



April 29, 2015

Carl Forrester, Chair
Hospital Authority of Washington County
P.O. Box 636
610 Sparta Road
Sandersville, GA 31082

RE: Letter of Intent for Lease of Hospital and Nursing Home

Dear Mr. Forrester:

The Hospital Authority of Washington County ("HAWC") owns and operates Washington County Regional Medical Center ("WCRMC") and Washington County Extended Care Facility ("WCECF"). University Health, Inc. ("UH") wishes to lease WCRMC and WCECF (together, the "Facilities") from HAWC. Accordingly, this Letter of Intent ("LOI") sets forth certain non-binding understandings concerning a proposed transaction by which UH, a nonprofit corporate affiliate of the Richmond County Hospital Authority ("RCHA"), will lease the Facilities as further described herein below ("Transaction").

Both the parties strongly believe there are compelling operational, strategic and financial reasons to effectuate a Transaction between their respective organizations and that such a Transaction will allow each to accomplish multiple mutual goals and objectives by:

- Providing quality and cost-efficient health care services to residents of Washington County with the benefit of economies of scale;
- Working with WCRMC and its Medical Staff to prepare for value based reimbursement, which may include development by payers of accountable care organizations, bundled-payments, value-based purchasing, or quality incentives;
- Continue the participation of Washington County residents in the decisions that affect health care within the WCRMC service area; and
- Effectuate the established purpose of UH, which is to provide patient care, facilitate the education of physicians and other health care providers, conduct research collaboratively, and promote the health of the residents in its service areas.

1. Transaction Structure

Subject to a favorable due diligence review by UH and satisfaction of the other covenants

and conditions set forth below, UH is willing to lease the Facilities from HAWC in order permit the Facilities to maintain their current disproportionate share and indigent care trust fund participation and facilitate continued support of such Facilities by the County and the provision of medical services to indigent County residents. The proposed lease (the "Lease") would have a term of Twenty (20) years. Rent payable under the Lease would equal the amounts necessary to obtain the annual disproportionate share intergovernmental transfer. All disproportionate funds received by HAWC from the State of Georgia will be made available to support operations at the WCRMC. The Lease, or a separate agreement, would grant to UH the option to purchase the Facilities during the term of the Lease for One Dollar (\$1.00).

2. Retained Liabilities

HAWC will retain the following liabilities (collectively, the "Retained Liabilities"):

- (a) pension plan obligations;
- (b) outstanding debt including the line of credit from UH to HAWC and the Accounts Payable Note (as hereinafter defined);
- (c) tort claims for actions and omissions prior to the Closing Date. We understand these claims are covered by insurance for claims filed or potential claims reported prior to the Closing Date; and
- (d) all other claims not expressly listed in Paragraph 4 herein below.

UH shall either:

- (a) pay the tail insurance premium for incurred but not reported tort ("IBNR") claims, or
- (b) assume liability for IBNR claims.

3. Accounts Payable

Subject to the terms hereof, UH shall agree to pay the overage, if any, of the accounts payable and accrued liabilities and expenses of the Facilities as of the Closing Date minus the fair market value of accounts receivable plus cash on hand as of the Closing Date (the "Accounts Payable Overage"); provided, however, HAWC shall execute and deliver to UH at Closing a promissory note in the amount of the Accounts Payable Overage (the "Accounts Payable Note") having terms and conditions mutually agreeable to the parties.

4. Assumed Liabilities

Subject to a favorable due diligence review and a mutually agreeable dollar cap, UH shall assume liability solely for:

- (a) claims by third party payors including government payors; and
- (b) claims with respect to meaningful use payments to the extent these claims are not covered by insurance carried by HAWC. Such assumed liabilities will include cost report

settlements and recovery audit contractor ("RAC") settlements.

5. Ambulance Service

UH will continue to operate the ambulance service at WCRMC under the same terms as currently exist with Washington County. UH will not object to Washington County assuming operation of the ambulance service.

6. Medical Staff

UH shall maintain an open Medical Staff at WCRMC.

7. Refrain from Requesting Support

Other than the financial support and guarantees described herein, UH will not seek any support from Washington County for the operation of WCRMC (excluding the ambulance service) during the five-year period beginning on the Closing Date.

8. Charity Care

UH will provide indigent and charity care at WCRMC in compliance with state and federal law.

9. Operations

UH will continue to operate WCRMC until at least the fifth (5th) anniversary of the Closing Date and during that period will keep the Emergency Department open 24 hours per day 365 days per year, maintain a medical/surgical inpatient nursing unit, maintain the diagnostic imaging capabilities existing on the Closing Date, and maintain a surgical service.

10. Post-Closing Capital Contributions

UH will invest a minimum of \$5 Million in operating and capital expenditures at WCRMC and WCECF over the five (5) year period following the Closing Date.

11. Medicare/Medicaid Provider

UH will maintain WCRMC as a Medicare and Georgia Medicaid provider.

12. Auxiliary

UH will abide by any donor restrictions associated with contributions made to the Facilities prior to the Closing Date.

13. Governance

UH will establish an advisory board for WCRMC that will include one or more Washington County residents nominated by HAWC.

14. First Right of Refusal

HAWC will give UH a right of first refusal in the event HAWC decides to sell WCRMC and/or WCECF at any point.

15. County Contract

Washington County (the "County") and HAWC shall enter into an intergovernmental contract in accordance with applicable law (the "County Contract") and under which the County shall agree to provide sufficient funds to HAWC in order to permit HAWC to pay the Retained Liabilities, the Accounts Payable Note and any deficit in the costs of operating the ambulance service. In consideration thereof, HAWC shall agree to provide medical services to the indigent residents of the County. The Lease shall provide that UH will assume the obligations of HAWC to provide such medical services to the indigent residents of the County. UH shall be a third-party beneficiary of such County Contract.

16. Attorney General Review Costs

UH shall pay all costs due to the Georgia Attorney General associated with any required Georgia Attorney General filings and any related hearing.

17. Expenses

Other than as provided for in 16 above, each party will pay its own costs and expenses incurred in connection with the Transaction.

18. Due Diligence

HAWC will permit UH access to all information reasonably requested to perform a due diligence evaluation of the assets and liabilities associated with the Facilities. The obligations of UH herein are conditioned upon its decision to proceed with this proposed Transaction after the conclusion of such due diligence review.

19. Exclusivity

HAWC will not enter into any discussions with third parties or advisors concerning the sale, lease, management or disposition of any of its assets related to the Facilities, or an affiliation through merger, consolidation, partnership or otherwise until the earlier of:

- (a) the Closing Date;
- (b) UH's withdrawal by written notice from pursuit of the Transaction, or
- (c) December 31, 2015.

20. Access to Information

HAWC shall provide UH with reasonable access to its facilities, books and records related to the Facilities during normal business hours, and shall cause HAWC members, its employees, accountants, and other agents and representatives (collectively, "Representatives") to cooperate reasonably with due diligence investigation of its assets, contracts, liabilities, operations, records and other aspects of its business. Such access by UH shall be coordinated for HAWC through [____], or his/her designee.

21. Definitive Agreement

UH and its counsel shall be responsible for preparing the initial draft of the Lease, the Accounts Payable Note, the County Contract and all other related instruments and documents (collectively, the Definitive Agreements." The parties shall negotiate in good faith to arrive at mutually acceptable Definitive Agreements for approval, execution and delivery on the earliest practical date following confirmatory due diligence. The Definitive Agreements shall not be binding on either party unless they shall have been approved by each party's respective governing body. In addition, the Definitive Agreements will be subject to satisfactory completion of due diligence by UH.

22. Conduct of Business

Until the Definitive Agreements have been duly executed and delivered by all of the parties or the binding provisions of this LOI have terminated pursuant to the paragraph titled "Termination," HAWC shall conduct its business only in the ordinary course, and not engage in any extraordinary transactions without providing written notice to UH.

23. Approvals and Conditions to Execution and Delivery of Definitive Agreements

The execution and delivery of the Definitive Agreements are conditioned on the receipt of all necessary consents and approvals of the governing boards of the parties, including, without limitation, the County Commission. Furthermore, it is anticipated that the Definitive Agreements will provide for the consummation of the Transactions upon:

- (a) the receipt of all material consents of third parties, if any, necessary under material agreements of the parties for consummation of the Transaction contemplated under the Definitive Agreements;
- (b) the filing of all notices and the receipt of all approvals and consents, as required from governmental authorities;

(c) if applicable, the termination of any waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; and

(d) the satisfaction of such other conditions as are mutually acceptable to the parties.

24. Confidentiality and Disclosure

The parties have previously entered into a confidentiality agreement dated October 28, 2014 (the "Confidentiality Agreement"). In addition to the provisions contained in that agreement, except as and to the extent required by law, without the prior written consent of the other party, neither party shall, and each shall direct its Representatives not to, directly or indirectly, make any public comments, statement or communication with respect to, or otherwise disclose or permit the disclosure of the existence of discussions regarding a possible Transaction or any of the terms, conditions or aspects of the Transaction proposed in this LOI except in the manner provided by the Confidentiality Agreement. The timing, content and context of any announcements, press releases, public statements or reports and related matters incident to the matters referenced in this LOI, or its existence, will be determined in advance by the mutual written consent of the parties. The parties will advise each other of communications to its employees and Medical Staff relating to the Transaction prior to the communication of the same.

25. Non-Binding Letter of Intent; Binding Provisions

With the exception of this paragraph and the paragraphs titled "Attorney General Review Costs," "Conduct of Business," "Termination," "Governing Law," "Expenses," "Exclusivity," and "Confidentiality and Disclosure," (the "Binding Provisions") all other provisions of this LOI are non-binding and do not create or constitute any legally binding obligations whatsoever between the parties and neither party shall have any obligation or liability to the other party with respect to the Transaction unless and until Definitive Agreements in a form and substance satisfactory to each party and its respective counsel, are executed and delivered by and between all parties. If Definitive Agreements are not prepared, authorized, executed or delivered for any reason, no party to this LOI shall have any liability herein based upon, arising from, or relating to the Transaction, except as to the Binding Provisions hereto. Each party acknowledges that it will not take action or refrain from taking action in reliance on this LOI, other than the Binding Provisions, or the negotiation thereof, and that any such reliance would be at its own risk. No subsequent oral agreement or consent of the parties (including partial performance) shall be deemed to impose any such obligation or liability even after this LOI has been terminated.

26. Termination

This LOI:

(a) shall terminate automatically upon the execution of the Definitive

Agreements; and

(b) may be terminated by either party providing written notice of such termination to the other party, if the Definitive Agreements have not been executed prior to December 31, 2015.

(c) may be terminated by UH by notice of withdrawal at any time prior to execution of the Definitive Agreements.

27. Governing Law

This LOI shall be governed by and construed in accordance with the laws of the State of Georgia without reference to principles of conflicts of law.

28. Contacts

All contacts should be directed through the following representatives of UH:

Edward L. Burr, Esq.
University Hospital
1350 Walton Way
Augusta, GA 30901

29. Counterparts

This LOI may be executed in counterparts, each of which shall be deemed an original, and all of which together shall be construed as one and the same instrument.

Please indicate your approval of the terms and conditions of the above and your intention to enter into these negotiations by executing two copies of this letter in the space provided below and returning one executed copy to us.

We look forward to a successful and mutually rewarding relationship in respect to the proposed Transaction set forth herein.

[Signatures on Following Page]

Carl Forrester
April 29, 2015
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UNIVERSITY HEALTH, INC.

By: _____
JAMES R. DAVIS
President and Chief Executive Officer

Accepted and Agreed
as of the date first written above:

Carl Forrester
Chair
Hospital Authority of Washington County

cc: Ed Burr, Esq., General Counsel for UH
Michelle Williams, Esq., Counsel for UH