

July 30, 2025

Martin County Board of Commissioners  
PO Box 668  
Williamston, NC 27892  
Attn: Hon. Joe R. Ayers, Chairman

**Re: Letter of Intent**

Dear Chairman Ayers:

This letter of intent, including the nonbinding term sheet attached hereto as Exhibit A (the “**Term Sheet**” and, together with the letter of intent, the “**Letter of Intent**” or “**LOI**”), is entered into as of July 30, 2025 (“**Effective Date**”), by and between the County of Martin, a political subdivision of the State of North Carolina (“**Martin County**” or the “**County**”), and University Health Systems of Eastern Carolina, Inc., a North Carolina nonprofit corporation (“**UHS**,” and, together with its subsidiaries, “**ECU Health**”). Martin County and UHS may be collectively referred to herein as the “**Parties**”, or individually as a “**Party**”. This Letter of Intent sets forth the understanding of the Parties in principle with respect to the material terms of the transactions detailed herein (the “**Proposed Transaction**”). This Letter of Intent is an expression of the Parties’ current intent, and, except as specifically set forth in Part II hereof, is not intended to be a binding agreement between the Parties. Capitalized terms used in this Letter of Intent that are not otherwise defined will have the meanings given to such terms in the Term Sheet.

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

1. Proposed Transaction.
  - a. ECU Health is Eastern North Carolina’s academic and community health system, which serves patients in the region through eight community hospitals in addition to its principal medical center. East Carolina Health, Inc., a North Carolina nonprofit corporation doing business as “ECU Health Community Hospitals” (“**ECOM**”), is a wholly-owned subsidiary of UHS, and ECU Health’s community hospitals are subsidiaries of ECOM.
  - b. Martin County and its Board of Commissioners (the “**Martin County Board**”) have been working to reopen Martin General Hospital (“**Martin General**”) following its shuttering in August 2023, which culminated in a formal request for proposals on February 12, 2025, for the potential lease, sale or conveyance of Martin General. ECU Health submitted a detailed response on April 4, 2025 (the “**RFP Response**”), and the Martin County Board voted to work with ECU Health to pursue the successful completion of the Proposed Transaction, namely, (i) the long-term lease of a portion of the Martin General real property to a subsidiary of ECOM and (ii) the transfer to such subsidiary of certain equipment previously used in the operation of Martin General.
  - c. Ensuring that all residents of Eastern North Carolina, no matter where they live, have convenient access to quality healthcare services is a key priority for ECU Health. Recognizing that ECU Health was the only party to submit a viable response to the County’s request for proposals, ECU Health is excited to work with the County to find a path to reopening Martin General to provide emergency services as a rural emergency hospital (“**REH**”), a Medicare provider designation established by the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, 134 Stat. 1182 and related implementing regulations, even in the face of significant financial challenges to accomplish the same.
  - d. The Parties intend that the Proposed Transaction will include those material terms and concepts set forth in the Term Sheet.

- e. As more fully described and set forth in the Term Sheet, the Proposed Transaction contemplates (in addition to the lease of a portion of the Martin General real property and the transfer of related equipment):
- i. ECU Health will form a new entity, which will be a wholly-owned subsidiary of ECOM, to serve as the operating entity of Martin General as a rural emergency hospital (such ECOM entity, the “MGH Entity”).
  - ii. The Parties intend for the MGH Entity to reopen Martin General as an REH. Martin General, as an REH, will provide only those services permitted by the Medicare Conditions of Participation for REHs (the “REH CoPs”), primarily emergency department services.
  - iii. Martin General will not be reopened as an REH unless and until, among other closing conditions: (1) the State or Federal government approves a permanent reimbursement solution that provides for sufficient reimbursement to the MGH Entity (as the operator of Martin General) for emergency services rendered to Medicaid beneficiaries, (2) the receipt by ECU Health of at least \$220 million in support of reopening Martin General as an REH in legislative or other funds, which is an estimate that ECU Health currently considers sufficient to (a) expand inpatient capacity at ECU Health Beaufort Hospital (in contemplation of increased patient volume from transferred patients from Martin General upon reopening as an REH) and (b) support the development of a new REH facility (the “New REH”), (3) a budget, as described in the Term Sheet, is created by ECU Health, which demonstrates that the reopening and operation of Martin General as an REH is financially sustainable, and (4) such other conditions are satisfied as agreed upon by the Parties. Each of these conditions is described in more detail in the Term Sheet.
  - iv. No monetary purchase price or exchange will be made between the Parties; rather, the commitments provided for herein and in the related agreements to be executed between the Parties will serve as the consideration for the obligations of the Parties undertaken in connection with the Proposed Transaction.

2. Essential Terms; Definitive Agreements; Closing. The Term Sheet is part of this Letter of Intent and specifies in more detail the key terms of the Proposed Transaction. The Parties will, in good faith, use commercially reasonable efforts to negotiate and execute a principal definitive agreement (the “**Definitive Agreement**”) and the other written contracts, certificates and documents entered into in connection therewith (including the documents set forth in Section 10.A of the Term Sheet, the “**Ancillary Documents**”), in each case, consistent with the Term Sheet. The Parties anticipate that the execution of the Definitive Agreement and the closing of the Proposed Transaction (the “**Closing**”) will occur on the same date. The Parties believe that the reopening of Martin General as an REH can reasonably be expected to occur no later than August 2, 2028. However, if the Proposed Transaction takes an unexpected amount of time to complete, subject to the terms of the Definitive Agreement, the Parties may jointly request a three-year extension from the Healthcare Planning and Certificate of Need Section of the North Carolina Department of Health and Human Services (the “**CON Section**”) to permit the Parties to reopen Martin General by August 2, 2031, while also taking advantage of the Certificate of Need exemption for Legacy Medical Care Facilities under North Carolina law (such exemption, the “**LMCF Exemption**”). The Parties acknowledge and agree that the reopening of Martin General as an REH is a complex undertaking that requires extensive time and effort from representatives of both Parties. The Parties further acknowledge that certain third parties will have the ability to delay the Closing and reopening of Martin General as an REH. For these reasons, the Parties recognize and agree that the expected timelines for the Closing and reopening of Martin General as an REH are mere estimates and are subject to change and extension. The Parties acknowledge that, prior to the Closing, the Parties will need to obtain (among other

things) (i) necessary regulatory approvals and third-party consents, as applicable, and (ii) approval for the Proposed Transaction from the Martin County Board, the Board of Directors of UHS, and the Board of Directors of ECOM.

## **PART II – BINDING PROVISIONS**

1. **Binding and Non-Binding Terms.** No Party is bound or otherwise obligated by the terms set forth in Part I of this Letter of Intent or the Term Sheet. The Parties agree that terms set forth in Part II of this Letter of Intent (“**Binding Provisions**”) are binding on each Party, as applicable. Except as expressly set forth in this Part II, neither Party has any binding obligation regarding the Proposed Transaction, unless and until the Definitive Agreement has been mutually executed by the Parties, each in its sole discretion.

2. **Term; Termination.** The “**Term**” of this Letter of Intent will commence on the Effective Date and will continue in full force and effect until the earlier of: (a) the execution of the Definitive Agreement, (b) the mutual written agreement of the Parties to terminate this Letter of Intent, or (c) delivery of a written notice terminating this Letter of Intent by either Party to the other Party, delivered on or after August 1, 2027. Upon termination, all further obligations of the Parties under this Letter of Intent will terminate; provided, however, that the provisions set forth in Sections 2, 3 and 6 of Part II of this Letter of Intent will survive such termination.

3. **Confidentiality.** This Letter of Intent (including the Term Sheet) and all information exchanged by Martin County, ECU Health (including, for the avoidance of doubt, UHS and any of its subsidiaries), and each of their respective directors, trustees, managers, officers, employees, consultants, or advisors (and those of each of their affiliates and subsidiaries), and with respect to the County, each member of the Martin County Board (collectively, with respect to a Party, such Party’s “**Representatives**”) during Proposed Transaction discussions, negotiations, due diligence, implementation planning and other pre-Closing activities shall be subject to (i) that certain Mutual Non-disclosure Agreement by and between Martin County and UHS effective July 30, 2025 and (ii) all similar agreements between UHS or any of its subsidiaries or affiliates and any Representative of Martin County (including, for the avoidance of doubt, any member of the Martin County Board) (collectively, all agreements described in clauses (i) and (ii), the “**Confidentiality Agreements**”). Notwithstanding the foregoing, the Parties acknowledge that pursuant to N.C. Gen. Stat. § 131E-97.3, the exchange of competitive health care information is not a public record under Chapter 132 of the North Carolina General Statutes and serves as a basis for closed session discussions under N.C. Gen. Stat. § 143-318.11(a)(1) in any official meeting of a public body subject to Chapter 143, Article 33C of the General Statutes. Notwithstanding anything to the contrary in the Confidentiality Agreements, to the extent any information described in the first sentence of this Section 3 becomes publicly available (whether pursuant to N.C. Gen. Stat. § 131E-13 or otherwise) without violating applicable law or breach of (i) this LOI, (ii) any of the Confidentiality Agreements, or (iii) any other obligation of confidentiality of which the receiving party has knowledge, such information shall not constitute Confidential Information under the Confidentiality Agreements (as such term is defined under the Confidentiality Agreements).

4. **Access.** During the Term, Martin County will afford to ECU Health and its Representatives reasonable access, during normal business hours and upon advance notice, to such properties, contracts, books and records, and other information, documents and data of or relating to Martin General, its operations, and its properties (including the Leased Real Property and Equipment, as each are defined in the Term Sheet) (all such materials, “**Diligence Materials**”), to the extent such Diligence Materials are available to Martin County, as well as its knowledgeable personnel, including consultants, reasonably necessary for ECU Health to complete its due diligence investigation of the Proposed Transaction; provided, however, that all such access shall be conducted in such a manner (a) not to unduly interfere with the normal operations of Martin County and (b) in accordance with all applicable laws and regulations. Neither Party nor any of its respective Representatives shall communicate with any of the employees of the other Party (including, with respect to Martin County, any of the employees of ECU Health or the UHS subsidiaries), other than the Representatives that have previously been directly involved with the negotiation of this Letter of Intent, without the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned or delayed. Martin County will reasonably cooperate with any request made by ECU Health to any third

party (including, the bankruptcy trustee in respect of Williamston Hospital Corporation) for access to Diligence Materials not immediately available to Martin County.

5. Notification of Certain Matters. During the Term, Martin County will notify ECU Health in writing before participating in any discussions with any person or entity regarding (a) the lease or sale of the Leased Real Property or Equipment (in each case, as defined in the Term Sheet) to any person or entity other than ECU Health, or (b) the reopening of Martin General (or any portion thereof), except as contemplated herein. Notwithstanding anything to the contrary herein, this Section 5 shall not apply to actions, discussions, or negotiations (i) pursuant to this Letter of Intent or (ii) reasonably necessary in furtherance of the Proposed Transaction.

6. Miscellaneous.

a. Costs. Each Party will be responsible for and bear all of its own costs and expenses (including any broker's or finder's fees and the expenses of their respective attorneys and Representatives) incurred at any time in connection with pursuing the Proposed Transaction.

b. Representations and Warranties. Each Party acknowledges that neither Party nor any of its respective Representatives makes any representation or warranty as to the accuracy or completeness of any information provided in due diligence. The only representations and warranties to be made by either Party to the other in connection with the Proposed Transaction will be those set forth in the Definitive Agreement and the Ancillary Documents.

c. No Liability. Other than the Binding Provisions, this Letter of Intent does not constitute and will not give rise to any legally binding obligation on the part of either Party. The Parties acknowledge that the RFP Response does not constitute and will not give rise to any legally binding obligation on the part of either Party. Except as expressly provided in the Binding Provisions (or as expressly provided in any binding written agreement that the Parties may enter into in the future), no past or future action, course of conduct, or failure to act relating to the Proposed Transaction, or relating to the negotiation of the terms of the Proposed Transaction, the Definitive Agreement, or the Ancillary Documents, will give rise to or serve as a basis for any obligation or other liability on the part of either Party, nor shall either Party rely upon any of the foregoing with respect to any action or inaction of such Party.

d. Remedies. Each Party agrees that if it violates or breaches any Binding Provision of this Letter of Intent, the other Party shall be entitled to preliminary and permanent injunctive relief either pending or following a trial on the merits, together with any other remedies that may be available at law or in equity, without being required to post bond or other security. Should either Party seek or obtain a remedy against the other Party, such action shall not be considered an election of remedies, or a waiver of any right by such Party to assert any other remedy it may have at law or in equity.

e. No Third-Party Beneficiaries. The Parties do not intend to confer any rights, privileges or benefits arising out of this Letter of Intent upon any other individual or entity that is not a signatory to this Letter of Intent. The Parties agree that nothing in this Letter of Intent shall be construed or interpreted to confer any such rights, privileges, or benefits upon any individual or entity not a signatory to this Letter of Intent.

f. Entire Agreement. This Letter of Intent constitutes the entire agreement between the Parties, and supersedes all prior oral or written agreements, understandings, representations and warranties, and courses of conduct and dealing between the Parties on the subject matter hereof, including the RFP Response. Except as otherwise provided in this Letter of Intent, the Binding Provisions may be amended or modified only by a writing executed by both Parties.

g. Counterparts. This Letter of Intent may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Letter of Intent and all of which, when taken together, will be deemed to

constitute one and the same agreement. Email transmission of a true scanned or .pdf copy of any signed original counterpart transmission shall be deemed the same as the delivery of an original.

h. Governing Law. This Letter of Intent will be governed by and construed in accordance with the internal substantive laws of the State of North Carolina without regard to conflicts of laws principles.

i. Public Disclosures. The Parties shall consult with one another and must agree in writing in advance concerning the form and substance of any joint press release or other joint public disclosure of the matters or documents covered or contemplated by this Letter of Intent (including in respect of any joint public disclosure required by applicable law), and shall make a diligent effort to prohibit each of their respective Representatives from engaging in any activity in violation of this sentence. For the avoidance of doubt, a press release or public disclosure is considered "joint" for the purposes of the preceding sentence if it purports to express the view of both Parties or is authorized by both Parties, or gives rise to a reasonable inference that it expresses the view of both Parties or is authorized by both Parties. Except as otherwise required by applicable law, without the prior written consent of ECU Health (email will suffice), Martin County will not, and it shall cause its Representatives not to, make any public disclosure or statement regarding the matters or documents covered or contemplated by this Letter of Intent or otherwise relating to the Proposed Transaction. For the avoidance of doubt, communications with government officials or agencies about such matters or documents will constitute a public disclosure of such matters or documents (and Martin County (i) shall provide ECU Health prompt notice of any communications from or with any government officials with respect to the Proposed Transaction, and (ii) shall not participate in any meeting or discussion with any government officials unless it consults with ECU Health in advance). Notwithstanding the foregoing, the obligations in this Section 6(i) shall not be deemed to prohibit any Party from making any disclosure such Party, on the advice of legal counsel, deems necessary in order to fulfill such Party's disclosure obligations imposed by applicable law. To the extent that the terms of this Section 6(i) conflict with any terms of the Confidentiality Agreements, the terms of this Section 6(i) shall control.

[SIGNATURE PAGE ATTACHED]

*Signature Page to Letter of Intent*

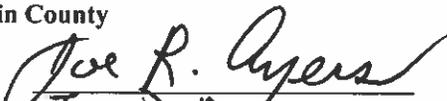
Sincerely,

University Health Systems of Eastern Carolina, Inc.

By:   
Name: Brian Floyd  
Title: Chief Operating Officer

Acknowledged and agreed by Martin County:

Martin County

By:   
Name: Joe R. Ayers  
Title: Chairman, Martin County Board of Commissioners

**Exhibit A**

**Term Sheet**

*The terms set forth below are intended for discussion purposes only, do not constitute an offer, and will not give rise to any legally binding obligation on the part of either Party or any affiliate of either Party. Neither Party nor any of their respective affiliates will be legally bound with respect to the matters set forth in this Exhibit A unless and until the Parties have executed and delivered to each other a definitive agreement with respect to such matters, and at such point, only to the extent set forth in such definitive agreement or any ancillary agreements. This Term Sheet is intended to serve as a guide for the negotiation and drafting of binding legal documents to memorialize the Proposed Transaction. Capitalized terms used in this Term Sheet that are not otherwise defined will have the meanings given to such terms in the Letter of Intent.*

<b>I. Structure of the Proposed Transaction</b>	
<b>1. General Form of the Proposed Transaction</b>	<p>A. ECU Health is Eastern North Carolina’s academic and community health system, which serves patients in the region through eight community hospitals in addition to its principal medical center. ECOM is a wholly-owned subsidiary of UHS, and ECU Health’s community hospitals are subsidiaries of ECOM.</p> <p>B. Martin County owns, in fee simple, certain real estate principally located at 310 S. McCaskey Road, Williamston, NC 27892, which was previously used for the operations of Martin General. Recognizing that Martin General is intended to initially reopen as an REH, and will only offer the services permitted by that designation (generally, emergency services), only the section of the hospital building and property needed to operate Martin General within these parameters will be leased by the MGH Entity (such portion of the overall hospital property is referred to herein as the “<b>Leased Real Property</b>”). Martin County is in possession of, and claims title to, certain equipment which was previously used by Martin General and will be useful to the post-Closing operation of Martin General (the “<b>Equipment</b>”).</p> <p>C. Prior to the Closing, ECU Health will form the MGH Entity to serve as the operating entity for Martin General as an REH.</p> <p>D. Pursuant to the Definitive Agreement and related Ancillary Documents, as applicable, the MGH Entity will (1) acquire the Equipment and (2) lease the Leased Real Property from Martin County, in each case, to facilitate the reopening of Martin General as an REH.</p> <p>E. While the Parties expect the form of the Proposed Transaction outlined in this LOI (including the reopening of Martin General as an REH) is the form most likely to be successful, the Parties may elect to reconsider these plans, and consider alternative structures, based on changing circumstances. ECU Health intends to explore options to maximize healthcare access in Martin County and its surrounding communities if the form of the Proposed Transaction outlined in this LOI becomes unfeasible or unsustainable.</p>
<b>II. Proposed Transaction Timeline</b>	
<b>2. General Timeline</b>	The efforts to consummate the Proposed Transaction and reopen Martin General will be divided into three phases: (1) a period between the Effective Date and the Closing (the “ <b>Pre-Closing Period</b> ”), (2) a period between the Closing and the reopening of Martin General in the Leased Real Property as an REH (the “ <b>Preparation Period</b> ”), and (3) the period after the reopening of Martin General as an REH (the “ <b>Operational Period</b> ”). Each phase is discussed further in this Term Sheet.
<b>3. Pre-Closing Period</b>	During the Pre-Closing Period: <p>A. Soon after the Effective Date but no later than August 2, 2025, the Parties intend to jointly submit a notification to the CON Section to permit the Parties to reopen Martin General under the LMCF Exemption.</p>

	<p>B. The Parties will negotiate the transaction documents, including the Definitive Agreement and certain Ancillary Documents.</p> <p>C. ECU Health will draft, and the Parties will agree to, the Facility Readiness Plan, as provided in <u>Section 7</u> below.</p> <p>D. Martin County will approve final drafts of transaction documents (including the Definitive Agreement and related Ancillary Documents), pursuant to N.C. Gen. Stat. § 131E-184(h).</p> <p>E. ECU Health will obtain necessary internal approvals and consents, including that of the boards of directors of each of UHS and ECOM.</p> <p>F. The Parties will engage in confirmatory due diligence, as more particularly described in <u>Section 6</u>.</p> <p>G. ECU Health, in its reasonable discretion, may require other actions to be taken prior to the Closing in response to changing circumstances and findings from the due diligence process.</p>
<b>4. Preparation Period</b>	During the Preparation Period, ECU Health and the County will use commercially reasonable efforts to take all further actions necessary to reopen Martin General as an REH, as more particularly described below.
<b>5. Operational Period</b>	The Proposed Transaction, and by extension the Letter of Intent (including this Term Sheet), is primarily concerned with the goal of reopening Martin General as an REH. However, the long-term intent of ECU Health and Martin County is to open the New REH. Because the Leased Real Property is not fit for long-term use, sufficient financial support for the New REH is a condition to the reopening of Martin General as an REH, and such financial commitments will be memorialized in the Definitive Agreement.
<b>III. Pre-Closing Period Obligations</b>	
<b>6. Due Diligence Process</b>	<p>A. Following the execution of the Letter of Intent, the Parties will begin a due diligence process whereby ECU Health (and its advisors and consultants) will perform a due diligence review of the Leased Real Property, the Equipment, Martin County (solely to the extent relevant to Martin General, its operations and its properties), and the prior operations of Martin General.</p> <p>B. ECU Health anticipates the following non-exhaustive topics will be subject to due diligence review: Financial; Legal, Risk and Compliance; Operations; Regulatory; and Physical Plant, Equipment and Grounds. ECU Health understands and acknowledges that Martin County did not operate Martin General at the time of its closure and does not have access to all books and records of the prior operator. However, as set forth in <u>Section 4</u> of the Letter of Intent, Martin County will reasonably cooperate with any request made by ECU Health to any third party (including the trustee of the prior operator) for access to any such Diligence Materials not immediately available to Martin County.</p>
<b>7. Facility Readiness Plan / Refurbishment of Leased Real Property</b>	<p>A. During the Pre-Closing Period, ECU Health will draft, with Martin County's cooperation, a "Facility Readiness Plan" based on its and its advisors' own diligence of the Leased Real Property and Equipment and information related thereto, including any applicable Diligence Materials. Martin County will send ECU Health true, correct and complete copies of the County's and Criterion Healthcare's prior thorough assessment of the Leased Real Property and Equipment, and will share details from Martin County's and Criterion Healthcare's prior discussions with representatives of the Construction Section of the North Carolina Department of Health and Human Services ("<b>Construction Section</b>"). Furthermore, to the extent that further discussions with the Construction Section are needed during the Pre-Closing Period and in connection with the development of the Facility Readiness Plan, the Parties will communicate jointly with the Construction Section.</p>

- B. The Facility Readiness Plan will outline repairs and refurbishments to the Leased Real Property and Equipment required to be made by Martin County. Except as otherwise stated herein or agreed by the Parties, Martin County will bear the reasonable costs of all such repairs and refurbishments, subject to the dispute resolution provisions set forth herein. The Facility Readiness Plan may include projects that must be completed prior to the Closing or after the Closing. In drafting the Facility Readiness Plan, ECU Health will consider, among other things (and no single consideration will be controlling):
- i. the requirements of the REH CoPs, which permit waiver of specific provisions of the Life Safety Code and Health Care Facilities Code;
  - ii. the potential loss of “grandfathered” status of the Leased Real Property under the same;
  - iii. requirements for the MGH Entity to obtain and maintain its licensure, enroll in government payor programs, and be accredited to the extent applicable; and
  - iv. that the present intent of the Parties is to move the operations of Martin General as an REH to a new facility, the New REH;
- provided, however, that notwithstanding (i)-(iv) above, the advice of ECU Health’s own Representatives on what repairs or refurbishments are necessary or desirable to (a) ensure the health and safety of persons present on the Leased Real Property or (b) otherwise provide an excellent experience for patients, staff, and visitors to the Leased Real Property, based on ECU Health’s relevant expertise and standards, and consistent with its other facilities, will control, to the extent that such advice includes additional work to be performed that is not otherwise contemplated by the considerations set forth above. If and to the extent that ECU Health determines that repairs or refurbishments are desirable beyond those required to maintain the hospital license and meet the REH CoPs, and such repairs or refurbishments cause the loss of “grandfathered” status of the Leased Real Property, ECU Health will bear the costs of such repairs and refurbishments.
- C. Additionally, ECU Health may consider any other reasonable considerations, including the potential need for repairs and refurbishments to the remaining hospital property, to ensure that the operations of Martin General as an REH will not be adversely affected by the condition of the remainder of the property and may request that Martin County make such repairs or refurbishments.
- D. ECU Health will deliver a draft of the Facility Readiness Plan to the County no later than the first anniversary of the Effective Date of the LOI. The County will have 60 days from the delivery of the Facility Readiness Plan (the “**Review Period**”) to review the same and to obtain any necessary approvals to begin and finance the work included therein. If the County objects to any work required to be performed in the Facility Readiness Plan, the County will notify ECU Health of any objections and the rationale for the same in writing within such Review Period. Upon receipt of any such objection, the Parties will each designate representatives, who will meet to resolve any disagreement between the Parties within 15 days of ECU Health’s receipt of the County’s objection(s). If, after two such meetings, or 30 days from ECU Health’s receipt of the County’s objections, the Parties do not come into full agreement on the resolution of the County’s objections, ECU Health’s good-faith determination of the resolution of such issues, with due consideration for the considerations set forth herein, will control.
- E. For the avoidance of doubt, the Parties agree that all drafts of the Facility Readiness Plan, the text of any related objections, and the content of any written or oral communications related to the same constitute confidential “competitive health care information” under Chapter 132 of the North Carolina General Statutes.
- F. While the Parties intend that the agreed-upon Facility Readiness Plan be in substantially final form, the Facility Readiness Plan may be continually updated based

	<p>on new diligence findings (including issues with the facility that become apparent or only arise after the Facility Readiness Plan is initially finalized) and regulatory and other requirements. For the avoidance of doubt, ECU Health must approve any such updates, and such updates will be subject to the dispute resolution process set forth in <u>Section 7.B.</u></p> <p>G. ECU Health will have meaningful involvement in the implementation of the Facility Readiness Plan, including without limitation, through the below terms:</p> <ul style="list-style-type: none"> <li>i. Representatives of Martin County will regularly update representatives of ECU Health on the status of each project contemplated by the Facility Readiness Plan.</li> <li>ii. Representatives of ECU Health will approve, in writing, all contractors or suppliers before Martin County engages any such contractors or suppliers. ECU Health will review all contracts (including all spec sheets) related to the work, and will work with the County to negotiate such changes as ECU Health reasonably believes are necessary or desirable.</li> <li>iii. Representatives of ECU Health will review all completed work and have the right to ask Martin County to make such requests of the relevant contractors or subcontractors as ECU Health deems reasonably appropriate. Martin County will not sign off on completed work without ECU Health's consent.</li> </ul> <p>H. If either Party incurs costs or expenses related to the Leased Real Property which the other Party agreed to bear (either pursuant to the Facility Readiness Plan, as agreed, the Definitive Agreement or otherwise), the Party which incurred such costs or expenses will be reimbursed by the other Party.</p> <p>I. For the avoidance of doubt, the Parties recognize and agree that prior to the execution of the Definitive Agreement, neither Martin County nor ECU Health will be legally bound by the terms of this Term Sheet. Consequently, if Martin County finds any costs associated with the Facility Readiness Plan to be unacceptable prior to the execution of the Definitive Agreement, Martin County may decide, in its sole discretion, not to proceed with the Proposed Transaction.</p>
<p><b>8. Statutory Requirements</b></p>	<p>The Parties will coordinate and use commercially reasonable efforts to fulfill all applicable statutory requirements required to be satisfied prior to the Closing, including compliance with N.C. Gen. Stat. § 131E-13.</p>
<p><b>9. Planning</b></p>	<ul style="list-style-type: none"> <li>A. Prior to the Closing, ECU Health will develop a detailed reopening implementation plan and timeline, which will be informed by ECU Health's due diligence findings and continued consultation with ECU Health's management and advisors.</li> <li>B. Initial resource allocation planning will begin concurrently with ECU Health's due diligence process. The Parties expect that this planning will continue post-Closing.</li> </ul>
<p><b>IV. Transaction Documents</b></p>	
<p><b>10. Definitive Agreement</b></p>	<ul style="list-style-type: none"> <li>A. To memorialize the Proposed Transaction, the Parties will execute the Definitive Agreement, which will, in part, provide for the acquisition by the MGH Entity (free and clear of all liens and encumbrances, other than permitted encumbrances) of the Equipment, and other commitments related to the reopening of Martin General as an REH and ongoing operations of Martin General. The Parties will also execute certain ancillary documents, including without limitation: <ul style="list-style-type: none"> <li>i. a bill of sale, to evidence the MGH Entity's acquisition of the Equipment; and</li> <li>ii. a lease, to provide for the MGH Entity's lease of the Leased Real Property, and other customary deliverables in respect of the same.</li> </ul> </li> <li>B. The Definitive Agreement will contain customary terms and provisions for a transaction of this nature, including certain covenants of ECU Health and Martin County with respect to pre-Closing items and post-Closing operations of Martin General. Such terms, provisions and covenants will include, without limitation:</li> </ul>

	<ul style="list-style-type: none"> <li>i. Customary representations and warranties of each Party;</li> <li>ii. An acknowledgment and restatement of ECU Health’s statutory mission and that Martin General will be subject to ECU Health’s current programs, initiatives, and policies on indigent care;</li> <li>iii. Cooperation among the Parties to effect the Closing and the reopening of Martin General as an REH;</li> <li>iv. The rights of ECU Health to unwind the transaction, described in more detail in <u>Section 17</u>;</li> <li>v. Provisions required to be included pursuant to applicable law (including N.C. Gen. Stat. § 131E-13 and § 131E-14); and</li> <li>vi. Miscellaneous provisions governing the Definitive Agreement and the go-forward relationship of the Parties.</li> </ul>
<p><b>11. Lease</b></p>	<p>The MGH Entity and Martin County will execute a lease (the “<b>Lease</b>”), setting forth the consideration, rights, and obligations pursuant to which the MGH Entity will lease the Leased Real Property from Martin County, including, but not limited to:</p> <ul style="list-style-type: none"> <li>i. That a <i>de minimis</i> amount of monetary rent is to be paid for the lease of the Leased Real Property;</li> <li>ii. Obligations for maintenance and repairs of the Leased Real Property (and, as relevant to the operations of Martin General as an REH, maintenance of and repairs to the remainder of the hospital building and property);</li> <li>iii. That any use of the hospital building or real property will require the prior written consent of ECU Health, based on the effects any such use may have on the operations of Martin General as an REH, including the risk of noncompliance with applicable regulatory and accreditation requirements or harm to the patient experience at Martin General;</li> <li>iv. Scope of use of the Leased Real Property and expansion opportunities;</li> <li>v. Requirements of Martin County to maintain the remainder of the hospital property (but not the Leased Real Property outside of the refurbishment or repairs provided in the Facility Readiness Plan) to ensure that the conditions of the remainder of the hospital property do not adversely affect the operations of Martin General;</li> <li>vi. The rights of each Party to terminate the Lease, including the right of ECU Health to terminate the Lease pursuant to an unwinding of the Proposed Transaction, as further detailed in <u>Section 17</u>;</li> <li>vii. Zoning, licensing, and other legal compliance obligations;</li> <li>viii. Insurance requirements; and</li> <li>ix. Other customary terms and provisions for the lease of a healthcare facility.</li> </ul>
<p><b>12. Closing Conditions</b></p>	<p>A. The following actions must occur prior to the Closing (each, a “<b>Closing Condition</b>” and together, the “<b>Closing Conditions</b>”):</p> <ul style="list-style-type: none"> <li>i. Execution of the Facility Readiness Plan as of the Closing, and compliance with any applicable pre-Closing deadlines contained therein.</li> <li>ii. Execution of the Ancillary Documents, and compliance with their respective terms.</li> <li>iii. ECU Health’s satisfactory completion of its due diligence.</li> <li>iv. Compliance with and satisfaction of all applicable legal requirements to effect the Closing, including, but not limited to, regulatory surveys and/or approvals.</li> <li>v. Receipt of applicable third-party consents as may be required by law to effect the Closing.</li> <li>vi. Receipt by ECU Health of the funding support (at least \$220 million) detailed in <u>Section IV</u>.</li> <li>vii. The Medicaid REH Reimbursement Solution (as defined below) must become effective.</li> </ul>

	<p>viii. Other Closing Conditions customary for a transaction of this nature, including, without limitation, that there has been no material adverse effect to the Leased Real Property or prospective business of Martin General as contemplated herein, and requirements that the Leased Real Property and Equipment are not encumbered as of the Closing.</p> <p>B. The Parties will coordinate on satisfying the Closing Conditions and taking commercially reasonable efforts to effectuate the Closing.</p> <p>C. For the avoidance of doubt, each Party has the right to withdraw from these negotiations at any time, with no further obligations of either Party (including, with respect to ECU Health, UHS and any of its subsidiaries) to the other Party (whether financial or otherwise), in each case except for obligations set forth in <u>Part II</u> of this LOI, if in such Party's reasonable judgment the reopening of Martin General (as an REH or otherwise) or the short- or long-term operation of Martin General is no longer feasible, including because any one or more Closing Conditions is no longer achievable or able to be satisfied.</p>
<p><b>IV. Financial Matters</b></p>	
<p><b>13. Financial Support Generally</b></p>	<p>A. As noted in the RFP Response, the reopening and ongoing operation of Martin General as an REH will be a financially costly undertaking. Martin General faces the same steep challenges as other hospitals in rural communities and small towns across the country, including balancing low reimbursement rates from government payors like Medicare and Medicaid with a high ratio of Medicare and Medicaid beneficiaries in the mix of patients being served. The Parties have identified a potential path to reopening and operating Martin General as an REH in spite of these challenges, but this path requires extensive financial support. The Parties intend to seek support from the State of North Carolina to satisfy most of this need, but ECU Health recognizes that there may be other sources of funding to fill any gaps, including funds from Martin County.</p>
<p><b>14. Financial Support for Reopening Costs</b></p>	<p>A. The Parties estimate that the amount of direct financial support needed to support the reopening of Martin General as an REH to be at least \$220 million. This amount accounts for the expected costs associated with the New REH and expanding inpatient capacity at ECU Health Beaufort Hospital such that ECU Health Beaufort Hospital is adequately prepared to treat patients transferred from Martin General. The reopening of Martin General as an REH cannot occur until ECU Health has received this amount (which is necessarily subject to change as the Parties work toward reopening Martin General as an REH) from the State of North Carolina or some other funding source identified and pursued by the Parties. The Parties recognize and agree that this amount represents an estimate based upon the Parties' knowledge as of the Effective Date, and is subject to update based upon changing circumstances.</p> <p>B. As set forth in this Term Sheet, the Parties intend for Martin County to bear the cost of all improvements to the Leased Real Property included in the Facility Readiness Plan (i) which are necessary to meet licensure requirements or the REH CoPs, or (ii) as otherwise agreed by Martin County, and which, in each case of clauses (i) and (ii), do not result in the loss of "grandfathered" status, as the Facility Readiness Plan may be amended in accordance with the terms hereof. The reopening of Martin General as an REH will be conditioned on the successful and satisfactory completion of any work slated for post-Closing within the Facility Readiness Plan. Martin County may need to contribute some of its own funds to cover reopening costs beyond those associated with the Facility Readiness Plan, should funding from other sources be insufficient or untimely, subject to Martin County's right to withdraw from these negotiations as set forth in <u>Section 12.C</u> of this Term Sheet.</p>
<p><b>15. Financial Support for Ongoing Operational Costs</b></p>	<p>A. To minimize the financial risks posed by insufficient government payor reimbursement rates, the reopening of Martin General as an REH cannot occur until (and will be conditioned upon) the final effectiveness of a permanent reimbursement solution, by</p>

	<p>the State and/or Federal government, providing for reimbursement rates for emergency services rendered by Martin General (as an REH) to Medicaid beneficiaries which are commensurate with (i) other hospital-based reimbursement for emergency services, and (ii) the enhanced reimbursement rates provided to REHs with respect to Medicare beneficiaries pursuant to the Medicare Outpatient Prospective Payment System (OPPs) final rule for REHs (such solution, the “<b>Medicaid REH Reimbursement Solution</b>”).</p> <p>B. Depending on the expected and actual financial performance of Martin General after it is reopened as an REH, ECU Health may request that Martin County agree to contribute some of its own funds to support the ongoing operation of Martin General.</p>
<p>16. Budget</p>	<p>A. Prior to reopening Martin General as an REH and at least annually thereafter, ECU Health, in consultation with Martin County, will form a budget based on reasonable projected operating expenses and revenues. This budget will include reasonable system allocations, as determined in good faith by ECU Health with due consideration for the unique nature of the REH model of care. This budget will include a break-even amount of revenue at which amount Martin General is expected to operate with no operating loss or gain (the “<b>Break-Even Amount</b>”). The Break-Even Amount will be a go-forward reference point for the financial sustainability of Martin General as an REH. For the avoidance of doubt, Martin County will have input into, but will not have any approval right with respect to, the budget or Break-Even Amount.</p> <p>B. The budget (and by extension, the Break-Even Amount) will be subject to update and revision, including due to unforeseen circumstances, at any time.</p>
<p><b>V. Operational Period</b></p>	
<p>17. Unwinding</p>	<p>A. While the Parties expect that the financial support set forth herein provides the best opportunity to sustainably reopen and operate Martin General, ECU Health cannot operate Martin General at a sustained financial loss—the operations of Martin General must, at a minimum, break even fiscally. In recognition of this reality, the Definitive Agreement and Ancillary Documents will provide ECU Health with the right to unwind the transaction (principally by terminating the Lease) if the Martin General business records a cumulative loss in an amount to be determined by the Parties in the Definitive Agreement (and in accordance with ECU Health’s historical accounting method, consistently applied) over two consecutive fiscal years.</p> <p>B. ECU Health may exercise its right to unwind by delivering a written notice to Martin County within a period (to be determined by the Parties and set forth in the Definitive Agreement) after the date that the applicable annual financial statements of the MGH Entity which triggered the right to unwind are finalized. Such notice will include a final determination of the Shortfall Amount (as defined below). The date such notice is delivered is referred to herein as the “<b>Delivery Date</b>”. Promptly following the Delivery Date, representatives of the Parties will meet to form a plan to facilitate the unwinding of the transaction. Upon its election (express, in writing, and delivered within 30 days following the Delivery Date), Martin County will have the right to delay all definitive actions toward unwinding (but not any other action or planning associated therewith) for a to-be-determined number of days from the Delivery Date. Within that period, Martin County will have the right to contribute funds (its own or from other sources) to the MGH Entity in an amount sufficient to fully cover the operating loss recognized in the preceding two fiscal years (such amount is referred to herein as the “<b>Shortfall Amount</b>”). If such funds are received by ECU Health, then solely for the purposes of any right to unwind the transaction described in this <u>Section 17.B</u>, the immediately prior fiscal year’s operating loss will be considered to have not occurred and ECU Health shall not have the right to take any further definitive action toward unwinding the transaction based solely on the operating loss covered by the Shortfall Amount. For the avoidance of doubt, notwithstanding the timely payment of any Shortfall Amount, ECU Health will retain any right to unwind the transaction otherwise provided by the</p>

Definitive Agreement (as further described in Section 17.C). Additional detailed procedures with respect to the unwinding right will be included in the Definitive Agreement, including how the first fiscal year of operations will be factored into any right to unwind triggered by financial performance.

- C. Reopening Martin General as an REH will only be financially viable and sustainable if the regulatory and other conditions that render the reopening of Martin General as an REH financially viable and sustainable remain in place post-Closing. For these reasons (and in addition to the right to unwind based on ongoing financial performance as provided above), ECU Health may, at its option, unwind the transaction at any time if any of the following occur:
- i. Any refurbishment or similar work provided in the Facility Readiness Plan to be completed after the Closing does not occur on time and to a satisfactory degree of quality due to any action or inaction of Martin County or its Representatives;
  - ii. Martin County materially breaches the Definitive Agreement, the Lease, any Ancillary Document, or any other contract between the Parties (whether such breach occurs or becomes known after the Closing);
  - iii. Any material adverse effect occurs with respect to the reopening or ongoing operation of Martin General, including, without limitation, a force majeure event or the occurrence of any event that decreases the aggregate amount of reimbursement the MGH Entity can be expected to receive from government payors; or
  - iv. Any representation or warranty of Martin County in the Definitive Agreement or any Ancillary Agreement ceases to be true and correct.

The procedures for ECU Health to exercise its right to unwind the transaction under this Section 17.C and for the Parties to consummate the same shall be the same as those provided in the preceding Section 17.B; provided, that Martin County shall not have the right to delay any unwinding precipitated by the occurrence of any event described in the preceding sentence.

- D. ECU Health, at its option, may unwind the transaction for any reason upon reasonable prior written notice to Martin County of its intent to unwind. In connection with the negotiation of the Definitive Agreement, the Parties will discuss and agree on how many days advance notice ECU Health must give Martin County in order to unwind the transaction for any reason, but the Parties agree that such notice period will be intended to provide Martin County a reasonable amount of time to find another party to operate Martin General with minimal interruption to Martin General's operations.
- E. For the avoidance of doubt, the Parties acknowledge and agree that ECU Health shall have full and sole discretion with respect to all matters relating to the operation of Martin General (as an REH or otherwise) following the Closing.
- F. If ECU Health unwinds the transaction, the County will retain the Equipment and, as part of the Leased Real Property, any improvements made to the Leased Real Property in contemplation of the Proposed Transaction, including any fixtures thereto (not including, in each case and for the avoidance of doubt, any equipment purchased by ECU Health other than the Equipment, which will remain ECU Health's property).
- G. For the avoidance of doubt, the Definitive Agreement and the Lease will also define the circumstances in which each agreement may be terminated, including but not limited to the MGH Entity losing, in each case with respect to Martin General, (i) the ability to participate in Medicare or Medicaid, (ii) any license or permit which is material to the operations of Martin General as a whole, or (iii) any accreditation of any accrediting body which is material to the operations of Martin General as a whole.

<b>18. Development of New REH</b>	<ul style="list-style-type: none"><li>A. As permitted by applicable law, ECU Health and Martin County will endeavor to develop and open the New REH after the reopening of Martin General as an REH.</li><li>B. The Definitive Agreement or the applicable Ancillary Agreement will outline a process for discussions between the Parties on the opening of the New REH.</li></ul>
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