
RESPONSE TO SUPPLEMENTAL QUESTION DUE APRIL 15, 2020

Describe what impact Novant's Proposed Strategic Partnership would have on NHRMC's medical education, residency and fellowship programs including (i) if Novant commits to maintaining NHRMC's existing GME partnership with UNC Health, (ii) Novant's support for and specific plans to enhance and grow existing residency programs, and (iii) Novant's support for and specific plans to develop additional residency and fellowship training programs?

Novant Health believes medical education is an important component of building a high-performing health system, and we will commit to maintaining NHRMC's existing graduate medical education (GME) partnership with UNC Health. We will actively support opportunities to enhance and grow existing and/or additional residency and fellowship training programs, and we are committed to providing the necessary financial support for administrative, educational, clinical and human resource functions to advance GME and other medical education activities.

As described in our initial proposal, NHRMC and Novant Health approach medical education in similar ways. Novant Health has a long-standing partnership with Wake Forest to train residents and fellows at Novant Health Forsyth Medical Center in Winston-Salem. This arrangement is very similar to NHRMC's relationship with UNC Health. Additionally, Novant Health founded a GME program in Charlotte in 2014.

Novant Health's reputation for maintaining a physician-friendly operating environment and its pluralistic approach to supporting various practice models, combined with strong physician recruitment and retention capabilities, ensure that we have a continuing supply of clinicians in our markets. This strategy has been very successful, and we continue to attract and retain new providers across specialties and geographies by offering multiple practice setting options, attractive recruiting incentives, and competitive compensation packages. Our employed medical group has grown by nearly 400% since 2005. Last year, for example, we hired 241 new physicians (85 primary care, 156 specialty), including 20 physicians in the Brunswick County market, and 262 advanced practice providers. We also partner with CIN and independent providers with equal enthusiasm. Independent physicians are viewed as an extension of the system and are engaged in leadership and decision-making structures, consistent with our DNA as a community hospital system with an open medical staff model.



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April 10, 2020

Bryan Burgett
Director
Guidehouse
150 North Riverside Plaza
Chicago, IL 60606

Dear Mr. Burgett:

As a follow-up to our RFP response dated March 16, 2020, Novant Health is pleased to provide clarifying information about certain aspects of our vision to create an expanded, regionally-focused, locally-governed, integrated delivery network across southeastern North Carolina, with New Hanover Regional Medical Center (“NHRMC”) serving as the nucleus. This submission reinforces our steadfast commitment to this process, the value we place on a partnership, and the flexibility we maintain in order to accommodate your preferred alignment model.

The world has changed since our initial RFP response. The magnitude and global scope of the COVID-19 outbreak creates an unprecedented set of challenges for the healthcare industry and the nation. Novant Health, like NHRMC, is laser focused on ensuring clinical and operational readiness in order to care for and protect our patients, workforce, and their families. Rest assured that we also remain committed to this important process and to advancing our discussions on a timeline that meets your needs. Novant Health has an extraordinarily strong balance sheet and credit ratings, resulting in ample access to capital, and we do not believe the COVID-19 crisis will impair our ability to honor the commitments outlined in our proposal.

We are reiterating our flexibility to accommodate a spectrum of partnership structures, ranging from a management services agreement to a fully integrated model. Each model has benefits and considerations for NHRMC, New Hanover County, and the local community to evaluate. No matter your preferred alignment model, we are confident in our ability to satisfy or exceed your strategic goals and objectives through a local solution that delivers a compelling, differentiated value proposition.

Novant Health continues to be proud of the ongoing collaboration between NHRMC and Novant Health Brunswick Medical Center, especially in the current environment. It further demonstrates the unique opportunity we have to accomplish more than either organization could achieve independently and provide enhanced care to the residents of southeastern North Carolina through greater access, new care models, and lower costs.

We look forward to ongoing discussions with you, the Partnership Advisory Group and the people of New Hanover County around ways we can come together to create a world-class organization. As always, please let us know if you have any additional questions.

Sincerely,

Carl S. Armato
President & CEO
Novant Health

RESPONSES TO CLARIFYING QUESTIONS

Question 1

Describe what impact, if any, Respondent's Proposed Strategic Partnership would have on NHRMC's ability to further develop and/or reconfigure existing inpatient facilities in the Service Area? Please comment on the Respondent's support for and alignment with the inpatient facility planning included NHRMC's Master Plan provided in the Data Room.

Novant Health supports NHRMC's goal of further developing and upgrading the main campus to ensure the system is well positioned to deliver advanced care to southeastern North Carolina. Furthermore, we recognize NHRMC's focus on expanding access for patients in surrounding counties so all communities in southeastern North Carolina can receive the same level of care. Both of these goals are clearly illustrated in the Strategic Master Plan (SMP).

Novant Health sees our partnership proposal, irrespective of structure, advancing this key goal of NHRMC through two main features: (i) significant capital contribution to support growth and innovation as shown in the SMP, and (ii) further integrating Novant Health Brunswick Medical Center (NHBMC) with NHRMC. Together, these two features have the potential to enhance care in southeastern North Carolina in a unique manner.

From an inpatient perspective our partnership will provide substantial capital to invest in components of the master plan such as neurology and cardiology expansion, updates to the main NHRMC campus and expanding tertiary/quaternary capabilities. NHRMC can also utilize the capital to achieve its goals of acquiring needed land parcels, developing new facilities and consolidating specialties where optimal. Finally, capital provided through a partnership with Novant Health can fund other local facilities, such as Pender Memorial Hospital, should NHRMC see additional opportunities to expand access to acute care throughout the area.

A deeper partnership between NHRMC and NHBMC has considerable potential to alleviate capacity constraints at the NHRMC main campus by keeping more patients in their local communities when appropriate. This has already been illustrated by the impact from our collaborative work in cardiology, neurology and nephrology. Brunswick area neurology and cardiology patients not requiring tertiary level care are now able to access services at NHBMC that beforehand would have required transfer to NHRMC in Wilmington. By investing and partnering in nephrology, NHBMC has been able to take care of more local patients for routine dialysis, allowing NHRMC to focus on patients with elevated care needs.

Question 2

Please clarify what impact, if any, Respondent's Proposed Strategic Partnership would have on NHRMC's ability to improve the timing in securing patient transfers for quaternary services not offered by NHRMC. Please specify availability of expedited transfers and processes and technology to coordinate care.

Novant Health has delivered on our goal to keep patients local for care by increasing access to care and expanding services. As noted in our response, we view NHRMC as the hub of a southeastern NC market and, based on our capital commitment to fulfill the SMP, we anticipate expanding services to reduce the number of any potential patient transfers for quaternary services not offered by NHRMC.

Unlike some other healthcare systems that have quaternary services located closer to NHRMC, Novant Health's geography will allow our systems to focus on providing increased levels of quaternary services locally, without any conflicts of interest or concerns that we may duplicate services. With that said, we realize that not all services will be able to be provided locally, even with expanded services and significant capital investments, and we will work with the local management team and physicians to partner with other healthcare systems as needed to ensure the patients receive timely and appropriate care.

Question 3

Please clarify if the Respondent will make a commitment not to make any material changes to NHRMC's employee base and staffing commitments without the approval of the NHRMC Board. Please specify the time period for any commitment.

Novant Health understands the value of a well-trained team that is resilient and change ready. Therefore, we will commit to not making any material changes to NHRMC's employee base or staffing commitments without the approval of the NHRMC Board. All of the scenarios proposed by Novant Health leaves the local leadership team intact, and we will look for that team to be responsible for any staffing changes. In fact, as we stated in our original RFP, our intention is to focus on expanding the workforce in southeastern North Carolina, the magnitude of which may depend on the ultimate partnership structure. This workforce expansion includes our commitment to create a system-level shared services center in Wilmington and locate a corporate department in the area.

Question 4

Please clarify if the Respondent commits to maintaining all existing hospital-based provider contracts, joint ventures, and other physician contracts and agreements.

Subject to due diligence, Novant Health commits to maintain all existing hospital-based provider contracts, joint ventures and other physician contracts and agreements. Furthermore, we will provide any corporate support that local leadership requests regarding contracting.

Question 5

Please clarify if the Respondent will make a commitment to maintain the existing Management Services Agreement with Pender Memorial Hospital.

Pender Memorial Hospital is a critical piece in the formation of a deeper partnership between Novant Health and NHRMC. Through a more integrated partnership we have the opportunity to create a fully aligned system that includes NHRMC, Pender Memorial Hospital and NHBMC, as well as other adjacent communities. This integrated system will have enhanced capabilities to (i) increase patient access, (ii) offer greater levels of care and (iii) reduce the cost of care. Given this substantial opportunity to improve care for southeastern North Carolina, we are firmly committed to maintaining the existing management agreement with Pender Memorial Hospital.

Question 6

Please define capital expenditures per your proposal (i.e., what specific types of expenditures would be counted as part of the capital commitment), as well as provide a clarification for (i) the expected source of funding for non-routine capital expenditures associated with the capital commitment, and (ii) any factors or contingencies that would affect the total capital commitment.

Novant Health is committing to fund capital in two specific buckets: (i) routine capital expenditures and (ii) growth capital. Our definition of routine capital is based on the 5-year capital plan provided in the FY20 Forecast (data room 5.3.1, page 4) which indicates capital needs of approximately \$60 million per year. Our proposal contemplates that NHRMC will customarily (over any relevant base period) be expected to make routine capital expenditures of at least \$60 million per year, or a minimum of \$600 million over a 10-year period.

The second bucket, growth capital, is based on the Three-part Master Plan as provided in the SMP (data room 1.5.1, page 11). The SMP calls for capital expenditures of \$800 million, \$600 million and \$1.1 billion in Phases I, II and III, respectively. In addition to the routine capital commitment, Novant Health is committing to fully fund this \$2.5 billion SMP. Consistent with the SMP, we expect this growth capital to be deployed from 2020 – 2030+. Additionally, we are excited to work with the NHRMC leadership team and pursue coordinated, joint planning across the region to identify opportunities to accelerate and optimize capital deployment on an expedited timeline.

In a fully integrated partnership Novant Health will fund these capital plans through a variety of sources. This will include, but not be limited to System balance sheet cash, operating cash flow and debt issuances. Should NHRMC prefer a JOC partnership, Novant Health and NHRMC will fund capital commitments from their respective balance sheets and operations on a pro rata basis. We do not foresee any factors or contingencies that will impair our ability to fund these commitments.

Question 7

In the attached Excel worksheets, please indicate:

- a. The financial consideration proposed as part of a partnership with NHRMC. Please provide a version for each structure proposed.**
- b. The treatment of NHRMC's balance sheet and working capital for a Day 1 cutover. Please indicate which assets and liabilities will be retained by the successor organization or retained by New Hanover County. Please provide a version for each structure proposed.**

Question 8

Section 11 of the RFP requested that Respondents provide a preferred transaction structure if multiple structures were being proposed. Please specify which transaction structure is Novant's highest preference among the four options described in its proposal?

Novant Health intentionally structured its proposal to offer a range of partnership alternatives. We are committed to demonstrating flexibility and refining our proposal if needed as NHRMC and the County review the initial RFP responses and prioritize their strategic goals and objectives based upon the available alternatives. As noted in our initial proposal, our primary focus is on working with NHRMC and the County to create a broad, integrated delivery system that is capable of increasing patient access, elevating quality of care and reducing costs across southeastern North Carolina. We believe that this vision can be achieved by more than one type of alignment model and, as a result, we do not have a preferred partnership structure. We look forward to working closely with NHRMC, the County, and their advisors to develop the optimal partnership that satisfies the needs of all constituents and cements NHRMC's role as the preeminent healthcare system in the coastal communities of North Carolina for generations to come.

Question 9

Can Novant Health clarify the duration and scope of any NHRMC/County legacy board powers under its proposed transaction structure?

The duration and scope of the rights and powers reserved to the NHRMC Board and/or to the County will vary by partnership model. A management agreement, for example, will not impact the existing governance rights of the NHRMC Board and the County, whereas a joint operating company (or joint venture) will allow the County and Novant Health to share governance in proportion to their respective membership interests for the duration of the agreement. Rights and responsibilities reserved to the local board for a fully integrated structure were delineated in our initial response to the RFP (page 89). These rights will continue into perpetuity so long as NHRMC continues to be a fully integrated member of the Novant Health system. Additionally, Novant Health is open to providing the County with limited reserve powers should the County identify specific concerns about our partnership proposal. Any reserve powers can be tailored, in terms of both duration and scope, to fit the specific situation and to ensure that the County's concerns, if any, are eliminated or significantly mitigated.

Question 10

If not already provided, please provide a brief statement on the Respondent's support for affiliated health systems in response to COVID-19.

Novant Health activated its emergency management systems and implemented several measures in response to the COVID-19 outbreak to support our affiliates and ensure clinical and operational readiness across the system. A COVID-19 Command Center was established to coordinate all matters stemming from COVID-19 pertaining to our patients, workforce, and healthcare operations. This Command Center brings together a cross-section of operational leaders from across the organization to support both urban and rural medical centers, as well as our ambulatory footprint. It serves as a point of coordinated communications across the system, capable of rapidly identifying and resolving emerging issues, ensuring the optimal allocation of resources, and disseminating federal, state and system guidelines and information to our affiliates. Additional actions taken in response to the COVID-19 outbreak include:

- Created a real-time analytical dashboard that tracks COVID-19 patient census, persons of interest, and ventilator patients for each facility, along with patient testing results. This dashboard is updated multiple times daily through an integration of internal business analytics and third party data exchanges using Microsoft Teams
- Opened seven dedicated COVID-19 testing centers, all with drive through capability; these centers are supported by a universal 1-800 telephone number and a ChatBot technology for remote triage and screening;
- Scaled recently developed virtual care resources across the system, reducing patient wait times for visits to 10-15 minutes as compared to 3-4 hours for other platforms
- Expanded testing capabilities through our urgent care centers, with sourcing complete for Abbot Labs rapid COVID-19 tests
- Enacted emergency preparedness plans for supply chain sourcing, particularly for personal protective equipment and respiratory products

- Seamlessly moved all non-patient facing areas to remote work access through third-party applications and I-Connect, the Novant Health Intranet
- Developed contingency plans with Mecklenburg County and Atrium Health for a 700- to 3,000-bed field hospital for overflow patients
- Crafted a plan for infected team member housing options using hotels and university dormitories
- Enacted additional team member benefits to assist with potential COVID-19 impacts, including offering subsidized childcare options and the ability to generate negative PTO balances
- Established coordinated efforts with Atrium Health, Wake Forest Baptist Health, and others for effective responses in local markets

Question 11

In light of the demands the COVID-19 crisis will place on all healthcare systems, please confirm your organization’s commitment to this process. Specifically, confirm the Respondent has the capacity and resources to continue this process over the coming months and clarify if the expected ramifications from the crisis change any aspects of Respondent’s Proposal?

Novant Health is committed to partnering with NHRMC to create an integrated healthcare delivery system for southeastern North Carolina, and we do not expect the demands of the COVID-19 crisis to impact this commitment.

Novant Health entered the crisis with a strong balance sheet and very favorable credit rating. For fiscal year 2019 (unaudited), Novant Health had operating revenue of \$5.4 billion and continued strong operating cash flow of \$501 million. In addition, as of December 31, 2019, Novant Health had total assets of \$7.6 billion, total liabilities of \$3.0 billion, total net assets of \$4.6 billion and cash and investments of \$3.1 billion.

Our financial viability and balance sheet strength are demonstrated by our bond ratings of “AA-” by Standard & Poor’s (S&P), “Aa3” by Moody’s and “AA-” by Fitch. These ratings are supported by our before mentioned financial performance as well as our 23% debt-to-capitalization and over 230 days cash on hand. In addition, we have utilized our strong relationships with regional and national banks to be opportunistic and put additional, upsized credit facilities in place for even greater liquidity.

This substantial liquidity will allow Novant Health to continue to invest in providing advanced facilities, clinical programs and access points for our communities, including southeastern North Carolina. Furthermore, our strong financial position provides Novant Health the resources necessary to support our team members during crisis such as COVID-19.

Supplemental Question

If Respondent’s preferred transaction structure would result in a fully integrated relationship with NHRMC, please provide additional information on why Respondent believes a fully integrated model is the best partnership model between NHRMC and the Respondent. Additionally, if Respondent’s preferred model results in a fully integrated relationship and the Respondent has less than fully integrated relationships with other health systems today, please include how those relationships

have informed the decision to propose a fully integrated partnership as the preferred model with NHRMC.

As described in Question 8, Novant Health does not have a preferred partnership structure. We believe that the creation of a regionally-focused, integrated delivery network in southeastern North Carolina, led by NHRMC, can be achieved by more than one type of partnership structure. Each model has benefits and considerations related to capital, net proceeds, governance, future operating risk, and other factors for NHRMC and the County to consider. Speed-to-market is typically an added benefit of a fully integrated partnership. In this situation, however, the marginal benefit of additional speed is likely to be relatively small given NHRMC's strong regional presence, robust financial performance, and experienced senior leadership team. Novant Health remains committed to meeting your goals and objectives, while delivering a compelling, differentiated value proposition. Every partnership model that we are proposing will provide significant funding for capital investments and preserve local influence and oversight. Novant Health also will commit to the following, irrespective of partnership structure:

- Integrate Novant Health Brunswick Medical Center to facilitate joint regional planning
- Contribute \$50 million to the NHRMC Foundation
- Increase the number of healthcare-related jobs located in New Hanover County by establishing a new Novant Health shared services center and basing a corporate department in Wilmington
- Seek opportunities to maintain existing relationships with local vendors and support local companies in the region

The following pages contain the information included by Novant Health in the attachment referenced in the response to Questions 7(a) and 7(b) above.

Please use the below table to summarize the financial consideration proposed as part of a partnership with NHRMC

CONSIDERATION	Full Integration^{1,2}	50/50 Joint Operating Company^{2,3}	Management Services Agreement^{2,4}
Purchase Price / Upfront Cash	\$ 1,500,000,000	\$ 675,000,000	\$ -
Other Components of Cash Consideration	\$ -	\$ -	\$ -
County Retention of NHRMC Cash & Investments Less Debt & Pension Liabilities ⁵	\$ 440,422,000	\$ -	\$ -
Incremental Impact to Purchase Price / Upfront Cash - Balance Sheet Analysis ⁶	\$ -	\$ -	\$ -
TOTAL CASH PROCEEDS TO COUNTY	\$ 1,940,422,000	\$ 675,000,000	\$ -
CASH TO COMMUNITY FOUNDATION⁷	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000
OTHER NON-CASH CONSIDERATION	\$ -	\$ -	\$ -
TOTAL PROCEEDS RECEIVED	\$ 1,990,422,000	\$ 725,000,000	\$ 50,000,000
TOTAL ROUTINE CAPITAL COMMITMENT⁸	\$ 600,000,000	\$ 300,000,000	\$ -
Number of Years	10	10	0
Implied Annual Capital Commitment	\$ 60,000,000	\$ 30,000,000	
TOTAL GROWTH CAPITAL COMMITMENT⁸	\$ 2,500,000,000	\$ 1,250,000,000	Up to \$100,000,000
Number of Years	15	15	4
Implied Annual Capital Commitment	\$ 166,666,667	\$ 83,333,333	Up to \$25,000,000
OTHER CONSIDERATION⁹	\$ 150,000,000	\$ 150,000,000	\$ 150,000,000

Footnotes

1. Economics of a joint venture will be derived from the figures presented for the Fully Integrated column based on relative ownership split

2. Does not include economic impact of creating shared services center in Wilmington and relocating Novant Health corporate division

3. JOC scenario assumes a 50/50 split for illustrative purposes. The \$675 million upfront purchase price will be paid directly to the County in exchange for Novant Health's membership interest in the JOC. Novant Health assumes that NHRMC's existing cash and debt will remain with the legacy parent entity that holds the County's membership interest in the JOC, and that NHRMC's net cash will be used by the legacy parent entity to fund its proportional share of capital investments

4. Novant Health will establish a formal co-investment vehicle to facilitate the joint funding of regional development opportunities throughout southeastern North Carolina, such as a comprehensive ambulatory network. The figure shown above assumes ~50/50 funding of NHRMC's primary care and ambulatory care network capital needs, which we understand to be \$196.6 million based on the information provided in the data room. These figures are preliminary and based solely on our current understanding of NHRMC's ambulatory needs; Novant Health is open to adjusting them up or down based on further discussion with NHRMC and the County

5. Excludes defeasance and winddown costs

6. Balance Sheet Analysis in separate tab "Balance Sheet"

Please use the below table to summarize the financial consideration proposed as part of a partnership with
NHRMC

CONSIDERATION^{1,2}	
Purchase Price / Upfront Cash	\$ 1,500,000,000
Other Components of Cash Consideration	\$ -
County Retention of NHRMC Cash & Investments Less Debt & Pension Liabilities ³	\$ 440,422,000
Incremental Impact to Purchase Price / Upfront Cash - Balance Sheet Analysis ⁴	\$ -
<i>TOTAL CASH PROCEEDS TO COUNTY</i>	<i>\$ 1,940,422,000</i>
<i>CASH TO COMMUNITY FOUNDATION⁵</i>	<i>\$ 50,000,000</i>
<i>OTHER NON-CASH CONSIDERATION</i>	<i>\$ -</i>
<i>TOTAL PROCEEDS RECEIVED</i>	<i>\$ 1,990,422,000</i>
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<i>TOTAL ROUTINE CAPITAL COMMITMENT⁶</i>	<i>\$ 600,000,000</i>
Number of Years	10
Implied Annual Capital Commitment	\$ 60,000,000
<i>TOTAL GROWTH CAPITAL COMMITMENT⁶</i>	<i>\$ 2,500,000,000</i>
Number of Years	15
Implied Annual Capital Commitment	\$ 166,666,667
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<i>OTHER CONSIDERATION⁷</i>	<i>\$ 150,000,000</i>

Footnotes

1. Economics of a joint venture will be derived from the figures presented for the Fully Integrated column based on relative ownership split
2. Does not include economic impact of creating shared services center in Wilmington and relocating Novant Health corporate division
3. Excludes defeasance and winddown costs
4. Balance Sheet Analysis in separate tab "Balance Sheet"

Please use the below table to summarize the financial consideration proposed as part of a partnership with NHRMC	
CONSIDERATION^{1,2}	
Purchase Price / Upfront Cash	\$ 675,000,000
Other Components of Cash Consideration	\$ -
County Retention of NHRMC Cash & Investments Less Debt & Pension Liabilities ³	\$ -
Incremental Impact to Purchase Price / Upfront Cash - Balance Sheet Analysis ⁴	\$ -
TOTAL CASH PROCEEDS TO COUNTY	\$ 675,000,000
CASH TO COMMUNITY FOUNDATION⁵	\$ 50,000,000
OTHER NON-CASH CONSIDERATION	\$ -
TOTAL PROCEEDS RECEIVED	\$ 725,000,000
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TOTAL ROUTINE CAPITAL COMMITMENT⁶	\$ 300,000,000
Number of Years	10
Implied Annual Capital Commitment	\$ 30,000,000
TOTAL GROWTH CAPITAL COMMITMENT⁶	\$ 1,250,000,000
Number of Years	15
Implied Annual Capital Commitment	\$ 83,333,333
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OTHER CONSIDERATION⁷	\$ 150,000,000

Footnotes

- JOC scenario assumes a 50/50 split for illustrative purposes. The \$675 million upfront purchase price will be paid directly to the County in exchange for Novant Health's membership interest in the JOC. Novant Health assumes that NHRMC's existing cash and debt will remain with the legacy parent entity that holds the County's membership interest in the JOC, and that NHRMC's net cash will be used by the legacy parent entity to fund its proportional share of capital investments
- Does not include economic impact of creating shared services center in Wilmington and relocating Novant Health corporate division
- Excludes defeasance and winddown costs
- Balance Sheet Analysis in separate tab "Balance Sheet"
- Cash received by NHRMC Foundation
- Our proposal contemplates that NHRMC will customarily (over any relevant base period) be expected to make routine capital expenditures of at least \$30 million per year, or a minimum of \$300 million over a 10-year period. In addition to the routine capital commitment, Novant Health is committing to fully fund the \$1.25 billion Strategic Master Plan (SMP). We expect this growth capital to be deployed from 2020–2030+, per the SMP. These figures are illustrative and assume a 50/50 split for a JOC scenario.
- Represents contribution of NHBMC

Please use the below table to summarize the financial consideration proposed as part of a partnership with NHRMC	
CONSIDERATION¹	
Purchase Price / Upfront Cash	\$ -
Other Components of Cash Consideration	\$ -
County Retention of NHRMC Cash & Investments Less Debt & Pension Liabilities ²	\$ -
Incremental Impact to Purchase Price / Upfront Cash - Balance Sheet Analysis ³	\$ -
<i>TOTAL CASH PROCEEDS TO COUNTY</i>	\$ -
<i>CASH TO COMMUNITY FOUNDATION⁴</i>	\$ 50,000,000
<i>OTHER NON-CASH CONSIDERATION</i>	\$ -
<i>TOTAL PROCEEDS RECEIVED</i>	\$ 50,000,000
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<i>TOTAL ROUTINE CAPITAL COMMITMENT⁵</i>	\$ -
Number of Years	0
Implied Annual Capital Commitment	
<i>TOTAL GROWTH CAPITAL COMMITMENT⁵</i>	Up to \$100,000,000
Number of Years	4
Implied Annual Capital Commitment	Up to \$25,000,000
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<i>OTHER CONSIDERATION⁶</i>	\$ 150,000,000

Footnotes

1. Does not include economic impact of creating shared services center in Wilmington and relocating Novant Health corporate division

2. Excludes defeasance and winddown costs

3. Balance Sheet Analysis in separate tab "Balance Sheet"

4. Cash received by NHRMC Foundation

5. Novant Health will establish a formal co-investment vehicle to facilitate the joint funding of regional development opportunities throughout southeastern North Carolina, such as a comprehensive ambulatory network. The figure shown above assumes ~50/50 funding of NHRMC's primary care and ambulatory care network capital needs, which we understand to be \$196.6 million based on the information provided in the data room. These figures are preliminary and based solely on our current understanding of NHRMC's ambulatory needs; Novant Health is open to adjusting them up or down based on further discussion with NHRMC and the County

6. Represents contribution of NHBMC

Below is an excerpt from the NHRMC 2019 audited balance sheet. Please indicate by marking an 'X' in either the 'Retained by Successor Organization' or 'Retained by County' columns to reflect how the asset or liability will be treated as part of a proposed transaction. In column 'K,' please indicate the amount that will be incremental to purchase price/upfront cash.

		Retained by Successor Organization	Retained by County	Incremental impact to purchase price/upfront cash
Assets				
Cash and cash equivalents	\$ 220,636,000		x	\$ -
Patient accounts receivable	\$ 150,333,000	x		\$ -
Prepays and inventory	\$ 53,779,000	x		\$ -
Investments	\$ 9,011,000		x	\$ -
Other current assets ¹	\$ 42,710,000	x	x	\$ -
Total current assets	\$ 476,469,000			\$ -
Board designated funds	\$ 634,239,000		x	\$ -
Restricted funds and pledges	\$ 20,252,000	x		\$ -
Investment in affiliates	\$ 5,222,000	x		\$ -
Other long-term assets	\$ 5,483,000	x		\$ -
Total non current assets	\$ 665,196,000			\$ -
PP&E	\$ 590,887,000	x		\$ -
Total assets	\$ 1,732,552,000			
Liabilities				
Accounts payable	\$ 83,246,000	x		\$ -
Accrued salaries and wages	\$ 55,350,000	x		\$ -
Accrued interest payable	\$ 7,669,000		x	\$ -
Current portion of debt, capital leases	\$ 17,123,000		x	\$ -
Other current liabilities	\$ 44,095,000	x		\$ -
Total current liabilities	\$ 207,483,000			\$ -
Net pension liability	\$ 49,090,000		x	\$ -
Supplemental retirement programs	\$ 2,201,000		x	\$ -
Interest rate swap agreements	\$ 3,020,000		x	\$ -
Notes and bonds payable, less current	\$ 367,183,000		x	\$ -
Total long-term liabilities	\$ 421,494,000			\$ -
Total liabilities	\$ 628,977,000			
Incremental Impact to Purchase Price / Upfront Cash			\$ -	\$ -

Footnotes

1. Assumes \$22.822 million of Other Current Assets will be retained by the County. These funds are described as Investments for the Future Payment of Claims Liabilities in the footnotes of NHRMC's FY2019 audit

Below is an excerpt from the NHRMC 2019 audited balance sheet. Please indicate by marking an 'X' in either the 'Retained by Successor Organization' or 'Retained by County' columns to reflect how the asset or liability will be treated as part of a proposed transaction. In column 'K,' please indicate the amount that will be incremental to purchase price/upfront cash.

		Retained by Successor Organization	Retained by County	Incremental impact to purchase price/upfront cash
Assets				
Cash and cash equivalents	\$ 220,636,000		x	\$ -
Patient accounts receivable	\$ 150,333,000		x	\$ -
Prepays and inventory	\$ 53,779,000		x	\$ -
Investments	\$ 9,011,000		x	\$ -
Other current assets	\$ 42,710,000		x	\$ -
Total current assets	\$ 476,469,000			\$ -
Board designated funds	\$ 634,239,000		x	\$ -
Restricted funds and pledges	\$ 20,252,000		x	\$ -
Investment in affiliates	\$ 5,222,000		x	\$ -
Other long-term assets	\$ 5,483,000		x	\$ -
Total non current assets	\$ 665,196,000			\$ -
PP&E	\$ 590,887,000		x	\$ -
Total assets	\$ 1,732,552,000			
Liabilities				
Accounts payable	\$ 83,246,000		x	\$ -
Accrued salaries and wages	\$ 55,350,000		x	\$ -
Accrued interest payable	\$ 7,669,000		x	\$ -
Current portion of debt, capital leases	\$ 17,123,000		x	\$ -
Other current liabilities	\$ 44,095,000		x	\$ -
Total current liabilities	\$ 207,483,000			\$ -
Net pension liability	\$ 49,090,000		x	\$ -
Supplemental retirement programs	\$ 2,201,000		x	\$ -
Interest rate swap agreements	\$ 3,020,000		x	\$ -
Notes and bonds payable, less current	\$ 367,183,000		x	\$ -
Total long-term liabilities	\$ 421,494,000			\$ -
Total liabilities	\$ 628,977,000			
Incremental Impact to Purchase Price / Upfront Cash				\$ -

Below is an excerpt from the NHRMC 2019 audited balance sheet. Please indicate by marking an 'X' in either the 'Retained by Successor Organization' or 'Retained by County' columns to reflect how the asset or liability will be treated as part of a proposed transaction. In column 'K,' please indicate the amount that will be incremental to purchase price/upfront cash.

		Retained by Successor Organization	Retained by County	Incremental impact to purchase price/upfront cash
Assets				
Cash and cash equivalents	\$ 220,636,000		x	\$ -
Patient accounts receivable	\$ 150,333,000		x	\$ -
Prepays and inventory	\$ 53,779,000		x	\$ -
Investments	\$ 9,011,000		x	\$ -
Other current assets	\$ 42,710,000		x	\$ -
Total current assets	\$ 476,469,000			\$ -
Board designated funds	\$ 634,239,000		x	\$ -
Restricted funds and pledges	\$ 20,252,000		x	\$ -
Investment in affiliates	\$ 5,222,000		x	\$ -
Other long-term assets	\$ 5,483,000		x	\$ -
Total non current assets	\$ 665,196,000			\$ -
PP&E	\$ 590,887,000		x	\$ -
Total assets	\$ 1,732,552,000			
Liabilities				
Accounts payable	\$ 83,246,000		x	\$ -
Accrued salaries and wages	\$ 55,350,000		x	\$ -
Accrued interest payable	\$ 7,669,000		x	\$ -
Current portion of debt, capital leases	\$ 17,123,000		x	\$ -
Other current liabilities	\$ 44,095,000		x	\$ -
Total current liabilities	\$ 207,483,000			\$ -
Net pension liability	\$ 49,090,000		x	\$ -
Supplemental retirement programs	\$ 2,201,000		x	\$ -
Interest rate swap agreements	\$ 3,020,000		x	\$ -
Notes and bonds payable, less current	\$ 367,183,000		x	\$ -
Total long-term liabilities	\$ 421,494,000			\$ -
Total liabilities	\$ 628,977,000			
Incremental Impact to Purchase Price / Upfront Cash				\$ -