

RESOLUTION
AUTHORIZING THE CREATION OF A 501(C)(3) CORPORATION, AND THE
PREPARATION OF A LEASE AGREEMENT AND A FUNDING AGREEMENT

WHEREAS, The Fulton-DeKalb Hospital Authority (the "Authority") was created on August 6, 1941, and owns and operates the Grady Health System (the "System") a comprehensive healthcare system which includes Grady Memorial Hospital ("Grady Hospital"), Hughes Spalding Hospital ("Hughes Spalding"), Crestview Nursing and Rehabilitation Facility ("Crestview"), neighborhood health centers, and certain other real and personal property;

WHEREAS, as the primary provider of healthcare for the indigent and uninsured populations of Fulton County, DeKalb County, and surrounding areas, the Authority has sought over the past decades to fulfill its historic mission and preserve its unique role and character in the face of increasing indigent and charity populations and decreasing public funds;

WHEREAS, as a result of decreasing public funds, adverse reimbursement policies and other factors beyond the control of the Authority, the Authority has suffered severe financial hardships and deficits in recent years that have threatened the System's ability to continue to provide high-quality medical services to the indigent and other residents of Fulton and DeKalb Counties;

WHEREAS, in seeking to address its current financial situation in the face of rising healthcare costs and diminished resources, the Authority (i) engaged a national consulting firm to evaluate its financial and operating conditions, (ii) sought additional input from business and other organizations and received the report of the Greater Grady Task Force of the Metro Atlanta Chamber of Commerce, and (iii) engaged the law firm of Troutman Sanders LLP to conduct due diligence activities relating to a proposed restructuring of the System;

WHEREAS, in response to said due diligence activities, as well as input and recommendations from Authority stakeholders and other parties, the Authority on September 24, 2007, authorized the Chairperson to appoint a special committee of Trustees (the "Exploratory Committee") to work jointly with an Ad Hoc Advisory Group of representatives from civic, religious, governmental, business, philanthropic, and other community interests to explore strategic alternatives for the future operations of the System;

WHEREAS, the Exploratory Committee convened several meetings and considered various options to address the financial challenges facing the Authority, including but not limited to state government funding of Grady Hospital operations; the creation of a regional hospital authority to jointly fund Grady Hospital operations; the initiation or increase of sales and/or ad valorem taxes to directly fund Grady Hospital operations; and the formation of a 501(c)(3) nonprofit corporation which would lease Grady Hospital and other operating units of the System from the Authority, would assume many debts and liabilities of the Authority, and would assume responsibility for the day-to-day operations of the System, including Grady Hospital;

WHEREAS, certain business and philanthropic leaders of the Atlanta community have reported to the Exploratory Committee and the Ad Hoc Advisory Group regarding the willingness of certain private donors to contribute at least \$200,000,000.00 to a nonprofit corporation, which donation, if made, would have an immediate impact in allowing Grady Hospital to initiate necessary capital improvements so that Grady Hospital can continue to provide high quality healthcare services;

WHEREAS, certain business and philanthropic leaders of the Atlanta community have also indicated willingness to the Exploratory Committee and the Ad Hoc Advisory Group to undertake a campaign for private donations to raise an additional \$100,000,000.00 for future capital improvements to the System;

WHEREAS, officials of the State of Georgia, including the Governor, Lieutenant Governor and Speaker of the Georgia House of Representatives, have expressed their interest in providing additional financial support from the State of Georgia;

WHEREAS, in addition to the annual amounts paid to Grady Hospital under existing contractual arrangements, Fulton and DeKalb Counties have each contributed significant additional amounts to address Grady's current financial situation, and have received a proposed Stabilization Plan from the Authority in order to seek financial support through guaranty of Fulton and/or DeKalb Counties for a proposed \$100,000,000.00 bridge loan for additional financing for the System's operating budget;

WHEREAS, the Trustees of the Authority, in the exercise of their fiduciary duties, have considered various options to address the System's current short and long term financial circumstances and have sought to devise a Funding Plan to obtain \$500,000,000.00 from multiple sources in order to secure the future financial viability of the System;

WHEREAS, the Authority finds that a restructuring option, subject to certain important findings and other conditions, is the most viable current alternative, which will result in the immediate infusion of substantial financial resources and commitments for additional funding, in accordance with the proposed \$500,000,000.00 Funding Plan, in order to maintain and expand the System's operations and to ensure the uninterrupted provision of healthcare to the System's patients;

WHEREAS, the Authority finds that the lease of the System's operations to a nonprofit corporation will promote the public health needs of the community by ensuring that existing facilities will remain available in the community and by allowing the System to offer additional services that could not otherwise be offered by the Authority; and

WHEREAS, the Authority is subject to the regulations, requirements, and prohibitions of the Georgia Hospital Authorities Law, which authorizes a corporate restructuring of a hospital authority through a lease of assets to another entity, subject to applicable notice and public hearing requirements and after the Authority makes certain factual determinations as to the qualifications and financial and other capabilities of such entity;

NOW, THEREFORE, THE AUTHORITY HEREBY RESOLVES AS FOLLOWS:

1. Preservation of the Grady Mission

BE IT RESOLVED that the Authority does hereby adopt the resolutions hereinbelow set forth for the express purpose of securing the financial viability and preserving the historic mission and character of Grady Hospital at a minimum as the primary healthcare provider for the indigent and uninsured populations of Fulton and DeKalb Counties.

2. Nonprofit Corporation

BE IT FURTHER RESOLVED that the Authority take all necessary steps and actions to form a corporation to be known as the "Grady Memorial Hospital Corporation" (the "Corporation") which shall be incorporated and organized under the laws of the State of Georgia as a nonprofit corporation.

3. Tax Exempt Status

BE IT FURTHER RESOLVED that the Authority take all necessary steps and actions to require the Corporation to qualify, obtain and maintain its status as a federal tax exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code, as amended.

4. Board Composition

BE IT FURTHER RESOLVED that the Authority shall require that the initial board of the Corporation be composed of not more than seventeen voting members appointed by the Authority Chairperson, with the approval of the Authority, of which four persons shall be members of the Authority; provided that the board of the Corporation shall at all times include four members of the Authority and one additional voting member appointed by the Authority.

5. Lease Agreement

BE IT FURTHER RESOLVED that, upon the fulfillment of the conditions precedent in the resolutions hereinbelow set forth, a mutually agreeable Lease Agreement including the express special conditions hereinbelow set forth, be prepared, executed and delivered by the Authority and the Corporation, and thereafter become effective, in order to lease certain assets of the System to the Corporation, which will assume certain liabilities of the System.

6. Special Conditions

BE IT FURTHER RESOLVED that, as express special conditions of the Lease Agreement, (i) Grady Hospital shall continue to be known as "Grady Memorial Hospital" and continue to provide indigent care as required by the Hospital Authorities Law, the Operating Contract between the Fulton County, DeKalb County and the Authority dated June 20, 1984, as amended, the Bond Contract between Fulton County, DeKalb County and the Authority dated as

of December 1, 2003, and all applicable existing service agreements, (ii) the Authority shall grant to the Corporation a non-exclusive license to use the name "Grady," (iii) the Authority shall retain ownership of all real property and improvements and other assets leased to the Corporation pursuant to the Lease Agreement, (iv) Grady Hospital shall maintain a standard of healthcare at least comparable to other top urban teaching hospitals, and (v) the consent of the Authority shall be required for any significant curtailment of the current major service lines or historic mission of Grady Hospital.

7. Business, Charitable, and Philanthropic Community Support

BE IT FURTHER RESOLVED that, no later than, and as a condition precedent to, the execution and delivery by the Authority of the Lease Agreement, representatives of the business, charitable, and philanthropic communities shall provide a written commitment for funds in an amount not less than \$200,000,000.00 to be made available over a four year period for the System's capital and/or operational needs, as set forth in a Funding Agreement between the Authority and the Corporation to be executed in conjunction with the execution of the Lease Agreement, the first installment payment of which in an amount of not less the \$50,000,000.00 shall be paid in cash or placed in escrow on or before the execution of the Lease Agreement.

8. Additional Business, Charitable, and Philanthropic Community Support

BE IT FURTHER RESOLVED that, no later than, and as a condition precedent to, the execution and delivery by the Authority of the Lease Agreement, certain business and philanthropic leaders of the Atlanta community shall have provided written confirmation to the Authority of their commitment to undertake a campaign, on a good faith, best effort basis, to raise an additional \$100,000,000.00 in private donations over a three year period commencing upon execution of the Lease Agreement for capital improvements to the System.

9. State of Georgia Support

BE IT FURTHER RESOLVED that, no later than, and as a condition precedent to, the execution and delivery by the Authority of the Lease Agreement, the Governor, Lieutenant Governor, and Speaker of the Georgia House of Representatives each shall have provided written confirmation of their intent to support, in addition to amounts currently received from the State of Georgia for the benefit of the System (i) additional direct financial assistance from the State of Georgia of not less than \$30,000,000.00 annually for the System, as supported by any necessary legislation to accomplish that goal, if needed, (ii) necessary budgetary measures for the implementation and funding of the Statewide Trauma Network, which would provide additional financial support for the System, and (iii) appropriate measures to further support medical education in Georgia through enhancement of the reimbursement support level to the maximum \$10,000 per resident level; provided, that the receipt of at least \$30,000,000.00 in additional funding from the State of Georgia for the benefit of the System shall be a condition precedent to the effective date of the Lease Agreement.

10. Metro Chamber Support

BE IT FURTHER RESOLVED that, no later than, and as a condition precedent to, the execution and delivery by the Authority of the Lease Agreement, the Metro Atlanta Chamber of Commerce shall provide written confirmation to the Authority of its intention to continue to support the Corporation and the Authority in order to secure the long-term financial viability of the System, through active lobbying and other activities to promote other short and long term financial support mechanisms, including without limitation possible sales and other tax support, for the benefit of the System.

11. County Support

BE IT FURTHER RESOLVED that the Authority strongly urges the Board of Commissioners of Fulton County and/or DeKalb County to consider, in lieu of the proposed \$100,000,000.00 bridge loan included in the Authority's submitted Stabilization Plan, a suitable financial guaranty in order to permit the Authority's issuance of additional bonded indebtedness in an amount to provide \$200,000,000.00 for capital and certain working capital expenses of the System, through an extension of the current debt service level of the Authority's outstanding bonded indebtedness for an additional period of years and without impacting the current budgets of Fulton and DeKalb Counties or increasing any future annual debt service amounts, in accordance with the proposal submitted to the Authority by a leading national investment banking firm.

12. Medical Schools Support

BE IT FURTHER RESOLVED that, no later than, and as condition precedent to, the execution and delivery by the Authority of the Lease Agreement, Emory University and Morehouse School of Medicine each shall have provided written confirmation to the Authority of (i) their commitment to maintain their current residency and medical school programs at current levels, unless otherwise approved by the Authority, (ii) their willingness, at a minimum, to enter into negotiations with the Authority in order to restructure any and all outstanding obligations owed by the Authority to Emory University and Morehouse School of Medicine, as of December 31, 2007, and (iii) to enter into negotiations at an agreed upon schedule to renegotiate the existing medical school contracts including, but not limited to, the closed medical staff provisions therein.

13. Effective Date of Lease Agreement

BE IT FURTHER RESOLVED that the Lease Agreement would only be executed after completion of the statutorily required public hearings scheduled on December 27, 2007, and no later than December 31, 2007, and that the Lease Agreement shall be made effective at the earliest practicable date in compliance with the requirements of the Georgia Hospital Authorities Law, after (i) securing a determination letter by the Internal Revenue Service that the Corporation is designated as a 501(c)(3) tax-exempt organization, (ii) obtaining any necessary

consents and approvals from Fulton and DeKalb Counties or other necessary parties, and (iii) satisfaction of the terms and conditions of the Funding Agreement.

14. Employee Continuity

BE IT FURTHER RESOLVED that, as a condition of the Lease Agreement, all employees of the Authority shall be offered employment by the Corporation or an affiliated entity thereof as of the effective date of the lease at positions, compensation and benefits at least initially equivalent to the ones that such employees held prior to the effective date of the lease and that all such employees shall be credited with their years of service with the Authority.

15. Open Records/Meetings

BE IT FURTHER RESOLVED that the Lease Agreement shall require the Corporation to comply with the Open Records Act, O.C.G.A. § 50-18-70, et seq., and the Georgia Open Meetings Law, O.C.G.A. § 50-14-1, et seq. to the same extent as those laws are applicable to the Authority.

16. Enabling Resolution

BE IT FURTHER RESOLVED that the Chairperson of the Board of Trustees of the Authority is authorized, empowered and directed to do, or cause to be done, on behalf of and in the name of the Authority, any and all such things and to cancel, sign, seal, attest, acknowledge, verify and deliver any and all certificates, undertakings, agreements, and other documents as she may deem necessary in order to carry out the intent and purposes of the foregoing resolutions, and that any such acts and documents already executed for these purposes are hereby accepted, ratified, and approved.

Adopted this 26th day of November, 2007.

THE FULTON-DEKALB HOSPITAL
AUTHORITY

(SEAL)

By:
Pamela S. Stephenson
Chair

Attest: