



Asset Purchase Agreement Overview

New Hanover County, NHRMC and Novant Health signed a Letter of Intent on July 13, 2020 to negotiate a definitive agreement for Novant Health to purchase the assets of New Hanover Regional Medical Center (NHRMC) from New Hanover County and support NHRMC in providing healthcare to the region.

The detailed Letter of Intent reflected the priorities established by the Partnership Advisory Group (PAG) and the commitments requested by the PAG, NHRMC and physician leaders, and County officials. Since the Letter of Intent was signed, substantial due diligence has been conducted on behalf of NHRMC and Novant Health. The commitments have been further detailed in the Asset Purchase Agreement, which is now ready for public review and voting by the NHRMC Board of Trustees and the New Hanover County Board of Commissioners.

Novant Health's Commitments to Supporting NHRMC's Strategic Plan

Improving Access to Care and Wellness:

- Support the growth of services in the region, as identified through assessment of needs and population trends
- Continue current services offered for no less than ten years
- Maintain NHRMC's commitment to Pender Memorial Hospital for at least three years
- Establish telemedicine platform within 18 months

Promoting Health Equity

- Continue and expand care provided to indigent and low-income patients
- Expand and enhance community outreach
- Expand and enhance efforts to address social determinants of health
- Commit to not use extraordinary debt collection practices

Partnering with Providers

- Implement Novant Health's APP recruitment and retention services
- Maintain existing provider agreements for a minimum of three years

Advancing the Value of Care

- Apply value-based health plan expertise to support NHRMC's programs to manage care and lower costs for local patients
- Provide access to resources to improve patient satisfaction within 18 months, and maintain NHRMC in top 10% nationally for patient satisfaction

Supporting and Maintaining Staff

- Provide stability for NHRMC employees by maintaining current position and salary for at least two years
- Provide comparable wage and benefits package for at least three years, with credit for years served
- Support diversity hiring and programs

Driving Quality of Care

- Develop and implement best practices programs and other enhancements
- Improve access to emerging technology
- Position NHRMC to achieve Top 10% in the nation for quality



Growing the Level & Scope of Care

- Provide innovative care solutions and technologies
- Increase clinical research and grant-funding capabilities

Strategic Positioning

- Develop and enter clinical affiliations and partnerships with other providers to create system hub in this region
- Fully integrate NHRMC into Novant Health's existing healthcare system.

Expanded UNC Health & UNC School of Medicine Programs

- Keep and develop new residency and fellowship programs
- Collaborate on clinical trials and population health studies
- Create a branch of the UNC School of Medicine
- Develop educational partnerships, children's clinical partnerships, and research and clinical trial infrastructure

Board Governance Structure within Novant Health System

The APA provides for the incorporation of two new boards:

- Novant Health Coastal Region Board ("Local Board")
- NHRMC Newco Board

Local Board

- Local Board will include 17 trustees, and two of the trustees will serve on the Novant Health board
- At least 12 of the trustees will live in service area, including at least 3 physicians
- Local Board's power shall include, but are not limited to:
 - Approve elimination of any core clinical service line
 - Develop and recommend major operational plans
 - Oversee and recommend management accountability, evaluation and success
 - Develop and approve annual operating and capital budgets
 - Oversee medical staff matters, including credentialing, adverse actions, and bylaws
 - Selection and engagement of hospital-based physicians
 - Approving any sale or transfer of NHRMC to a for-profit system or, for 10 years following Closing, to a non-profit health system

NHRMC Newco Board (Hospital Board)

- NHRMC Newco Board (Hospital Board) will be responsible for the oversight of conditions of participation and accreditation, including credentialing and privileging



Novant Health's Financial Commitments

Capital Contributions

- \$1.5 billion to New Hanover County, including \$100 million placed in escrow for two years, \$75 million of which will be released to the County after two years and the remainder of which will be released to the County after four years
- \$50 million to the NHRMC Foundation
- Novant Health Brunswick Medical Center to become part of the operations of NHRMC
- \$600 million to fund routine capital expenditures within the 10 years
- \$2.5 billion to fund strategic capital needs in region

Key Transaction Points

- Novant Health will acquire all assets of NHRMC related to the Healthcare Businesses:
 - Hospitals, practices, clinics and facilities
 - Interests in subsidiaries and joint ventures
- Novant will not acquire certain excluded assets, including, but not limited to, current or long-term assets not related to the business, privileged materials, provider and disaster relief funds, and rights to HITECH Payments for years ending prior to effective time of closing.
- Novant will assume liabilities arising after Closing and working capital liabilities.
- Excluded liabilities, including those relating to COVID-19 relief programs, employee pension plans, and finder or broker fees incurred in connection with the transaction, will remain as obligations of NHRMC and the County.
- County retains the right to repurchase the assets at fair market value for certain material breaches by Novant of its capital commitments or its commitments related to improving access to care and wellness and promoting health equity.
- In the event of a breach of Sellers' representations and warranties, Novant's remedy is limited to the R&W insurance policy and, in the case of breach of a fundamental representation or an excluded liability, a general escrow account.

Break Fee:

- If Closing does not occur due to Novant's material breach, then Novant will be required to pay the \$25 million break fee to Sellers.
- If Closing does not occur due to County's material breach, then County will be required to pay the \$25 million break fee to Novant, none of which shall be provided by NHRMC.
- If Closing does not occur due to NHRMC's material breach, then NHRMC will be required to pay the \$25 million break fee to Novant, none of which shall be provided by County.



Use of Proceeds

The use of proceeds from the sale of NHRMC to New Hanover County is the discretion of New Hanover County Commissioners and outside the purview of Novant Health and its agreement with the County.

Through a majority vote on July 13, Commissioners approved the following preliminary allocation of funds, which will go for final approval by the Board with the presentation of the Asset Purchase Agreement.

New Hanover County

- \$300 million paid to the County Revenue Stabilization Fund
- \$50 million paid to the Mental and Behavioral Health Fund

New Hanover Regional Medical Center

- \$200 million paid to the NHRMC Employee and Provider Resiliency Fund
- \$100 million paid into the General Escrow Account, to address trailing pre-Closing obligations

Public Benefit Community Foundation

- Approximately \$1.25 billion will be paid to a separate, newly created community-based foundation established by New Hanover County (“Foundation”)
- The Foundation’s operations will be overseen by a board consisting of 11 members, including five members appointed by County Commissioners and six appointed by the Local Board