

**LETTER OF INTENT
between**

**The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas HealthCare System
and
University of North Carolina Health Care System**

The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas HealthCare System (“CHS”) and the University of North Carolina Health Care System (“UNCHCS”), each on behalf of itself and its affiliated entities (each a “Party” and collectively the “Parties”), hereby enter into this Letter of Intent (“LOI”) to develop a joint operating company to operate and manage the combined health care related activities of both institutions (the “Proposed Transaction”). This LOI shall be effective as of the 30th day of August, 2017 (the “Effective Date”).

The Parties are entering into this LOI to memorialize their commitment to continue in good faith to negotiate the terms of any definitive agreements required to accomplish the Proposed Transaction. All terms described below are terms of tentative agreement, subject to final confirmation and agreement in the definitive agreements to be developed over the next several months. Neither Party shall be bound by or to any terms, except those explicitly set forth herein, unless and until such terms have been incorporated into formal written agreements executed by the Parties (the “Definitive Documents”).

1. Introduction

UNCHCS and CHS propose to create a new non-profit, public North Carolina corporation to jointly operate and manage the hospitals and clinical activities of both organizations, as well as enhance both educational and research activities. UNCHCS and CHS will come together to create a new organization that blends the best of a high-performing comprehensive healthcare system with a renowned academically-based healthcare enterprise. The joint enterprise will provide solutions for healthcare’s most pressing challenges, including access and affordability, while offering unparalleled clinical expertise tied to a renowned academic enterprise and contributing to our region's economic vibrancy.

a. Shared Values, Vision, and Goals. UNCHCS is an affiliated enterprise of the University of North Carolina and based in Chapel Hill. UNCHCS currently comprises UNC Hospitals and its provider network, the clinical patient care programs of the UNC School of Medicine, and eight affiliate hospitals and hospital systems across the State. UNC’s School of Medicine has a long tradition as one of the nation’s leading medical schools training the next generation of health care professionals. The School of Medicine is currently ranked 2nd in primary care and 22nd in research by *U.S. News and World Report*.

CHS is a nationally prominent, regional healthcare system with substantial academic components, now operating in North and South Carolina and drawing patients from multiple

other states. CHS has over twelve million patient encounters annually and operates one of the largest medical groups and physician networks in the country.

UNCHCS and CHS are uniquely positioned to create an optimal model for aligning community and academic hospitals, physicians and other providers across a broad geography. This combined enterprise will deliver superior healthcare quality and value, achieve economies of scale, train the next generation of clinicians in innovative care practices, and enhance access to care throughout North Carolina, including in rural and other underserved areas.

UNCHCS and CHS each have a history of advancing the welfare of the communities that they serve and share a common commitment to improving health in North Carolina by enhancing quality and increasing access to healthcare. The complementary resources and expertise of UNCHCS and CHS will enhance affordability and access to services across a broad geographic spectrum by achieving economies of scale and operational efficiency. Specifically, the new organization intends to:

- Significantly enhance community healthcare by coordinating clinical services, integrating data analytics capabilities, care management platforms, virtual care, and other care delivery synergies to improve health outcomes.
- Continue to support and enhance the work of the UNC School of Medicine in furtherance of its teaching, research and patient care missions.
- Train the next generation of clinicians through a common commitment to medical education, research, and innovation.
- Collaborate with other health systems to manage and improve the health of populations and communities.
- Work with State officials to develop sound health policy, legislation and regulation in order to improve the health of North Carolinians.
- Realize economies of skill and scale through standardizing supply purchasing, revenue cycle, and other infrastructure platforms.

b. ONE System Blending the Best of Both. To achieve the above, the Parties desire a governance structure that supports the overall success of the organization and is not “representational” with respect to each Party’s institutions. Such structure will have common governance allowing it to implement the necessary operational and clinical integration to operate as ONE system with a unified management, mutually beneficial/aligned economic incentives, and a common and enduring commitment to better serve the citizens of the State of North Carolina.

To achieve these goals, the Parties will function as a single economic entity through a joint operating company (“JOC”), established by a joint operating agreement (“JOA”), with delegated day-to-day and strategic operating authority over the Parties’ facilities. The governing

body of the JOC (the “JOC Board”) will oversee the operation of the facilities as an integrated entity with one management team, one strategy, one budget and one vision. While each Party will retain its own governing board and ownership of its assets and will remain the employer of its respective employees, all facilities will be clinically, operationally and financially integrated through the JOC

2. Agreement of the Parties

The terms set forth in this Section 2 are intended by the Parties to be legally binding on each Party. The Parties hereby acknowledge and agree to the following:

a. Good Faith Negotiations. The Parties agree that their representatives shall negotiate in good faith to develop, within the Negotiation Period set forth in Section 2(b), the Definitive Documents which, among other items, incorporate and are reflective of the concepts generally outlined by the Parties as representing their goals for the Proposed Transaction. The Parties intend to create a JOC that will be a new North Carolina not-for-profit corporation, to be jointly owned and managed.

Notwithstanding the foregoing, the Parties hereby recognize and agree that the execution of the Definitive Documents remains subject to the completion of the these negotiations and the approval of the governing body of each Party, in each governing body’s respective sole discretion. The Parties shall work cooperatively in developing and revising drafts of the Definitive Documents, each bearing its own expenses throughout this process, unless otherwise set forth herein.

b. Term and Termination. The initial Term of this LOI shall be the period beginning on the Effective Date and ending on the date that is 180 days from the Effective Date (the “**Expiration Date**”). The initial Term and the Expiration Date will be automatically extended for a period of 90 days unless either Party notifies the other in writing of its intention to terminate the LOI at least 30 days prior to the initial Expiration Date.

The LOI shall terminate upon the earlier to occur of (i) the consummation of the Proposed Transaction by the execution of the Definitive Documents by the Parties (“**Closing**”), or (ii) the Expiration Date. The period of time between the Effective Date and the Closing or Expiration Date (whichever occurs first) shall be referred to as the “**Negotiation Period**”.

c. Due Diligence. During the Negotiation Period, each Party shall cooperate fully with the other Party with respect to the conduct of due diligence investigations by each Party of the applicable affairs and operations of the other, including, but not limited to, the real estate, accreditation, organization, financial, legal, business, tax-exempt status, and any other matters reasonably relating to the business or financial condition of each Party, respectively. Information gathered during such due diligence, and copies of any due diligence materials, due diligence reports, and any related information or documentation, shall be used solely for the purpose of consummating the Proposed Transaction, and shall be used for no other purpose by either Party or its representatives. Such information shall only be shared and reviewed by each Party’s representatives on a need-to-know basis, and only upon agreement by such

representatives to maintain the strict confidentiality of such information, and to use such information, in accordance with the terms of this LOI

d. Approval of Transaction. The Parties acknowledge and agree that, except as explicitly set forth herein, neither the Definitive Documents, nor any terms associated with the Proposed Transaction, shall be binding upon either Party until executed by such Party. Further, and notwithstanding any other term herein, the Definitive Documents, and all terms related to the Proposed Transaction, shall remain subject to the review and approval of each Party's respective governing body. The failure to obtain any such required approval shall not give rise to any liability for either Party. The Parties agree that, in the event each Party's negotiating representatives have reached substantial and material mutual agreement with respect to the Definitive Documents and the only remaining condition precedent to the execution of the Definitive Documents is the approval required under this Section 2(d), then, upon the mutual agreement of the Parties, the Expiration Date may be extended an additional forty-five (45) days, or such other period mutually agreed to by the Parties, to allow the Parties to obtain such required approval.

e. Governing Law and Dispute Resolution. This LOI and all matters related thereto shall be governed by, subject to, and construed in accordance with, the laws of the State of North Carolina, without application of its conflict of laws principles. In the event of any controversy or claim arising out of, or relating in any way to this LOI, the Parties will attempt in good faith to resolve such controversy or claim. If the matter has not been resolved within thirty (30) days of commencement of such discussions (which may be extended by mutual agreement), then the Parties agree to immediately submit the controversy to mediation. Each Party shall bear its own expenses and attorneys' fees incurred in the mediation. Notwithstanding the foregoing, either Party shall be entitled to seek appropriate legal relief for any breach of the provisions titled "Agreement of the Parties," "Exclusivity," and "Expenses."

3. Transaction Structure. The Parties intend to create a non-profit, North Carolina corporation to jointly operate and manage the hospitals and clinical activities of both organizations, as well as combine and enhance the research and teaching capabilities of these institutions – with a tentative start date of July 1, 2018. The JOC will integrate the operations each enterprise, while continuing to support the missions of the UNC-Chapel Hill School of Medicine. The Parties understand and agree that both UNCHCS and CHS will continue to exist as legal entities separate from the JOC, and the governance structures of UNCHS and CHS will remain unchanged.

4. JOC Governance. The proposed JOC will be governed by a Board of Directors with board members appointed by each organization.

5. JOC Leadership. The JOC will be led by Dr. William Roper, current CEO of UNCHCS, serving as Executive Chair of the organization, and Gene Woods, current CEO of CHS, serving as CEO of the JOC. The leadership teams of both UNCHCS and CHS will be integrated into JOC, as determined by Dr. Roper and Mr. Woods.

6. Naming/Branding. The Parties will work together to mutually agree on the

naming and branding of the JOC.

7. Conduct of Business. Until the Definitive Documents have been approved, duly executed and delivered by all of the Parties, except as set forth in Section 8 below, each Party shall continue to conduct its respective businesses.

8. Exclusivity. Upon the execution of this non-binding LOI and until this LOI is terminated as provided in Section 2(b), it is the Parties' mutual expectation that the Parties will deal exclusively with each other in connection with the Proposed Transaction, such that neither Party or any of its affiliates will directly or indirectly solicit, knowingly encourage, initiate, or discuss (i) any offer or proposal for significant affiliations with other academic medical centers, or (ii) any offer or proposal that would involve transferring the ownership or operations of all or substantially all of the Party's assets and/or operations to another entity.

9. Expenses. Except as otherwise agreed to by the Parties, each Party shall be responsible for and bear all of its own costs and expenses (including outside legal and professional fees) incurred in connection with the Proposed Transaction.

10. Non-Binding Letter of Intent; Binding Provisions. With the exception of the paragraphs titled "Agreement of the Parties," "Exclusivity," and "Expenses" (the "**Binding Provisions**"), all other provisions of this LOI are non-binding and do not create or constitute any legally binding obligations whatsoever between UNCHCS and CHS, and neither UNCHCS nor CHS shall have any obligation or liability to the other Party with respect to the Proposed Transaction unless and until Definitive Documents in a form and substance satisfactory to each Party and its respective counsel, are executed and delivered by and between all Parties. If Definitive Documents are not prepared, authorized, executed or delivered for any reason, no Party to this LOI shall have any liability to any other Party to this LOI based upon, arising from, or relating to the Proposed Transaction. 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.

11. Contacts.

All contacts should be directed through the following representative of UNCHCS (or his designee):

William L. Roper, MD, MPH
CEO, UNC Health Care System
101 Manning Drive
Chapel Hill, NC 27514-7600

With a copy to: B. Glenn George
General Counsel, UNC Health Care System
101 Manning Drive
Chapel Hill, NC 27514-7600

All contacts should be directed through the following representative of CHS (or his designee):

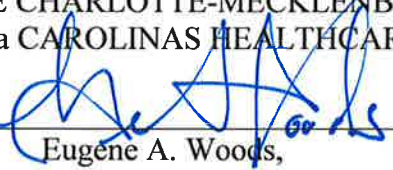
Eugene A. Woods
President and Chief Executive Officer
Carolinas HealthCare System
PO Box 32861
Charlotte, NC 28232-2861

With a copy to: Keith Smith
General Counsel, Carolinas HealthCare System
PO Box 32861
Charlotte, NC 28232-2861

12. 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.

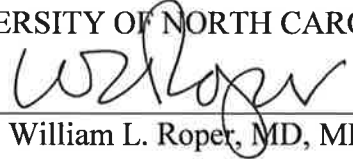
In consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree to the terms of this LOI.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
d/b/a CAROLINAS HEALTHCARE SYSTEM

By: 
Eugene A. Woods,
President and CEO

Date: 8-30-17

UNIVERSITY OF NORTH CAROLINA HEALTH CARE SYSTEM

By: 
William L. Roper, MD, MPH
CEO

Date: 30 Aug 2017