

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE
UNIVERSITY HEALTH CARE SYSTEM AND
MCDUFFIE COUNTY HOSPITAL AUTHORITY**

CONFIDENTIAL

This Memorandum of Understanding (“**MOU**”) is intended to summarize the material terms and conditions of a proposed affiliation (the “**Affiliation**”) in which the McDuffie County Hospital Authority (“**McDuffie Authority**” or “**Seller**”) desires to sell substantially all the assets, real, personal and mixed property, tangible and intangible, associated with or employed in the business and operations of McDuffie Regional Medical Center, currently located at 521 Hill Street SW, Thomson, Georgia, (“**Hospital**”) to University Health, Inc. d/b/a University Health Care System (“**University**” or “**Buyer**”). The parties desire the closing of the Affiliation described herein (“**Closing**”) shall occur on or about January 31, 2012.

Anticipated Benefits to Affiliation. The parties anticipate that the Affiliation will create a beneficial and collaborative relationship between the McDuffie County Hospital Authority and University Health Care System to serve the health care needs of McDuffie County. It is the intent of the Affiliation that the Hospital be operated at all times to meet the public health needs of the communities it serves, operate for the benefit of the general public and have a beneficial effect upon health care in those communities. Through this Affiliation, University Health Care System will assume certain liabilities of the Seller and make significant investment in facilities and services in the Hospital’s service area. University will enter into agreements with the McDuffie Authority to:

- (i) purchase substantially all of the assets including all the real estate of the McDuffie Authority and assume certain liabilities of the Authority at closing;
- (ii) construct and operate a new hospital to replace the Hospital at no cost to the McDuffie Authority or McDuffie County taxpayers (“**Replacement Hospital**”);
- (iii) operate the existing Hospital until a Replacement Hospital can be constructed, and permit Buyer to use the existing Hospital campus as a site for health care services after the Replacement Hospital opens;
- (iv) offer employment to all of Hospital’s qualified employees as of Closing, with comparable wages, benefits and maintenance of seniority;
- (v) provide for the maintenance and expansion of health care and medical services provided by the Hospital and Replacement Hospital;

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- (vi) provide for continued community input into the governance and operation of the Hospital and the Replacement Hospital by a new Georgia nonprofit corporation (“**NewCo**”);
- (vii) provide for the potential re-use of Hospital site once the Replacement Hospital is completed including, but not required, potentially to use as an outpatient or medical care facility; and
- (viii) grant a perpetual Right of First Refusal to the McDuffie Authority or its designee to repurchase the Hospital or the Replacement Hospital in the unlikely event University decides to sell to a third party.

1. Structure of the Agreement. Pursuant to the provisions of the “Term Sheet” in Exhibit A, attached hereto, at the Closing and subject to terms and conditions, Seller shall sell, transfer, convey, assign and deliver to Buyer, and Buyer shall purchase from Seller, all rights, title, and interest in and to the assets including all real estate of Seller, other than the Excluded Assets (the “**Acquired Assets**”).

Excluded Assets. Certain assets will remain the property of Seller after the Closing, including (a) all cash, cash equivalents, short term investments, assets and reserves whose use is restricted on the McDuffie Authority financial statements and similar reserves and (b) rights to governmental grants and other governmental payments and settlements (other than those reflected in current assets relating to the day-to-day operations of Hospital). Substantially all the Excluded Assets will be retained in a fund by the McDuffie Authority for use in supporting the operations and charitable mission of the McDuffie Authority. Acceptable uses of such funds shall include, but not be limited to: (i) payment for emergency and non-emergent health care of indigent or low income patients of the existing Hospital and the Replacement Hospital; (ii) funding educational programs on chronic diseases such as diabetes, hypertension, asthma and obesity in McDuffie County; (iii) funding health fairs and preventative care programs in McDuffie County; and (iv) funding educational or technical scholarship programs for students residing in McDuffie County who are pursuing health care careers.

Assumption of Liabilities. At the Closing, Buyer will assume certain liabilities and obligations of the Hospital and the McDuffie Authority (including all ordinary course of business current liabilities of the Hospital, such as accounts payable, accrued PTO, accrued salaries and other similar accruals). Buyer is not assuming any contingent liabilities such as medical malpractice claims, cost report settlements, compliance or recovery audit contractor (“**RAC**”) settlements, etc. that relate to the operation of Hospital up to the date of Closing. Further, within the first five years after closing, Buyer is not assuming the expense of the demolition of any part of the current Hospital not utilized by Buyer after completion of the Replacement Hospital unless that expense exceeds a mutually agreeable threshold amount.

2. Expenses. University and the McDuffie Authority will pay their own costs and expenses, including the fees of attorneys, accountants, brokers and other

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advisors, incurred in connection with the execution and delivery of this MOU and Closing of the Asset Purchase Agreement and all other agreements.

3. Attorney General Filing. If filings and/or a public hearing with the Attorney General of the State of Georgia ("AG") is necessary, the parties agree to cooperate in connection with any and all such filings as well as in connection with their respective communications with the AG. University shall be responsible for paying all costs incurred by either party associated with the Attorney General filing, including any filing fees due in connection with obtaining any necessary approvals from the Attorney General.

4. Access. The McDuffie Authority shall permit University and their counsel, accountants and other representative's reasonable access during normal business hours on reasonable notice to the properties, assets, books, records, agreements and other documents of the Hospital and any associated or affiliated entity. The McDuffie Authority shall furnish to University and their representatives all information concerning the Hospital as University may reasonably request and the McDuffie Authority possesses ("Evaluation Material"). The McDuffie Authority shall not be required to disclose any information regarding medical or employee records, the confidentiality of which is legally protected or to provide access to the Hospital in a manner which would unreasonably interfere with the delivery of patient care. The parties acknowledge that some of this information (such as pricing, reimbursement rates, salaries and wages) could constitute competitively sensitive information, and agree that, in such event, appropriate steps will be taken regarding the handling of competitively sensitive information, such as use of a third party to review, evaluate and compile such information. University shall permit the McDuffie Authority and their counsel, accountants and other representatives reasonable access during normal business hours on reasonable notice to the properties, assets, books, records, agreements and other documents of University and any associated or affiliated entity. University shall furnish to the McDuffie Authority and their representatives all information concerning University as the McDuffie Authority may reasonably request and University possesses ("Evaluation Material"). University shall not be required to disclose any information regarding medical or employee records, the confidentiality of which is legally protected. The parties acknowledge that some of this information (such as pricing, reimbursement rates, salaries and wages) could constitute competitively sensitive information, and agree that, in such event, appropriate steps will be taken regarding the handling of competitively sensitive information, such as use of a third party to review, evaluate and compile such information.

A party furnishing information in connection herewith is referred to as a "Disclosing Party" and a party receiving information pursuant hereto is referred to as a "Receiving Party." The term "Evaluation Material" includes any and all information furnished by or on behalf of a Disclosing Party (whether prepared by Disclosing Party or any of its affiliates, directors, officers, employees, advisors, agents or other representatives (including without limitation, attorneys, accountants, consultants, bankers and financial advisors) (collectively, "Disclosing Party Representatives") or otherwise and irrespective of the form of communication) that has been or will be furnished to a

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Receiving Party, or to any of its respective directors, officers, employees, managers, members, partners, advisors, agents or other representatives (collectively, "Recipient Representatives") by or on behalf of Disclosing Party, in each case that is either marked "Confidential" or which the Receiving Party should reasonably expect constitutes confidential, proprietary or trade secret information of Disclosing Party or the Hospital. "Evaluation Material" shall include, without limitation, all summaries, extracts, notes, analyses, compilations, studies, interpretations and other documents prepared by Receiving Party or the Recipient Representatives which contain, reflect, are based upon or are generated from, in whole or in part, the information furnished to Receiving Party pursuant to this letter (referred to herein as "Derivative Material"). In consideration of each party furnishing the other parties with such Evaluation Material, the parties hereto agree as follows:

a. Each Receiving Party (i) acknowledges the confidential or proprietary nature of the Evaluation Material and (ii) agrees to use the Evaluation Material solely for the purpose of evaluating this possible Affiliation. In addition, Receiving Party agrees that for a period of two (2) years from the date of this MOU (or, in the case of Evaluation Material that constitutes a trade secret under applicable law, for so long as such Evaluation Material constitutes a trade secret), Receiving Party and its Recipient Representatives shall keep such information strictly confidential, except that the Evaluation Material or portions thereof may be disclosed to Recipient Representatives who (i) need to know such information for the purpose of evaluating the possible Affiliation, and (ii) have agreed to use such information solely for that purpose and have agreed, or are otherwise bound by a professional or similar obligation, to keep such Evaluation Material confidential in accordance with the terms of this MOU. Each Receiving Party agrees to be responsible for any breach of this Confidentiality Agreement by any of its Recipient Representatives.

b. If a Receiving Party or any of its Recipient Representatives are requested as a result of a judicial or regulatory proceeding (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process), including but not limited to pursuant to the Georgia Open Records Act, O.C.G.A. §50-18-90, et seq., to disclose any Evaluation Material, the party requested agrees to provide the Disclosing Party with prompt notice thereof so that the Disclosing Party may seek an appropriate protective order and cooperate in the Disclosing Party's efforts with respect thereto. If, in the absence of a protective order, the Receiving Party or its Recipient Representatives are compelled as a matter of law to disclose any portion of the Evaluation Material, the Receiving Party may disclose to the person or entity compelling disclosure only the portion of the Evaluation Material that is required by law to be disclosed (in which case, prior to such disclosure, the Disclosing Party will be advised and consulted as to such disclosure and the nature and working of such disclosure) and the Receiving Party will use all reasonable efforts to obtain confidential treatment thereof.

c. The term "Evaluation Material" does not include any information which, at the time of or subsequent to disclosure is generally available to and known by

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the public (other than as a result of its unauthorized disclosure by the Receiving Party or its Recipient Representatives) or information that is received on a non-confidential basis from a third person who is not under an obligation to maintain the confidentiality thereof.

d. If an Affiliation between the parties is no longer actively being pursued and a party has so advised the other party in writing, upon the request of the Disclosing Party, each Receiving Party will promptly (i) return all copies of the Evaluation Material in its possession or in the possession of its Recipient Representatives, (ii) destroy all Derivative Material, and (iii) certify in writing that all such documents, materials and information have been so returned or destroyed, as the case may be.

5. Public Statements. Except as otherwise provided herein, no party to this MOU may, whether directly or indirectly, issue any press release or make any other announcement disclosing the existence of this MOU, the matters contemplated herein including, without limitation, the existence of negotiations with respect to the possible Affiliation, without the prior consent of the other parties which such consent shall not be unreasonably withheld, except where a disclosure or other announcement is required by law, as reasonably determined by the disclosing party (in which event the party shall, as soon as reasonably practical but in any such event prior to the announcement, give notice to the other party of such determination and consult with the other party concerning the terms of such announcement). If either Buyer or Seller, whether directly or indirectly, issues any press release or makes any other announcement contemplated by this Section, then the other party hereto shall have the right to issue a press release or make an announcement with respect to such matters contemporaneously. The parties agree that a public announcement will be made upon the signing of the MOU in which the terms of the MOU will be disclosed.

6. Alternative Proposals. In consideration of the time, effort and other expense by University in connection with the contemplated Affiliation, the McDuffie Authority agrees that it will not, after the effective date of this MOU and until the later of (a) December 31, 2011 or (b) the termination of this MOU, whether directly or indirectly, initiate, solicit, encourage, or respond to (in any substantial way) any inquiries or proposals or enter into or continue any discussions, negotiations, understandings, arrangements or agreements relating to: (i) any lease or sale of all or any significant portion of the assets which are associated with or used in connection with the operation of the Hospital; (ii) any management or lease arrangement in connection with the business and operation of the Hospital; or (iii) provide any assistance, information or data to, or otherwise cooperate or have discussions with, any other person or entity in connection with any such inquiry, proposal or agreement to lease or manage Hospital. In the event such a proposal is received by the McDuffie Authority, after notifying University of the receipt of such proposal, the McDuffie Authority will promptly notify any such third party of the existence of this exclusivity covenant and of Seller's unwillingness to discuss any other proposed lease, sale or management agreement until this MOU is terminated.

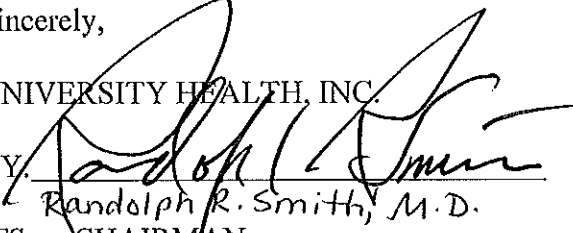
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7. No Contract. It is expressly understood that this MOU (except for Sections 2, 3 and 4 through 8 hereof, to which the parties intend to be bound and for which each acknowledges that adequate consideration has been given) is not intended to be, and shall not be construed to be, a binding commitment, agreement or contract and that neither Seller nor Buyer shall be entitled to any recourse, in the form of damages, equitable relief or otherwise, for expenses incurred or benefit conferred or lost before or after the date first written above in the event that there is a failure, for whatever reason, of Seller and Buyer to agree on any term or terms and/or provisions of a definitive asset purchase agreement. Seller and Buyer each reserve the right of final approval or disapproval, for any reason and in its absolute and sole discretion, of any asset purchase agreement or the advisability of the proposed Agreement.

8. Termination. This MOU may be terminated without any obligation or liability to any party hereto (except for the obligations or liabilities of the parties under the Sections 2, 3 and 4 through 8 hereof), (a) at any time, by the mutual agreement of Seller and Buyer, or (b) by either of Seller or Buyer at any time after December 31, 2011. Notwithstanding any statement contained herein to the contrary, Sections 2, 3 and 4 through 8 hereof shall survive any termination or expiration of this MOU (other than by execution of a definitive asset purchase agreement). If you are in agreement with the terms of this MOU, please sign both enclosed copies and deliver one copy to us, whereupon we will proceed promptly with the preparation of an initial draft of the asset purchase agreement and other definitive agreements.

Sincerely,

UNIVERSITY HEALTH, INC.

BY: 
Randolph R. Smith, M.D.
ITS: CHAIRMAN

ACCEPTED AND AGREED

to this 17th day of October, 2011:

MCDUFFIE COUNTY HOSPITAL AUTHORITY

BY: 
William P. Doupe
ITS: CHAIRMAN

EXHIBIT A

TERM SHEET

The following is a summary of certain terms of the proposed Agreement:

Agreement

McDuffie Authority desires to sell substantially all the assets, real estate, personal and mixed property, tangible and intangible, associated with or employed in the business and operations of McDuffie Regional Medical Center, located at 521 Hill Street SW, Thomson, Georgia, to University for TEN DOLLARS (\$10.00) and other good and valuable consideration. The parties desire the closing of the Affiliation described herein ("Closing") shall occur on or about January 31, 2012.

Excluded Assets. Notwithstanding anything to the contrary, Seller is not selling, and Buyer is not purchasing, the following assets which shall remain the property of Seller after the Closing: (a) all cash, cash equivalents, short term investments, assets and reserves whose use is restricted on the McDuffie Authority financial statements and similar reserves and (b) rights to governmental grants and other governmental payments and settlements (other than those reflected in current assets relating to the day-to-day operations of the Hospital). Substantially all the Excluded Assets will be retained in a fund by the McDuffie Authority for use in supporting the operations and charitable mission of the McDuffie Authority. Acceptable uses of such funds shall include, but not be limited to, (i) payment for emergency and non-emergent health care of indigent or low income patients of the existing Hospital and the Replacement Hospital; (ii) funding educational programs on chronic diseases such as diabetes, hypertension, asthma and obesity in McDuffie County; (iii) funding health fairs and preventative care programs in McDuffie County; and (iv) funding educational or technical scholarship programs for students residing in McDuffie County who are pursuing health care careers.

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Assumption of Liabilities. At the Closing, Buyer will assume certain liabilities and obligations of the Hospital and the McDuffie Authority (including all ordinary course of business current liabilities of the Hospital, such as accounts payable, accrued PTO, accrued salaries and other similar accruals). Buyer is not assuming any contingent liabilities such as medical malpractice claims, cost report settlements, compliance or recovery audit contractor ("RAC") settlements, etc. that relate to the operation of Hospital up to the date of Closing. Further, within the first five years after closing, Buyer is not assuming the expense of the demolition of any part of the current Hospital not utilized by Buyer after completion of the Replacement Hospital unless that expense exceeds a mutually agreeable threshold amount.

Replacement Hospital

University and the McDuffie Authority shall enter into an agreement for the construction of the Replacement Hospital. University will be obligated to design, construct, open and operate, at a minimum, a 25-bed acute care hospital with such space, facilities and equipment necessary to provide the Core Services and with a 24-hour emergency department and a minimum of two (2) operating rooms on land optioned from Knox, LTD known as parcel 00290-018-000 located near J-20 and State Highway 17 within forty-eight (48) months of March 1, 2012, subject to any required regulatory approvals. The Replacement Hospital shall provide at a minimum the Core Services as described below and such additional services the market may support. No current Core Services shall be significantly reduced or discontinued without the approval of at least one-half of the Community Directors (hereinafter described). University shall not be required to maintain McDuffie Authority emergency services or pathology agreements, provided, however, McDuffie Authority shall not be required to pay any early termination amounts.

University's commitment to construct and operate Replacement Hospital is not contingent upon

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financing. The McDuffie Authority or McDuffie County taxpayers will not be obligated, in any form, to pay for the construction or operation of Replacement Hospital. All funds will be provided by University.

Reuse of Hospital

University will, upon Closing of the Asset Purchase Agreement, determine, with the input of a McDuffie County Community Advisory Committee which includes members of the McDuffie County Hospital Authority and a University-funded Facility Re-use Study, an appropriate, non-competitive use for the existing hospital facilities. University will give due consideration to using the existing Hospital for the provision of health care services.

Right of First Refusal

Subject to and after the Closing, Seller shall have a right of first refusal as follows. Following the Closing Date, Buyer shall not directly or indirectly sell, lease, convey, transfer or otherwise dispose of all or any part of the Hospital or Replacement Hospital to any third party unless and until: (a) Buyer shall have first obtained a duly executed, valid and binding offer in writing from such third party ("Third Party Offer"), which Buyer desires to accept, (b) Buyer shall have then offered in writing to sell, lease, convey, transfer or otherwise dispose of the Hospital and/or Replacement Hospital to Seller on terms and conditions identical to those contained in the Third Party Offer (the "Refusal Offer"), and (c) Seller shall have failed to accept such Refusal Offer within sixty (60) days after receipt thereof (a "Rejection"). If a Rejection occurs, Buyer may then enter into a binding agreement in accordance with the Third Party Offer within sixty (60) days after such Rejection. In the event Buyer for any reason does not close the transaction described in the Third Party Offer, Seller's right of first refusal shall remain effective as to any amendments, supplements or changes to the foregoing and to any subsequent offer. University shall use the net proceeds after all costs, to sell and prepare the property for sale from any sale including the book value of subsequent improvements, of the 521 Hill Street real estate

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and the Thomson Bypass real estate exclusively to pay, at cost (i) payment for emergency and non-emergent health care of indigent or low income patients of the existing Hospital and the Replacement Hospital; (ii) funding educational programs on chronic diseases such as diabetes, hypertension, asthma and obesity conducted in McDuffie County; (iii) funding health fairs and preventative care programs conducted in McDuffie County; and (iv) funding educational or technical scholarship programs for students residing in McDuffie County who are pursuing health care careers.

Employees

University will offer employment to all of the employees of the Hospital at Closing subject to University's customary employment screening practices. The amount of salary or wages and the type and value of benefits provided by University to those employees shall be comparable to those received by those employees from their current employer as of the date of this MOU. University shall honor the hired employees' prior service credit with the Hospital for purposes of satisfying eligibility, vesting and other limiting conditions of University benefit programs. To the extent allowable, without payment of a fee, liquidated damages, or an equivalent payment, under his existing employment contract, University would offer to retain the services of the Hospital's CEO, Mr. Douglas Keir, for the period of twelve (12) months following Closing, subject to performance expectations applicable to University executive management.

Physicians

University shall maintain an open Medical Staff at the existing Hospital and the Replacement Hospital. University shall promote the enhancement of the Hospital's Medical Staff by pursuing physician recruitment and retention consistent with the needs identified in a physician needs study to be performed as soon as practicable but no later than within six (6) months of Closing of the Asset Purchase Agreement. Further, University will honor all physician recruitments approved by the McDuffie Authority as of October

1, 2011. University will also assist physicians with offices near the existing hospital to transition to the new campus, if appropriate and desirable, subject to applicable laws and regulations. University shall provide health information technology connectivity to the Replacement Hospital to all members of the Medical Staff whether or not such members relocate to the Replacement Hospital, in conformance with applicable laws and regulations. The Medical Staff and University shall work cooperatively to assure such connectivity takes full advantage of the Medical Staff's existing information technology connectivity coordination.

Governance Structure

The asset purchase agreement will provide that NewCo will be incorporated as a Georgia nonprofit corporation and organized and operated so as to qualify for recognition of exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code, as amended. The articles of incorporation of NewCo will specify that NewCo's sole member shall be University. Not less than thirty-five percent (35%) of the NewCo Board of Trustees will be Community Directors comprised of the Chief of Staff of the Hospital or Replacement Hospital Medical Staff, and residents of McDuffie County nominated by the McDuffie Authority, subject to the approval of University's Board. At least one of the Community Directors shall be at all times a currently serving member of the McDuffie Authority (the "Community Directors").

Indigent Care

University will provide indigent and charity care at the Hospital and the Replacement Hospital, including access to Hospital services by indigent persons, in full compliance with state and federal law without discrimination. Any changes to the Hospital's Charity Care Policy would require the approval of the NewCo Board including the approval of at least one-half of the Community Directors.

Continuation and Expansion of Core Services

University understands that the McDuffie Authority requires the Hospital and Replacement

Hospital continue to be a Medicare and Medicaid provider and an acute care hospital with a minimum of twenty-five (25) licensed hospital acute care beds and offering, at a minimum, substantially the same range of core services as it currently offers. The Core Services are: general surgery, endoscopy, orthopedics, podiatry, ophthalmology, internal medicine and family practice. After the Closing, additional services may be added to the existing and Replacement Hospital that can be supported by market demand as determined by University and the NewCo Board. No current Core Services will be discontinued unless approved by the NewCo Board including the approval of at least one-half of the Community Directors.

Closing

The asset purchase agreement will provide that the consummation of the Agreement (the "Closing") shall occur on or before January 31, 2012, subject to the timing required for the review required by the Attorney General, if necessary. Closing of the agreement contemplated by the asset purchase agreement will be subject to reasonable and customary Closing conditions, including (a) completion of satisfactory due diligence by Seller and Buyer; (b) receipt of as built surveys, title insurance commitments, environmental reports and engineering surveys satisfactory to Buyer; and (c) receipt of all necessary regulatory approvals, including the receipt of the approval of or no action letter from the Attorney General.