that might be considered to create a hazard. Tenant agrees, represents, and warrants that it will not cause or permit any hazardous materials, (defined below), to be brought upon, kept or used in or about the Premises. All bio-hazardous materials will be properly disposed of in accordance with law. Hazardous materials means any materials controlled, regulated, or prohibited under the Resource, Conservation and Recovery Act, 42 USC 6901 ET. SEQ.; the Comprehensive Environmental Response Compensation and Liability Act, 42 USC 9601 ET. SEQ.; Hazardous Materials Transportation Act, 49 USC 801 ET. SEQ.; Federal Water Pollution Control Act, 33 USC 1321 ET. SEQ.; the Toxic Substances Control Act, 15 USC 2601 ET. SEQ., and the Occupational Safety and Health

Act, 29 USC 651 ET. SEQ. Tenant will indemnify, defend, and hold harmless Landlord from any and all claims, judgments, damages, fines, penalties, liabilities, costs including reasonable attorney fees, or losses that result from the presence of any such hazardous materials on the Premises.

9. ASSIGNMENT AND SUBLETTING. Tenant shall not assign this Lease, or sublet the Premises or any part thereof, or license to a third party an interest in the Lease or the Premises or any part thereof.
10. UTILITIES, ELECTRICITY, JANITORIAL, ETC. Landlord shall be responsible for all electric power, gas (natural or LP), water, sewer, and other utilities at the Premises. Landlord shall be responsible for all janitorial services and supplies provided to the Premises. Landlord shall be responsible for the cost of trash pick-up and removal, and fire alarm monitoring if the Premises is so equipped. Landlord shall be responsible for all common area maintenance, including parking lot and green areas maintenance, and including but not limited to grass mowing, shrubbery grooming, debris removal, snow removal, parking lot stripping and patching as necessary.
11. ALTERATIONS BY TENANT. Tenant shall make no alterations, additions or improvements to the Premises without the prior written consent of Landlord. All alterations, additions or improvement made by, for, or at the direction of Tenant shall, when made become the property of Landlord and shall remain upon and be surrendered with the Premises as a part thereof at the expiration or earlier termination of this Lease. Upon the expiration or any earlier termination of this Lease, Tenant shall promptly reimburse Landlord for any expense or cost incurred by Landlord restoring the Premises to the condition in which the Premises were at the time Tenant shall have occupied the same, ordinary wear and tear excepted, fire or other casualty not caused by Tenant, additions and improvements to the Premises consented to in writing by Landlord excepted. Tenant shall promptly pay and discharge any and all licenses, taxes, liens or other charges arising out of or in connection with the performance of any act required of or permitted Tenant hereunder and shall keep the Premises free and clear from any and all such liens or charges.
12. PROPERTY OF TENANT. All property placed on the Premises by, at the direction of, or with the consent of Landlord, its employees, agents, licensees or invitees, shall be at the risk of the Tenant or the owner thereof and Landlord shall not be liable for any loss or damage to said property resulting from any cause whatsoever unless such loss or damage is the result of Landlords proven acts of negligence.
13. TAXES. Landlord shall pay all ad valorem real estate taxes, if any, as they become due, and Tenant shall pay taxes assessed against its personalty in the Building or Premises.
14. REPAIRS AND MAINTENANCE. Landlord shall be responsible for the replacement of filters on the heating and air conditioning equipment. Landlord shall maintain and perform routine and regular maintenance on the heating and air conditioning equipment through out the term of this Lease, including but not limited to belts, refrigerant, compressor, and any and all parts and the entire unit if and when required. Further, Landlord shall make as and when necessary, all repairs, whether interior or exterior to the electrical, plumbing, and other mechanical installations in or on the Premises, the roof, supporting walls, foundation, and to all plate glass doors and windows.

15. LANDLORDS RIGHT OF ENTRY. Landlord shall have the right to enter and to grant licenses to enter the Premises at any time and for such lengths of time as Landlord shall deem reasonable (a) to inspect the Premises, (b) for any purpose which Landlord shall deem necessary for the operation and maintenance of the Building and the general welfare and comfort of its tenants, or (c) to abate any condition of this Lease which constitutes a violation of any covenant or condition of this Lease. No such entry shall of itself without affirmative proof of negligence on the part of Landlord render Landlord liable for any loss or damage to the property of Tenant.
16. INDEMNIFICATION OF LANDLORD. Tenant will neither hold nor attempt to hold Landlord or its tenants, licensees, invitees, agents, servants and employees liable for, and Tenant agrees to and will indemnify, hold harmless, and defend Landlord, and the tenants, licensees, invitees, agents, servants and employees of Landlord against and from any and all demands, claims, causes of action, fines, penalties, damages, liabilities, judgments, and expenses (including without limitation attorneys fees), by or on behalf of any person, firm or corporation incurred in connection with or arising from: (1) injury to person or property occurring on the Premises or in the Building occasioned in whole or in part by any act, omission or negligence on the part of Tenant or any employee, agent, assignee or subtenant of Tenant, or (2) the use or occupancy or manner of use or occupancy of the Premises by Tenant or any person claiming under Tenant whether such use is a lawful or an unlawful use of the Premises, or (3) any breach, violation or non-performance of any covenant in this Lease on the part of Tenant to be observed or performed, or (4) any activity, work, or thing done, permitted, or suffered by Tenant in or about the Premises, or (5) any matter or thing growing out of the occupancy or use of the Premises by Tenant or anyone holding under Tenant, or (6) any act, omissions, or negligence of Tenant or any person claiming under Tenant or the contractors, agents, employees, invitees, or visitors of Tenant, or (7) any breach, violation, or nonperformance by Tenant or any person claiming under Tenant or the employees, agents, contractors, invitees, or visitors of Tenant of any term, covenant, or provision of this Lease or any law, ordinance, or governmental requirement of any kind, and (8) any injury or damage to the person, property, or business of Tenant or its employees, agents, contractors, invitees, visitors, or any other person entering upon the premises under the express or implied invitation of Tenant. Tenant agrees to pay Landlord promptly for all damage to the Building or the Premises and for all damage to tenants or occupants of the Building caused by Tenants misuse or neglect of the Building or Premises or its or their apparatus and appurtenances and Tenant agrees in any event to reimburse and compensate Landlord as an additional rent within five (5) days of rendition of any statement to Tenant by Landlord for expenditures made by Landlord for repairs, damages, fines, costs (including attorney's fees) sustained or incurred by Landlord due to nonperformance or noncompliance with or breach or failure to observe any term, covenant, or condition of the Lease upon Tenants part to be kept, observed, performed or complied with.
17. ANIMALS. Tenant shall keep no domestic or other animal on or about the leased premises.
18. INSURANCE AND INSURANCE RATES. Throughout the term of this Lease, Tenant shall carry fire and extended coverage insuring its interest in the personal property in the Building and Premises, including but limited to its interest in its office furniture, equipment, supplies and other property. Landlord shall throughout the term of this Lease carry fire and extended coverage insurance insuring its interest in the Building and

Premises by insurance companies in such amounts as will adequately insure its interest for the full replacement costs value of the Building and Premises. Tenant shall carry public liability insurance with limits of One Million Dollars (\$1,000,000.00) per occurrence and Three Million Dollars (\$3,000,000.00) aggregate, insuring against all liability of Tenant and its authorized representatives arising out of and in connection with Tenants use or occupancy of the Premises, which will show the Landlord as an additional insured. Tenant hereby waives any claim of right of action which it may have against Landlord for any loss or damage covered by such insurance. Tenant shall carry Workers Compensation insurance insuring against and satisfying Lessee's obligations and liabilities under the workers compensation laws of the state. Tenant will provide to Landlord prior to taking possession of the Premises certificates of insurance evidencing all required coverage under this Lease is properly in force as required by this Lease. Tenant shall not do or cause to be done or permit on the Premises or in the Building anything deemed extrahazardous on account of fire and Tenant shall not use the Premises or the Building in any manner which will cause an increase in the premium rate for any insurance in effect on the building or a part thereof. If, because of anything done, caused to be done, permitted or omitted by Tenant its agents, servants or employees the premium rate for any kind of insurance in effect on the Building or any part thereof shall be raised, Tenant shall pay Landlord on demand, the amount of any such increase in premium which Landlord shall pay for such insurance and if Landlord shall demand that Tenant remedy the condition which caused any such increase in an insurance premium rate, Tenant shall remedy such condition within five days after receipt of such demand.

19. FIRE OR OTHER CASUALTY. In case of damage by fire or other casualty to the Building, if the damage is so extensive as to amount practically to the total destruction of the Building or to otherwise render the Building untenable by Tenant, this Lease shall cease, and the rent shall be apportioned pro-rata on a calendar year basis to the time of the damage. In all other cases where the Building is damaged by fire or other casualty, Landlord shall repair the damage with reasonable dispatch, and if the damage has rendered the Building untenable, in whole or in part, there shall be an apportionment of the rent prorated on a calendar year basis until the damage has been repaired. The above notwithstanding, in the event repairs have not been substantially completed within 60 days of such partial destruction, or cannot reasonably be expected to be fully completed within 120 days from the date of such partial destruction, Tenant has the right to cancel this Lease by providing written notice to the Landlord, such cancellation effective immediately. If Landlord shall elect to repair such damage, such repairs shall be commenced within fifteen days of notice to Tenant of such election and such repairs shall be completed within 120 days of notice to Tenant of such election. During the period of repair, the rent shall be reduced to an amount, which bears the same ratio to the rate as the portion of the Building then available for use bears to the entire Building. Upon completion of the repairs, the rent shall thereafter be paid as if no fire or other casualty had occurred. The other provisions of this paragraph notwithstanding, Landlord shall have no obligation to replace or repair any property in the Building or on the Premises belonging to Tenant or to any one claiming through or under Tenant, which such property Landlord shall have the right to require Tenant to remove from the Premises before any repairs are made to the Premises.
20. CONDEMNATION. If the Premises is totally condemned or otherwise totally taken by the exercise of any governmental power, this Lease shall terminate on the date the condemnor has the right to possession of the property being taken. If a portion of the Premises, the Building or appurtenances thereto (such as parking) shall be condemned or



otherwise taken by the exercise of any governmental power so as to render the Premises substantially unfit for use by Tenant, then Tenant can elect to terminate this Lease as of the date the condemnor has the right to possession of the property being taken. If there is a partial taking, then the rent due hereunder will be abated pro rata, but the lease shall continue in full force and effect.

21. QUIET ENJOYMENT. Landlord agrees that Tenant on paying the rent and performing all the terms and conditions of this Lease shall quietly have, hold and enjoy the Premises for the term aforesaid.
22. ABANDONMENT. If at any time during the term of this lease Tenant abandons the demised Premises or any part thereof, Landlord may, at its option, enter the demised Premise by any means without being liable for a prosecution thereof, and without becoming liable to Tenant for damages or for any payment of any kind whatever, and may at its discretion, as agent for Tenant, re-let the demised Premises, or any part hereof, for the whole or any part of the then un-expired term, and receive and collect all rent payable by virtue of such re-letting, and at Landlord's option, hold Tenant liable for any difference between the rent, late fees, interest, and costs (including attorney's fees) that would have been payable under this Lease during the balance of the un-expired term, if this Lease had continued in force, and the net rent for such period realized by Landlord by means of such re-letting. If Landlord's right of reentry is exercised following abandonment of the Premises by Tenant and any property of Tenant is left on the Premises, it is deemed to have been abandoned, in which case Landlord may dispose of all such personal property in any manner Landlord shall deem proper and is hereby relieved of all liability for doing so.
23. NOTICE. Any notice required or permitted to be given hereunder shall be in writing and shall be given by personal delivery or by certified mail, return receipt requested, postage prepaid, to the following addresses:

To Landlord:

County of Beaufort  
Attn: County Manager  
121 W. 3rd Street  
Washington, North Carolina 27889

To: Tenant

East Carolina Health-Beaufort, Inc.  
c/o University Health Systems of Eastern North Carolina, Inc.  
Office of Legal Affairs  
Attn: Nancy Aycock  
P.O. Box 6028  
Greenville, NC 27835

or at such other place or places as shall from time-to-time be designated in a notice similarly given. Notice shall be deemed given upon personal delivery or upon signing, or refusal to sign, of the return receipt. Each party shall at all times keep the other party informed of its current address and shall promptly notify the other party of any change specifying such changed address.

24. SUCCESSORS, HEIRS AND ASSIGNS. The provisions of this Lease shall bind and inure to the benefit of Landlord and Tenant, and their respective successors, heirs, legal representatives and assigns.
25. COMPLIANCE BY TENANT WITH GOVERNMENTAL REGULATIONS. In the performance of any acts required of or permitted Tenant under this Lease, Tenant shall obey and comply with all lawful requirements, rules, regulations and ordinances of all legally constituted authorities, existing at any time during the continuance of such performance in any way affecting the Premises or the use of the Premises by Tenant. Without limiting the generality of the foregoing, Landlord and Tenant shall comply with all state and federal laws, including, but not limited to, 42 U.S.C. § 1320a-7b(b) and the regulations promulgated with respect thereto (commonly known as the "Anti-kickback Statute"), 42 U.S.C § 1395nn and the regulations promulgated with respect thereto (commonly known as the "Stark Law"), and Article 28 of Chapter 90 of the North Carolina General Statutes, and P.L. 109-171 section 6032 and the regulations promulgated with respect thereto (commonly known as the "False Claims Act") being a part of the Social Security Act. In the event of any legislative or regulatory change or determination, whether federal or state, that has or would have a significant adverse impact on either party hereto in connection with this Agreement, or should either party be deemed for any reason in violation of any statute or regulation arising from this Agreement, then this Agreement shall be renegotiated to comply with then current law. Neither party shall make or receive any payment that would be prohibited under state or federal law.
26. CLIA CERTIFICATION. Tenant shall be solely responsible for complying with the certification requirements of the Clinical Laboratory Improvement Amendments of 1988 (CLIA), found at 42 D.S.C. 263a, if Tenant is required by CLIA to obtain such certification.
27. CONTROLLED SUBSTANCES. Tenant shall be solely responsible for all Tenant's drugs and controlled substances located within the Premises by Tenant, which Tenant shall keep under lock and key and in accordance with all applicable rules and regulations pertaining to same.
28. RECORDING. At the request of either party, Landlord and Tenant agree to execute a memorandum of lease for recording in the County where the Premises is located, and agree that the entire Lease shall not be recorded.
29. ENTIRE AGREEMENT AND AMENDMENTS. This Lease contains the entire understanding between the parties with respect to the subject matter hereof and supersedes all prior written negotiations or agreements and all prior or contemporaneous oral negotiations or agreements between them regarding the subject matter hereof. This Lease may be amended only in writing which writing must be signed by both of the parties. Any prior lease covering the Premises in effect as of the date of this Lease between the parties is terminated by the execution of this Lease.
30. SEVERABILITY. If any provision, or portion thereof, of this Lease shall for any reason be adjudged by any court of competent jurisdiction to be illegal, invalid or otherwise unenforceable, such judgment shall not affect, impair or invalidate the remainder of this Lease but shall be limited in its operation to the provision of this Lease directly involved and only the illegal, invalid or unenforceable provision shall be deemed struck.

31. OBRA COMPLIANCE. The parties agree that upon request they will make their books, documents and records available to the Secretary of Health and Human Services, the Comptroller General, or their duly authorized representative to the extent required by Section 952 of the Omnibus Budget Reconciliation Act of 1980 and will obtain a similar agreement from any related sub-contractor whom they engage to perform on their behalf.
32. JURISDICTION. This Lease has been entered into in the State of North Carolina and all questions with respect to the construction of this Lease and the rights and liabilities of the parties shall be governed by the laws of the State of North Carolina.
33. THIRD PARTY BENEFICIARY. The parties do not intend to confer any rights, privileges or benefits upon any other individual(s) or entity(ies), not signatories to this Lease, arising out of this Lease. The parties agree that nothing in this Lease shall be construed or interpreted to confer any such rights, privileges or benefits upon any individual or entity not a signatory to this Lease.
34. NO REQUIREMENT TO REFER. Nothing in this Lease, whether written or oral, nor any consideration in connection herewith, contemplates or requires the referral of any patient by Tenant to the Landlord or to any other entity affiliated in any way with the Landlord. This Lease is not intended to influence the judgment of Tenant in choosing medical specialists or medical facilities appropriate for the proper care and treatment of patients. Neither Tenant nor its employees or agents shall receive any compensation or remuneration for referrals, if any, to the Landlord or any affiliate. This Lease has been negotiated as an arms-length transaction by independent parties, and the parties hereto agree that any and all rents, compensation and remuneration provided herein is at prevailing market rates.
35. HEADINGS AND SECTION NUMBERS. The headings and numbers of sections and paragraphs contained in the Lease are for reference purposes only and shall not affect in any way the meaning or interpretation of this Lease.
36. DEFICIT REDUCTION ACT OF 2005. As specified in 42 U.S.C. § 1396a(a)(68), Tenant adopts, as it relates to the provision of services to Hospital as set forth herein, Hospital's written policies regarding compliance with the federal False Claims Act, 31 U.S.C. 3729-3733, administrative remedies for false claims and statements, 31 U.S.C. Chapter 38, state laws pertaining to civil or criminal penalties for false claims and statements, and whistleblower protections under such federal and state false claims laws, as well as detailed information regarding Hospital's policies and procedures for detecting and preventing fraud, waste, and abuse. Our policy(ies) is available at: <http://www.uhseast.com> for your review.
37. ELECTRONIC SIGNATURE. The parties represent and warrant that they have read and understand the Uniform Electronic Transactions Act, as adopted in North Carolina General Statutes Chapter 66, including but not limited to the provisions governing electronic signatures as it is applicable to this Agreement, and the parties agree to and adopt the terms and conditions of the same. As such, this Agreement is "signed" if it includes a digital signature, symbol and/or action that is adopted or performed by either party or party's Electronic Agent with the present intent to authenticate or manifest assent to this Agreement, including via email, fax, photocopy, or other electronic means.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals, the day and year first above written.

TENANT

EAST CAROLINA HEALTH-BEAUFORT, INC., a  
North Carolina nonprofit corporation

By: \_\_\_\_\_(SEAL)  
Print Name  
Title

LANDLORD

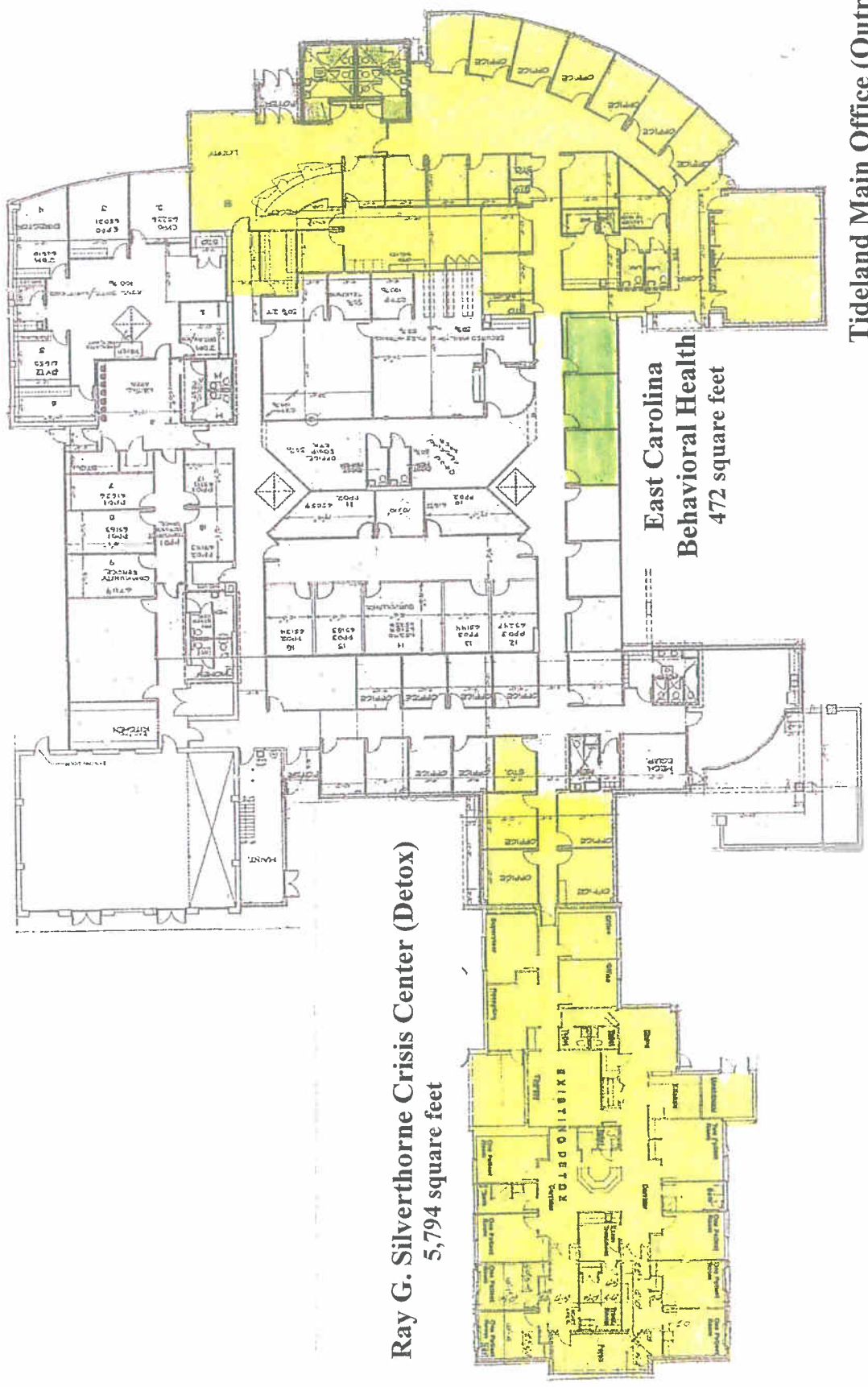
COUNTY OF BEAUFORT, a political  
subdivision of the State of North Carolina

By: \_\_\_\_\_(SEAL)  
Print name  
Chairman of Board of Commissioners

EXHIBIT A

Sketch of the Premises

Attached.



**Ray G. Silverthorne Crisis Center (Detox)**  
5,794 square feet

**East Carolina Behavioral Health**  
472 square feet

**Tideland Main Office (Outpatient)**  
6,663 square feet

EXHIBIT H

**OPINION OF HEALTH SYSTEM ENTITIES' COUNSEL**

[See attached]

DRAFT  
For Discussion Purposes Only

**NEXSEN PRUET**

\_\_\_\_\_, 2011

University Health Systems of Eastern Carolina, Inc.  
Greenville, NC

Re: Lease to University Health Systems of Eastern Carolina, Inc. ("Tenant")

Ladies and Gentlemen:

We have acted as special North Carolina counsel to Beaufort Regional Health System, a North Carolina hospital authority organized under North Carolina Statute § 131 E-16 *et seq.* in connection with the following draft Agreements:

1. AMENDED AND RESTATED LEASE AGREEMENT (the "Lease"), is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 2011 (the "Effective Date") by and among the COUNTY OF BEAUFORT (the "County"), a political subdivision of the State of North Carolina, BEAUFORT REGIONAL HEALTH SYSTEM (the "Health System"), a North Carolina hospital authority organized under N.C. Gen. Stat. § 131E-16 *et seq.*, BEAUFORT COUNTY HOSPITAL ASSOCIATION, INC. (the "Association"), a North Carolina nonprofit corporation, and BEAUFORT REGIONAL PHYSICIANS, LLC (the "Physician Group"), a North Carolina limited liability company (collectively the County, the Health System, the Association, and the Physician Group referred to herein as "Landlords"), and UNIVERSITY HEALTH SYSTEMS OF EASTERN CAROLINA, INC. ("Tenant"), a North Carolina nonprofit corporation.; and

2. ASSIGNMENT AND ASSUMPTION AGREEMENT (the "Assignment"), is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 2011 (the "Effective Date") by and among the COUNTY OF BEAUFORT (the "County"), a political subdivision of the State of North Carolina, BEAUFORT REGIONAL HEALTH SYSTEM (the "Health System"), a North Carolina hospital authority organized under N.C. Gen. Stat. § 131E-16 *et seq.*, BEAUFORT COUNTY HOSPITAL ASSOCIATION, INC. (the "Association"), a North Carolina nonprofit corporation, and BEAUFORT REGIONAL PHYSICIANS, LLC (the "Physician

Charleston  
Charlotte  
Columbia  
Greensboro  
Greenville  
Hilton Head  
Myrtle Beach  
**Raleigh**



Group”), a North Carolina limited liability company, (collectively the County, the Health System, the Association, and the Physician Group referred to herein as the “Landlords”), and EAST CAROLINA HEALTH-BEAUFORT, INC. (“ECHB”), a North Carolina nonprofit corporation.

The Lease and the Assignment shall be referred to collectively as the “Definitive Agreements.”

Defined terms used but not defined in this opinion have the meanings assigned such terms in the Definitive Agreements.

To render this opinion, we have examined such documents, certificates, records and corporate proceedings of the Hospital and such other documents, certificates, instruments and matters as we have deemed relevant and necessary.

As to various questions of fact material to our opinion, we have relied on certificates of officers of the Hospital and on the representations and warranties of the Hospital in the Definitive Agreements. We have not independently investigated or verified the facts represented in such certificates, information, representations or warranties and do not opine upon the accuracy of such facts. We do not herein express any opinion with respect to laws other than laws of the State of North Carolina (the “State”).

Based upon the foregoing, and subject to the assumptions, qualifications and limitations set forth below, we are of the opinion that the Hospital has complied with the provisions of North Carolina General Statute § 131E-13.

#### Assumptions

With your permission, in addition to the assumptions expressed elsewhere in this opinion letter, we have assumed the following in rendering the opinions contained herein:

1. Authenticity and Genuineness. The genuineness of all signatures and the authenticity of all documents submitted to or received by us as originals; the conformity with original documents of all documents submitted to us as certified, conformed, or photostatic copies or telecopies; and the requisite power and due authorization, execution, and delivery of the Definitive Agreements (in substantially the form of the draft we received on \_\_\_\_\_, 2011), by, and the enforceability thereof against, all parties other than the Health System Entities.

2. Compliance with Laws and Material Terms of Definitive Agreements. The compliance of all other parties to the Definitive Agreements with all applicable laws and regulations, as well as with the material terms of the Definitive Agreements.

3. Absence of Fraud or Duress. The absence of fraud or duress in the inducement or effectuation of the subject transactions.

### Qualifications

With your permission, in addition to the qualifications expressed elsewhere in this opinion letter, the opinions contained herein are further limited by and subject to the following qualifications:

1. Scope. The opinions set forth herein are limited to matters governed by the laws of the State. No opinion is expressed herein as to the laws of any other jurisdiction; regarding the extent to which or manner in which such other laws are applicable to matters herein addressed; whether opinions herein stated are, in whole or in part, superseded or invalidated by the application of such other laws; or as to the effect of the choice of any law selection contained in any of the documents to which this opinion applies.

2. Officers' Certificate. As to certain factual matters, we have relied upon a certificate by officers of the Hospital, without any independent investigation or verification whatsoever.

3. No Implied Opinion. Our opinions are limited to matters expressly stated herein, and no opinion is implied or may be inferred beyond the matters expressly stated.

4. Professional Judgment. This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein or of any transaction or obligation.

This opinion is furnished by us, as special counsel to the Hospital, solely for your benefit upon the understanding that we are not hereby assuming any professional responsibility to any other person whatsoever. Each of the matters set forth herein is as of the date hereof, and we hereby undertake no, and disclaim any, obligation to advise you of any change in any matters set forth herein or upon which this opinion is based.

NEXSEN PRUET, LLC

**EXHIBIT I**  
**OPINION OF COUNTY'S COUNSEL**

[See attached]

\_\_\_\_\_, 2011

University Health Systems of Eastern Carolina, Inc.  
2100 Stantonsburg Road  
Greenville, North Carolina 27835

Re: Amended and Restated Lease Agreement by and among the County of Beaufort (the “County”), Beaufort Regional Health System (the “Health System”), Beaufort County Hospital Association, Inc. (the “Association”), Beaufort Regional Physicians, LLC (the “Physician Group”), and University Health Systems of Eastern Carolina, Inc. (“UHS”)

Ladies and Gentlemen:

In connection with the above-referenced Amended and Restated Lease Agreement (the “Lease Agreement”) and the transactions contemplated thereby (the “Transaction”), we have served as special counsel for the County. This Opinion Letter (the “Letter”) is delivered in accordance with Section 5(a)(vii) of the Lease Agreement.

This Letter is limited by, and is in accordance with, the March 30, 2004 Report of the Legal Opinion Committee of the Business Law Section of the North Carolina Bar Association, “Third-Party Legal Opinions in Business Transactions, Second Edition” (the “Report”), which Report is incorporated in this Letter by this reference. Capitalized terms used in this Letter (and any attachments hereto) and not otherwise defined herein or in the Lease Agreement shall have the meanings assigned to such terms in the Report.

In the capacity described above, we have considered such matters of law and fact, including the examination of originals or copies, certified or otherwise identified to our satisfaction, of such records and documents of the County and the Health System, and such other documents as we have deemed appropriate as a basis for the opinions hereinafter set forth. Whenever any opinion or confirmation of fact set forth in this opinion is qualified by the words, “to our knowledge,” the quoted phrase means the current awareness by lawyers of this firm of factual matters that such lawyers recognize as being relevant to the opinion or confirmation so qualified.

In connection with the Transaction, we have examined the following:

- (a) An Officer’s Certificate executed by the County, dated as of the date hereof;

(b) Resolutions of the Beaufort County Board of Commissioners (the “Board of County Commissioners”), authorizing the execution, delivery, and performance of the Lease Agreement and other documents necessary to effectuate the Transaction (collectively with the Lease Agreement, the “Transaction Documents”), adopted on August 25, 2011, and certified by an officer of the County;

(c) The Minutes of the board meetings of the Board of County Commissioners dated June 29, 2010 and November 1, 2010;

(d) Notices of publication in the *Washington Daily News* regarding meetings of the Board of County Commissioners;

(e) An Officer’s Certificate executed by the Health System, dated as of the date hereof;

(f) The Minutes of the board meetings of the Board of Commissioners of the Health System (the “Health System Commissioners”) dated July 13, 2010, and August 31, 2010;

(g) Notices of publication in the *Washington Daily News* regarding meetings of the Health System Commissioners;

(h) Resolutions adopted by the Health System Commissioners authorizing the execution, delivery, and performance of the Lease Agreement and other documents necessary to effectuate the Transaction, adopted on August 25, 2011, and certified by an officer of the Health System;

(i) Resolutions adopted by the Health System Commissioners regarding the processes and actions undertaken in compliance with N.C. Gen. Stat. § 131E-13 adopted on August 25, 2011, and certified by an officer of the Health System; and

(j) Such other documents, records, and papers as we have deemed necessary and relevant as a basis for this opinion.

#### Assumptions

In our examination we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such copies. Insofar as this opinion relates to factual matters, information with respect to which is in possession of the County, we have relied (without independent investigation) upon representations made to us by one or more officers or

employees of the County and the Health System, and nothing has come to our attention leading us to question the accuracy of such information. Insofar as this opinion relates to the knowledge or intentions of the parties to the Transaction, we have also relied (without independent investigation) on the representations and warranties of the parties to the Transaction in the Lease Agreement and the other documents pertaining to the Transaction. Except to the extent otherwise stated herein, for the purposes of the opinions set forth below, we have not (i) reviewed internal files or any files of the County relating to other transactions to which the County may be a party, (ii) interviewed other lawyers within our firm or officers or employees of the County, or (iii) otherwise undertaken any independent factual investigation in order to make the statements in question.

We have further assumed that the Lease Agreement and any other documents executed by persons or entities other than the County are the legal, valid, and binding obligation of each party thereto other than the County, enforceable against such other parties in accordance with their terms, and that such other parties have duly and validly authorized, executed, and delivered all such documents.

Members of this firm are admitted to the bar of the State of North Carolina. Except as provided in the following sentence, we express no opinion as to the laws of any jurisdiction other than (i) the laws of the State of North Carolina, and (ii) the federal laws of the United States.

Based upon the foregoing and subject to the limitations, qualifications, exceptions, and assumptions set forth herein, we are of the opinion that the County is authorized under N.C. Gen. Stat. § 131E-13 to enter into the Transaction Documents.

A. N.C. Gen. Stat. § 131E-13 was enacted as part of Session Laws 1983, c. 775, which repealed former Chapter 131 of the North Carolina General Statutes, to ensure that members of the general public had the opportunity to comment about a municipality or hospital authority's intent to sell, lease, or otherwise convey a hospital facility, or part thereof, to a third party. Specifically, on June 29, 2010 the Board of County Commissioners directed the Health System to bring a recommendation to the County regarding its plans for the Hospital. Following such direction, the Health System Commissioners, for the Health System and as the agent of the County, commenced the process prescribed by N.C. Gen. Stat. § 131E-13. Specifically:

(i) Notice was published in the *Washington Daily News* on July 2, 2010 that a meeting of the Health System Commissioners would be held to declare the intent to convey the Hospital;

(ii) A regular meeting of the Health System Commissioners 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;

(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 transfer of the County’s remainder interest in the land and facilities associated with the operation of the Hospital (the “Hospital Property”) upon the conclusion of the lease term;

(vii) 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. (“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, for a term of thirty (30) years, with an option for UHS to require the transfer of the County’s remainder interest in the Hospital Property at the conclusion of the lease term;

(viii) Based on the Health System’s recommendation to enter into negotiations with UHS, the Board of County Commissioners 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 UHS option to require

the County to transfer its remainder interest in the Hospital Property at the conclusion of the lease term;

(ix) At least ten (10) days before its August 25, 2011 meeting, the County made copies of the Lease Agreement by and among the County, the Health System, the Association, the Physician Group, and UHS, and the other 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 of County Commissioners was published in the *Washington Daily News* on August 14, 2011; and

(x) At a regular meeting of the Board of County Commissioners on August 25, 2011, the Board approved the execution and delivery of the Transaction Documents.

B. For purposes of this Letter, we express no opinion regarding the ability of the County to indemnify UHS in the manner provided for in the Lease Agreement.

The foregoing opinion is given as of the date hereof, and we disclaim any obligation to update this Letter for events occurring after the date hereof.

Our opinion contained herein is rendered solely in connection with the Transaction and may not be relied upon in any manner by any person or entity other than the addressee hereof, or by the addressee for any other purpose. Our opinion herein shall not be quoted or otherwise included, summarized, or referred to in any publication or document, in whole or in part, for any purpose whatsoever, or furnished to any other person or entity, except as may be required by applicable law or regulation or in accordance with any auditing or oversight function or request of regulatory agencies to which the addressee is subject.

Sincerely,



EXHIBIT J

**EXCLUDED LIABILITIES ESCROW AGREEMENT**

[See attached]

## EXCLUDED LIABILITIES ESCROW AGREEMENT

**THIS ESCROW AGREEMENT**, dated as of [\_\_\_\_\_], 2011 (this “Escrow Agreement”), is by and among **UNIVERSITY HEALTH SYSTEMS OF EASTERN CAROLINA (“UHSEC”)**, **COUNTY OF BEAUFORT** (the “County”), **BEAUFORT REGIONAL HEALTH SYSTEM**, (the “Health System”), **BEAUFORT COUNTY HOSPITAL ASSOCIATION, INC.** (the “Association”), **BEAUFORT REGIONAL PHYSICIANS, LLC** (the “Physician Group,” and together with Health System and the Association, the “Health System Entities”), and \_\_\_\_\_, as Escrow Agent hereunder (“Escrow Agent”).

### BACKGROUND

A. UHSEC, the County, and the Health System Entities have entered into an Amended and Restated Lease Agreement (the “Lease”), dated as of August 25, 2011, an Assignment and Assumption Agreement, dated as of \_\_\_\_\_, 2011 (the “Assignment Agreement”), and certain other related agreements (collectively, the “Transaction Documents”), pursuant to which UHSEC has agreed to lease certain real and personal property of the County and the Health System Entities and to operate the Hospital and Clinics, each as defined in the Lease.

B. The Lease provides that UHSEC shall deposit the Escrow Amount (as defined below) in a segregated escrow account to be held by Escrow Agent for the purposes of (i) insuring that funds are available to pay certain Excluded Liabilities of the County and the Health System Entities under Paragraph 6 of the Assignment Agreement and (ii) indemnifying UHSEC and its affiliates under Paragraph 21 of the Lease.

C. Escrow Agent has agreed to accept, hold, and disburse the funds deposited with it and the earnings thereon in accordance with the terms of the Lease and this Escrow Agreement.

D. UHSEC and the Health System Entities have appointed the Representatives (as defined below) to represent them for all purposes in connection with the funds to be deposited with Escrow Agent and this Escrow Agreement.

E. In order to establish the escrow of funds and to effect the provisions of the Lease, the parties hereto have entered into this Escrow Agreement.

### STATEMENT OF AGREEMENT

**NOW THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Definitions. Unless otherwise defined herein, all capitalized terms, not otherwise defined, shall be defined as provided in the Lease and the Assignment Agreement. The following terms shall have the following meanings when used herein:

“County Representative” shall mean the person so designated on Schedule A hereto or any other person designated in a writing signed by the County and delivered to Escrow Agent, the UHSEC Representative, and the Health System Entities Representative in accordance with the notice provisions of this Escrow Agreement, to act as its representative under this Escrow Agreement.

“Escrow Amount” shall mean Six Million Five Hundred Sixty Seven Thousand Four Hundred Twenty Four and 47/100 Dollars (\$6,973,686.46).

“Escrow Claim” shall mean any claims for indemnification made by UHSEC against the Escrow Funds.

“Escrow Funds” shall mean the Escrow Amount, together with any interest and other income thereon.

“Escrow Period” shall mean the period commencing on the date hereof and ending on the date that is five (5) years after the Closing Date.

“Final Decision” means a settlement agreement between UHSEC and the Health System Entities or the County or the entry of a final judgment by a court of competent jurisdiction with respect to an Escrow Claim.

“Health System Entities Representative” shall mean the person so designated on Schedule A hereto or any other person designated in a writing signed by the Health System, and delivered to Escrow Agent, the County Representative, and the UHSEC Representative in accordance with the notice provisions of this Escrow Agreement, to act as its representative under this Escrow Agreement.

“Joint Written Direction” shall mean a written direction executed by the Representatives and directing Escrow Agent to disburse all or a portion of the Escrow Funds or to take or refrain from taking an action pursuant to this Escrow Agreement. A “Written Direction” shall mean a written direction executed by the UHSEC Representative, the County Representative, or the Health System Entities Representative, as the case may be.

“Representatives” shall mean all three of the UHSEC Representative, the County Representative, and the Health System Entities Representatives.

“UHSEC Representative” shall mean the person so designated on Schedule A hereto or any other person designated in a writing signed by UHSEC and delivered to Escrow Agent, the County Representative, and the Health System Entities Representative in accordance with the notice provisions of this Escrow Agreement, to act as its representative under this Escrow Agreement.

2. Appointment of and Acceptance by Escrow Agent. UHSEC, the County, and the Health System Entities hereby appoint Escrow Agent to serve as escrow agent hereunder. Escrow Agent hereby accepts such appointment and agrees to receive, accept, hold, invest and disburse the Escrow Funds in accordance with this Escrow Agreement.

3. Deposit of Escrow Funds. Simultaneously with the execution and delivery of this Escrow Agreement, UHSEC will deposit the Escrow Amount, by wire transfer of immediately available funds, to the account of the Escrow Agent referenced on Schedule A hereto.

4. Disbursements of Escrow Funds.

(a) The Escrow Funds shall provide funds for the payment of the Health System Entities’ and the County’s indemnification obligations set forth in Paragraph 21 of the Lease. This Escrow Agreement shall not change or modify in any way the events or circumstances which give rise to losses pursuant to the Lease, but shall solely provide UHSEC security therefor. The Escrow Agent shall disburse the Escrow Funds from time-to-time on deposit as follows:

(i) to the Association solely for the purpose of making payment to the Centers for Medicare and Medicaid Services (“CMS”) or to the North Carolina Department of Health and Human Services, Division of Medical Assistance (“DMA”) of any liability of the Association to CMS or DMA related to the Provider Agreements, including as the result of any cost report settlement or the Report;

(ii) to the Health System Entities solely for the purpose of paying such third party vendors as is necessary to meet the Health System Entities’ and the County’s environmental covenant as set forth in Paragraph 27 of the Lease;

(iii) to the Health System Entities in an aggregate amount up to \$300,000 solely for the purpose of paying any Liability associated with employees with change of control provisions as set forth in Paragraph 6(a)(vi) of the Assignment Agreement;

(iv) to the Health System Entities upon receipt of a Joint Written Direction solely for the purpose of paying such other Excluded Liabilities as set forth in such Joint Written Direction;

(v) to UHSEC with respect to an Escrow Claim, promptly following receipt of (A) a Joint Written Direction or (B) a Final Decision; and

(vi) on the date following the date of the expiration of the Escrow Period, to the Health System an amount equal to (A) the balance of the Escrow Funds, less (B) the amount of all Escrow Claims asserted but unresolved as of such date, which shall be subject to Section 5(b) of this Agreement.

(b) If any Escrow Claims have been asserted in writing, furnished to the Escrow Agent by UHSEC, and remain unresolved on the date of the expiration of the Escrow Period, the escrow shall continue with respect to the amounts set forth in the Escrow Claims until the resolution of such Escrow Claims pursuant to a Joint Written Direction or a Final Decision, and during such continuance, the Escrow Agent shall continue to hold Escrow Funds up to the amount of the outstanding and unresolved Escrow Claims.

(c) UHSEC shall notify the Escrow Agent, the County Representative, and the Health System Entities Representative in writing of the existence and amounts of any asserted but unresolved Escrow Claims at least ten (10) days prior to the payment date set forth in Section 4(a)(vi) above.

(d) All disbursements from the Escrow Funds shall be made by wire transfer of cash in immediately available funds to the person(s) entitled thereto in accordance with wiring instructions furnished by such persons in writing to the Escrow Agent.

(e) The Escrow Agent shall have no duty or responsibility with respect to determining whether any Escrow Claim is properly asserted under the terms of the Lease, the amount thereof, or whether the assertion of any such Escrow Claim or the amount thereof conforms to the requirements of the Lease. The Escrow Agent shall be entitled to rely, conclusively and without inquiry, on any Joint Written Direction provided to the Escrow Agent in accordance with the terms of this Agreement. The Escrow Agent shall be entitled to rely conclusively on delivery of a certification of a Final Decision, along with an attachment of the final judgment or dismissal of claim, executed by an officer of UHSEC, the County or any of the Health System Entities, and shall have no independent duty to verify that such Final Decision conforms to the requirements of the Lease.

(f) All disbursements of funds from the Escrow Funds shall be subject to the fees and claims of Escrow Agent pursuant to Section 8 below.

5. Investment of Funds. The Escrow Agent is herein directed and instructed to initially invest and reinvest the Escrow Funds in the investment indicated under "Investment Instruction" on Schedule A hereto. With the execution of this document, the Health System Entities acknowledge receipt of prospectuses and/or disclosure materials associated with the investment vehicle, either through means of hardcopy or via access to the website associated with the investment selected by the Health System Entities. The Health System Entities may provide instructions changing the investment of the Escrow Funds (subject to applicable minimum investment requirements) by the furnishing of a Written Direction to the Escrow Agent; *provided, however*, that no investment or reinvestment may be made except in the following:

(a) direct obligations of the United States of America or obligations the principal of and the interest on which are unconditionally guaranteed by the United States of America;

(b) certificates of deposit issued by any bank, bank and trust company, or national banking association (including Escrow Agent and its affiliates), which certificates of deposit are insured by the Federal Deposit Insurance Corporation or a similar governmental agency;

(c) repurchase agreements with any bank, trust company, or national banking association (including Escrow Agent and its affiliates); or

(d) any institutional money market fund offered by Escrow Agent, including any institutional money market fund managed by Escrow Agent or any of its affiliates.

If Escrow Agent has not received a Written Direction from the Health System Entities Representative specifically directing how investment shall be made, at any time that an investment decision must be made, Escrow Agent shall invest the Escrow Funds, or such portion thereof as to which no Written Direction has been received, in investments described in clause (d) above. Each of the foregoing investments shall be made in the name of Escrow Agent. No investment shall be made in any instrument or security that has a maturity of greater than six (6) months. Notwithstanding anything to the contrary contained herein, Escrow Agent may, without notice to the Representatives, sell or liquidate the minimum amount necessary of the foregoing investments at any time if the proceeds thereof are required for any disbursement of Escrow Funds permitted or required hereunder. All investment earnings shall become part of the Escrow Funds and investment losses shall be charged against the Escrow Funds. Escrow Agent shall not be liable or responsible for loss in the value of any investment made pursuant to this Escrow Agreement, or for any loss, cost or penalty resulting from any sale or liquidation of the Escrow Funds, if undertaken in accordance with the terms and conditions of this Escrow Agreement. With respect to any Escrow Funds received by Escrow Agent after ten o'clock, a.m., Charlotte, North Carolina, time, Escrow Agent shall not be required to invest such funds or to effect any investment instruction until the next day upon which banks in Charlotte, North Carolina are open for business.

6. Resignation or Removal of Escrow Agent. Escrow Agent may resign and be discharged from the performance of its duties hereunder thereafter accruing at any time by giving ten (10) days prior written notice to UHSEC, the County, and the Health System Entities specifying a date when such resignation shall take effect. Similarly, the Escrow Agent may be removed by thirty (30) days written notice from UHSEC, the County, and the Health System Entities. Upon any such notice of resignation or removal, the Representatives jointly shall appoint a successor Escrow Agent hereunder prior to the effective date of such resignation. The retiring Escrow Agent shall transmit all records pertaining to the Escrow Funds and shall deliver all Escrow Funds to the successor Escrow Agent, after making copies of such records as the retiring Escrow Agent deems advisable and after deduction and payment to the retiring Escrow Agent of all fees and expenses (including court costs and attorneys' fees) payable to, incurred by, or expected to be incurred by the retiring Escrow Agent in connection with the performance

of its duties and the exercise of its rights hereunder. After any retiring Escrow Agent's resignation, the provisions of this Escrow Agreement shall continue to apply as to any actions taken or omitted to be taken by it while it was Escrow Agent under this Escrow Agreement. Any corporation or association into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any corporation or association to which all or substantially all of the escrow business of the Escrow Agent's corporate trust line of business may be transferred, shall be the Escrow Agent under this Escrow Agreement without further act.

7. Liability of Escrow Agent. The Escrow Agent undertakes to perform only such duties as are expressly set forth herein and no other duties shall be implied. The Escrow Agent shall have no liability under and no duty to inquire as to the provisions of any agreement other than this Escrow Agreement. The Escrow Agent shall not be liable for any action taken or omitted by it in good faith and pursuant to the terms and conditions of this Escrow Agreement, except to the extent that a court of competent jurisdiction determines that the Escrow Agent's gross negligence or willful misconduct was the primary cause of any loss to UHSEC or the Health System Entities. Escrow Agent's sole responsibility shall be for the safekeeping and disbursement of the Escrow Funds in accordance with the terms of this Escrow Agreement. Escrow Agent shall have no implied duties or obligations and shall not be charged with knowledge or notice of any fact or circumstance not specifically set forth herein. Escrow Agent may rely upon any notice, instruction, request or other instrument, not only as to its due execution, validity and effectiveness, but also as to the truth and accuracy of any information contained therein, which Escrow Agent shall believe to be genuine and to have been signed or presented by the person or parties purporting to sign the same. In no event shall Escrow Agent be liable for incidental, indirect, special, consequential or punitive damages (including, but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action. Except as otherwise provided in this Escrow Agreement, Escrow Agent shall not be obligated to take any legal action or commence any proceeding in connection with the Escrow Funds, any account in which Escrow Funds are deposited, this Escrow Agreement or the Lease, or to appear in, prosecute or defend any such legal action or proceeding.

8. Fees and Expenses of Escrow Agent. UHSEC shall compensate Escrow Agent for its services hereunder in the amounts set forth in Schedule A and, in addition, shall reimburse Escrow Agent for all of its reasonable out-of-pocket expenses, including attorneys' fees, travel expenses, telephone and facsimile transmission costs, postage (including express mail and overnight delivery charges), copying charges and the like. Escrow Agent is authorized to, and may, disburse to itself from the Escrow Funds, from time to time, the amount of any compensation and reimbursement of out-of-pocket expenses due and payable hereunder. Escrow Agent shall notify the Representatives of any disbursement from the Escrow Funds to itself in respect of any compensation or reimbursement hereunder and shall furnish to the Representatives copies of all related invoices and other statements. The Health System Entities, UHSEC, and the Representatives hereby grant to Escrow Agent a security interest in and lien upon the Escrow Funds to secure all obligations with respect to the right to offset the amount of any compensation or reimbursement due any of them hereunder against the Escrow Funds. If for any reason funds in the Escrow Funds are insufficient to cover such compensation and reimbursement, UHSEC, the County, and the Health System Entities shall promptly pay such amounts to Escrow Agent upon receipt of an itemized invoice.

9. Notice. All notices, approvals, consents, requests, and other communications hereunder shall be in writing and shall be deemed to have been given when the writing is delivered if given or delivered by hand, overnight delivery service or facsimile transmitter (with confirmed receipt) to the address or facsimile number set forth below, or to such other address as a party may designate for itself by like notice, and shall be deemed to have been given on the date deposited in the U.S. mail, if mailed, by

first-class, registered or certified mail, postage prepaid, addressed as set forth below, or to such other address as a party may designate for itself by like notice.

If to UHSEC at: University Health Systems of Eastern Carolina, Inc.  
2100 Stantonsburg Road  
Post Office Box 6028  
Greenville, North Carolina 27835-6028  
Attn: Chief Executive Officer

If to County at:

County of Beaufort  
121 West 3<sup>rd</sup> Street  
Washington, North Carolina 27889  
Attn: County Manager

If to Health System Entities at:

Beaufort Regional Health System  
c/o County of Beaufort  
121 W. 3<sup>rd</sup> Street  
Washington, North Carolina 27889  
Attn: Chair of the Board of Commissioners

If to the Escrow Agent at:

\_\_\_\_\_, as Escrow Agent  
\_\_\_\_\_  
\_\_\_\_\_

10. Amendment or Waiver. This Escrow Agreement may be changed, waived, discharged, or terminated only by a writing signed by the Representatives and Escrow Agent. No delay or omission by any party in exercising any right with respect hereto shall operate as a waiver. A waiver on any one occasion shall not be construed as a bar to, or waiver of, any right or remedy on any future occasion.

11. Severability. To the extent any provision of this Escrow Agreement is prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Escrow Agreement.

12. Governing Law. This Escrow Agreement shall be construed and interpreted in accordance with the internal laws of the State of North Carolina without giving effect to the conflict of laws principles thereof.

13. Entire Agreement. This Escrow Agreement constitutes the entire agreement between the parties relating to the holding, investment, and disbursement of the Escrow Funds and sets forth in their entirety the obligations and duties of Escrow Agent with respect to the Escrow Funds.

14. Binding Effect. All of the terms of this Escrow Agreement, as amended from time to time, shall be binding upon, inure to the benefit of and be enforceable by the respective successors and assigns of UHSEC, the County, the Health System Entities, and Escrow Agent.

15. Execution in Counterparts. This Escrow Agreement and any Joint Written Direction may be executed in two or more counterparts, which when so executed shall constitute one and the same agreement or direction. The exchange of executed copies of this Agreement by facsimile, portable document format (“PDF”), or electronic transmissions shall constitute effective execution and delivery of this Agreement.

16. Termination. Except as required by paragraph 4 (b), above, upon the first to occur of the termination of the Escrow Period or the disbursement of all amounts in the Escrow Funds pursuant to Joint Written Directions, this Escrow Agreement shall terminate and Escrow Agent shall have no further obligation or liability whatsoever with respect to this Escrow Agreement or the Escrow Funds.

17. Dealings. The Escrow Agent and any stockholder, director, officer, or employee of the Escrow Agent may become pecuniarily interested in any transaction in which UHSEC, the County, or the Health System Entities may be interested, and contract and lend money to UHSEC, the County, or the Health System Entities and otherwise act as fully and freely as though it were not Escrow Agent under this Escrow Agreement. Nothing herein shall preclude the Escrow Agent from acting in any other capacity for UHSEC, the County, or the Health System Entities or for any other entity.

*(Signatures on following page)*



IN WITNESS WHEREOF, the parties hereto have caused this Escrow Agreement to be executed as of the date first above written.

**UHSEC:** **UNIVERSITY HEALTH SYSTEM OF EASTERN CAROLINA**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**COUNTY:** **COUNTY OF BEAUFORT**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**HEALTH SYSTEM:** **BEAUFORT REGIONAL HEALTH SYSTEM**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ASSOCIATION:** **BEAUFORT COUNTY HOSPITAL ASSOCIATION, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**PHYSICIAN GROUP:** **BEAUFORT REGIONAL PHYSICIANS, LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ESCROW AGENT:** \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SCHEDULE A

1. Escrow Funds.

Escrow Amount: \$6,973,686.46

Escrow Funds wiring instructions:

\_\_\_\_\_  
ABA # \_\_\_\_\_  
Account # \_\_\_\_\_  
Account Name: \_\_\_\_\_  
Ref: Acct # \_\_\_\_\_

2. Escrow Agent Fees.

3. Taxpayer Identification Numbers.

UHSEC: \_\_\_\_\_

County: \_\_\_\_\_

Health System: \_\_\_\_\_

Association: \_\_\_\_\_

Physician Group: \_\_\_\_\_

4. Investment Instructions

5. Representatives.

The following person is hereby designated and appointed as UHSEC Representative under the Escrow Agreement:

\_\_\_\_\_

The following person is hereby designated and appointed as County Representative under the Escrow Agreement:

\_\_\_\_\_

The following person is hereby designated and appointed as the Representative under the Escrow Agreement for Health System Entities:

\_\_\_\_\_

**EXHIBIT K**  
**PROFESSIONAL SERVICES ESCROW AGREEMENT**

[See attached]

## PROFESSIONAL SERVICES ESCROW AGREEMENT

**THIS ESCROW AGREEMENT**, dated as of [\_\_\_\_\_], 2011 (this “Escrow Agreement”), is by and among **UNIVERSITY HEALTH SYSTEMS OF EASTERN CAROLINA (“UHSEC”)**, **BEAUFORT REGIONAL HEALTH SYSTEM**, (the “Health System”), **BEAUFORT COUNTY HOSPITAL ASSOCIATION, INC.** (the “Association”), **BEAUFORT REGIONAL PHYSICIANS, LLC** (the “Physician Group,” and together with Health System and the Association, the “Health System Entities”), and \_\_\_\_\_, as Escrow Agent hereunder (“Escrow Agent”).

### BACKGROUND

A. UHSEC, the County of Beaufort and the Health System Entities have entered into an Amended and Restated Lease Agreement (the “Lease”), dated as of \_\_\_\_\_, 2011, and certain other related agreements (collectively, the “Transaction Documents”), pursuant to which UHSEC has agreed to lease certain real and personal property of the County and the Health System Entities and to operate the Hospital and Clinics, each as defined in the Lease.

B. The Lease provides that UHSEC shall deposit the Escrow Amount (as defined below) in a segregated escrow account to be held by Escrow Agent.

C. Escrow Agent has agreed to accept, hold, and disburse the funds deposited with it and the earnings thereon in accordance with the terms of the Lease and this Escrow Agreement.

D. UHSEC and the Health System Entities have appointed the Representatives (as defined below) to represent them for all purposes in connection with the funds to be deposited with Escrow Agent and this Escrow Agreement.

E. In order to establish the escrow of funds and to effect the provisions of the Lease, the parties hereto have entered into this Escrow Agreement.

### STATEMENT OF AGREEMENT

**NOW THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Definitions. Unless otherwise defined herein, all capitalized terms, not otherwise defined, shall be defined as provided in the Lease. The following terms shall have the following meanings when used herein:

“Escrow Amount” shall mean One Hundred Thousand Dollars (\$100,000.00).

“Escrow Funds” shall mean the Escrow Amount, together with any interest and other income thereon.

“Escrow Period” shall mean the period commencing on the date hereof and ending on the date that is five (5) years after the Closing Date.

“Health System Entities Representative” shall mean the person so designated on Schedule A hereto or any other person designated in a writing signed by the Health System, and delivered

to Escrow Agent and the UHSEC Representative in accordance with the notice provisions of this Escrow Agreement, to act as its representative under this Escrow Agreement.

“Joint Written Direction” shall mean a written direction executed by the Representatives and directing Escrow Agent to disburse all or a portion of the Escrow Funds or to take or refrain from taking an action pursuant to this Escrow Agreement. A “Written Direction” shall mean a written direction executed by either the UHSEC Representative or the Health System Entities Representative, as the case may be.

“Representatives” shall mean the UHSEC Representative and the Health System Entities Representatives.

“UHSEC Representative” shall mean the person so designated on Schedule A hereto or any other person designated in a writing signed by UHSEC and delivered to Escrow Agent and the Health System Entities Representative in accordance with the notice provisions of this Escrow Agreement, to act as its representative under this Escrow Agreement.

2. Appointment of and Acceptance by Escrow Agent. UHSEC and the Health System Entities hereby appoint Escrow Agent to serve as escrow agent hereunder. Escrow Agent hereby accepts such appointment and agrees to receive, accept, hold, invest and disburse the Escrow Funds in accordance with this Escrow Agreement.

3. Deposit of Escrow Funds. Simultaneously with the execution and delivery of this Escrow Agreement, UHSEC will deposit the Escrow Amount, by wire transfer of immediately available funds, to the account of the Escrow Agent referenced on Schedule A hereto.

4. Disbursements of Escrow Funds.

(a) The Escrow Funds shall be used as described in Section 6(a)(iv) of the Lease to pay for costs and fees associated with professional services (including, but not limited to fees and/or retainers to be paid or delivered to, accountants, attorneys and consultants) incurred by the Health System Entities on or after the Closing Date that arise out of or relate to the Health System Entities’ compliance with any obligations under the Transaction Documents, including without limitation, matters involving resolution of Excluded Liabilities. The Escrow Agent shall disburse the Escrow Funds from time-to-time on deposit as follows:

(i) to the Health System Entities upon receipt of a Joint Written Direction solely for the purpose of paying for such Professional Services as set forth in such Joint Written Direction; and

(ii) on the date following the date of the expiration of the Escrow Period, the Escrow Agent shall distribute to the Health System (or its successor in interest) an amount equal to the balance of the Escrow Funds.

(b) Notwithstanding the foregoing, if any Escrow Claims have been asserted in writing, furnished to the Escrow Agent by the Health Services Entities Representative, and remain unresolved on the date of the expiration of the Escrow Period, the escrow shall continue with respect to the amounts set forth in the Escrow Claims until the resolution of such Escrow Claims, and during such continuance, the Escrow Agent shall continue to hold Escrow Funds up to the amount of the outstanding and unresolved Escrow Claims.

(c) All disbursements from the Escrow Funds shall be made by wire transfer of cash in immediately available funds to the person(s) entitled thereto in accordance with wiring instructions furnished by such persons in writing to the Escrow Agent.

(d) The Escrow Agent shall be entitled to rely, conclusively and without inquiry, on any Joint Written Direction provided to the Escrow Agent in accordance with the terms of this Agreement.

(e) All disbursements of funds from the Escrow Funds shall be subject to the fees and claims of Escrow Agent pursuant to Section 8 below.

5. Investment of Funds. The Escrow Agent is herein directed and instructed to initially invest and reinvest the Escrow Funds in the investment indicated under "Investment Instruction" on Schedule A hereto. With the execution of this document, the Health System Entities acknowledge receipt of prospectuses and/or disclosure materials associated with the investment vehicle, either through means of hardcopy or via access to the website associated with the investment selected by the Health System Entities. The Health System Entities may provide instructions changing the investment of the Escrow Funds (subject to applicable minimum investment requirements) by the furnishing of a Written Direction to the Escrow Agent; *provided, however*, that no investment or reinvestment may be made except in the following:

(a) direct obligations of the United States of America or obligations the principal of and the interest on which are unconditionally guaranteed by the United States of America;

(b) certificates of deposit issued by any bank, bank and trust company, or national banking association (including Escrow Agent and its affiliates), which certificates of deposit are insured by the Federal Deposit Insurance Corporation or a similar governmental agency;

(c) repurchase agreements with any bank, trust company, or national banking association (including Escrow Agent and its affiliates); or

(d) any institutional money market fund offered by Escrow Agent, including any institutional money market fund managed by Escrow Agent or any of its affiliates.

If Escrow Agent has not received a Written Direction from the Health System Entities Representative specifically directing how investment shall be made, at any time that an investment decision must be made, Escrow Agent shall invest the Escrow Funds, or such portion thereof as to which no Written Direction has been received, in investments described in clause (d) above. Each of the foregoing investments shall be made in the name of Escrow Agent. No investment shall be made in any instrument or security that has a maturity of greater than six (6) months. Notwithstanding anything to the contrary contained herein, Escrow Agent may, without notice to the Representatives, sell or liquidate the minimum amount necessary of the foregoing investments at any time if the proceeds thereof are required for any disbursement of Escrow Funds permitted or required hereunder. All investment earnings shall become part of the Escrow Funds and investment losses shall be charged against the Escrow Funds. Escrow Agent shall not be liable or responsible for loss in the value of any investment made pursuant to this Escrow Agreement, or for any loss, cost or penalty resulting from any sale or liquidation of the Escrow Funds, if undertaken in accordance with the terms and conditions of this Escrow Agreement. With respect to any Escrow Funds received by Escrow Agent after ten o'clock, a.m., Charlotte, North Carolina, time, Escrow Agent shall not be required to invest such funds or to effect any investment instruction until the next day upon which banks in Charlotte, North Carolina are open for business.

6. Resignation or Removal of Escrow Agent. Escrow Agent may resign and be discharged from the performance of its duties hereunder thereafter accruing at any time by giving ten (10) days prior written notice to UHSEC and the Health System Entities specifying a date when such resignation shall take effect. Similarly, the Escrow Agent may be removed by thirty (30) days written notice from UHSEC and the Health System Entities. Upon any such notice of resignation or removal, the Representatives jointly shall appoint a successor Escrow Agent hereunder prior to the effective date of such resignation. The retiring Escrow Agent shall transmit all records pertaining to the Escrow Funds and shall deliver all Escrow Funds to the successor Escrow Agent, after making copies of such records as the retiring Escrow Agent deems advisable and after deduction and payment to the retiring Escrow Agent of all fees and expenses (including court costs and attorneys' fees) payable to, incurred by, or expected to be incurred by the retiring Escrow Agent in connection with the performance of its duties and the exercise of its rights hereunder. After any retiring Escrow Agent's resignation, the provisions of this Escrow Agreement shall continue to apply as to any actions taken or omitted to be taken by it while it was Escrow Agent under this Escrow Agreement. Any corporation or association into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any corporation or association to which all or substantially all of the escrow business of the Escrow Agent's corporate trust line of business may be transferred, shall be the Escrow Agent under this Escrow Agreement without further act.

7. Liability of Escrow Agent. The Escrow Agent undertakes to perform only such duties as are expressly set forth herein and no other duties shall be implied. The Escrow Agent shall have no liability under and no duty to inquire as to the provisions of any agreement other than this Escrow Agreement. The Escrow Agent shall not be liable for any action taken or omitted by it in good faith and pursuant to the terms and conditions of this Escrow Agreement, except to the extent that a court of competent jurisdiction determines that the Escrow Agent's gross negligence or willful misconduct was the primary cause of any loss to UHSEC or the Health System Entities. Escrow Agent's sole responsibility shall be for the safekeeping and disbursement of the Escrow Funds in accordance with the terms of this Escrow Agreement. Escrow Agent shall have no implied duties or obligations and shall not be charged with knowledge or notice of any fact or circumstance not specifically set forth herein. Escrow Agent may rely upon any notice, instruction, request or other instrument, not only as to its due execution, validity and effectiveness, but also as to the truth and accuracy of any information contained therein, which Escrow Agent shall believe to be genuine and to have been signed or presented by the person or parties purporting to sign the same. In no event shall Escrow Agent be liable for incidental, indirect, special, consequential or punitive damages (including, but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action. Except as otherwise provided in this Escrow Agreement, Escrow Agent shall not be obligated to take any legal action or commence any proceeding in connection with the Escrow Funds, any account in which Escrow Funds are deposited, this Escrow Agreement or the Lease, or to appear in, prosecute or defend any such legal action or proceeding.

8. Fees and Expenses of Escrow Agent. UHSEC shall compensate Escrow Agent for its services hereunder in the amounts set forth in Schedule A and, in addition, shall reimburse Escrow Agent for all of its reasonable out-of-pocket expenses, including attorneys' fees, travel expenses, telephone and facsimile transmission costs, postage (including express mail and overnight delivery charges), copying charges and the like. Escrow Agent is authorized to, and may, disburse to itself from the Escrow Funds, from time to time, the amount of any compensation and reimbursement of out-of-pocket expenses due and payable hereunder. Escrow Agent shall notify the Representatives of any disbursement from the Escrow Funds to itself in respect of any compensation or reimbursement hereunder and shall furnish to the Representatives copies of all related invoices and other statements. The Health System Entities, UHSEC and the Representatives hereby grant to Escrow Agent a security interest in and lien upon the Escrow Funds to secure all obligations with respect to the right to offset the amount of any compensation or reimbursement due any of them hereunder against the Escrow Funds. If for any reason funds in the

Escrow Funds are insufficient to cover such compensation and reimbursement, UHSEC and the Health System Entities shall promptly pay such amounts to Escrow Agent upon receipt of an itemized invoice.

9. Notice. All notices, approvals, consents, requests, and other communications hereunder shall be in writing and shall be deemed to have been given when the writing is delivered if given or delivered by hand, overnight delivery service or facsimile transmitter (with confirmed receipt) to the address or facsimile number set forth below, or to such other address as a party may designate for itself by like notice, and shall be deemed to have been given on the date deposited in the U.S. mail, if mailed, by first-class, registered or certified mail, postage prepaid, addressed as set forth below, or to such other address as a party may designate for itself by like notice.

If to UHSEC at: University Health Systems of Eastern Carolina, Inc.  
2100 Stantonsburg Road  
Post Office Box 6028  
Greenville, North Carolina 27835-6028  
Attn: Chief Executive Officer

If to Health System Entities at:

Beaufort Regional Health System  
c/o County of Beaufort  
121 W. 3<sup>rd</sup> Street  
Washington, North Carolina 27889  
Attn: Chair of the Board of Commissioners

If to the Escrow Agent at: \_\_\_\_\_, as Escrow Agent  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

10. Amendment or Waiver. This Escrow Agreement may be changed, waived, discharged or terminated only by a writing signed by the Representatives and Escrow Agent. No delay or omission by any party in exercising any right with respect hereto shall operate as a waiver. A waiver on any one occasion shall not be construed as a bar to, or waiver of, any right or remedy on any future occasion.

11. Severability. To the extent any provision of this Escrow Agreement is prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Escrow Agreement.

12. Governing Law. This Escrow Agreement shall be construed and interpreted in accordance with the internal laws of the State of North Carolina without giving effect to the conflict of laws principles thereof.

13. Entire Agreement. This Escrow Agreement constitutes the entire agreement between the parties relating to the holding, investment and disbursement of the Escrow Funds and sets forth in their entirety the obligations and duties of Escrow Agent with respect to the Escrow Funds.



14. Binding Effect. All of the terms of this Escrow Agreement, as amended from time to time, shall be binding upon, inure to the benefit of and be enforceable by the respective successors and assigns of UHSEC, Health System Entities and Escrow Agent.

15. Execution in Counterparts. This Escrow Agreement and any Joint Written Direction may be executed in two or more counterparts, which when so executed shall constitute one and the same agreement or direction. The exchange of executed copies of this Agreement by facsimile, portable document format (“PDF”) or electronic transmissions shall constitute effective execution and delivery of this Agreement.

16. Termination. Upon the first to occur of the termination of the Escrow Period or the disbursement of all amounts in the Escrow Funds pursuant to Joint Written Directions, this Escrow Agreement shall terminate and Escrow Agent shall have no further obligation or liability whatsoever with respect to this Escrow Agreement or the Escrow Funds.

17. Dealings. The Escrow Agent and any stockholder, director, officer or employee of the Escrow Agent may become pecuniarily interested in any transaction in which UHSEC or the Health System Entities may be interested, and contract and lend money to UHSEC or the Health System Entities and otherwise act as fully and freely as though it were not Escrow Agent under this Escrow Agreement. Nothing herein shall preclude the Escrow Agent from acting in any other capacity for UHSEC or the Health System Entities or for any other entity.

*(Signatures on following page)*

IN WITNESS WHEREOF, the parties hereto have caused this Escrow Agreement to be executed as of the date first above written.

**UHSEC:**

**UNIVERSITY HEALTH SYSTEM OF EASTERN CAROLINA**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**HEALTH SYSTEM:**

**BEAUFORT REGIONAL HEALTH SYSTEM**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ASSOCIATION:**

**BEAUFORT COUNTY HOSPITAL ASSOCIATION, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**PHYSICIAN GROUP:**

**BEAUFORT REGIONAL PHYSICIANS, LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ESCROW AGENT:**

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SCHEDULE A

1. Escrow Funds.

Escrow Amount: \$100,000

Escrow Funds wiring instructions:

\_\_\_\_\_  
ABA # \_\_\_\_\_  
Account # \_\_\_\_\_  
Account Name: \_\_\_\_\_  
Ref: Acct # \_\_\_\_\_

2. Escrow Agent Fees.

3. Taxpayer Identification Numbers.

UHSEC: \_\_\_\_\_

Health System: \_\_\_\_\_

Association: \_\_\_\_\_

Physician Group: \_\_\_\_\_

4. Investment Instructions

5. Representatives.

The following person is hereby designated and appointed as UHSEC Representative under the Escrow Agreement:

\_\_\_\_\_

The following person is hereby designated and appointed as the Representative under the Escrow Agreement for Health System Entities:

\_\_\_\_\_

EXHIBIT L

**MEMORANDUM OF LEASE AND PURCHASE OPTION**

[See attached]

**Prepared by and return to:  
Anthony J. Barwick, Esq.  
K&L Gates LLP  
PO Box 17047  
Raleigh, NC 27619-7047**

**STATE OF NORTH CAROLINA  
COUNTY OF BEAUFORT**

**MEMORANDUM OF LEASE AND  
PURCHASE OPTION**

This Memorandum of Lease and Purchase Option (“**Memorandum**”) dated as of the \_\_\_\_\_ day of \_\_\_\_\_, 2011, by and between COUNTY OF BEAUFORT, a county of the State of North Carolina (referred to herein as “**County**”), and UNIVERSITY HEALTH SYSTEMS OF EASTERN CAROLINA, INC., a North Carolina nonprofit corporation (“**Tenant**”).

WITNESSETH

The provisions set forth in a written Lease (the “**Lease**”) by and among the County, Beaufort Regional Health System, Beaufort County Hospital Association, Inc., Beaufort Regional Physicians, LLC, and Tenant, dated as of the 25<sup>th</sup> day of August, 2011 are hereby incorporated into this Memorandum.

Pursuant to the Lease, County has leased to Tenant the Leased Property (as defined in the Lease) more particularly described on Exhibit A and Exhibit B attached hereto and made a part hereof for a term beginning on the date hereof, and ending on the last day of the month in which the thirtieth (30<sup>th</sup>) anniversary of the “**Closing Date**” (as defined in the Lease) occurs.

Tenant has in turned subleased the Leased Property to its controlled affiliates, East Carolina Health – Beaufort, Inc., Health Access, Inc., or UHS Physicians, LLC.

Pursuant to the Lease, Landlord has granted Tenant an option (the “**Option**”) to purchase the Land more particularly described on Exhibit A and Exhibit B attached hereto and made a part hereof. In accordance with the terms of the Lease the Option shall be vested upon the expiration of the Term or upon termination by Tenant upon occurrence of an event of default under the

terms of the Lease; provided however, in the event Tenant is deemed to not own any leasehold interest in the Leased Property notwithstanding the terms of the Lease or in the event the purchase option granted hereunder is otherwise deemed to be an option in gross with respect to an interest in the Leased Property or a preemptive right with respect to the Leased Property which may become invalid within a date certain in accordance with the provisions of N.C. Gen. Stat. § 41-29 (or any successive or other law or statute either now or hereafter requiring a date certain for the exercise of such rights in order for such rights to be valid), the Landlord agrees to take such further action to cause the Option to be renewed or otherwise reinstated (including for successive periods) and agrees to take such further action (including, without limitation, the entering into of such agreements or acknowledgments of such instruments) as Tenant may reasonably request to evidence same on or prior to such date to give continuing effect to the Option granted in the Lease. If Landlord fails to take such action then, to the extent the Option may otherwise be deemed invalid or set to expire, Tenant's rights hereunder shall be considered vested and Tenant shall exercise such right to receive good marketable fee simple title to the Leased Property not later than December 31, 2041.

To the extent that any of the foregoing provisions conflict or are inconsistent with any provision of the Lease, the Lease will control. All terms of the Lease are incorporated herein as if fully stated herein. Any capitalized terms not defined herein shall have the meaning given in the Lease.

[The next page is the signature page]

IN WITNESS WHEREOF, County and Tenant have caused this Memorandum of Lease to be duly executed and effective as of the later of the dates of the acknowledgements below.

**COUNTY:**

COUNTY OF BEAUFORT

By: \_\_\_\_\_  
Name: Jerry E. Langley  
Chairman of Board of Commissioners

Beaufort County, North Carolina

I certify that the following person personally appeared before me this day and acknowledged to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: \_\_\_\_\_.

(Insert Name of individual signatory above)

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

My Commission Expires: \_\_\_\_\_

Notary Public

Print Name: \_\_\_\_\_

[Affix Notary Stamp or Seal]

**TENANT:**

UNIVERSITY HEALTH SYSTEMS OF  
EASTERN CAROLINA, INC.

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

Print Name:

Title:

Pitt County, North Carolina

I certify that the following person personally appeared before me this day and acknowledged to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: \_\_\_\_\_

(Insert Name of individual signatory above)

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

My Commission Expires: \_\_\_\_\_

Notary Public

Print Name: \_\_\_\_\_

[Affix Notary Stamp or Seal]



**EXHIBIT A**  
**MAIN FACILITY**

In the City of Washington, Beaufort County, North Carolina, more particularly described as follows:

Beginning at an iron pipe at the point of intersection of the Northwestern line of the right of way of U.S. Highway No. 264 and the Northeastern line of the right of way of Twelfth Street Extended; and running thence North 63 degrees 12 minutes East with the right of way of U.S. Highway No. 264, 568.6 feet to an iron pipe; thence North 31 degrees 37 minutes West 740 feet to an iron pipe; thence South 58 degrees 23 minutes West 262.6 feet to an iron pipe; thence South 32 degrees 5 minutes West 567 feet to an iron pipe in the Northeastern line of Twelfth Street; thence with the Northeastern line of Twelfth Street South 56 degrees 8 minutes East 478 feet to the point of beginning, containing 10 acres as surveyed by W.B. Duke, July 1, 1955 and being the same shown on map of record in the Office of the Register of Deeds of Beaufort County in Map Book 9, page 94, and being the same as was conveyed to Beaufort County by Deed of Correction dated December 12, 1955 of record in Book 458, Page 573, Beaufort County Registry, to which map and deed reference is herein made and incorporated for a more complete and detailed description. But saving and excepting that portion therein conveyed by the County of Beaufort to the Department of Transportation, an agency of the State of North Carolina, by Deed dated March 18, 1992 of record in Book 960, Page 591, Beaufort County Registry

**EXHIBIT B**  
**HOSPITAL AUTHORITY SUBDIVISION PARCELS**

TOGETHER WITH All those certain tracts or parcels of land lying and being situate in Beaufort County, North Carolina and being more particularly described as follows:

Tract One:

Being all of Lots Nos. 11, 12, 13, 14, 15, 16, 17 and 18 and the "30' Private R/W" depicted as Wexham Road as same are shown and delineated on a map entitled "Final Subdivision & Recombination Plat for Beaufort Regional Medical Authority," said map being recorded in Plat Cabinet H, Slide 6-6 in the office of the Register of Deeds of Beaufort County, reference to said map being hereby made for a more perfect description of said property.

Tract Two:

Being all of Lots Nos. 6, 7, 8, 9 and 10 as same are shown and delineated on a map entitled "Final Subdivision & Recombination Plat for Beaufort Regional Medical Authority," said map being recorded in Plat Cabinet H, Slide 6-6 in the office of the Register of Deeds of Beaufort County, reference to said map being hereby made for a more perfect description of said property.

Tract Three:

Being all of Lots Nos. 3 and 4 as same are shown and delineated on a map entitled "Final Subdivision & Recombination Plat for Beaufort Regional Medical Authority," said map being recorded in Plat Cabinet H, Slide 6-6 in the office of the Register of Deeds of Beaufort County, reference to said map being hereby made for a more perfect description of said property.

Tract Four:

Being all of Lot No. 19 as same is shown and delineated on a map entitled "Final Subdivision & Recombination Plat for Beaufort Regional Medical Authority," said map being recorded in Plat Cabinet H, Slide 6-6 in the office of the Register of Deeds of Beaufort County, reference to said map being hereby made for a more perfect description of said property.

Tract Five:

Being all of Lot No. 1 as same is shown and delineated on a map entitle "Final Subdivision & Recombination Plat for Beaufort Regional Medical Authority," said map being recorded in Plat Cabinet H, Slide 6-6 in the office of the Register of Deeds of Beaufort County, reference to said map being hereby made for a more perfect description of said property.

The above Tract 5 is conveyed together with a non-exclusive right to use that certain "40' Ingress/Egress, Utility & Fire Access Easement" as same in shown and delineated on a map entitled "Final Subdivision & Recombination Plat for Beaufort Regional Medical Authority,"

said map being recorded in Plat Cabinet H, Slide 6-6 in the office of the Register of Deeds of Beaufort County, and a non-exclusive right to use that certain "40' Private Access & Utility Easement" as same is shown and delineated on a map entitled "Map of Property of Beaufort County Hospital Assoc. Inc.," said map being recorded in Plat Cabinet G, Slide 44-6 in the office of the Register of Deeds of Beaufort County, reference to said maps being hereby made for a more perfect description of said easement.

#### **OTHER PARCELS:**

##### **Tract Six:**

Being all of Lots Nos. 6 and 7, Block 3 as same are shown and delineated on a map of "Washington Heights," said map being recorded in Book 140, Page 552 and Plat Cabinet C, Slide 277 in the office of the Register of Deeds of Beaufort County, reference to said maps being hereby made for a more perfect description of said property.

##### **Tract Seven:**

Being all of "Area: 0.59 Ac." as same is shown and delineated on a map entitled "Map of Survey for Washington Ob-Gyn Realty Associates, LLC," said map being recorded in Plat Cabinet E, Slide 55-10 in the office of the Register of Deeds of Beaufort County, reference to said map being hereby made for a more perfect description of said property.

##### **Tract Eight:**

Being all of Lot B (containing 0.31 acres) as same is shown and delineated on a map entitled "Property of Guy G. Shavender & Marya M. Shavender," said map being recorded in Book 1017, Page 947-B in the office of the Register of Deeds of Beaufort County, reference to said map being hereby made for a more perfect description of said property.

##### **Tract Nine:**

BEGINNING AT A POINT (the "Beginning Point") evidenced by a 3/4 inch, 2 inch deep existing iron pipe located in the western edge of the right-of-way of West Third Street, a sixty (60) foot wide public right-of-way, said pipe being located North 01 degree 48 minutes 55 seconds West 200.10 feet from a 1/2 inch, 3 inch deep existing iron pipe located at the intersection of the western edge of the right-of-way of the above-referenced West Third Street with the northern edge of the right-of-way of North Carolina Highway 33, an eighty (80) foot wide public right-of-way, and said Beginning Point also being the northeast corner of the now or formerly Beaufort County Alcoholic Beverage Control Board property described in Deed Book 918, Page 749, Beaufort County Registry, and shown on plat of survey recorded in Plat Cabinet A, Slide 81, Beaufort County Registry, and running thence from said Beginning Point and with the northern property line of said Beaufort County Alcoholic Beverage Control Board property South 87 degrees 38 minutes 17 seconds West 267.69 feet to a 3/4 inch, 3 inch deep existing iron pipe, the northwest corner of the said Beaufort County Alcoholic Beverage Control Board property; thence continuing South 87 degrees 38 minutes 17 seconds West 19.74 feet to a 1/2

inch set rebar & cap – flush; thence North 02 degrees 04 minutes 02 seconds West 179.67 feet to a point located in a ditch and passing through a reference 1/2 inch set rebar & cap – flush at 167.51 feet; thence along a line running in a ditch North 87 degrees 51 minutes 14 seconds East 288.21 feet to a point located in the western edge of the right of way of West Third Street, a sixty (60) foot wide public right-of-way, and said point being located North 01 degree 48 minutes 55 seconds West 12.00 feet from a reference 1/2 inch set rebar & cap – flush; thence with said right-of-way of West Third Street South 01 degree 48 minutes 55 seconds East 178.59 feet, passing through a reference 1/2 inch set rebar & cap – flush at 12.00 feet, to the Beginning Point, containing 1.184 acres, as shown on plat of survey entitled “Survey For: Beaufort County, Aurora Medical Center, Portion of D.B. 1731, PG. 62 (Tract 9), 151 West 3rd Street, Aurora, NC” dated July 13, 2011, prepared by Richard Allen Maye, Jr., Professional Land Surveyor, of Mayo and Associates, P.A., Land Surveying which plat is referenced for a more particular description and being a portion of that certain 5.09 acre tract or parcel of land shown on plat of survey recorded in Plat Cabinet A, Slide 81, Beaufort County Registry.

Tract Ten:

BEGINNING AT A POINT (the “Beginning Point”) evidenced by a set 1/2 inch rebar/cap (flush) at bent 1 1/2 inch iron pipe located in the southwestern edge of the right-of-way of Cowell-Farm Road, a 60 (sixty) foot wide public right-of-way, and said Beginning Point being a corner with Lot 11 of the Beaufort Regional Medical Authority Subdivision as shown on plat of survey recorded in Plat Cabinet H, Slide 6-6, Beaufort County Registry, and being further located South 36 degrees 42 minutes 16 seconds East 161.87 feet from Control Point “A” and South 72 degrees 59 minutes 51 seconds West 63.70 feet from Control Point “B” as shown on the hereinafter referenced plat of survey and running thence from said Beginning Point and with the southwestern edge of the above-referenced Cowell-Farm Road right-of-way South 36 degrees 41 minutes 50 seconds East 361.39 feet to a set 1/2 inch rebar/cap (flush), a corner with Lot “B” as shown on the hereinafter referenced plat of survey; thence with the property line of said Lot “B” South 53 degrees 45 minutes 19 seconds West 272.73 feet to a set 1/2 inch rebar/cap (flush), located in the property line of the now or formerly Beaufort County property described in Deed Book 453, Page 237, Beaufort County Registry; thence with the property line of said Beaufort County property North 36 degrees 38 minutes 49 seconds West 354.39 feet to 2 inch outside diameter, 1 inch deep existing iron pipe designated as Control Point “C” as shown on the hereinafter referenced plat of survey and located in the property line of the above-referenced Lot 11 of the Beaufort Regional Medical Authority Subdivision; thence with the property line of said Lot 11 North 52 degrees 17 minutes 03 seconds East 272.45 feet to the Beginning Point, designated as Lot “A”, containing 2.239 acres, as shown on plat of survey entitled “Tract “A” & Tract “B”, Survey For: Beaufort County, Cowell-Farm Road, Washington, NC 27889” dated July 12, 2011, prepared by Norwood Martin Mayo, Professional Land Surveyor, of Mayo and Associates, P.A., Land Surveying which plat is referenced for a more particular description and being a portion of that certain 4.70 acre tract or parcel of land described in Deed recorded in Book 623, Page 395, Beaufort County Registry.

Tract Eleven:

BEGINNING AT A POINT located in the northern edge of the right-of-way of Brown Street Extension, a sixty (60) foot wide public right-of-way, said point being the southwestern corner of that certain tract or parcel of land designated as "Portion of Lot 3" containing 0.76 acres as shown on plat of survey recorded in Plat Cabinet G, Slide 44-6, Beaufort County Registry, and running thence North 41 degrees 00 minutes 16 Seconds East 202.18 feet to a point; thence North 58 degrees 55 minutes 21 seconds East 20.30 feet to a point; thence South 41 degrees 00 minutes 16 seconds East 201.39 feet to a point located in the northern edge of the right-of-way of the above-referenced of Brown Street Extension; thence with said right-of-way of Brown Street Extension South 56 degrees 43 minutes 05 seconds West 20.18 feet to the POINT AND PLACE OF BEGINNING, and designated as Tract 1, containing 0.093 acres, as shown on plat of survey entitled "Survey For: Easley Respass Properties, LLC & Beaufort County Hospital Association, Inc." dated January 24, 2005 prepared by Michael West Baldwin, Professional Land Surveyor, of Baldwin and Associates, a copy of which is attached to Deed from Easley Respass Properties, LLC to Beaufort Regional Medical Authority recorded in Book 1494, Page 76, Beaufort County Registry, which plat is referenced for a more particular description.

DRAFT

**SCHEDULE 2.c**  
**PERMITTED EXCEPTIONS**

**See attached.**

**A. Title Matters:**

1. None.

## **B. Deeds of Trust and Fixture Filings**

None



### C. UCC-1 Financing Statements

#### BEAUFORT COUNTY HOSPITAL ASSOCIATION, INC.

Location: North Carolina Secretary of State's Office  
 Search Period: Through 2/10/11

UCC Liens: See below

Secured Party	File Number	File Date	Collateral
Siemens Medical Systems, Inc./Siemens Financial Services, Inc.	20010006955 20050106466A  20100066324F	1/22/01 (original) 11/4/05 (continuation) 8/20/10 (continuation)	Various equipment covered under Leasing Schedule #100-0001268-000, including all accessions, attachments, replacements, substitutions, modifications, additions and appurtenances thereto (including all Debtor's rights in all licenses of all software related to any of the foregoing) and all proceeds.  LEASE FILING
Siemens Financial Services, Inc./Siemens Medical Solutions USA, Inc.	20050094245B 20100056357M	10/3/05 (original) 7/16/10 (continuation)	Various equipment covered under Leasing Schedule #11234, including all accessions, attachments, replacements, substitutions, modifications, additions and appurtenances thereto (including all Debtor's rights in all licenses of all software related to any of the foregoing) and all proceeds.  LEASE FILING
Siemens Financial Services, Inc.	20050106560G 20100084107E	11/4/05 (original) 10/26/10 (continuation)	In Lieu Financing Statement NC – Beaufort County, ORIG #2001-0048 filed 1/11/01  Various equipment covered under Leasing Schedule #100-0001268-000, including all accessions, attachments, replacements, substitutions, modifications, additions and appurtenances thereto (including all Debtor's rights in all licenses of all software related to any of the foregoing) and all proceeds.  LEASE FILING

Siemens Financial Services, Inc./Siemens Medical Solutions USA, Inc.	20060024351E 20110002454M	3/9/06 (original) 1/11/11 (continuation)	Various equipment covered under Leasing Schedule #11665, including all accessions, attachments, replacements, substitutions, modifications, additions and appurtenances thereto (including all Debtor's rights in all licenses of all software related to any of the foregoing) and all proceeds.  LEASE FILING
Siemens Medical Solution USA, Inc.	20060117875J	12/11/06	Various equipment covered under Leasing Schedule #13291, including all accessions, attachments, replacements, substitutions, modifications, additions and appurtenances thereto (including all Debtor's rights in all licenses of all software related to any of the foregoing) and all proceeds.  LEASE FILING
Baytree Leasing Company, LLC	20070030273F	3/29/07	One Lab Vision Autostainer 3602D  One Lab Vision PT Module  LEASE FILING
Banc of America Public Capital Corp.	20070046520H	5/9/07	(1) Equipment Installment Financing Agreement No. 17319-00600 dated as of May 8, 2007 ("Master Lease") and all Equipment Schedules now or hereafter executed pursuant to such Master Lease and all proceeds thereof and (2) all equipment or other personal property now or hereafter leased or financed under such Master Lease and Equipment Schedule(s). [To be cancelled and released as of the Effective Date pursuant to Paragraph 6 (a)i of the Lease.]  LEASE FILING
Abbott Laboratories, Inc.	20070058178K	6/14/07	Two Abbott Cell DYN Ruby's, including all additions, attachments, accessions, substitutions, replacements and proceeds.
US Bancorp	20070088301M	9/14/07	One ASSY analyzer final phox basic  One Analyzer Stp CCX 3+
General Electric Capital Corporation	20070116958M	12/14/07	One Carestream 2000RT Plus CR System, together with any and all additions, attachments, accessories and accessions and any and all substitutions, replacements or exchanges therefore, and

			any and all insurance and/or other proceeds financed pursuant to that Lease Agreement between Beaufort County Hospital Association, Inc. and General Electric Capital Corporation (Account Number 8365487-001 LD/PS)  LEASE FILING
DeLage Landen Financial Services, Inc.	20080010373F	2/1/08	One Architec C8000 with trade up of Lease # 24613200, including all components, additions, upgrades, attachments, accessions, substitutions, replacements and proceeds of such collateral. [To be cancelled and released as of the Effective Date pursuant to Paragraph 6(a)i of the Lease.]  LEASE FILING
Banc of America Public Capital Corp.	20080023545M	3/12/08	(1) Equipment Installment Financing Agreement No. 17319-06000 dated as of May 12, 2008 ("Master Lease") and all Equipment Schedules now or hereafter executed pursuant to such Master Lease and all proceeds thereof and (2) all equipment or other personal property now or hereafter leased or financed under such Master Lease and Equipment Schedule(s). [To be cancelled and released as of the Effective Date pursuant to Paragraph 6 (a)i of the Lease.]  LEASE FILING
Banc of America Leasing & Capital, LLC	20080103904J	11/24/08	(1) Master Lease Agreement No. 17319-9000 dated as of November 18, 2008 and all proceeds thereof and (2) all equipment or other personal property now or hereafter leased or financed under such Master Lease Agreement and Equipment Schedule(s). [To be cancelled and released as of the Effective Date pursuant to Paragraph 6 (a)i of the Lease.]  LEASE FILING
Winthrop Resources Corporation	20080107094B	12/5/08	Addendum No. 1 –any and all of the hardware, equipment, furniture, fixtures, intangibles, licenses and/or software, including all accessories, attachments, additions, substitutions and/or replacements contained in this UCC, as well as any lease agreement or lease

			schedule, including, but not limited to Lease Agreement Number BE1140408 or Lease Schedule Number A.  LEASE FILING
Winthrop Resources Corporation	20090013002J	2/18/09	Lease Agreement # BE110408 and Lease Schedule # A01.
Olympus America Inc. its successors and assigns	20090017387J	3/9/09	Various equipment, and all substitutions, replacements, additions, attachments and accessories thereto, and all proceeds thereof.  LEASE FILING
Stryker Finance	20090026636F	4/7/09	All equipment leased or financed pursuant to Contract Number 24969357, together with all additions, attachments, accessories and substitutions to or for the same, and all proceeds of the foregoing.
Conmed Linvatec	20090068337K	9/3/09	Various equipment
MB Financial Bank, N.A.	20090072286H 20090077260E	9/21/09 (original) 10/9/09 (assignment from TCF Equipment Finance, Inc.)	All equipment and other personal property and all modifications and additions thereto and replacements and substitutions therefore, in whole or in part, now or hereafter covered by that certain Lease Schedule No. 2656A01, to Master Lease No. PMI-2656A. Said equipment expected to include, but is not limited to, various Items of Equipment expected to include miscellaneous video equipment, and/or other related and or accessory property. Includes all attachments and accessories thereto, and all proceeds thereof, including proceeds in the form of goods, accounts, chattel paper, documents, instruments, contract rights and general intangibles.
First Citizens Bank & Trust Company	20090090392F	12/3/09	One new NexGear Parallel Switch for backup power to Beaufort County Hospitals existing generator system. [To be cancelled and released as of the Effective Date pursuant to Paragraph 6 (a)i of the Lease.]

**BEAUFORT REGIONAL HEALTH SYSTEM**

Location: North Carolina Secretary of State's Office  
Search Period: Through 2/10/11

UCC Liens: See below

<b>Secured Party</b>	<b>File Number</b>	<b>File Date</b>	<b>Collateral</b>
MB Financial Bank, N.A.	20090071407A 20090077261F	9/16/09 (original) 10/9/09 (assignment from TCF Equipment Finance, Inc.)	All equipment and other personal property and all modifications and additions thereto and replacements and substitutions therefore, in whole or in part now or hereafter covered by that certain Lease Schedule No. 2656A01, to Master Lease No. PML-2656A. Said equipment is expected to include, but is not limited to Items of Equipment expected to include miscellaneous video equipment, and/or other related and/or accessory property. Includes all attachments and accessories thereto, and all proceeds thereof, including proceeds in the form of goods, accounts, chattel paper, documents, instruments, contract rights and general intangibles.

**BEAUFORT REGIONAL MEDICAL AUTHORITY**

Location: North Carolina Secretary of State's Office  
 Search Period: Through 2/10/11

UCC Liens: See below

<b>Secured Party</b>	<b>File Number</b>	<b>File Date</b>	<b>Collateral</b>
Winthrop Resources Corporation	20080111646M	12/23/08	Addendum No. 1 –any and all of the hardware, equipment, furniture, fixtures, intangibles, licenses and/or software, including all accessories, attachments, additions, substitutions and/or replacements contained in this UCC, as well as any lease agreement or lease schedule, including, but not limited to Lease Agreement Number BE1140408 or Lease Schedule Number A.  LEASE FILING
Winthrop Resources	20090013009F	2/18/09	Lease Agreement # BE110408 and

Corporation			Lease Schedule # A01.
-------------	--	--	-----------------------

**SCHEDULE 2.d.**  
**GOVERNMENTAL AUTHORIZATIONS**

1. 2.d.(i) See attached.
2. 2.d.(ii) The Health System has been in material compliance with the Government Authorizations included in this schedule.
3. 2.d.(iii) The Health System has not received any notice or other communication from any Governmental Body or any other Person regarding any actual, alleged, possible or potential violation of or failure to comply with any term or requirement of any Governmental Authorization or any actual, proposed, possible or potential revocation, withdrawal, suspension, cancellation, termination of or modifications to any Governmental Authorization.

Summary of Beaufort NPIs / Medicare / Medicaid Numbers

Name	DBA	Service Type/Taxonomy	NPI	Medicare (MC); Medicaid (MD) Numbers
Beaufort County Hospital Association., Inc	Beaufort County Medical Center	General Acute Care Hospital	1275576860	MC: 340038 MD: 3400038
Beaufort County Hospital Association Inc	Beaufort County Hospital Professional Services	Clinic/Center - Multispecialty	1164526877	MC: 235009 MC: 235009A MC: 260088 MD: 890765J
Beaufort County Hospital Association Inc	Psychiatric Unit	Psychiatric Unit	1346392974	MC: 34S038 MD: 3400038
Beaufort County Hospital Association Inc	Beaufort County Hospital CAP Program	Home Health	1104016195	MC: None MD: 3408593
Beaufort County Hospital Association Inc	Beaufort County Hospital Ambulance Service	Ambulance	1831427566	Only lists a Medicaid Number MD: 3406651
Beaufort County Hospital Association, Inc.	Beaufort Regional Home Health	Registered Nurse – Home Health (primary)	1508859075	MC: 347115



Name	DBA	Service Type/Taxonomy	NPI	Medicare (MC); Medicaid (MD) Numbers
		Home Health		MD: 3417115
DME Ventures LLC	Pamlico Medical Equipment	DME and Medical Supplies – Oxygen Equipment and Supplies	1023085453	MC: 1250210001 MD: 7702901
Beaufort County Hospital Association Inc	Inner Banks Internal Medicine	Single Specialty Group – Internal Medicine - CLOSED	1306987110	MC: 235009G MD: 5906009
Beaufort County Hospital Association Inc	Pamlico Psychiatric Services	Single Specialty Group – Psychiatry & Neurology - Psychiatry	1881713683	MC: 235009L MD: 59008291
Beaufort County Hospital Association Inc	Beaufort Mental Health Services	Single Specialty Group – Psychiatry & Neurology - Psychiatry	1013130293	MC: 235009K MD: 5908006
Beaufort County Hospital Association Inc	Tideland Psychiatric Services Swan Quarter	Single Specialty Group – Psychiatry & Neurology - Psychiatry	1558599449	MC: 235009P MD: 5912652
Beaufort County Hospital Association Inc	Tideland Psychiatric Services Ocracoke	Single Specialty Group – Psychiatry & Neurology - Psychiatry	1467680355	None listed
Beaufort County Hospital Association Inc	Tideland Psychiatric Services Columbia	Single Specialty Group – Psychiatry & Neurology - Psychiatry	1972731859	MC: 235009P MD: 5912451
Beaufort County Hospital Association Inc	Tideland Psychiatric Services Plymouth	Single Specialty Group – Psychiatry & Neurology - Psychiatry	1083842264	MC: 235009R MD: 5913001

Name	DBA	Service Type/Taxonomy	NPI	Medicare (MC); Medicaid (MD) Numbers
Beaufort County Hospital Association Inc	Tideland Psychiatric Services Williamston	Single Specialty Group – Psychiatry & Neurology - Psychiatry	1558599738	MC: 235009P MD: 5912653
Beaufort County Hospital Association Inc	White Rheumatology	Single Specialty Group – Internal Medicine - Rheumatology	1902135999	MC: 235009S MD: 5917051
Beaufort County Hospital Association Inc.	Ray G. Silverthorne Crisis Center	Clinic/Center – Mental Health (including Community Mental Health Center)	1215194402	MC: 235009T MD: 8302793
Beaufort Regional Physicians, LLC	Seaboard Surgical Associates	Single Specialty Group - Surgery	1801848817	MC: 2347896D MD: 8902643
Beaufort Regional Physicians, LLC	Aurora Medical Center	Single Specialty Group – Family Medicine	1427163153	MC: 2347896K MD: 8902836
Beaufort Regional Physicians, LLC	Chocowinity Family Care	Single Specialty Group – Family Medicine	1538275706	MC: 2347896H MD: 89016A5
Beaufort Regional Physicians, LLC	Pamlico Internal Medicine Associates	Single Specialty Group – Internal Medicine	1811099112	MC: 2347896F MD: 5906188
Beaufort Regional Physicians, LLC	George J. Miller Orthopedic Surgery	Single Specialty Group – Orthopedic Surgery	1063574143	MC: 2347896A MD: 5906094
Beaufort Regional Physicians, LLC	OB GYN of Washington	Single Specialty Group – Obstetrics & Gynecology	1942357140	MC: 2347896C

Name	DBA	Service Type/Taxonomy	NPI	Medicare (MC); Medicaid (MD) Numbers
Beaufort Regional Physicians, LLC	Inner Banks Urgent Care	Clinic/Center – Urgent Care	1215065180	MD: 5906095 MC: 2347896G MD: 5905985
Beaufort Regional Physicians, LLC	Washington Urological Associates	Single Specialty Group – Urology	1033249552	MC: 2347896B MD: 5906189
Beaufort Regional Physicians, LLC	Coastal GI	Single Specialty Group - Surgery	1407045149	MC: 2347896M MD: 5950363
Beaufort Regional Physicians, LLC	Zack J. Waters Jr., General Outpatient Surgery	Single Specialty Group - Surgery	1114194024	MC: 2347896J MD: 5950075
Beaufort Regional Physicians, LLC	Washington Family Medicine Center	Single Specialty Group – Family Medicine	1740428176	MC: 2347896E MD: 5950575
Beaufort Regional Physicians, LLC	Birdsong Orthopedic Group	Single Specialty Group – Orthopedic Surgery	1265593131	MC: 2347896 MD: 5906093

**Schedule of Beaufort Licenses and Accreditation Certificates**

Name	DBA	Agency and License Type	License Number
Beaufort County Hospital Association, Inc.	Beaufort County Medical Center	Division of Health Service Regulation, Acute and Home Care Licensure and Certification Section  <b>Hospital Beds:</b> General – 120 Psychiatric – 22 <b>Operating Rooms:</b> C-Section - 1 Shared IP/Am Surg - 5 Endoscopy - 1	H0188  Effective: 1/1/11 to 12/31/11
Beaufort County Hospital Association, Inc.	Beaufort County Hospital Ambulance Service	Division of Health Service Regulation, Office of Emergency Medical Services  EMS Provider  Ambulances	EMS Agency License: 1010  Ambulance Permits: 08896 and 08897
Beaufort County Hospital	Beaufort Regional Home Health	Division of Health Service Regulation, Acute and Home Care Licensure and Certification Section  Home Health Agency  Home Care Services: Nursing Care, Infusion Nursing, In-home Aide, Medical Social Services, Physical Therapy, Occupational Therapy, Speech Therapy, Nursing Pool Services, Companion, Sitter, Respite	HC1634  Effective: 1/1/11 to 12/31/11
Beaufort County Hospital	Lifestyles Medical Fitness	Division of Health Service Regulation, Acute and Home Care	CRP00100

Name	DBA	Agency and License Type	License Number
Association, Inc.	Center	Licensure and Certification Section Cardiac Rehabilitation Facility Facility #6007550005	MHL-007-068 Effective: 1/1/11 to 12/31/11 Facility #922757
Beaufort Regional Medical Authority	Ray G. Silverthorne Crisis Center	Division of Health Service Regulation, Mental Health Licensure and Certification Section Mental Health Facility 27G.5000 Facility Crisis Svcs. for all Disability Groups Capacity: 9	
Beaufort County Hospital Association		North Carolina Board of Pharmacy Pharmacy Permit	Permit No. 02406 Issue Date: 12/21/10 Expiration Date: 12/31/11
Pamlico Medical Equipment (Washington, NC)		North Carolina Board of Pharmacy Device and Medical Equipment Dispensing Permit	Permit No. 00420 Issue Date: 11/12/10 Expiration Date: 12/31/11
Beaufort County Medical Center	Beaufort County Medical Center	North Carolina Department of Health and Human Services North Carolina Controlled Substances Registration Certificate	DHHS Registration Number NC-AB 3188 732 Date Issued: 1/7/11 Expiration Date: 12/31/11
Beaufort County Hospital Association, Inc.		The Joint Commission	Organization ID # 6561

Name	DBA	Agency and License Type	License Number
Beaufort County Hospital Association, Inc.		Home Care Accreditation Program	Dated 1/19/08
Beaufort County Hospital	Beaufort County Hospital	The Joint Commission Hospital Accreditation Program	Organization ID # 6561
Beaufort County Hospital Association, Inc.	Beaufort County Hospital	United States Department of Justice, Drug Enforcement Administration Controlled Substance Registration Certificate	DEA Registration Number: AB3188732 Date Issued: 7/8/10 Expiration Date: 7/31/13
Beaufort County Hospital Association, Inc.	Beaufort County Hospital	N.C. Department of Environment and Natural Resources, Radioactive Materials Branch, Radiation Protection Section Radioactive Materials License	License No: 007-0311-1 Issue Date: 3/26/10 Expiration Date: 4/30/14
Beaufort County Medical Center	Beaufort County Medical Center	North Carolina Radiation Protection Notification of Registration for X-ray Units	Registration No. 7-M000105 Effective Date: 1/4/10
Beaufort County Medical Center	Beaufort County Medical Center	American College of Radiology Magnetic Resonance Imaging Services Siemens SYMPHONY SYNGO 1995 for Head, Spine, Body, MSK, MRA	Accredited from: 4/12/10 – 4/12/13
Beaufort County Medical Center	Beaufort County Medical Center	American College of Radiology	Accredited from: 6/3/10 – 6/3/13

Name	DBA	Agency and License Type	License Number
Beaufort County Medical Center	Beaufort County Medical Center	Ultrasound Imaging Services OB, Gynecological, General & Vascular Ultrasound Services including Peripheral Vascular, Cerebrovascular, Deep Abdominal Vascular	Accredited from: 7/7/10 – 7/7/13
Beaufort County Medical Center	Beaufort County Medical Center	American College of Radiology Nuclear Medicine Services Phillips SKYLIGHT 2006 Planar, SPECT and Nuclear Cardiology	Accredited from: 7/7/10 – 7/7/13
Beaufort County Medical Center	Beaufort County Medical Center	American College of Radiology Nuclear Medicine Services ADAC Laboratories FORTE 2001 Planar, SPECT and Nuclear Cardiology	Accredited from: 7/20/10 – 7/20/13
Beaufort County Medical Center Main Laboratory	Beaufort County Medical Center Laboratory	American College of Radiology Computed Tomography Services Siemens SENSATION 64 2005 Adult & Pediatric Patients College of American Pathologists Laboratory Accreditation Programs	LAP Number: 1404001 AU-ID: 1179792

Name	DBA	Agency and License Type	License Number
Marion L. Shepard Cancer Center Laboratory	Marion L. Shepard Cancer Center Laboratory	College of American Pathologists Laboratory Accreditation Programs	LAP Number: 7212151 AU-ID: 157618
Beaufort County Hospital	Beaufort County Hospital	340B Covered Entity Disproportionate Share Hospital	340B ID: DSH340038
Beaufort County Hospital Marion L. Shepard Cancer Center	Beaufort County Hospital Marion L. Shepard Cancer Center	340B Covered Entity Disproportionate Share Hospital Sub-Division	340B ID: DSH340038A
Beaufort County Medical Center	Beaufort County Medical Center	CLIA	CLIA # 34D0018095
Beaufort County Medical Center	Beaufort County Medical Center	Federal Communications Commission Radio Station Authorization	FCC Registration Number 0012149019 Effective Date: 06/26/09 Expiration Date: 12/28/14
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Environmental and Natural Resources, Division of Waste Management Underground Storage Tank Operating Permit Certificate (UST Permit)	Certificate # 2011024020 Effective Date: 1/27/11 Expiration Date: 12/31/11
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Boiler Safety Bureau Certificate of Inspection	NC # NC331754 Nat. Bd. # 47168 Expiration Date: 1/31/12



Name	DBA	Agency and License Type	License Number
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Boiler Safety Bureau Certificate of Inspection	NC # NC331753 Nat. Bd. # 52464 Expiration Date: 1/31/12
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Boiler Safety Bureau Certificate of Inspection	NC # NC042637 Nat. Bd. # 19236 Expiration Date: 11/30/11
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Elevator and Amusement Device Bureau Certificate of Operation Passenger Elevator	No. 2973 Date of Last Inspection: 12/16/10
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Elevator and Amusement Device Bureau Certificate of Operation Passenger Elevator	No. 2972 Date of Last Inspection: 12/16/10
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Elevator and Amusement Device Bureau Certificate of Operation Passenger Elevator	No. 26417 Date of Last Inspection: 12/16/10

Name	DBA	Agency and License Type	License Number
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Elevator and Amusement Device Bureau Certificate of Operation Passenger Elevator	No. 6120 Date of Last Inspection: 12/16/10
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Boiler Safety Bureau Certificate of Inspection	NC # NC380113 Nat. Bd. # 3215 Expiration Date: 1/31/12
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Boiler Safety Bureau Certificate of Inspection	NC # NC042639 Nat. Bd. # 22382 Expiration Date: 6/30/11
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Boiler Safety Bureau Certificate of Inspection	NC # NC191131 Nat. Bd. # 244015 Expiration Date: 6/30/11
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Boiler Safety Bureau Certificate of Inspection	NC # NC328344 Nat. Bd. # 176049 Expiration Date: 6/30/11
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Boiler Safety Bureau Certificate of Inspection	NC # NC328345 Nat. Bd. # 23632 Expiration Date: 6/30/11

Name	DBA	Agency and License Type	License Number
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Boiler Safety Bureau Certificate of Inspection	NC # NC042638 Nat. Bd. # 19237 Expiration Date: 11/30/11
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Boiler Safety Bureau Certificate of Inspection	NC # NC165850 Nat. Bd. # 41771 Expiration Date: 7/31/12
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Boiler Safety Bureau Certificate of Inspection	NC # NC093556 Nat. Bd. # 309 Expiration Date: 7/31/11
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Boiler Safety Bureau Certificate of Inspection	NC # NC093557 Nat. Bd. # 175 Expiration Date: 7/31/11
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Boiler Safety Bureau Certificate of Inspection	NC # NC093569 Nat. Bd. # Unknown Expiration Date: 6/30/11
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Boiler Safety Bureau Certificate of Inspection	NC # NC093568 Nat. Bd. # 57123 Expiration Date: 6/30/11
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of	NC # NC358842

Name	DBA	Agency and License Type	License Number
		Labor, Boiler Safety Bureau Certificate of Inspection	Nat. Bd. # 4977 Expiration Date: 2/28/13
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Boiler Safety Bureau Certificate of Inspection	NC # NC375132 Nat. Bd. # 8762 Expiration Date: 2/28/13
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Boiler Safety Bureau Certificate of Inspection	NC # NC375131 Nat. Bd. # 7978 Expiration Date: 2/28/13
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Boiler Safety Bureau Certificate of Inspection	NC # NC375134 Nat. Bd. # 8788 Expiration Date: 2/28/13
Beaufort County Hospital	Beaufort County Hospital	North Carolina Department of Labor, Boiler Safety Bureau Certificate of Inspection	NC # NC375133 Nat. Bd. # 8764 Expiration Date: 2/28/13

**SCHEDULE 2.e**  
**HEALTH CARE MATTERS**

2.e.

<b>Name</b>	<b>Agency</b>	<b>Issue of Noncompliance</b>	<b>Timeframe</b>
Beaufort Regional Home Health	DHSR	Medicare Recertification Survey	April 18 – 20, 2011
Beaufort County Medical Center	Palmetto GBA (Medicare)	Medicare Secondary Payor Audit	Audit – February 24, 2011 Findings – April 7, 2011
Beaufort County Hospital Association, Inc. (Hospital & Home Health)	Joint Commission	Triennial Survey	January 1 – 14, 2011
Beaufort County Medical Center	DHSR	Complaint (discharge planning)	June 30 – July 1, 2010
Beaufort County Medical Center	DHSR	Event (hospital reported)	March 16 – 17, 2010
Beaufort County Medical Center	OCR	EMTALA audit dating from 2006	April 27, 2009 (final response)
Beaufort County Medical Center	Joint Commission	For Cause Survey	December 11, 2008
Beaufort Regional Home Health	DHSR	Medicare Recertification Survey	June 23 – 25, 2008
Beaufort County Medical Center	DHSR	Validation Survey	February 12-14, 2008
Beaufort County Hospital Association, Inc. (Hospital & Home Health)	Joint Commission	Triennial Survey	January 14-18, 2008
Recovery Audit Contractor Activity	CMS/Connolly Healthcare	Results of Automated and Complex Reviews (Summary of RAC activity spreadsheet)	December 22, 2009 (date of first request)
Complaint Investigation at Beaufort County Medical Center	DHSR	Supervision of nursing care and timely provision of drugs in accordance with policies and procedures	June 21-22, 2011
Beaufort Regional Health System	Centers for Medicare and Medicaid Services	Report filed with Division of Technical Payment Policy (“Report”).	June 17, 2011

EMTALA Investigation at Beaufort County Medical Center	Centers for Medicare and Medicaid Services	EMTALA compliance investigation	July 27, 2011
--------------------------------------------------------	--------------------------------------------	---------------------------------	---------------

**2.e.(iv).** There is a Medicaid field audit scheduled for the week of August 22, 2011, for the FY 2007 and FY 2008 Medicaid Cost Reports. Otherwise, the Health System Entities have timely filed all of its cost reports with Medicare and Medicaid. The Health System Entities are not aware of any pending appeals, adjustments, challenges, audits, litigation or notices of intent to reopen any closed cost reports filed with respect to Hospital or Clinic Operations.

**SCHEDULE 2.g.**  
**LITIGATION**

1. **Frederick Benston, as administrator for the estate of Ruby Benston vs. Beaufort County Hospital Association, Inc. et al.**
  
2. **Donna D. Naberhaus vs. Beaufort County Hospital Association, Inc. dba Beaufort County Medical Center, et al.**

**SCHEDULE 2.h**  
**REQUIRED NOTICES**

1. Notice provided to the Centers for Medicare and Medicaid Services (“CMS”) regarding termination of Health System Entities’ provider numbers. Termination application to be filed.
2. Notices to the Division of Health Services Regulation of NCDHHS regarding certificates of need assigned to Health System Entities.
3. Notices to Division of Health Services Regulation of NCDHHS regarding, as applicable, termination of licenses, certifications and accreditations assigned to Health System Entities.
4. Notices to Division of Medical Assistance of NCDHHS regarding termination of Medicaid provider numbers assigned to Health System Entities.
5. See Schedule 3.a.ii for list of Assignment and Assumption Agreement for list of Assumed Contracts, for which consent notices may be required solely in conjunction with the assignment of such agreements. Except as necessary for assignment, no other notices are required for such agreements.



**SCHEDULE 2.i**  
**FINANCIAL MATTERS**

See attached as well as UCC-1 Financing Statements in regards to items on attached Scheduled Indebtedness summary set forth on Schedule 2.c.

**Schedule 2.i (continued)**

			Based on Payoff notifications	
<u>Lendor</u>	<u>Lendor Loan #</u>	<u>Purpose / Equipment</u>	<u>Due at Closing</u>	<u>Payoff date (*)</u>
<b>Capital Leases - Installment Notes:</b>				
<b>BOA Master Lease Agreements: 17319-00600 dated 5/8/07; 17319-06000 dated 3/12/08 &amp; 17319-90000 dated 11/18/08</b>				
Bank of America	Customer # 1731901 / Units 6697869 & 6697877	Various Medical Equipment	\$ 105,465.91	9/12/2011
Bank of America	Customer # 1731900 / Units 5684172, 5697290 & 5697307	Various Medical Equipment for Medical Practices	\$ 80,142.96	8/30/2011
Bank of America	Customer # 1731902 / Unit 7292792	IntelliDot Handheld Mobile Infor Mgmt System	\$ 206,088.37	9/1/2011
First Citizens Bank	10167007	Generator - August payment due 8/25/2011	\$ 142,517.58	8/30/2011
Kronos	Contract # 901- 0031009-000	Time Keeping System	\$ 31,923.85	9/26/2011 or earlier
De Lage Landen Public Finance, LLC	PUB 8654 (contract # 24998299)	Tissue Processor	\$ 24,065.91	9/25/2011 or earlier
<b>COMBINED TOTAL</b>			<b>\$ 590,204.58</b>	

**SCHEDULE 2.i.**  
**TAXES**

The Health System Entities have timely filed all of Tax Returns and all reports with respect to Taxes that are or were required to be filed pursuant to applicable Legal Requirements.

**SCHEDULE 2.k**  
**EMPLOYMENT MATTERS**

1. Schedule 2.k.(i): none.
2. Schedule 2.k.(ii) and (iii):

**PRIOR AND CURRENT POLICY FOR FUNDING**

BRHS has a 403(b) Defined Contribution Plan. This plan is on a fiscal year basis. According to the Plan Summary, the plan should be funded “within the time prescribed by law, including extensions of time, for the filing of the Employer’s federal income tax return for the Fiscal Year” (as stated in the BCHA Employee’s Retirement and Savings Plan). Since 1999, the plan was not funded timely due to financial constraints.

The BCH/BRHS Board on several occasions discussed the funding of the pension plan. Since the funding was not timely, the addition of interest on the principle is documented in Board minutes as far back as 2003. The interest has been 7%, 4% and now 2%.

The pension plan has been funded through 2007.

The fiscal years 2008, 2009 and 2010 have not yet been funded to each participant.

Since 2008, on a quarterly basis or as finances allow, for each terminated employee, BRHS makes the appropriate funding. The amount funded is the contribution (that was determined by the BRHS Board) and interest for the periods of time that the funds should have been funded. Jan Hill, Director of Accounting performs the basic calculations on a yearly basis and calculates the interest due at time of payment.

**2011 PENSION FUNDING**

According to Board Meeting minutes, the Board did approve a pension contribution for 2010-2011. Minutes from October 28, 2010, the Board voted to fund the plan. A percentage was not discussed – but the figure of \$750,000 per year was quoted. This figure could be tied back to the 2% contribution that has been being calculated since October 2009 (See Board Minutes January 27, 2009).

**SCHEDULE 2.1**  
**ENVIRONMENTAL**

**Environmental & Safety Requirements**  
**January 1, 2008 – Present**

<b>Name</b>	<b>Agency</b>	<b>Agency Address</b>	<b>Date of Service</b>	<b>Purpose</b>
Beaufort Regional Health System	Petroleum Recovery Services <i>US EAPA ID # SCR000764598</i>	3287-B Pacific Avenue Charleston, SC 29418	1/10/07 – Inspected & treated fuel 1/25/10 – Cleaned, inspected & treated 3000g UST	Fuel tank cleaning
Beaufort Regional Health System	Rhem Insulation <i>License # 27345</i>	1219 Lejeune Blvd Jacksonville, NC 28540	April 12, 2007	Asbestos Removal
Beaufort Regional Health System	Synergy Coverage Solutions	3440 Toringdon Way Suite 300 Charlotte, NC 28277	1/23/09	Air quality testing – Materials Management Dept.
Beaufort Regional Health System	Synergy Coverage Solutions	3440 Toringdon Way Suite 300 Charlotte, NC 28277	5/14/09	Air monitoring – HIM
Beaufort Regional Health System	Synergy Coverage Solutions	3440 Toringdon Way Suite 300 Charlotte, NC 28277	8/31/09	Air quality testing – Operating Rooms
Beaufort Regional Health System	Synergy Coverage Solutions	3440 Toringdon Way Suite 300 Charlotte, NC 28277	12/14/09	Air monitoring – Outpatient PT/Wellness Building
Beaufort Regional Health System	Synergy Coverage Solutions	3440 Toringdon Way Suite 300 Charlotte, NC 28277	2/18/10	Air quality testing – Education Dept.
Beaufort Regional Health System	Synergy Coverage Solutions	3440 Toringdon Way Suite 300 Charlotte, NC 28277	2/15/11	Air monitoring – Coastal Gi Building

**Offsite Waste Disposal Enterprise  
January 1, 2008 – Present**

<b>Name</b>	<b>Agency Name</b>	<b>Agency Address</b>	<b>Waste Type</b>
Beaufort Regional Health System	Chemical Analytics Inc.	29959 Beverly Road Romulus, MI 48174	Regulated Lab Waste Chemicals, RCRA P&U listed, Non-tracer Chemotherapy Wastes, Regulated Batteries, Mercury products)
Beaufort Regional Health System	Stericycle, Inc.	1725 W. Oak Street Selma, NC 27576	Biohazardous and Trace Chemotherapy Waste
Beaufort Regional Health System	Cleanlites Recycling South, LLC	195 Ben Abi Road Spartanburg, SC 29307	Regulated Flourescent Bulbs, PCB Containing Ballasts, Regulated Batteries
Beaufort Regional Health System	Creative Recycling	8108 Krauss Blvd, Suite 110 Tampa, FL 33619	Monitors, Computers, Televisions, Copiers, and Misc Electronics

**Underground Storage Tanks (“UST”)**

There were seven USTs located on Health System Property: USTs 1 – 7. The following describes the status for each tank:

- UST 1: is a 3,000 gallon diesel tank that is currently active. Removal is not planned at this time. On June 1, 2011 Terracon Consultants, Inc. (“Terracon”) performed additional soil surveys on around UST 1. Soil contamination above NCDENR’s Soil to Water and Residential MSCCs has been discovered in the soil on three sides of UST 1. Terracon recommends that line and tank tightness testing be performed on this tank and its product line. A more detailed analysis of Terracon’s findings is available in its report entitled: Report of Additional Soil Sampling Services (Tank 1), dated July 7, 2011.
- UST 2: is a 10,000 gallon heating oil UST formerly associated with boilers at the main hospital building. UST 2 was removed on June 13, 2011. Additional information concerning UST 2 is contained in Terracon’s report entitled 20 Day / Initial Abatement Action Report Tank 2, dated July 15, 2011.
- UST 3: is a 280 gallon petroleum UST. It was removed on June 14, 2011. Additional information concerning UST 2 is contained in Terracon’s report entitled 20 Day / Initial Abatement Action Report Tank 3, dated July 15, 2011.

- USTs 4 – 7: are four 550 gallon petroleum USTs. They were removed on June 14-15, 2011. Additional information concerning USTs 4-7 is contained in Terracon's report entitled 20 Day / Initial Abatement Action Report Tanks 4-7, dated July 15, 2011.

**SCHEDULE 2.A.c.**  
**MORTGAGES, LIENS, AND PERMITTED EXCEPTIONS**

**MAIN FACILITY:**

1. All matters shown on plat recorded in Map Book 9, Page 94, Beaufort County Registry.
2. Deed of Trust to Bank of America recorded in Book 1157, Page 320, Beaufort County Registry. [To be cancelled and released as of the Effective Date pursuant to Paragraph 6 (a)iii of the Lease.]
3. Deed of Trust to Bank of America recorded in Book 1206, Page 696, Beaufort County Registry. [To be cancelled and released as of the Effective Date pursuant to Paragraph 6 (a)iii of the Lease.]
4. Deed of Trust to Bank of America recorded in Book 1567, Page 627, Beaufort County Registry. [To be cancelled and released as of the Effective Date pursuant to Paragraph 6 (a)iii of the Lease.]
5. UCC recorded in Book 1519, Page 910, Beaufort County Registry. [To be cancelled and released as of the Effective Date pursuant to Paragraph 6 (a)iii of the Lease.]
6. UCC recorded in Book 1743, Page 893, Beaufort County Registry. [To be cancelled and released as of the Effective Date pursuant to Paragraph 6 (a)iii of the Lease.]
7. UCC filed with the North Carolina Secretary of state in file number 200100536. [To be cancelled and released as of the Effective Date pursuant to Paragraph 6 (a)iii of the Lease.]
8. Easement to the Department of Transportation filed in Book 960, Page 591, Beaufort County Registry.
9. Easements to the City of Washington recorded in Book 1415, Page 312, Book 1425, Page 43, Book 1452, Page 266 and Book 1595, Page 727, Beaufort County Registry.
10. Lease recorded in Book 1567, Page 34, Beaufort County Registry, as amended in Book 1735, Page 482, Beaufort County Registry. [To be amended and restated in its entirety by terms of the Lease on the Effective Date.]

**HOSPITAL AUTHORITY SUBDIVISION PARCELS: (TRACTS 1, 2, 3, 4, & 5)**

1. Easement to North Carolina Natural Gas Corporation recorded in Book 944, Page 912, Beaufort County Registry. (as to Tracts 1, 4 and 5)
2. Easement to North Carolina Department of Transportation recorded in Book 14321, Page 717, Beaufort County Registry. (as to Tracts 1, 4 and 5)
3. UCC recorded in Book 1559, Page 264, Beaufort County Registry. (as to Tracts 1, 4 and 5) UCC recorded in Book 1420, Page 250, Beaufort County Registry. (as to Tracts 1, 4 and 5) [To be cancelled and released as of the Effective Date pursuant to Paragraph 6 (a)i of the Lease.]
4. Deed of Trust to First Citizens Bank recorded in Book 1731, Page 67, Beaufort County Registry. (as to Tracts 1, 2, 3, 4 and 5) [To be cancelled and released as of the Effective Date pursuant to Paragraph 6 (a)i of the Lease.]
5. All matters shown on plat recorded in Plat Cabinet G, Slide 36-4, Beaufort County Registry. (as to Tracts 2 and 3)
6. All matters shown on plat recorded in Plat Cabinet F, Slide 94-1, Beaufort County Registry. (as to Tract 2)
7. All matters shown on plat recorded in Plat Cabinet F, Slide 28-1, Beaufort County Registry. (as to Tracts 1, 2, 3, 4 and 5)
8. All matters shown on plat recorded in Plat Cabinet G, Slide 30-2, Beaufort County Registry. (as to Tracts 1, 4 and 5)
9. All matters shown on plat recorded in Plat Cabinet H, Slide 6-6, Beaufort County Registry. (as to Tracts 1, 2, 3, 4 and 5)
10. All matters shown on plat recorded in Plat Cabinet G, Slide 44-6, Beaufort County Registry. (as to Tract 5)



11. All matters shown on plat recorded in Plat Cabinet G, Slide 54-1, Beaufort County Registry. (as to Tract 1)
12. All matters shown on plat recorded in Plat Cabinet 16, Slide 19, Beaufort County Registry. (as to Tract 1)
13. Lease Amendment recorded in Book 1735, Page 482, Beaufort County Registry. (as to Tracts 1, 2, 3, 4 and 5) [To be amended and restated in its entirety by terms of the Lease on the Effective Date.]

**OTHER PARCELS: (TRACTS 6, 7, 8, 9, 10 AND 11)**

1. Deed of Trust to First Citizens Bank recorded in Book 1731 Page 67, Beaufort County Registry. (as to Tracts 6, 7, 8 and 9) [To be cancelled and released as of the Effective Date pursuant to Paragraph 6 (a)i of the Lease.]
2. Access Easement recorded in Book 1454, Page 903, Beaufort County Registry. (as to Tract 7)
3. All matters shown on plat recorded in Plat Cabinet E, Slide 55-10, Beaufort County Registry. (as to Tract 7)
4. All matters shown on plat recorded in Plat Cabinet A, Slide 81, Beaufort County Registry. (as to Tract 9)
5. All matters shown on plat recorded in Plat Cabinet C, Slide 249, Beaufort County Registry. (as to Tract 6)
6. All matters shown on plat recorded in Plat Cabinet C, Slide 277, Beaufort County Registry. (as to Tract 6)
7. All matters shown on plat recorded in Book 140, Page 552, Beaufort County Registry. (as to Tract 6)
8. All matters shown on plat recorded in Book 1017, Page 946, Beaufort County Registry. (as to Tract 8)
9. Lease recorded in Book 1567, Page 34, Beaufort County Registry. (as to Tract 10) [To be amended and restated in its entirety by terms of the Lease on the Effective Date.]
10. Lease Amendment recorded in Book 1735, Page 482, Beaufort County Registry. (as to Tracts 6, 7, 8, 9 and 10) [To be amended and restated in its entirety by terms of the Lease on the Effective Date.]
11. Easement on map recorded with deed in Book 623, Page 395, Beaufort County Registry. (as to Tract 10)
12. Easement to the Department of Transportation recorded in Book 960, Page 284, Beaufort County Registry. (as to Tract 10)
13. Right of Way to the State Highway Commission recorded in Book 648, Page 539, Beaufort County Registry. (as to Tract 10)
14. Easement to the City of Washington recorded in Book 1081, Page 912, Beaufort County Registry. (as to Tract 10)
15. Deed of Trust to Southern Bank and Trust Company recorded in Book 1064, Page 254, Beaufort County Registry. (as to Tract 10) [To be cancelled and released as of the Effective Date pursuant to Paragraph 6 (a)i of the Lease.]

**SCHEDULE 2.A.g.**  
**LITIGATION**

To the best of the County's knowledge, there are no claims, actions, suits, Proceedings, or investigations pending against or affecting the County for the operation of the Hospital and Clinic Operations, at law or in equity, or before any Governmental Body.

**SCHEDULE 2.A.h.**  
**REQUIRED NOTICES**

1. Notice to Bank of America, N.A. regarding the following outstanding debt obligations: a loan in the original principal amount of Three Million Dollars (\$3,000,000.00); a loan in the original principal amount of Ten Million Dollars (\$10,000,000.00); a loan in the original principal amount of Five Million Dollars (\$5,000,000.00); and a loan in the original principal amount of One Million Five Hundred Thousand Dollars (\$1,500,000.00).
  
2. Notice to First-Citizens Bank & Trust Company regarding a loan in the original principal amount of Four Million Eight Hundred Thousand Dollars (\$4,800,000.00).

**SCHEDULE 2.A.i.**  
**FINANCIAL MATTERS**

<b>Scheduled Indebtedness</b>	<b>Principal Balance as of 9/1/2011</b>	<b>Instruments Evidencing Scheduled Indebtedness</b>
\$3,000,000 Bank of America, N.A Loan	\$2,530,000.00	Installment Financing Contract dated as of January 31, 2008, by and between the County and Bank of America, N.A., as amended by a First Amendment to Installment Financing Agreement dated as of September 2, 2010; and Deed of Trust and Security Agreement Future Advances dated as of February 6, 2007 from the County to PRLAP, Inc., as trustee, for the benefit of Bank of America, N.A.
\$10,000,000 Bank of America, N.A Loan	\$8,011,666.66	Installment Financing Contract dated as of February 6, 2007, by and between the County and Bank of America, N.A., as amended by a First Amendment to Installment Financing Agreement dated as of September 2, 2010; and Deed of Trust and Security Agreement Future Advances dated as of February 6, 2007 from the County to PRLAP, Inc., as trustee, for the benefit of Bank of America, N.A.
\$5,000,000 Bank of America, N.A Loan	\$1,534,715.50	Installment Financing Contract dated as of January 12, 2000, by and between the County and Bank of America, N.A.; and Deed of Trust and Security Agreement dated as of January 12, 2000 by and between the County and T.I.M., Inc., as trustee, for the benefit of Bank of America, N.A.
\$1,500,000 Bank of America, N.A Loan	\$642,112.82	Installment Financing Contract dated as of June 29, 2001, by and between the County and Bank of America, N.A.; and Deed of Trust and Security Agreement dated as of June 29, 2001 by and between the County and PRLAP, Inc., as trustee, for the benefit of Bank of America, N.A.
\$4,800,000 First-Citizens Bank & Trust Company Loan	\$4,800,000.00	Installment Financing Contract dated as of September 27, 2010, by and between the County and First-Citizens Bank & Trust Company; Registered Promissory Note dated as of September 27, 2010 by the County; and Deed of Trust dated as of September 27, 2010 from the County to Neuse, Incorporated, as trustee, for the benefit of First-Citizens Bank & Trust Company Loan.

**SCHEDULE 2.A.I.**  
**ENVIRONMENTAL**

The Health System Entities have provided the County with the following information pertaining to Environmental and Safety Requirements with respect to the Hospital and the Clinics:

<b>Name</b>	<b>Agency</b>	<b>Agency Address</b>	<b>Date of Service</b>	<b>Purpose</b>
Beaufort Regional Health System	Petroleum Recovery Services <i>US EPA ID # SCR000764598</i>	3287-B Pacific Avenue Charleston, SC 29418	1/10/07 – Inspected & treated fuel 1/25/10 – Cleaned, inspected & treated 3000g UST	Fuel tank cleaning
Beaufort Regional Health System	Rhem Insulation <i>License # 27345</i>	1219 Lejeune Blvd Jacksonville, NC 28540	April 12, 2007	Asbestos Removal
Beaufort Regional Health System	Synergy Coverage Solutions	3440 Toringdon Way Suite 300 Charlotte, NC 28277	1/23/09	Air quality testing – Materials Management Dept.
Beaufort Regional Health System	Synergy Coverage Solutions	3440 Toringdon Way Suite 300 Charlotte, NC 28277	5/14/09	Air monitoring – HIM
Beaufort Regional Health System	Synergy Coverage Solutions	3440 Toringdon Way Suite 300 Charlotte, NC 28277	8/31/09	Air quality testing – Operating Rooms
Beaufort Regional Health System	Synergy Coverage Solutions	3440 Toringdon Way Suite 300 Charlotte, NC 28277	12/14/09	Air monitoring – Outpatient PT/ Wellness Building
Beaufort Regional Health System	Synergy Coverage Solutions	3440 Toringdon Way Suite 300 Charlotte, NC 28277	2/18/10	Air quality testing – Education Dept.
Beaufort Regional Health System	Synergy Coverage Solutions	3440 Toringdon Way Suite 300 Charlotte, NC 28277	2/15/11	Air monitoring – Coastal Gi Building

**Underground Storage Tanks (“UST”)**

There were seven USTs located on the Land: USTs 1 – 7. The following describes the status for each tank:

- UST 1: is a 3,000 gallon diesel tank that is currently active. Removal is not planned at this time. On June 1, 2011 Terracon Consultants, Inc. (“Terracon”) performed additional soil surveys on around UST 1. Soil contamination above NCDENR’s Soil to Water and Residential MSCCs has been discovered in the soil on three sides of UST 1. Terracon recommends that line and tank tightness testing be performed on this tank and its product line. A more detailed analysis of Terracon’s findings is available in its report entitled: Report of Additional Soil Sampling Services (Tank 1), dated July 7, 2011.
- UST 2: is a 10,000 gallon heating oil UST formerly associated with boilers at the main hospital building. UST 2 was removed on June 13, 2011. Additional information concerning UST 2 is contained in Terracon’s report entitled 20 Day / Initial Abatement Action Report Tank 2, dated July 15, 2011.

- UST 3: is a 280 gallon petroleum UST. It was removed on June 14, 2011. Additional information concerning UST 2 is contained in Terracon's report entitled 20 Day / Initial Abatement Action Report Tank 3, dated July 15, 2011.
- USTs 4 – 7: are four 550 gallon petroleum USTs. They were removed on June 14-15, 2011. Additional information concerning USTs 4-7 is contained in Terracon's report entitled 20 Day / Initial Abatement Action Report Tanks 4-7, dated July 15, 2011.

**SCHEDULE 6.a.i**  
**SCHEDULED INDEBTEDNESS – PAID OFF AT CLOSING**

See attached.

Schedule 6. a.i.

## Indebtedness to be Paid at Closing

### I. Capital Leases

<u>Lendor</u>	<u>Purpose</u>	<u>Loan Pay off at Closing</u>	<u>Amount of Payoff for Penalties</u>
Bank of America	Medical Equipment	\$ 105,465.91	\$
Bank of America	Medical Equipment	80,142.96	
Bank of America	Medical Equipment	206,088.37	5,761.99
First Citizens Bank	Equipment	142,517.58	500.00
Kronos	Equipment	31,923.85	
De Lage Landen Public Finance, LLC	Medical Equipment	<u>24,065.91</u>	
<i>Subtotal Leases</i>		\$ 590,204.58	\$ 6,261.99

### II. Bank Loan

First Citizens Bank	Refinancing Loan	\$ <u>5,007,511.00</u>	
Total		\$ <u><u>5,597,715.58</u></u>	\$ <u><u>6,261.99</u></u>



**SCHEDULE 6(a)(iii)**  
**SCHEDULED INDEBTEDNESS TO BE PAID FROM THE BOA ESCROW FUND**

Lender	Original Principal Amount	Principal Balance as of the Closing Date	Interest Accrued Prior to the Closing Date	Future Interest Payments (from the Closing Date on)	Prepayment Penalty	Total Outstanding Liability	Payment Schedule
Bank of America, N.A	\$3,000,000.00	\$2,530,000.00	\$24,035.00	\$128,186.67	\$43,700.00	\$2,725,921.67	\$171,081.67 (12/31/2011) \$153,237.50 (05/31/2012) \$165,983.33 (12/31/2012) \$2,235,619.17 (01/31/2013)
Bank of America, N.A	\$10,000,000.00	\$8,011,666.66	\$76,110.83	\$130,541.61	\$152,950.00	\$8,371,269.10	\$541,758.61 (12/31/2011) \$7,829,510.49 (02/06/2012)
Bank of America, N.A	\$5,000,000.00	\$1,534,715.50	\$10,454.57	\$9,583.35	\$15,347.16	\$1,570,100.58	\$1,570,100.58 (10/14/2011)
Bank of America, N.A	\$1,500,000.00	\$642,112.82	\$5,764.57	\$2,653.53	\$6,421.13	\$656,952.05	\$656,952.05 (9/29/2011)
Total	\$19,500,000	\$12,718,494.98	\$116,364.97	\$270,965.16	\$218,418.29	\$13,324,243.40	\$13,324,343.40