

**PASQUOTANK COUNTY, NORTH CAROLINA
FEBRUARY 27, 2014**

The Pasquotank County Board of Commissioners met today in a regular meeting on Thursday, February 27, 2014 in the Hugh Cale Commissioners Board Room in the Pasquotank County Courthouse.

MEMBERS PRESENT:

Jeff Dixon, Chairman
Joseph S. Winslow, Jr., Vice-Chairman
Lloyd E. Griffin, III
Cecil Perry
Dr. William R. Sterritt
Gary G. White
Frankie Meads

MEMBERS ABSENT: None

OTHERS PRESENT:

Rodney Bunch, Interim County Manager
R. Michael Cox, County Attorney
Karen Jennings, Clerk to the Board
Attorney Bob Wilson, Smith Moore Leatherwood
Attorney Erin Roberts, Smith Moore Leatherwood

The meeting was called to order at 1:12 PM by Chairman Jeff Dixon. He asked for a motion that the Board enter Closed Session to preserve the attorney client privilege.

Motion was made by Lloyd Griffin, seconded by Gary White that the Board enter Closed Session per N.C. General Statute 143-318(a)(1) and (a)(3) to prevent the disclosure of information that is privileged or confidential pursuant to law or not a public record under N.C. General Statute 131E-97.3 and to protect the confidentiality of information relating to competitive health care activities conducted by or on behalf of the hospital, as well as communicating with and receiving advice from attorneys. The motion carried unanimously.

Upon the end of Closed Session;

Motion was made by Gary White, seconded by Frankie Meads that the Board return to Regular Session. The motion carried unanimously.

Attorney Bob Wilson said the purpose of today's meeting is to complete the process under North Carolina General Statute 131E-13 according to which counties are permitted to sell, lease or convey their hospital facilities. He stated that the Board has undertaken a process of some duration in accordance with this statute that has allowed the community to see a number of proposals for the lease of the hospital and the ultimate operation of the hospital. He said this process has resulted in the choice by both the Board of Commissioners and the Hospital Authority of Sentara Health to operate the hospital. He stated in accordance with the law and the process to date, the negotiation of a series of transaction documents has been completed and the county is at the point in time of the process where the Board of Commissioners authorizes the approval of the transaction documents and authorizes the officers of the Board and the county to execute the documents at such time as they are ready to be signed.

Attorney Erin Roberts outlined the documents referred to in the approval resolution. Ms. Roberts explained that the Lease Agreement is the main document which will convey the assets. In addition to the Lease Agreement, there is an Assignment and Assumption Agreement; a Memorandum of Lease which will record the actual lease document with Sentara; a Rent Escrow Agreement by and among the county, the Hospital Authority, and Sentara in which money will be deposited for a period of five years; a Reciprocal Easement which carves out the rights and easements on and over the hospital parcel for the EMS parcels; a Termination Agreement specific to the current County/Hospital Authority lease; a Termination Agreement with the Hospital Authority with respect to the Vicki-Villa property; and a Termination Agreement with respect to the lease agreement by and between the County and RMS for the Dare County properties. She stated that the written resolution for the Board's approval outlines the procedural

requirements that have been followed by the county to approve the lease. She said the resolution authorizes Chairman Jeff Dixon to execute on behalf of the county the transaction documents that she has mentioned.

Chairman Dixon asked if any comments from the public were received during the 10-day comment period. Interim County Manager Rodney Bunch stated that no comments have been received since the documents were posted.

Commissioner Lloyd Griffin asked what the process would be going forward if the Board adopts the resolution approving signing of the documents today. Ms. Roberts responded that she understands the Hospital Authority Board will meet this evening, and the Sentara Board would need to approve the transaction as well pursuant to their own resolution. She said she is not in a position to predict whether or not those entities will approve the lease, but the resolution that is being presented today would effectively approve it on behalf of Pasquotank County. Mr. Wilson agreed that the documents are ready for execution and the resolution on the table would conclude the statutory process that would authorize Commissioner Dixon to execute the documents on behalf of the county. He stated that although the documents are not precisely like the letter of intent in every instance, they meet the spirit and the intent of the original letter of intent. County Attorney Mike Cox agreed that the documents are ready for execution. Mr. Wilson said that signatures would be obtained from the county pursuant to the Board's authorization and they will be held in escrow pending receipt of all the signatures from all the parties.

Mr. Wilson said if everything goes according to plan the other parties will execute the documents tomorrow and the contract would be effectuated as of midnight February 28. March 1 would be the first day of hospital administration under the Sentara lease. Mr. Wilson explained if there were material changes in the documents by the other parties between now and tomorrow, the law would require that they be re-posted and voted on again after ten days notice in order to comply with the statute.

Motion was made by Gary White, seconded by Joe Winslow to approve the resolutions in the form presented to the meeting today including the documents that were outlined by Ms. Roberts relating to the lease of Albemarle Hospital to Sentara. The motion carried unanimously and the following resolutions were adopted.

RESOLUTIONS OF THE PASQUOTANK COUNTY BOARD OF COMMISSIONERS

The following Resolutions were duly adopted by the Pasquotank County Board of Commissioners (the "Board"), the governing body of Pasquotank County, a political subdivision of the State of North Carolina (the "County"), in a duly called regular meeting on the 27th day of February, 2014:

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

WHEREAS, in the interest of public health and welfare and effective June 5, 2000, the Board, in order to delegate from the County the operation of the Hospital, established the Albemarle Hospital Authority, which is incorporated as a hospital authority in accordance with N.C. Gen. Stat. § 131E-16 *et seq.* (the "Hospital Authority");

WHEREAS, since September 28, 2000, the County has leased the Hospital Property to the Hospital Authority, pursuant to that certain Lease Agreement, by and between the County and the Hospital Authority, dated September 28, 2000, as amended by the following amendments: a First Amendment dated January 23, 2007; a Second Amendment dated June 8, 2007; a Third Amendment dated June 30, 2009; and a Fourth Amendment dated May 20, 2013, pursuant to which the County has delegated the responsibility for the operation of the Hospital and the provision of health care services to the residents of the County (the "Hospital Authority Lease");

WHEREAS, in May 2012, the Board, in conjunction with the Hospital Authority's Board of Commissioners, began a fact-finding process to assess the Hospital's strategic position, including potential affiliation options, and initiated the procedural requirements set forth in N.C. Gen. Stat. § 131E-13;

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

WHEREAS, in recognition of the procedural requirements set forth under N.C. Gen. Stat. § 131E-13(d), the County conformed with the statutory procedures as follows: (i) at a regular meeting more than sixty (60) days prior to the date hereof, adopted a resolution declaring its intent to lease, sell, or otherwise convey its interest in the Hospital (the "Resolution of Intent"); (ii) at said meeting, requested proposals for the lease or sale of the Hospital by direct solicitation of at least five (5) prospective lessees, purchasers, or other interested parties; (iii) conducted a public hearing on the Resolution of Intent not less than fifteen (15) days after its adoption; (iv) required information on charges, services, and indigent care at similar facilities owned and operated by each proponent; (v) not less than forty-five (45) days after adopting the Resolution of Intent and not less than thirty (30) days after conducting the public hearing on the Resolution of Intent, conducted a public hearing on the proposals; and (vi) made copies of the proposals available to the public at least ten (10) days before the public hearing on said proposals, all in accordance with the requirements of N.C. Gen. Stat. § 131E-13(d)(1) through (6);

WHEREAS, Sentara Healthcare, a Virginia nonstock corporation ("Sentara"), which is experienced in the operation and management of hospitals and health systems, submitted a proposal to lease substantially all of the assets used in the operation of the Hospital, including the Hospital Property (the "Hospital Assets"); and

WHEREAS, the terms and conditions of the proposed lease of the Hospital Assets to Sentara and its subsidiary, Sentara Albemarle Regional Medical Center, LLC, a Virginia limited liability company ("SARMC") have been reduced to writing in the form of a Lease Agreement (the "Lease Agreement") by and among the County; the Hospital Authority; Regional Medical Services, Inc., a North Carolina nonprofit corporation ("RMS"); Albemarle Physician Services, Inc., a North Carolina nonprofit corporation ("APS"); SARMC; and Sentara, the form of which is attached hereto as Exhibit A. Additionally, an Assignment and Assumption Agreement by and among the County, the Hospital Authority, RMS, APS, SARMC, and Sentara (the "Assignment and Assumption Agreement") has been reduced to writing, pursuant to which various tangible and intangible rights used in the operation of the Hospital will be assigned to SARMC, the form of which is attached hereto as Exhibit B (collectively, the Lease Agreement and the Assignment and Assumption Agreement are referred to herein as the "Transaction Documents");

WHEREAS, the terms of the Transaction Documents require or entail the consummation of other agreements, certificates, documents, and instruments by and among the parties, including, without limitation, a Memorandum of Lease by and among the County, the Hospital Authority, RMS, APS, SARMC, and Sentara, the form of which is attached hereto as Exhibit C; a Rent Escrow Agreement by and among the County, the Hospital Authority, SARMC, and SunTrust Bank, a Georgia banking corporation, the form of which is attached hereto as Exhibit D; a Reciprocal Easement Agreement regarding the rights and easements on, over, and across the hospital parcel and EMS parcels, by and between the County and SARMC, the form of which is attached hereto as Exhibit E; a Termination Agreement with respect to the Hospital Authority Lease by and between the County and the Hospital Authority, the form of which is attached hereto as Exhibit F; a Termination Agreement with respect to the Lease Agreement pertaining to the Vicki Villa property by and between the County and the Hospital Authority, the form of which is attached hereto as Exhibit G; and a Termination Agreement with respect to the Lease Agreement by and between the County and RMS, the form of which is attached hereto as Exhibit H (collectively, the "Ancillary Transaction Documents");

WHEREAS, at least ten (10) days before this meeting, the County noticed this meeting and made copies of the Transaction Documents available to the public in accordance with the requirements of N.C. Gen. Stat. § 131E-13(d)(8); and

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

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

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

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

1. Execute on behalf of the County the Transaction Documents, and any other agreements, certificates, documents, and instruments to be executed by the County in connection with the transactions described in these Resolutions, including, without limitation, the Ancillary Transaction Documents, in substantially the form presented to and approved by the Board, and with respect to any such documents requiring attestation, the Clerk of the Board is hereby authorized and directed to attest his execution and to affix the County's seal;
2. Execute a certificate, affidavit, or other official evidence of the taking of the actions recited herein for the purpose of permitting the County's special counsel, Smith Moore Leatherwood LLP "(Counsel)", to render a legal opinion regarding the transactions described in these Resolutions, with the specific understanding that Counsel will rely on the truth of the statements in such official evidence in the rendering of such opinion for the benefit of the County; and
3. Take such other and further actions and execute and deliver any other agreement, document, certificate, or other instrument as are not inconsistent with law that may be necessary or desirable to conclude and implement the transactions described in these Resolutions.

This the 27th day of February, 2014.

Chairman Dixon stated that each member of the Board should be proud to be a part of such a very historical moment for Pasquotank County. He said they have played a big part in the future of what healthcare will look like in Pasquotank County for many years.

Commissioner William Sterritt stated that the Board has already applauded the Due Diligence Committee for its hard work, but the Board should also thank County Attorney Mike Cox, Attorneys Erin Roberts and Bob Wilson and their staff, as well as County Manager Rodney Bunch and the Clerk to the Board.

Commissioner Cecil Perry noted that at the meeting of the Health Board this week, Chairman Dixon was applauded for his part in trying to ensure that the healthcare needs of the county's citizens are met.

Commissioner Gary White added that he believes Sentara will provide a higher level of medical care for the people of Northeastern North Carolina.

There being no further business, Chairman Dixon asked for a motion to adjourn the meeting.

Motion was made by Gary White, seconded by William Sterritt to adjourn the meeting. The motion carried and the meeting was adjourned at 1:50 PM.


CHAIRMAN


CLERK TO THE BOARD